

Work programme and scales of fees 2016/17

NHS bodies

March 2016

Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

The Secretary of State for Communities and Local Government has delegated statutory functions (from the Audit Commission Act 1998) to PSAA by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

The company is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims.

Before 1 April 2015, these responsibilities were discharged by the Audit Commission.

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Introduction

- 1 This document sets out the work to be undertaken by appointed auditors at NHS trusts and clinical commissioning groups for 2016/17, with the associated scale audit fees. A separate document covers the [work programme and scales of fees at local government and police bodies](#).
- 2 The work will be undertaken under the [Code of Audit Practice](#) published by the National Audit Office on behalf of the Comptroller and Auditor General.
- 3 The [statement of responsibilities of auditors and audited bodies](#) continues to apply to the work set out in this work programme. The appointed auditor is, always, responsible for the conduct of the audit.

Background

- 3 The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government has delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.
- 4 PSAA will oversee the Audit Commission's audit contracts until they end. For NHS trusts and clinical commissioning groups, this is expected to be with the completion of the audits of the 2016/17 accounts, subject to confirmation during 2016 from the Department for Communities and Local Government.
- 5 PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on [PSAA and its responsibilities](#) is available on our website.
- 6 Fees are the principal way the delegated functions are financed, taking one year with another. In law, audit fees are not a fee for audit services, but a charge to fund operating costs, out of which the costs of audits are met.
- 7 PSAA is publishing the 2016/17 work programme and scales of fees in advance of the start of the financial year to which they apply, to provide certainty for audited bodies.

2016/17 fees

- 8 There are no changes to the work programme for NHS trusts and clinical commissioning groups for 2016/17. Following consultation, we have set scale fees at the same level as the fees applicable for 2015/16.
- 9 Scale fees for 2015/16 were set by the Audit Commission before it closed. The Commission reduced 2015/16 scale fees by 25 per cent based on the fees applicable for the previous year, in addition to the 40 per cent reduction in fees from 2012/13. These substantial fee reductions continue to apply for the length of the audit contracts, providing there are no significant changes to auditors' work, and subject to annual review.

10 We received a limited response to our consultation on the 2016/17 work programme and scales of fees, with only 14 responses (1.7 per cent of consultees) across all our sectors and stakeholders. Responses were positive about the 2016/17 work programme and proposed scale fees. We have published a [summary of the consultation responses](#) on our website.

11 The scale audit fees for individual bodies are published alongside this work programme, to support transparency and to help audited bodies compare their fees with those of similar bodies.

Redistribution of surplus

12 Following completion of the Audit Commission's 2014/15 accounts, PSAA received a payment in respect of the Audit Commission's retained earnings. PSAA will redistribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established by the PSAA Board.

13 The amount of the redistribution, based on current information, is likely to be in the order of 10 per cent of scale audit fees for NHS trusts and clinical commissioning groups. Payments are likely to be made during 2017, but this is to be confirmed.

Work programme 2016/17

Audit

14 Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory [Code of Audit Practice](#) and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out in this consultation. Further information on the NAO Code and guidance is available on the [NAO website](#).

15 Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks.

Auditors' work on value for money arrangements

16 Under the Local Audit and Accountability Act 2014, auditors are required to satisfy themselves that an audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money arrangements conclusion).

17 2016/17 scale fees have been set on the basis that the NAO's Code of Audit Practice and supporting guidance does not change the level of work required by auditors on the value for money arrangements conclusion.

National report

18 PSAA will publish a report in 2017 summarising the results of auditors' work on audited bodies' 2016/17 financial statements and arrangements to secure value for money.

Scale fees for 2016/17

Scales of audit fees for NHS bodies

19 The scale fees for 2016/17 reflect the cost of the work programme outlined above. The 2016/17 scale fee for each [NHS trust](#) and [clinical commissioning group](#) is available on the PSAA website.

20 The duty to set fees includes the power to determine the fee above or below the scale fee where it is considered that substantially more or less work is required than envisaged by the scale fee. The scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

21 As the 2016/17 scale fees are based on the scale fees for 2015/16, they continue to reflect the auditor's assessment of audit risk and complexity. We would only expect variations from the scale fee to occur in 2016/17 where these factors are significantly different from those identified and reflected in the 2015/16 fee.

22 It is a matter for the auditor to decide the work necessary to complete the audit. Where an auditor considers more or less work is required than is represented in the scale fee, they are required under the audit contracts to seek approval for a variation to the scale fee and to agree the amount of this variation with the audited body.

23 Under the audit contracts, appointed auditors are required to provide updated fee information and explanations for any proposed variations from the scale fee on a regular basis. PSAA will consider the reasonableness of the explanations provided before agreeing to any variation to the scale fee. Only approved fee variations can be invoiced or refunded to audited bodies.

24 PSAA will charge fees for any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998, as a variation to the scale fee.

25 Where an NHS trust becomes a foundation trust, or merges with another trust, part-way through the year, the auditor appointed by PSAA will continue to be responsible for the audit of the trust's accounts up to the date of foundation status or merger. There will be an audit of the trust's financial statements and a review of the annual governance statement for the part-year. The fee will be 60 per cent of the full year's scale fee.

Value added tax

26 All the 2016/17 fee scales exclude value added tax, which will be charged at the prevailing rate of 20 per cent on all work done.