

## PART 2 – CONFIDENTIAL FACTS AND ADVICE

**DMFD157**

### **Title: Provision of External Audit Services**

*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 Information Governance team for advice.*

#### **This information is not for publication until the stated date, because:**

Publication of the information included in this report is deferred as its disclosure would be likely to prejudice the commercial interests of the London Fire Commissioner as the expected costs of the external audit service is commercially sensitive ahead of the procurement process.

**Date** at which Part 2 will cease to be confidential or when confidentiality should be reviewed:  
31 December 2022

#### **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 on the basis that the information in this report includes information which is exempt information if its disclosure under this Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it).

#### **Public interest assessment**

At present, on balance, it is considered that the public interest is best served if the information is not disclosed at this point. Disclosure by the LFC would be likely to have a detrimental effect on the LFC's position and related commercial interest regarding the expenditure incurred for the purposes of the external audit contract.

The eligibility of these exemptions should be reassessed in the event of a request under the Act for this information, as the level of sensitivity will change over time and different circumstances may alter the arguments in favour of non-disclosure.

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

**Name:** Emma Brookman

**Date:** 22/2/22

*Once this form is fully authorised, it should be circulated with Part 1.*

## **Confidential decision and/or advice:**

The London Fire Commissioner seeks to commit revenue expenditure of up to £850,000 over five years for external audit services from 1 April 2023.

The consideration of future external audit costs is considered commercially sensitive ahead of the procurement process, and is therefore set out below.

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.

There is also expected to be financial pressure with a further push to complete audits to deadlines – for 2020-21 less than 10 per cent of local government audits were completed by the 30 September 2021 deadline. It is therefore expected that the fee for 2020-21, currently proposed at £126,048, 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 £630,000). This has, however, been supplemented for the risk that audit fees may be in excess of this, with the total requested for approval based on audit fees for 2019-20, currently proposed at £168,884, to bring the requested approval for external audit costs over the five-year period up to £850,000.

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 firms, in the extent to which additional fees have been charged over the current five-year period. It should be expected that audit firms will review this, and that PSAA will consider it as part of the upcoming procurement.

## **Financial comments**

The total fees requested for approval for the five-year contract at up to £850,000 would be accommodated within the LFC Finance budget. This is to be 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.

The budget for 2022-23 is £126,200 based on the proposed audit fee for 2020-21. This budget will be reviewed following completion of the PSAA procurement process and updated, as necessary, as part of the regular review of the MTFS.

## **Appendix**

Part 2 of report LFC-0654 - Provision of External Audit Services from 1 April 2023 – Public Sector Audit Appointments Ltd (PSAA)