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Dear Jane

### Havant Borough Council - 2013/14 Audit Scale Fee – late variation

We issued our formal Annual Audit Letter on 17 October 2014, to formally report the outcome from our work in respect of the 2013/14 audit year. Within this report, we set out the final audit fees, as required by the Audit Commission.

However, the Audit Commission has recently consulted on a supplement to the 2014/15 audit scale fees. In that consultation, the Audit Commission applied a permanent variation of £900 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

This additional work is required because the certification work on Business Rates (the NNDR3 grant claim) is no longer within the Audit Commission's grant regime - it was withdrawn for 2013/14. Auditors were previously able to use the certification work on the NNDR3 claim as the required assurance for the audit opinion on the financial statements (including the Collection Fund). As a result, the 2013/14 grant certification scale fee was reduced by £2,550, to reflect this.

The Audit Commission has now acknowledged that auditors were required to undertake these additional audit procedures to be able to gain assurance for the 2013/14 financial statements opinion. Indeed, business rates were included as a significant audit risk within our Audit Plan. In recognising that this applies equally to 2013/14, the Audit Commission has asked us to agree a scale fee variation of £900 to that audit fee with you.

The revised final scale fee in respect of the 2013/14 audit is set out in the table below.

	2013-14	2013-14
	Reported final fee (within Annual Audit Letter)	Amended final fee (revised and final)
	£	£
Audit Code Scale Fee	63,183	64,083

We appreciate that any increase to the audit scale fee is unwelcome news, but we hope that the narrative above sets out the Audit Commission's rationale for the increase. This increase should be seen in the context of the Audit Commission reducing the 2015/16 scale fee by a further 25%, as a result of its latest procurement exercise.

If you wish to discuss this in more detail please do contact us, so we can arrange a call or a meeting. Otherwise, we would be grateful if this letter could be included within the agenda for the next Governance and Audit Committee, as we are required to report the final audit fee to 'those charged with governance' of the Council.

We look forward to catching up with you in due course.

Yours sincerely



Helen Thompson  
Director  
Ernst & Young LLP