

Councillor Peter Pragnell  
Audit Committee Chairman  
Hastings Borough Council

20 September 2012

Dear Councillor Pragnell and Members of the Audit Committee

### Briefing Note – Audit fees 2012/13 and beyond

Following a national procurement exercise, the Audit Commission awarded five-year audit contracts to four private firms starting from 2012/13. The procurement means a reduction of 40 per cent in the audit fees to be paid by local public bodies. PKF (UK) LLP will continue as the Council's auditors for the next five years. Parliament has consulted on a draft bill about the future of local public audit, including the abolition of the Audit Commission, to be enacted in due course.

The Audit Commission published its scale of fees for local authorities in April 2012 and has stated the fees are fixed for the next five years. The Commission has also fixed the fee for the audit of grant claims and other government returns.

At Hastings, the overall effect of the new fee scales is to reduce the scale fee for the 'Code' audit by about £40,000. The fee for the audit of grant claims will also reduce (by about £10,000), as summarised below.

|                                  | Actual Fee<br>2010/11  | Scale Fee<br>2011/12 | Actual fee<br>2011/12 | Scale fee 2012/13<br>to 2017/18 | % Change<br>Scale fee |
|----------------------------------|------------------------|----------------------|-----------------------|---------------------------------|-----------------------|
|                                  | £                      | £                    | £                     | £                               |                       |
|                                  | £                      | £                    | £                     | £                               |                       |
| Code Fee                         | 107,000 <sup>(1)</sup> | 101,650              | 107,000               | 60,990                          | ↓ 40%                 |
| Grant Claim and other<br>returns | 31,000                 | n/a                  | 25,000 <sup>(2)</sup> | 16,300                          | ↓ 35% <sup>(3)</sup>  |

(1). Audit Commission provided a rebate of £9,700 in 2010/11. Net fee was £97,300

(2) 2011/12 fee estimated as at September 2012

(3) 35% reduction compared to planned fee 2011/12

Tel 020 7065 0000 | Fax 020 7065 0650

www.pkf.co.uk

PKF (UK) LLP | Farringdon Place | 20 Farringdon Road | London | EC1M 3AP | DX 479 London/Chancery Lane

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Auditors will continue to adjust the fee based on local assessments of risk.

I will be pleased to answer any questions about the new audit regime at the meeting of the audit committee due to be held on 20 September 2012.

Yours sincerely

A handwritten signature in black ink, appearing to be 'R Grant', with a horizontal line extending to the right.

Robert Grant  
Partner  
PKF (UK) LLP

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P Grace, Chief Finance Officer