

Work programme and scales of fees 2017/18

Summary of consultation responses

March 2017

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 delegated a number of statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

As a consequence of these delegations, for 2017/18 the company will continue to be responsible under transitional arrangements for appointing auditors to local government and police bodies, for setting audit fees and for making arrangements for certification of housing benefit subsidy claims.

Looking beyond 2017/18, the Secretary of State has specified PSAA as the appointing person for principal local government and police bodies from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. PSAA will therefore make auditor appointments for local government and police bodies that have opted into its national scheme for audits of the accounts from 2018/19.

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Introduction

1. This document summarises the replies received to our consultation on the work programme and scale fees for 2017/18 for principal local government and police bodies, and our response to the main issues raised by respondents.

Background

2. 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.
3. PSAA will oversee the Audit Commission's audit contracts until they end. The Department for Communities and Local Government has confirmed that this will be with the completion of the audits of the 2017/18 accounts for local government and police bodies..

2017/18 fees

4. There are no changes to the work programme for principal local government and police bodies for 2017/18. Following consultation, we have set scale fees at the same level as the fees applicable for 2015/16 and 2016/17.
5. Before it closed, the Audit Commission reduced 2015/16 scale fees for most audited bodies 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. We expect these substantial fee reductions to continue to apply for the duration of the current audit contracts, providing there are no significant changes to auditors' work. In cash terms, audit fees have reduced by 55 per cent compared to 2011/12 levels; in real terms the saving to audited bodies is equivalent to 61 per cent.
6. The final 2017/18 work programme documents and the lists of fees for individual audited bodies are available on the [PSAA](#) website.

Beyond 2017/18

7. The audit of the 2017/18 accounts is the final year for which the current audit contracts and the transitional arrangements made by the Department for Communities and Local Government will apply.
8. For audits of the accounts from 2018/19, the provisions of the Local Audit and Accountability Act 2014 in relation to local appointment of auditors take effect. The Secretary of State for Communities and Local Government has specified PSAA as the appointing person for principal local government and police bodies. In the future, PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

The consultation

Consultees

9. In the spirit of openness and transparency, PSAA consulted individual audited bodies as well as statutory consultees, such as the Local Government Association, on the proposals for the 2017/18 work programme and scale fees. This gave audited bodies the opportunity to contribute views via their representative bodies or to do so directly.

Consultation proposals

10. Our 2017/18 consultation set out no changes to the annual work programme. We therefore proposed holding the scale fees for principal local government and police bodies at the same level as applicable for 2016/17.
11. The consultation started on 19 October 2016 and closed on 12 January 2017.

Responses

12. We consulted 529 stakeholders, including local government and police audited bodies and national stakeholders, and received 6 responses. This low level of responses is consistent with the trend for equivalent consultations in recent years, particularly since the Audit Commission reduced fees from 2012/13.
13. Of the six individual consultation responses, four represented the views of a total of eight audited bodies, one was submitted by a representative body (the Local Government Association) and one by an audit firm (table 1 provides a breakdown of the responses).
14. The volume of responses and feedback provided suggests that audited bodies and other stakeholders are generally content with the consultation proposals on the work programme and fees for 2017/18.

Table 1: Breakdown of responses to the 2017/18 fees consultation

Consultees	2017/18 consultation			2016/17 consultation		
	Consultees	Responses	%	Consultees	Responses	%
Audited bodies*	494	4	1.6	791	8	1.6
National stakeholders	30	1	3.3	41	3	7.3
Audit firms	5	1	20.0	5	3	60.0
TOTAL	529	6	1.1	837	14	1.7

* the responses from audited bodies this year represented the views of eight individual bodies

Summary of consultation feedback

2017/18 scale fees

15. The Audit Commission made reductions of up to 40 per cent to scale audit and indicative certification fees from 2012/13, and a further reduction of 25 per cent for most bodies from 2015/16.
16. In March 2016 PSAA set 2016/17 scale fees on the basis of no change to the overall work programme and maintaining the scale fees that applied for 2015/16. However, we proposed specific arrangements for the councils affected by the anticipated new financial reporting requirements in relation to highways network assets. In the event, the implementation of these requirements was delayed.
17. Our 2017/18 consultation has been undertaken on a very similar basis. There is no change in the annual work programme; PSAA is able to manage cost increases without recourse to increasing scale fees; and implementation of new reporting arrangements for highways network assets remains a consideration.
18. Five of the six consultation responses we received welcomed the fee proposals for 2017/18. However, one response, from a unitary council, expressed disappointment that fees are not being reduced.
19. Following consultation, we have set scale fees at the same level as the fees applicable for 2016/17.

Scale fees for councils with highways responsibilities

20. Since we consulted on the proposed 2017/18 scale fees and work programme, CIPFA/LASAAC has postponed full implementation of new measurement requirements for highways network assets in the *Code of Practice on Local Authority Accounting in the United Kingdom*. Implementation of the requirements was originally planned for the 2016/17 accounts but subsequently deferred and awaiting confirmation of a revised implementation timetable.
21. Fees for the additional audit work that will be needed as a result of the new requirements will be determined using the fee variations process. This is because a range of factors and variables make it impossible at this stage to estimate the additional fee that will be required for individual applicable audited bodies.
22. Three consultation responses made reference to the proposed fee arrangements for audit work on highways infrastructure assets. Two responses were supportive of the proposed approach, and noted the change in timing after the consultation started. One response, from a county council, expressed the view that councils have had to absorb the costs of implementation, and the same should apply to auditors.
23. If introduction of the requirements is confirmed for the 2017/18 accounts, the fees for the additional audit work required at applicable authorities will be subject to PSAA approval under the normal fee variations process. The additional work required cannot be covered by existing scale fees, and the variations process gives councils the opportunity to influence the fee. It is not appropriate to make a general increase to scale fees for

relevant bodies to cover this work, because the amount of work required at individual authorities will vary based on local circumstances.

Housing benefit subsidy certification fees

24. 2017/18 will be the final year for which PSAA can make housing benefit subsidy claim certification arrangements for the DWP, using the saved statutory powers delegated to it from the Audit Commission Act 1998 under the transitional arrangements.
25. In contrast to previous fees consultations, we received no comments on indicative 2017/18 certification fees or certification-related matters.

Distribution of surplus

26. As a not-for-profit company established by the Local Government Association, PSAA plans, during the course of 2017/18, to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015, and by PSAA continuing to generate surplus funds and make further efficiencies since its establishment.
27. Two consultation responses welcomed the information in the consultation on distribution of the surplus funds, emphasising that payment would be welcome at the earliest opportunity.
28. PSAA expects to make a distribution equivalent to approximately 15 per cent of scale audit fees to local government and police bodies during the 2017/18 financial year.

Next steps

29. Under section 7 of the Audit Commission Act 1998, delegated to PSAA under the transitional arrangements made by the Department for Communities and Local Government, PSAA has a statutory duty to prescribe scales of fees.
30. Following consultation, we have now set the scales of fees for 2017/18.
31. Details of the 2017/18 work programme and the scale fees for individual local government and police bodies are available from the [PSAA](#) website.
32. If you have any comments on this document, please send them to:
workandfeesconsultation@psaa.co.uk
33. If you have comments or complaints about the way the consultation has been conducted, these should be sent by email to generalenquiries@psaa.co.uk