

Slough Borough Council

Report To: Audit and Corporate Governance Committee

Date: 17th January 2023

Subject: Proposed Audit Fees

Chief Officer: Adele Taylor – Executive Director of Finance and Commercial (S151)

Contact Officer: Ruth Hodson, Director of Financial Management

Ward(s): All

Exempt: No

Appendices: No

1. Summary and Recommendations

- 1.1 This report is to raise Audit and Corporate Governance Committee’s awareness of the increase of price for the Audit Fees as set by the Public Sector Audit Appointments scheme (PSAA).

Recommendations:

1. Audit and Corporate Governance Committee note the increased Audit Fee from £98k in 2023/24 to £472k in 2024/25.

Reason:

The Audit and Corporate Governance Committee have responsibility to monitor the external Audit arrangements for Slough Borough Council

- 1.2 These fees are reviewed annually and therefore, should be presented to the Audit and Corporate Governance Committee for noting.

Commissioner Review:

- 1.3 The Commissioners note the report.

2. Report

Introduction:

- 2.1 Slough Borough Council is part of the PSAA scheme. PSAA is responsible for appointing an external auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. There are 532 public sector organisations that are part of this scheme.

2.2 In September 2023 PSAA went out for consultation on the proposed fees for 2023/24 audit. The costs were calculated using the following formula

- the scale fee for the previous year (2022/23), as the starting point;
- adding in fees for any changes in the audit work now needed, replacing the need for fee variations where possible; and
- taking the total of the previous scale fee plus the additional work needed (a plus b) and applying the procurement adjustment of 151% for the new contract rates for audit firms

2.3 As part of the consultation 70% of respondents agreed with the approach to fee setting even though there is an understanding this would let to a significant increase in the fees.

3 Implications of the Recommendation

3.1 Financial Implications

3.1.1 This Audit fee (base fee) has increased for 2022/23 accounts from £98k to £472k in 2023/24 accounts. However, due to this early consultation the pressure was incorporated into the budget setting process with the draft budget being presented to Cabinet on the 18th of December 2023.

3.2 Legal Implications

3.2.1 The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities. In response to the Redmond Review, the Government published a policy paper in 2020 emphasising the importance of a robust local audit system and transparent local authority financial reporting to ensure value for money services are being delivered for taxpayers. Since that date, there have been some well publicised failures in local government and the delays in auditing of local authority accounts are seen as a contributing factor.

3.2.2 In July 2023 the Minister for Local Government wrote to the Chair of the relevant select committee about the issues and potential next steps to deal with the local audit delays. This included how to manage audit fees for historic years in the event that the amount of work required for the audit changes.

3.2.3 Like the majority of local authorities, the Council has opted into the Public Sector Audit Appointments and is therefore bound by the fees set by PSAA. PSAA conducted consultation and set rates based on the current requirements for audit due to the need to publish rates by 1 December 2023. Any subsequent changes in national requirements or local circumstances relating to the 2023/24 audits will therefore be the subject of fee variations. The PSAA conducted a procurement for audits covering 2023/24 to 2027/28 and new contracts were awarded to six audit firms. The procurement highlighted the limited audit capacity available to meet the demands of the local government audit market and resulted in an increase of 151% on total fees for local audit work. PSAA has publicly stated that it is aware of the significant financial pressures on all local government bodies but that the fee scale for 2023/24 is largely determined by two factors: the audit work required to deliver compliant audits and the market rates received in the public procurement.

3.3 Risk Management Implications

3.3.1 As it is a statutory requirement to have external auditors this payment must be made.

3.4 Environmental Implications

3.4.1 There are no direct environmental implications in this report.

3.5 Equality Implications

3.5.1 There is no identified need for an Equality Impact Assessment.

4 Background Papers

None