

# Proposed work programme and scales of fees 2016/17

**NHS bodies**

**October 2015**

**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 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.**

## Contents

<b>Introduction.....</b>	<b>2</b>
Background .....	2
2016/17 fees.....	2
Fees beyond 2016/17 .....	2
Redistribution of surplus .....	3
Responding to this consultation .....	3
<b>Proposed work programme for 2016/17 .....</b>	<b>4</b>
Audit.....	4
Auditors' local value for money work .....	4
National report.....	4
<b>Proposed scales of fees for 2016/17 .....</b>	<b>5</b>
Scales of audit fees for NHS bodies .....	5
Value added tax .....	5
<b>Next steps .....</b>	<b>6</b>

## Introduction

- 1 This consultation document sets out the work that auditors will undertake at NHS trusts and clinical commissioning groups during 2016/17, with the associated proposed scale audit fees. A separate consultation document covers the [work programme and scales of fees at local government and police bodies](#).
- 2 We hope the information set out in this document is helpful to stakeholders in considering our proposals for the 2016/17 work programme and scale fees, as well as supporting audited bodies' financial planning.

## 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 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 Commission's audit contracts until they end for NHS bodies in 2017. 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.

## 2016/17 fees

- 5 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. The expectation is that these substantial fee reductions will continue to apply for the length of the audit contracts, providing there are no significant changes to auditors' work, and subject to annual review.
- 6 There are no planned changes to the overall work programme for NHS trusts and clinical commissioning groups for 2016/17. We propose that 2016/17 scale audit fees are set at the same level as the scale fees applicable for 2015/16.

## Fees beyond 2016/17

- 7 The current contracts with audit firms will run until 2017 for NHS bodies, ending with completion of the audit of the accounts for 2016/17. NHS trusts and clinical commissioning groups will be responsible for appointing their own auditors and agreeing their audit fees from 2017/18.

## Redistribution of surplus

8 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. 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.

### Responding to this consultation

We welcome comments from stakeholders on the proposals contained in this document.

Please send comments by email to:

[workandfeesconsultation@psaa.co.uk](mailto:workandfeesconsultation@psaa.co.uk)

or by post to Jon Hayes, Chief Officer, at:

Public Sector Audit Appointments Limited  
3rd Floor  
Local Government House  
Smith Square  
London SW1P 3HZ

The consultation will close on **Friday 15 January 2016**.

## Proposed work programme for 2016/17

### Audit

**9** 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](#).

**10** 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' local value for money work

**11** 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).

**12** Auditors will apply a risk-based approach to their local value for money work. The NAO's Code of Audit Practice and supporting guidance for auditors set out the approach and reporting criteria applicable for principal bodies.

### National report

**13** PSAA will publish a report summarising the results of auditors' work on audited bodies' financial statements and arrangements to secure value for money.

## Proposed scales of fees for 2016/17

### Scales of audit fees for NHS bodies

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

**15** The proposed scale audit fees for 2016/17 audits are the scale fees applicable for 2015/16.

**16** PSAA has the power to determine the fee above or below the scale fee, where it considers that substantially more or less work was 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.

**17** 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.

**18** PSAA obtains updated fee information, and explanations for any proposed variations from the scale fee, from appointed auditors on a regular basis. We consider the reasonableness of the explanations provided by auditors, and seek confirmation that an audited body has been consulted about a proposed variation, before agreeing to any variation to the scale fee. Auditors cannot invoice audited bodies for any variations to scale fees until these have been approved by PSAA.

**19** 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.

**20** We will continue to keep the scale of fees for clinical commissioning groups, as relatively new bodies, under review to ensure they remain consistent with auditors' local assessments of audit risks.

**21** 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

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

## Next steps

**23** PSAA has a statutory duty to prescribe scales of fees for the audit of accounts. Before prescribing scales of fees, we are required to consult relevant representative organisations.

**24** We welcome comments from audited bodies and stakeholders on the proposals contained in this document. The consultation will close on **Friday 15 January 2016**.

Please send comments by email to:

[workandfeesconsultation@psaa.co.uk](mailto:workandfeesconsultation@psaa.co.uk)

or by post to Jon Hayes, Chief Officer, at:

Public Sector Audit Appointments Limited  
3rd Floor  
Local Government House  
Smith Square  
London SW1P 3HZ

**25** Following consideration of responses to this consultation, the PSAA Board will approve the final 2016/17 work programme and scales of fees for publication in late March 2016.

**26** If you have comments or complaints about the way this consultation has been conducted, these should be sent by email to [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk).