

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 23/11/2022

Subject: External Audit Appointment of Grant Thornton 2023-28

Report of: Craig Tucker, Finance Manager (Corporate Accountancy)

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This report is to notify the committee of the appointment of Grant Thornton by the PSAA as external auditor for 2023-28.

RECOMMENDATIONS

1. That the Committee note the appointment of Grant Thornton by the PSAA as external auditor for 2023-28.
 2. That the Committee note the potential significant increase in audit fees for the 2023-28 cycle.
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Wards Affected: All

H&F Values

Our Values	Summary of how this report aligns to the H&F Values
<ul style="list-style-type: none">• Being ruthlessly financially efficient	As part of the financial governance of the Council, and to ensure the Council is using its resources effectively, there is a need to appoint a suitable external auditor.

Financial Impact

This report is in regard to external audit and is wholly of a finance nature.

Legal Implications

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires the Council to appoint a local auditor to audit its accounts by 31 December in the preceding year for a maximum period of five years.

The procedure for appointment of a local auditor is set out in Section 8 of the Act and requires the Council to consult and take account of the advice of its auditor panel on the selection and appointment of the auditor.

If the Council fails to appoint a local auditor, under section 12 of the Act, the Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

Section 17 of the Act gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 and gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person. This report shows the result of this procurement by the sector-led 'appointing person' regime.

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Background Papers Used in Preparing This Report

None.

Background

1. In order to appoint an external auditor for the period 2023-28, the Council opted in to the 'appointing person' arrangements provided through PSAA. The decision to opt-in was brought to Audit Committee in November 2021 and was approved by Full Council in February 2022, as part of the 2022/23 budget report.
2. The 'appointing person' regime is, in effect, a sector-led audit-appointment consortium operated by PSAA who are appointed by the government. These arrangements exist under the Local Audit and Accountability Act 2014 and have succeeded arrangements previously managed and administered by the Audit Commission between 1983 and 2015.

3. The Council has previously opted-in to the PSAA 'appointing person' arrangements, in common with 98% of the sector.

Proposed Appointment

4. On 17 October 2022 the PSAA notified the Council that Grant Thornton had been reappointed as external auditor for the Council and the Pension Fund. Once the Audit Committee have had a chance to discuss this appointment, the PSAA will be contacted to either accept or object to the appointment of Grant Thornton.
5. It is proposed that we accept this appointment. The Council has a good working relationship with Grant Thornton at both committee and officer level, and there will be a benefit in having continuity during the audit process.

Proposed Fee Increases

6. On 3 October 2022 the PSAA issued a press release announcing successful bidders but with a warning that fees could increase by up to 150%. This would be for all auditors that are part of the framework.
7. Using 2021/22 figures as a basis, this would be an increase from approximately £200k to £500k. For comparison, Audit Commission fees prior to 2012 were approximately £400k. Since 2012 fees have been around £200k, with KPMG and then Grant Thornton.
8. The PSAA advised that there will be a formal consultation regarding fees next year and that they will raise the extra cost as an issue with the Department for Levelling Up, Housing and Communities. There is likely to be responses to the consultation from representative bodies such as CIPFA and the Society of London Treasurers, which LBHF officers will feed into.

Timetable

October/November 2022	Consult with LBHF officers and Audit Committee members
24 November 2022	Respond to PSAA with decision on appointment of Grant Thornton
30 November 2022	Response from PSAA to any objection raised to the appointment
31 December 2022	Final confirmation of appointment of auditor for 2023-2028
Autumn 2023	Consultation on the proposed fee increases.

List of Appendices

None.