

 Brent	Audit and Standards Advisory Committee 26 September 2019
	Report from the Director of Finance
Note on Additional Audit Fees 2019-20	

Wards Affected:	All
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	
No. of Appendices:	N/A
Background Papers:	N/A
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1.0 Purpose of the Report

- 1.1 Prior to 2018/19, the council's external auditors were KPMG who had been appointed by the audit commission (following closure of the Audit Commission the contract was novated to Public Sector Audit Appointments (PSAA)). This contract reduced costs to the council: as a result of this appointment local authorities benefited from a reduction in fees in the order of 55% compared with fees in 2012.
- 1.2 For the five financial years commencing 1 April 2018, the audit committee agreed that the council should appoint PSAA to procure an external auditor for the council to benefit from the economies of scale and better accountability from PSAA managing contracts on behalf of local government from participating in a procurement across local government. PSAA appointed Grant Thornton as the council's external auditor for this period. This contract has saved the council a further £50,736 comparing the 2017/18 and 2018/19 audits, on top of the saving detailed in the previous paragraph.
- 1.3 Not all the work that external auditors may have to carry out is within the scope of the agreed fees. In such cases, the external auditors may choose to charge additional fees. However, these additional fees are subject to scrutiny by PSAA who have to agree the fees before they are paid. This acts to consolidate skills in managing external audit contracts across local government, and helps ensure consistent approach to additional fees across the sector.

2.0 Recommendations

2.1 The Committee note the additional fees proposed by KPMG and Grant Thornton.

3.0 Detail

LOBO Objection

3.1 KPMG have been carrying out work in relation to an objection received to the 2015/16 accounts concerning the council's Lender's Option, Borrower's Option loans (LOBOs). This objection has now been resolved, and audit certificates issued the financial years for 2015/16, 2016/17 and 2017/18. The work KPMG completed on audit fees is outside the standard audit fee and an additional fee is payable to reflect the work completed on the objection.

3.2 KPMG is proposing a fee of £14,630 to take into account their review of the 14 LOBOs (including inverse floaters and those with up front incentives); review of relevant papers to support the decisions to take out the loans, various correspondence and policies; drafting their provisional view; considering additional issues raised and challenges to their findings from the elector, discussions with PSAA and PSAA's legal team and final drafting and issue of their decision.

3.3 The fee has to be agreed with Public Sector Audit Appointments (PSAA).

2018-19

3.4 Grant Thornton are proposing an additional fee of £6,400, connected with additional work they carried out on evaluating the issues raised by the McCloud judgement for the pension reserves and liabilities, and additional work required by their regulator, the Financial Reporting Council, on verifying asset valuations and Pensions. As with the KPMG fees, the next stage is for PSAA to review these costs, and either agree or amend them.

4.0 Financial Implications

4.1 The financial implications of this report are the additional fees detailed in the previous section.

5.0 Legal Implications

5.1 There are no legal implications arising from this report.

6.0 Equality Implications

6.1 There are no equality implications arising from this report.

7.0 Consultation with Ward Members and Stakeholders.

7.1 Not applicable.

Report sign off:

Director of Finance
Minesh Patel

