

Work programme and scales of fees 2016/17

Summary of consultation responses

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 summarises the replies received to our consultation on the work programme and scale fees for 2016/17 for principal audited 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 2016/17 accounts for NHS bodies and the 2017/18 accounts for local government and police bodies.

4 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 There are no changes to the work programme for principal bodies for 2016/17. Following consultation, we have set scale fees at the same level as the fees applicable for 2015/16.

6 Scale fees for 2015/16 were set by the Audit Commission before it closed. The 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. 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.

7 The final 2016/17 work programme documents and the lists of fees for individual audited bodies are available on the [PSAA website](#).

The consultation

Consultees

8 In the spirit of openness and transparency, PSAA consulted audited bodies themselves, as well as statutory consultees, on the proposals for the 2016/17 work programme and scale fees. This was to enable individual audited bodies to contribute fully to any views expressed by their representative bodies, or to comment directly.

Consultation proposals

9 Our 2016/17 consultation proposed no change to the fees applicable for principal bodies for 2015/16, on the basis that there are no changes to the overall work programme.

10 New financial reporting requirements will apply from 2016/17 for councils that are responsible for highways network assets. The consultation proposed that the fees at applicable authorities for the additional audit work required in 2016/17, the year of introduction, will be subject to approval under the normal fee variations process.

11 The consultation started on 19 October 2015 and closed on 15 January 2016.

Responses

12 We consulted 837 audited bodies and national stakeholders, and received 14 responses.

13 The low response to the consultation is consistent with the trend for fees consultations in recent years, particularly since the Audit Commission reduced fees by 40 per cent from 2012/13 and a further 25 per cent from 2015/16.

14 Eight local government audited bodies, three audit firms and three representative organisations for local government bodies responded to the consultation (table 1 provides a breakdown of the responses received).

15 The volume of responses and feedback provided suggests that audited bodies and other stakeholders are content with the consultation proposals on the work programme and fees for 2016/17.

16 We received a small number of comments about matters of detail, most of which are covered in the remainder of this document. Some consultation comments were specific to the circumstances of individual bodies, and we have responded directly to the bodies concerned in these cases.

Table 1: Breakdown of responses to the 2016/17 fees consultation

Consultees	Number of consultees	Number of responses	%
Local authorities	353	5	1.4
Fire and rescue authorities	31	1	3.2
Police bodies	76	2	2.6
Other local government bodies ¹	36	0	-
Clinical commissioning groups	209	0	-
NHS trusts	86	0	-
Audited bodies subtotal	791	8	1.0
National stakeholders and representative organisations	41	3	7.3
Audit firms and accountancy bodies	5	3	60.0
Total	837	14	1.7

¹ Including GLA bodies, combined authorities, parks authorities, transport authorities, waste authorities, small bodies accounting as larger bodies.

Summary of consultation feedback

2016/17 scale fees

17 The Audit Commission made reductions of up to 40 per cent to scale audit and indicative certification fees from 2012/13, locking in the reductions for the life of its audit contracts. It made a further reduction of 25 per cent for most bodies from 2015/16, following its last procurement exercise.

18 We do not consider there are any new factors that suggest the need for changes to the scale fees applicable for 2016/17. We therefore consulted on the basis of no change to the overall work programme and scale fees that applied for 2015/16, but with specific arrangements for the councils affected by the new financial reporting requirements on highways network assets.

19 The results of the consultation confirm that audited bodies and stakeholders welcome the proposals on the work programme and scale fees for 2016/17, effectively ‘freezing’ scale fees. Of the 14 responses we received, 12 (87 per cent) welcomed the consultation proposals on the work programme and scale fees, and the remaining two responses did not comment on the overall proposals.

20 Three responses, from representative organisations for local government bodies, emphasised their concern that lower fees should not be at the expense of audit quality. PSAAs contract monitoring and quality review programmes are designed to provide assurance on audit quality, and reports are published on the [PSAA website](#).

Pension fund audits

21 One consultation response, while welcoming the overall proposals, commented that the fee reduction of 25 per cent made by the Audit Commission for most principal bodies from 2015/16 should also apply to pension fund audit fees.

22 We review levels of fees and fee variation requests each year to consider trends, and take action where we think this is appropriate. A similar process led to the Audit Commission’s decision not to apply the additional fee reduction from 2015/16 to pension fund audit fees, given the increasing pressure experienced on those fees.

23 We will continue to monitor the position on pension fund audit fees in our annual reviews, but at this stage our fee monitoring does not support the case for applying a reduction to pension fund fees.

Scale fees for councils with highways responsibilities

24 CIPFA/LASAAC confirmed in November 2015 that new financial reporting requirements in relation to the valuation of highways network assets will be included in the 2016/17 CIPFA/LASAAC *Code of practice on local authority accounting*.

25 The 2016/17 fees consultation was on the basis that 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 to

estimate at this stage the additional fee that will be required for individual applicable audited bodies.

26 The consultation set out an expected additional fee range for this work at highways authorities of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

27 Seven consultation responses made reference to the proposed fee arrangements for audit work on highways network assets. Responses supported the proposal to use the fee variations process and stated the view that the proposed fee range appears reasonable. It should be noted that the suggested fee range is indicative, and costs outside the range may be necessary depending on local circumstances.

28 The position is more complicated in relation to any additional work needed at district councils. The definition of highways network infrastructure assets adopted is likely to mean that the new requirements do not apply at most districts, but some additional audit work may be needed in some cases. Using the fee variations process provides the necessary flexibility where additional work is required.

Next steps

29 Under section 7 of the Audit Commission Act, delegated to PSAA, PSAA has a statutory duty to prescribe scales of fees. Following consultation, we have now set the scales of fees for 2016/17.

30 If you have any comments on this document, please send them to:

workandfeesconsultation@psaa.co.uk

31 PSAA will be responsible for consulting on and setting the work programme and scales of fees for local government bodies for 2017/18. We expect this consultation to start in autumn 2016 for publication of the confirmed fees early in 2017.

32 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.