

East Herts Council Report

Audit and Governance Committee

Date of Meeting: 28 July 2020

Report by: Bob Palmer, Head of Strategic Finance and Property

Report title: Fees for the External Audit

Ward(s) affected: All

Summary

None.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

(a) That Members consider the letter from Public Sector Audit Appointments (PSAA) and the representations from Ernst and Young (EY) and that the amount of any increase in the scale fee for the audit be left for PSAA to determine.

1.0 Proposal(s)

1.1 This report proposes that any increase in the scale fee for the external audit should be left for PSAA to determine.

2.0 Background

2.1 Each year PSAA sets the scale fee for the audit. A letter from PSAA to the section 151 officer and the Chair of the Audit Committee is attached as Appendix A. This provides background information on the fee setting process. Whilst PSAA have acknowledged issues in the audit market, they have left the scale fee for the audit unchanged at £40,295.

- 2.2 Previous reports from EY have indicated a desire to increase the scale fee for the audit. A note setting out their arguments is attached as Appendix B. The document sets out the basis for an increase of 67% in the scale fee from £40,295 to £67,244.
- 2.3 It is understood from colleagues across Hertfordshire that EY are seeking similar increases at most authorities. It is also understood that these increases are unlikely to be accepted.
- 2.4 Where an external auditor seeks an increase in the scale fee, they are required to submit a request to PSAA setting out their reasons. PSAA will review any application and the justification for it to determine if the work is necessary and the time claimed is reasonable. On reaching a determination PSAA may agree the request entirely, may agree the request but reduce the amount or may reject the request. If the request lacked detail or was being made too early in the process the PSAA would ask for additional information or defer their decision.

3.0 Reason(s)

- 3.1 PSAA are the responsible body for setting audit fees and have the wider experience and understanding of the entire audit market.

4.0 Options

- 4.1 Members could decide to accept the proposed increase of 67% in the scale fee, or to suggest some other level of increase that is deemed appropriate.

5.0 Risks

- 5.1 There is a risk that audit quality could be compromised if the external auditor is unable to obtain a sufficient fee for performing the audit.

6.0 Implications/Consultations

6.1 It was not appropriate to consult Leadership Team on this item.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

If a significant increase in the scale fee is agreed this will apply not just to 2019/20 but to subsequent years as well. The Council is in an uncertain financial position, given the significant and ongoing reduction to income from fees and charges. It is clear that savings will need to be identified going forward, in addition to those already included in the Medium Term Financial Plan.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

Appendix A and B

Contact Member

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