

LONDON BOROUGH OF CROYDON

REPORT:	Audit and Governance Committee	
DATE OF DECISION	20 July 2023	
REPORT TITLE:	External Audit Fees Update 2019-20	
CORPORATE DIRECTOR / DIRECTOR:	Jane West, Corporate Director of Resources and S151 Officer	
LEAD OFFICER:	Allister Bannin, Director of Finance (Deputy S151 Officer) Allister.Bannin@croydon.gov.uk	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
KEY DECISION?	No	REASON: N/A
CONTAINS EXEMPT INFORMATION?	No	Public
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1 This report presents an update on the proposed audit fees by the Council's auditor in relation to the 2019-20 Council audit.

2 RECOMMENDATIONS

For the reasons set out in the report, the Audit and Governance Committee is recommended to:

- 2.1 Note the proposed increased audit costs of £220,750 in relation to 2019-20, which would take Council audit fees to £597,352 for the year.

3 REASONS FOR RECOMMENDATIONS

- 3.1 Grant Thornton LLP have incurred additional costs in relation to the audit of the 2019-20 statement of accounts, which they propose charging to the Council.

4 BACKGROUND AND DETAILS

- 4.1** The Council's 2019-20 draft accounts were published on 19 October 2020, and Grant Thornton LLP commenced their external audit review.
- 4.2** Fees for External Audit were agreed when the Council entered into arrangements with the Public Sector Audit Appointments (PSAA) regime, referred to as the Scale Fee. The scale fee was already revised in 2019-20 due to a number of sector wide changes and were presented at the General Purposes and Audit Committee on 17 March 2020.
- 4.3** Any change to the level of audit fee must be agreed by the PSAA, who will review information from both the Auditor and the council when making any decisions. A further increase in audit costs of £160,750 in relation to RIPI 1 and Covid-19 has already been agreed by the PSAA.
- 4.4** However, in response to a number of further factors, Grant Thornton LLP have proposed further increases in audit fees for 2019-20. The table below sets out the existing fee, and proposed increases:

Table 1- External Audit Fees

	Council Audit Fees 2019-20 £
Revised Scale Fee	188,602
Further increases: -Covid-19 impact -Prior Period Adjustments, -Enhanced Group Audit Procedures -reduction in Materiality	68,000
Cost of additional quality reviews	55,000
Cost of the first Report in the Public Interest (RIPI)	65,000
Total Audit Fees agreed by PSAA	376,602

Proposed Increases

Cost of the second Report in the Public Interest	120,000
Recharge of legal fees for support during the RIPI	40,750
Proposed Fee for 2nd RIPI	160,750
Fairfield Halls – Prior Period adjustment	10,000
Croydon Affordable Homes & Tenures technical query	40,000
Additional Value for Money work	10,000
Additional Fees Proposed for technical work	60,000
Total Proposed Increase	220,750
Total Proposed Audit Fees (including pre-agreed costs)	597,352

- 4.5** The table above relates to the Council's main audit and does not include either the audit of the Pension Fund accounts, or the audit of external grant returns.
- 4.6** It should also be noted that these fee increases are proposed, and not yet agreed by the PSAA.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1** None

6 CONSULTATION

- 6.1** None

7. CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1** The external audit contributes to the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

- 8.1.1** The council has set aside £300,000 into an earmarked reserve to fund the increased cost of external audit fees, which can be used to fund these proposed fees.
- 8.1.2** There remains the risk that audit fees will continue to increase, as the 2019-20 audit is not yet finalised. Audit fees are also likely to remain high in subsequent years.

Approved by: Allister Bannin, Director of Finance (10/07/2023)

8.2 LEGAL IMPLICATIONS

- 8.2.1** The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Local Audit and Accountability Act 2014 ('the Act') places an obligation on the Council to have an external auditor in

place. Section 7 read with Schedule 3 of the Local Audit and Accountability Act 2014 provide that where, as in Croydon, the authority is operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements and as such this is a function reserved to Full Council

- 8.2.2** Following the abolition of the Audit Commission in July 2016 Public Sector Audit Appointments Limited (PSAA), which is a subsidiary of the Improvement and Development Agency (Idea) and is wholly owned by the Local Government Association, was specified as a 'designated person' for the purpose of making external auditor appointments. On 17 October 2016 Full Council resolved that the external auditor for the Council and for the pension fund should be appointed by PSAA who carried out the EU procurement on behalf of all councils signed up with them and contracted the Council's external auditor Grant Thornton LLP for the relevant accounting periods 2018/2019 – 2022/2023
- 8.2.3** The duty to specify a scale of fees is one of PSAA's statutory functions as the appointing person. Following consultation, the Scale fees for each year are published by the PSAA on its website. <https://www.psaa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/>
- 8.2.4** The statutory framework for audit fees and variations is set out in the Local Audit (Appointing Person) Regulations 2015 and the Local Audit (Appointing Person) (Amendment) Regulations 2022 ('the Regulations'). Regulation 17(2) provides for the auditor to propose to the PSAA (as the Appointing Person) that fees should be varied where the work involved in a particular audit was substantially more or less than envisaged by the appropriate scale. The PSAA will then consider the reasonableness of the explanations provided by auditors before agreeing to any variation to the scale fee.

Approved by: Head of Litigation and Corporate Law for and on behalf of Stephen Lawrence-Orumwense, Director of Legal Services and Monitoring Officer. (11/7/2023)

8.3 EQUALITIES IMPLICATIONS

- 8.3.1** As a Public Sector Authority we will be required to promote the Public Sector Equality Duties (PSED) as detailed below.
- i. Eliminate unlawful discrimination, harassment and victimisation.
 - ii. Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - iii. Foster or encourage good relations between people who share a protected characteristic and those who do not.
- 8.3.2** Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.

8.3.3 This report is exempt from an EQIA as it does not affect service delivery.

Comments were approved by John Mukungunugwa, Interim Senior Equality Officer on behalf of Denise McCausland, Equalities Programme Manager. Date: 10/07/2023

8.4 HUMAN RESOURCES IMPLICATIONS

8.4.1 There are no immediate HR implications arising from the content of this report. Should any matters arise, these will be managed in line with the appropriate Council policies and procedures.

8.4.2 Comments approved by Gillian Bevan, Head of HR Resources and Assist Chief Executives Directorates on behalf of the Chief People Officer. (Date: 10/07/2023)

9. APPENDICES

9.1 None

10. BACKGROUND DOCUMENTS

10.1 None