



Grant Thornton

An instinct for growth™

Hitesh Jolapara
Strategic Director of Finance & Governance
Hammersmith & Fulham Council
Town Hall
King Street
Hammersmith
London
W6 9JU

Andrew Smith
Director
Public Services
Grant Thornton (UK) LLP
4 Hardman Square
Manchester
M3 3EB

T: 0161 9536916
E: andrew.j.smith@uk.gt.com

16 July 2019

Dear Hitesh,

Fee variations in relation to the 2018-19 external audit

I am writing to seek your agreement to increase the external audit fee for additional work performed in connection with the 2018-19 statutory audits of the Council and the Pension Fund.

As you know, local government audit fees have significantly reduced in recent years. In the last year alone, your audit scale fees reduced by a total of £42,538, which equates to a saving of 23%.

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £142,412 excluding VAT assumes that the scope of the audits do not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the table below.

Area	Reason	£
Implementation of the new ledger system (SAP)	One-off additional audit has been performed due to this significant business change. Additional work has included: <ul style="list-style-type: none">reviewing the Council and Pension fund's arrangements and controls over the transfer of data from the old system to the new system, and the controls over the completeness and accuracy of data transferred;mapping the closing balances from the redundant general ledger (Agresso) to the opening balance position in the new ledger (SAP) to assess accuracy and completeness of the financial information; andcompleting an information technology (IT) environment review on both systems Agresso and SAP to document, evaluated and tested the IT controls operating within the new general ledger system across the financial year.	£5,000

Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£3,000
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£3,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£3,000
Total		£14,000

As a result of the above, we propose the revised fee for the audits will be £156,412 excluding VAT. This compares with an actual fee charged for the 2017/18 audit of £184,950 excluding VAT. The revised fee still provides a saving of £28,538 (or 15%) on the prior year fee charged by KPMG LLP. In light of the additional work performed to provide the statutory audit opinion over and above that performed in the prior year, we believe the revised fee still provides value for money.

Process for approving variations to the scale fee

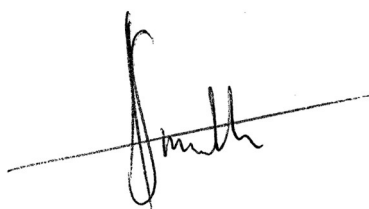
Whilst PSAA do not change the published scale fee, PSAA can approve any proposed variations to the scale fee by the appointed auditor. PSAA will consider the reasonableness of the explanations provided by auditors before agreeing to any variation to the scale fee.

As the fee variations relating to McCloud, pensions and PPE valuation are common to all local authorities, we have verbally agreed an approach with PSAA to billing for the additional work in these areas, which will ensure consistency in our firm's approach across the sector.

Prior to our submission of the proposed fee variations to PSAA, we are required to communicate the proposed fee variations to those charged with governance. We have included the proposed fee variations set out above in our Annual Audit Letter.

If you would like to discuss our proposed fee variations, please contact me in the first instance.

Yours sincerely



Andrew Smith, Director
Grant Thornton (UK) LLP