

# MELTON PARISH COUNCIL

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**FRM(19)64.07**

## **Limited Assurance Review 2018/19 – Correspondence on Audit Fee**

Following the completion of the limited assurance review by the external auditor, PKF Littlejohn in September 2019, Melton Parish Council was charged the sum of £1,300, which was the audit fee applicable to annual income / expenditure of between £500,001 to £750,000. Whilst Melton's gross turnover did exceed £500k in the year, this was only because in December 2018, the Council borrowed £425k from the Public Works Loan Board to finance the purchase of the Council's new meeting room and offices, and the expenditure of some £443k for the actual purchase followed in a matter of days, so the £425k was only in the Council's bank account for about one week. Without that capital expenditure funded by long term loan, the overall income last year was £102k and expenditure £97k, thus placing the Council within the income / expenditure band of between £100k to £200k, attracting a fee of £400.

On that basis I wrote to PKF Littlejohn on 25 September asking whether, in the circumstances outlined, the fee could be reviewed. This was declined. On 15 October I wrote to Smaller Authorities Audit Appointments Ltd (who oversee the audit process) arguing that the capital investment represented by the £425k should not be aggregated with revenue expenditure for the purpose of calculating the audit fee. However the request was refused.

A copy of all the correspondence is attached for Members to see and **NOTE THE POSITION.**

William Grosvenor

Clerk and Executive Officer to the Council

5 December 2019

William Grosvenor  
Clerk to Melton Parish Council  
17 Riduna Park  
Station Road, Melton  
Woodbridge  
IP12 1QT

7 November 2019

**Melton Parish Council – audit fee**

Dear Clerk

Thank-you for your letter of 15 October 2019.

The published Scale of Fees for external audit for smaller authorities has been fixed for the 5-year period 2017-18 to 2021-22, with authorities with income/expenditure between £500k and £750k attracting a fee of £1,300.

All income and all expenditure regardless of source is required to be included on the Annual Governance and Accountability Return as per 'proper practices' as set out in Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices 2019/20. This publication sets out the requirements adopted and agreed by the Joint Panel on Accountability and Governance. Therefore, the income/expenditure in this case has been correctly recognised by the external auditor, PKF Littlejohn.

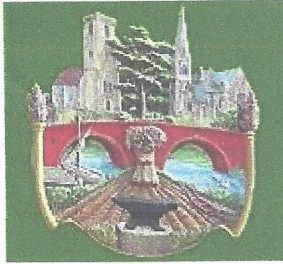
The fee scales are statutory scales and are designed to reflect the degree of risk in signing off reviews for authorities based on their total income/expenditure. If a Council has income/expenditure over £200k the assurance review required to be undertaken by the auditor becomes a more detailed 'intermediate' review rather than a basic review.

Whilst it is understood that large one-off transactions can inflate total income/expenditure in some years, the auditor has charged the correct amount according to the statutory fee scales and therefore SAAA is unable to alter the fee charged.

Yours faithfully

Smaller Authorities Audit Appointments





# MELTON PARISH COUNCIL

15 October 2019

SAAA  
77 Mansell Street  
LONDON E1 8AN

COPY

Dear SAAA

**Re: Melton Parish Council – audit fee**

Melton Parish Council considers that the fee charged by PKF Littlejohn for the audit of our 2018/19 accounts is excessive. Following the Council's query about the fee, PKF Littlejohn replied that it was in accordance with SAAA fee bands. PKF Littlejohn also advised that if the Council wished to appeal it should contact the SAAA. Copies of the correspondence between the Council and PKF Littlejohn are attached.

The facts of the matter are set out below.

- PKF Littlejohn has charged the Council £1,300 for review work on the accounts for the year ended 31 March 2019. Such a fee is applicable to income / expenditure of between £500,001 to £750,000.
- In the Council's view, the audit fee is excessive by about £900 because of the distorting effect of a once-only, capital, transaction. The Council's day-to-day income and expenditure for 2018/19 was £102k and £97k respectively. This would normally have placed the Council in the band for income / expenditure of £100 - £200k, attracting a fee of £400.
- The once-only capital transaction related to the purchase of new premises (£443K) and was largely financed by a PWLB loan. The cash was in the Council's bank account for about one week only.
- PKF Littlejohn's view is that the capital transaction had the effect of boosting the revenue expenditure figure on which their fee is calculated. The Council's view is that the capital expenditure was an investment and should not be lumped with revenue expenditure for the purpose of calculating the audit fee. The Council's volume of business activity over the year was largely unchanged by the capital expenditure transaction and the "extra" audit work, if any, could in no way amount to £900.

The Council appreciates that the SAAA fee bands are designed to reflect the level of complexity encountered in a review. The Council is arguing that some consideration should be given to this anomalous situation, whereby its turnover was inflated by a capital transaction over the space of just one week.

The Council's view is that PKF Littlejohn's fee is excessive – well beyond what a reasonable person would regard as fair. The Council believes the SAAA's fee structure was never intended to allow a technicality to deliver a substantial financial windfall to private sector auditors, not earned by the fruits of their labour. This is an unacceptable use of Council tax-payers' money. Furthermore, the excess costs of £900 is a great deal of money for a small parish council like Melton, representing about 1.2% of the precept.

The Council, therefore, asks the SAAA to review the fee charged by PKF Littlejohn for the audit of its 2018/19 accounts.

Yours faithfully,

William Grosvenor  
Clerk to Melton Parish Council  
Email: [clerk@melton-suffolk-pc.gov.uk](mailto:clerk@melton-suffolk-pc.gov.uk)

## Parish Clerk

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**From:** SBA <SBA@pkf-littlejohn.com>  
**Sent:** 11 October 2019 13:33  
**To:** clerk@melton-suffolk-pc.gov.uk; SBA  
**Subject:** RE: Limited assurance review for Melton Parish Council (SF0265)

Dear Mr Grosvenor

Thank you for your email. Apologies for the delay in responding. The [fee bands](#) are set by SAAA; we are sorry but we have no ability to waive fees in the way that you request. If you wish to appeal to SAAA, then please do so.

Kind regards

**SBA Team**

For and on behalf of PKF Littlejohn LLP  
T +44 (0) 20 7516 2200  
[sba@pkf-littlejohn.com](mailto:sba@pkf-littlejohn.com)

For and on behalf of  
**PKF Littlejohn LLP**  
15 Westferry Circus  
London E14 4HD  
United Kingdom  
[www.pkf-littlejohn.com](http://www.pkf-littlejohn.com)

Tel: +44(0)20 7516 2200



PKF Littlejohn LLP, Chartered Accountants

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**From:** Parish Clerk <clerk@melton-suffolk-pc.gov.uk>  
**Sent:** 25 September 2019 17:30  
**To:** SBA <SBA@pkf-littlejohn.com>  
**Subject:** Limited assurance review for Melton Parish Council (SF0265)

Dear PKF Littlejohn,

I write in connection with the above for the year ended 31 March 2019 which has now been completed.

You have sent the Council an invoice for the review work of £1,300.00, which is the fee applicable to income / expenditure of between £500,001 to £750,000. Whilst it is the case that the gross turnover exceeded £500k, this was only because in December 2018, the Council borrowed £425k from the Public Works Loan Board to finance the purchase of new premises, and the expenditure of some £443k for the actual purchase followed in a matter of days, so the £425k was only in the Council's bank account for about one week.

Without this capital expenditure funded by long term loan, the overall income was £102k and expenditure £97k, thus placing the Council in the band for income / expenditure of £100 - £200k, and attracting a fee of £400.00. Whilst it is appreciated that the fee levels are set by the SAAA, but given that they are presumably designed to reflect the level of



complexity encountered in a review, surely some consideration should be given to this anomalous situation, whereby the Council's turnover was inflated by in effect, one single capital transaction over the space of one week. I should be grateful if you can consider this request for a review of the fee charged, and advise if there is any scope for review.

Yours sincerely

William Grosvenor  
Clerk to Melton Parish Council  
17 Riduna Park, Station Road, Melton, Woodbridge IP12 1QT

Tel: 01394 382224

Email: [clerk@melton-suffolk-pc.gov.uk](mailto:clerk@melton-suffolk-pc.gov.uk)

Web: [www.melton-suffolk-pc.gov.uk](http://www.melton-suffolk-pc.gov.uk)

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