

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27/11/2023

Subject: Audit Fees 2023/24

Report author: Christopher Harris - Head of Corporate Accountancy, Finance Systems and Tax)

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This report provides an update on the external audit fees for 2023/24 as set by Public Sector Audit Appointments (PSAA) and the Council's response to the recent consultation on the proposed framework for fees.

RECOMMENDATIONS

1. To note the update on the external audit fees as set by Public Sector Audit Appointments (PSAA) and the Council's response to the recent fee consultation. (Appendix 1).
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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

The approved budgets for 2023/24 include provision for the new proposed fees (this is estimated at between £0.45m to £0.5m) and needs to be considered in the context of our overall resources and our complexities as a local authority (including Pension Fund).

Legal Implications

There are no direct legal implications in relation to this report.

Section 17 of the Local Audit and Accountability Act 2014 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.

The Regulations set out the procedure that must be followed for setting the fee scale for audit of accounts (reg 16) before the start of the financial year to which the scale of fees relates including consulting opted in authorities and the scale of fees may take account of the costs or expenses and anticipated costs and expenses. This report sets out that process of consultation.

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Background Papers Used in Preparing This Report

None

PSAA Audit Fee Consultation

1. It was reported to Audit Committee in November 2022 that Public Sector Audit Appointment (PSAA) – being the “appointing person” for local authority external audit – had indicated a likely significant increase in the audit fee for the 2023-28 audit cycle.
2. The scale fee for 2023/24 will be finalised by 30 November but has provisionally been indicated to increase by 151% (remaining in line with the increase reported to the Audit Committee in November 2022).
3. The PSAA has set out the reasons for this significant increase in the scale fee, of which the key reasons are as follows:
 - Audit requirements have increased in recent years as a result of:

- changes to audit work required under the Code of Audit Practice
 - updated auditing and financial reporting standards
 - increased regulatory challenge
- Local authority audit is not attracting enough audit suppliers. This is in line with the findings of the 2021 “Redmond Review” and has led to significant procurement challenges.
4. The PSAA invited comments on the proposed audit fee increase through a recent consultation exercise. The Council’s response to this consultation is attached at appendix A.

LIST OF APPENDICES:

Appendix 1 – PSAA Scale Fee – LB Hammersmith and Fulham Consultation response – October 2023