



LONDON FIRE BRIGADE

PART 2 – CONFIDENTIAL FACTS AND ADVICE

LFC Number LFC-0654

Title: Provision of External Audit Services from 1 April 2023 – Public Sector Audit Appointments Ltd (PSAA)

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Governance Team for advice.

This information is not for publication because:

The financial information relating to the expected costs of the external audit service is not to be published as it is commercially sensitive ahead of the procurement process.

Legal recommendation on the grounds of keeping the information confidential:

In the event the information contained in this Part 2 and/or its appendix is the subject of a request for information under section 1 of the Freedom of Information Act 2000 (the “Act”), it is considered that access can be denied on the basis that such information constitutes exempt information under:

Section 43 (2) of the Act to protect the commercial interests of the London Fire Commissioner by keeping information about its budget confidential until any procurement exercise has completed.

The recommended period for non- publication of Part 2 is up to 31 December 2022, when the procurement process is to be completed.

Legal Adviser - I make the above recommendations that this information should be considered confidential at this time

Name: Thomas Davies

Date: 7 January 2022

Confidential decision and/or advice:For the Deputy Mayor

That the Deputy Mayor for Fire and Resilience authorises the London Fire Commissioner to commit revenue expenditure of up to £850,000 over five years for external audit services from 1 April 2023.

This LFC decision will only be taken after further consultation with the Greater London Authority's finance and legal advisers and Corporate Investment Board.

For the London Fire Commissioner

That the London Fire Commissioner

- agrees to opt in to the Public Sector Audit Appointments Ltd procurement process, by the 11 March deadline;
- approves revenue expenditure of up to £850,000 over five years for external audit services from 1 April 2023; and
- delegates to the Director of Corporate Services authority to confirm the appointment of external auditors following completion of the Public Sector Audit Appointments Ltd procurement process.

Introduction and background

- 1.1 The consideration of future external audit costs is considered commercially sensitive ahead of the procurement process, and is therefore set out below.
- 1.2 The majority of the external audit fees incurred in 2020/21 are expected to be ongoing as they relate to the increasing audit requirements across the sector. It is therefore expected that the PSAA process will lead to higher scale fees from April 2023, as the ongoing costs are reflected in the scale fee.
- 1.3 There is also expected to be financial pressure with a further push to complete audits to deadlines – for 2020/21 less than 10% of local government audits were completed by the 30 September 2021 deadline. It is therefore expected that the fee for 2020/21 is a reasonable indication of the ongoing fees, and therefore this has been used to determine potential costs over the five years of the audit contract (estimated at £630k). This has been supplemented for an expectation on inflation (estimated at £25k), and as well as allowance for further expected costs (estimated at £100k).
- 1.4 The increase fees over the current audit contract has demonstrated the extent to which audit requirements can increase, and so a further allowance has been made for this (estimated at £95k). This brings the forecast for external audit costs over the five year period up to £850,000.

- 1.5 There remains uncertainty on the impact of the PSAA procurement process on fees overall in the coming five year period. Work with PSAA has indicated that there may have been some variations between audit fees in the extent to which additional fees have been charged over the current five year period, and this will be something it should be expected that audit firms will review and PSAA to consider as part of the upcoming procurement.

Financial comments

- 1.6 The total estimated fees for the five year contract at £850,000 would be accommodated within the Finance budget, with this being reviewed on a regular basis as part of the preparation of the Medium Term Financial Strategy (MTFS), with any adjustments to the budget approved as part of this.