

Audit, Risk and Governance Committee
Meeting to be held on Monday, 16 October 2023

Electoral Division affected:
(All Divisions);

2023/24 External Audit Fee Scale
(Appendix 'A' refers)

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Brief Summary

In December 2021 the Full Council recommissioned Public Sector Audit Appointments (PSAA) to appoint an external auditor for the county council.

In 2022 Public Sector Audit Appointments informed the council that it had appointed Grant Thornton as the auditor for the five years commencing 2023/24. Public Sector Audit Appointments are required under local audit regulations to consult on and set the 2023/24 fee scale before 1 December 2023.

This report sets out the proposed external audit fees payable by the council. There are separate audit fees payable by the council's pension fund, that may be considered by the Pension Fund Committee.

Recommendation

The Audit, Risk and Governance Committee is asked to consider and comment on Public Sector Audit Appointments' fee proposal and the county council's response to the consultation.

Detail

Public Sector Audit Appointments (PSAA) having appointed Grant Thornton as the council's external auditors for the five years from 2023/24 and is required under local audit regulations to consult on the fees payable by the council.

The 2023/24 audits will be the first in the new five-year appointing period. Public Sector Audit Appointments awarded new contracts for this appointing period in 2022 to six audit firms, following, in their view *"a challenging and protracted procurement demonstrating the limited audit capacity available to meet the demands of the local audit market."*



Public Sector Audit Appointments is required under the local audit regulations to consult on and set the 2023/24 fee scale by 1 December 2023. Public Sector Audit Appointments propose setting the 2023/24 scale fee based on the elements set out in Table 1 with Table 2 providing further details (below). These fees are based on the existing audit regime but will be reviewed if changes to this are enacted.

The proposed fee for 2023/24 shows an increase of £228,424 compared to the standard fee payable in 2022/23. It should be noted however that the council paid £52,125 more than this standard scale fee for 2022/23 as per Grant Thornton's claim of additional work in that year.

There are separate audit fees payable by the council's Pension Fund, that may be considered by the Pension Fund Committee.

Table 1: Summary of your proposed 2023/24 scale fee

Fee scale elements	
1) 2022/23 scale fee	£103,069
2) Add: approved fee variations or estimates for recurring work not already included (see Table 2 for details)	£6,000
3) Add: changes in audit requirements (VFM arrangements, ISA 540)	£23,000
4) Add: adjustment for special circumstances (where applicable)	£0
Subtotal 2022/23 scale fees plus recurring fees	£132,069
5) Audit fee adjustment to reflect the procurement outcome (uplift by 151%)	£199,424
Scale fee for 2023/24	£331,493

Table 2: Summary of recurring figures for consolidation into 2023/24 scale fees

Fee variation area of work	Proposed aggregate recurring value for consolidation into 2023/24 scale fees	Already consolidated into 2022/23 scale fees	Recurring value for consolidation into 2023/24 scale fees
	A	B	A-B=C
Group accounts – note 1	£2,500	£0	£2,500
Pension valuation	£4,375	£4,375	£0
PIE	£0	£0	£0
PPE valuation	£5,438	£5,438	£0
Increased FRC Challenge	£8,250	£6,250	£2,000
PFI – note 2	£0	£0	£0
Other – note 3	£0	£0	£0
VFM commentary	£20,000	£0	£20,000
ISA540	£3,000	£0	£3,000
IAS19 – note 4	£0	£0	£0
Major local audits	£1,500	£0	£1,500
Investment valuations – note 5	£0	£0	£0
Total	£45,063	£16,063	£29,000



The consultation inviting views on the proposed fees is provided at Appendix 'A' and shows how Public Sector Audit Appointments have derived the new fee structure which now includes the following:

2023/24 fee scale: proposed elements
<p>A - The scale fees for 2022/23</p> <p>Plus:</p> <p>B - Fee variations for recurrent additional audit work in prior years not yet included in scale fees</p> <p>C - Changes in local audit requirements</p> <p>D - Adjustments at specific bodies for local circumstances</p> <p>E - Adjustment for the procurement outcome</p>

The consultation closed on 10 October 2023.

Response to the consultation

The county council has responded to the consultation on the basis that it does not agree with the proposed elements of the fee scale. In particular, the proposed fee scale includes additional cost for previous and new work relating to changes in local audit requirements. We do not agree that local audit requirements have changed to the extent that additional fees should be payable.

Also, such a significant increase in the audit fee could have been avoided had the sector responded more quickly to the issues that were emerging. Whilst we understand that work is progressing in the sector around the issues raised in the consultation (Appendix 'A'), and that there are many stakeholders to satisfy, we urge a speedy resolution to enable improved value for money for our local taxpayers.

99% of eligible bodies have opted-in to Public Sector Audit Appointments' appointment scheme, and the council continues to think it is the best option to secure an external auditor.

Appendices

Appendix	Title
Appendix A	Consultation on the 2023/24 Audit Fee Scale

Consultations

N/A

Implications:

This item has the following implications, as indicated:



Risk management

Legal

Public Sector Audit Appointments Limited has been specified as an appointing person under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. The duty to specify scales of fees is one of Public Sector Audit Appointments' statutory functions as the appointing person for opted-in bodies.

Financial

Following the Redmond Review in 2020, the council is to receive £45,000 annually to fund additional audit fees. However, this is not sufficient to cover the additional audit fees being proposed.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A

