| **No** | **Question** | **Answer** |
| --- | --- | --- |
|  | Despite publishing our unaudited accounts on 19 May 2023, I was informed by my auditor recently that we will not be signed off by 30 September this year or probably ever again! I thought the idea of us all paying more money for our audit fees was to resource the auditors sufficiently. Will there be any reduction in audit fees where our auditor does not meet the 30 September date?As a S151 officer, I have just had to report to Council to beg for extra budget to employ a new member of the finance team as extra duties caused by a new development company may mean we would’ve struggled to meet the 31 May 2024 deadline for the first time ever. It doesn’t seem right that the auditor can already say they won’t ever meet the 30 September deadline with no consequences.These auditors have all only just bid and accepted the audit work and they must have known they were not going to be able to meet the requirements of the contract. | Government and key stakeholders are currently considering proposals to resolve the local audit backlog, including measures to return to more timely and sustainable audit delivery. However, a solution has not been confirmed yet so we do not know how this could affect work on 2023/24 audits and earlier years. Delays may occur for a variety of reasons and can be due to the auditor, the opted-in body, external factors, or a combination. Scale fees are based on the expectation that audited bodies can provide the auditor with complete and materially accurate financial statements and supporting working papers within agreed timeframes. In terms of penalties for non-delivery, this has been a focus of discussion over several years and on which we have taken legal and professional advice. The application of the FRC’s ethical standard means that contingent fees are not allowed. Effectively, we cannot vary the fee based on whether an audit is delivered by a set date or not, because that becomes a fee contingent on the delivery by that date. This could potentially focus an auditor on achieving the date, rather than on delivering the proper amount of work for a Code of Audit Practice opinion.The new audit contracts from the 2023/24 audits have milestone-based payment arrangements which pace the release of the fees for which the auditor can invoice as the audit progresses, rather than fees being paid in advance of audits per the current contracts. This introduces a style of KPI mechanism in as much as we are able to link payments to audit delivery. |
|  | In relation to non-operational properties, assets such as highways or buildings for schools or community buildings do not make a direct impact on performance on the “yearly audit” side. How often should those be evaluated?Also, the revelation of RAAC material in some old buildings which may have been evaluated just before the government announcement. Will a new evaluation be necessary? This will only cause further delays for the audit process and should be left for future evaluation because it is not directly going to impact the yearly business models. | PSAA’s statutory role is to appoint auditors, set fee scales, and oversee issues of auditor independence and contract management. We have no remit to specify the scope of auditors’ work and how they undertake it.There is currently a debate about the appropriate extent of accounting and audit work on operational assets in the local government sector. HM Treasury is undertaking a thematic review of asset valuations across government which should provide more clarity on expectations.In terms of RAAC, this is an emerging issue. It is likely that much will depend on individual circumstances, but the information opted-in bodies are collating may be helpful to the auditors in undertaking their work |
|  | A part of the reasoning for the proposed higher fees is the increased requirement for audit, with additional pieces of work required from auditors. Usually this would translate into more hours of work required from the auditors, and this seems reasonable. However, it is also proposed that the hourly fees of all audit levels of staff are increased 2.5 times, and this looks striking. Are you saying that each and every auditor will suddenly become significantly more productive and will deliver 2.5 times more work in each hour? | The procurement for the contracts for 2023/24-2027/28 audits included all audit work, that is scale fees and additional work as well. The 151% increase is a result of the bids received and applies to all work to be undertaken by auditors. The increase reflects market rates in the current challenging audit environment. |
|  | In the context of clearing the backlog, one could envisage the scope of 2023/24 audits being reduced because auditors may not have capacity to do everything prior to the proposed statutory deadlines. Would a negative fee variation be applied in those circumstances? | In the event that a solution is proposed by DLUHC and key local audit system stakeholders, we anticipate that we will need to determine final fees for opted-in authorities for delayed prior year audits on a case-by-case basis. Our guiding principle in this will remain that if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted, then they are due the appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a disclaimer or qualified opinion. Conversely, if an auditor has collected audit fees in part or in full and a change of requirements means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount. This will ensure that the bodies pay only for work that has been done.Once any backlog measures are implemented, we will assess each audit and determine on a case-by-case basis the position on fees. We will consult each opted-in body on our proposals, setting out the position on fees for audit years affected by a backlog solution once we are able to assess this. Negative fee variations could be one of the solutions adopted in some cases.  |
|  | A pension fund is audited separately, and the fund pays an audit fee, so why are local authority pension figures also checked and a variation fee applied for pensions figures. It appears these pension figures are double audited. | The pension fund figures in a local authority’s financial statements are a key audit risk and area of focus given the size of the numbers involved and the sensitivity to changes in key assumptions. The local authority’s auditor undertakes the required audit work. The pension fund auditor is responsible for the work on the pension fund financial statements and provides required assurances to the auditors of admitted bodies. In many cases there may be several firms appointed to the local authorities which are admitted bodies to a pension fund. The existing arrangements ensure that each auditor is undertaking the relevant work only, without duplication. It also avoids the pension funds officers having to deal with multiple auditors from the admitted bodies. |
|  | A key problem with variation fees is that they tend to be 'sprung' on us as a surprise at the end of the audit. Is it possible and reasonable to expect auditors to provide an estimate as soon as the need for additional work arises - in the same way that a consultant would provide an estimate in advance of further work (except of course that we don't have a choice to accept additional audit scope). This would at least enable us to monitor in-year costs more accurately. | Our approach in setting the 2023/24 fee scale is to ensure that fees are set as realistically as possible. Our proposals therefore involve updating fees to reflect the changes in recent years in audit requirements under the Code of Audit Practice published by the National Audit Office and the regulatory expectations of the FRC. Updating the fee scale in this way should have the benefit of making expected fees clearer for opted-in bodies much earlier in the audit cycle and reducing the volume of ongoing fee variations. Where the need for fee variations is subsequently identified, auditors should discuss the need for them at the earliest possible opportunity. We consistently remind firms that bodies need to be aware of the position on any additional work and fees. This can be difficult for the auditor because it does depend on the progression of the audit, and sometimes they will need to complete the work to have a realistic view as to what the final fee might look like. We will continue to stress this point to the supplier firms. |
|  | Because of the increase of 151% will there be any funding support from DLUHC or others? | DLUHC is working to address issues in the local audit system and is aware of the outcome of the procurement. It has previously made £15m funding available in 2021/22 for additional audit costs and the implementation of Redmond recommendations such as the costs of independent audit committee members, and the £15m per year continues for the current Spending Review period. DLUHC informed us that it took the procurement increase into account along with other ongoing financial pressures in determining the latest local government finance settlement. |
|  | Does the front loading mean fee reductions in future years? | There is no front loading in the proposed 2023/24 fee scale. The consultation sets out our proposals to update scale fees for 2023/24 to consolidate the recurrent work we know is required at this point, where we have been able to determine the amount of additional fees that should be included. These requirements may change from year to year, depending on changes under the Code of Audit Practice, auditing and financial reporting standards, and the regulatory expectations of the FRC. There are other changes, for example the new requirements under ISA 315 (revised), where we do not yet have enough information to update the fee scale.Each year we consider whether audit requirements have changed from the previous year. At this stage we know that:* Additional work is required on ISA 315, but we do not have reliable information yet. This will need to be consolidated into a future fee scale.
* A backlog solution may reduce the amount of work needed in some areas of the audit, and we will need to assess what this means for future fee scales if and when any changes are confirmed.
* In future years, fees may increase because firms' contracts include annual inflationary increases beginning in 2024/25.
 |
|  | How can the scale fee be assessed if the audit team have left 2020/21 accounts hanging and haven't even started on 2021/22 or 2022/23? | The scale fees for some bodies have become further and further separated from the level of audit work now required compared to the level envisaged when the fee scale was set.Where audits have not been completed, we do not have the actual fee variations to set the 2023/24 fees. In those cases, we have used estimates based on averages for each body type to enable us to consolidate recurrent fees into the fee scale. We will review these to consider the actual work done and may adjust a future scale fee accordingly. Our 2023/24 fee scale proposals set the scale fees for each opted-in body consistently. We want to set a scale fee that is as a close as possible to the likely final fee outcome, to provide more fee stability for opted-in bodies. This will also enable us to make broader changes to scale fees on a temporary or permanent basis for any changes from any backlog measures which are announced. |
|  | Doing a blanket 151% uplift is not a fair way to increase the audit fees. Smaller authorities do not necessarily have infrastructure assets etc. that need auditing. Therefore, it could be assumed the smaller bodies are covering for the costs of larger bodies audit fees. The scale fees uplift needs to be adjusted for this situation. | The 151% represents the market bid rates from the procurement. PSAA applies a ‘Post Office pricing’ principle, so that all opted-in bodies pay a proportionate fee based on the work required on their audit, regardless of their location or the cost of the firm appointed as their auditor. Bodies for which some audit work is not applicable, such as on infrastructure assets, have less work than other bodies where those requirements do apply. The proposed scale fee for each opted-in body is based on the previously applicable scale fee, plus any additional recurrent work. The procurement adjustment is applied to the fee scale calculation after any changes that reflect the volume of work needed. Firms do not provide their bids based on body size, but on their overall market rate for local audit work.  |
|  | Re ISA 540, the extent of estimates in our accounts is related to the timing of draft accounts. Can we be assured PSAA is using what influence it has with the regulators to set a realistic deadline in future years, e.g., June rather than May? | We are aware of the pressures on accounting teams and continue to discuss with government and key national stakeholders the timing concerns in the whole of the financial reporting supply chain. We have previously raised the need for a proportionate and sustainable approach to local audit in our submissions [to the Redmond review](https://www.psaa.co.uk/2020/01/news-release-response-to-sir-tony-redmond-review/) and the Levelling Up Housing and Communities [inquiry into financial reporting and audit in local authorities](https://committees.parliament.uk/work/7348/financial-reporting-and-audit-in-local-authorities/publications/written-evidence/?page=2) and in [our oral evidence](https://committees.parliament.uk/event/17519/formal-meeting-oral-evidence-session/) to the Public Accounts Committee’s inquiry into the timeliness of local auditor reporting. The LGA is pressing for a realistic and proportionate time period in which to produce the financial statements.We continue to lobby for a system that works well and is realistic for both bodies and auditors in delivering timely quality accounts. |
|  | Suggest if the auditors do not meet the SOA audited deadline, they should be paid a reduced fee. | There is currently no SOA deadline for audit opinions. The Accounts and Audit Regulations (2015) as currently amended specify a date for bodies to publish their pre-audit financial statements, and a further date to either publish the audited financial statements or to state the reasons why the audited financial statements are not available. The Government is considering the potential introduction of statutory dates for audit opinions as a part of a proposed backlog solution.See answer to Question 1 in relation to fees. |
|  | The ‘milestone-based payment mechanism’ is welcome. When will we get details of this, noting that the contracts start imminently? | See answer to Question 14 |
|  | Could you explain further the "milestone-based payment mechanism" please? Currently our auditor invoices quarterly throughout the year - i.e., the fee is collected in full in advance of the main audit actually taking place. Should we expect that to change in future? | The new contracts cover the audits for 2023/24 to 2027/28. In these contracts we have introduced payment milestones linked to audit delivery. In contrast to the previous contracts, where the auditor invoiced the body each quarter irrespective of delivery progress, the new contracts have four predefined audit milestones, (each attracting 25% of the scale fee), at which points it is permissible for an audit firm to invoice an audited body. The four milestones are:* production of the final auditor’s annual report for the previous audit year (exception for new clients in 2023/24 only, where the auditor can invoice the body no earlier than 1 October 2023).
* production of the draft audit planning report to the audited body.
* 50% of planned hours of an audit have been completed.
* 75% of planned hours of an audit have been completed.

The reason for the difference in first instalment for new clients in 2023/24 is to avoid penalising a new firm because of a delayed audit from a predecessor firm. The second, third and fourth instalment milestones are all directly linked to the delivery of the audit.We will revisit the actual milestones if any proposed backlog solution changes the framework. |
|  | On slide 27 do these refer to the payments to the auditors? | Yes, slide 27 sets outs the milestones for payment to auditors.See answer to Question 14 for more information on the milestones. |
|  | You mentioned fee variations where additional bodies are grouped. Can there be a negative variation where a body is no longer grouped? | Where a recurrent fee for group accounts has been added to the scale fee, then yes this will need to be removed, and a negative fee variation may be applicable if we do not have notice in advance of setting the scale fee that the group is dissolving.This also applies to PIE (Public Interest Entity) and PFI (Public Finance Initiative) fees. We have been made aware of some PIEs delisting by 2023/24 and have not added these fees to the scale fees for the relevant bodies. |
|  | If the scope of audit is reduced to deal with the backlog issue will the scale fee be reduced accordingly? | See answer to Question 4 |
|  | For an authority that has had no issues with audit sign off and has published accounts by the statutory deadlines, is it appropriate for a generic 151% increase? | See answer to Question 10 on the procurement increase.See answer to Question 12 – there is currently no statutory deadline for the audit opinion.The audit contracts are based on the work needed to complete audits. Fees are lower or higher depending on the amount of work needed for each audit. The 151% is the adjustment to fees required as a result of the procurement outcome. It applies to the scale fees and any fee variations required at each opted-in body. The scale fee for an opted-in body is based on the best information we have at the time we set the fee scale on the audit work required to deliver a Code-compliant audit. The fee variation system picks up any further work and fees, or reductions, at individual authorities where this is needed.  |
|  | Whilst the new payment schedule (delaying payment until audit work is actually done rather than just quarterly) is useful, why are there not any direct financial penalties for auditors not meeting their deadlines e.g., 10% off the fee if 1mth late, 20% off the fee if 2mths late etc? | See answer to Question 1 |
|  | Are fee variations at 2) & 3) applicable to all bodies, e.g., pro rata to the scale fee, and is it just 4) that is related to specific bodies circumstances?  | The amounts we are proposing to consolidate into the scale fee for additional audit requirements are not pro-rata to the scale fee. They are based on approved fee variations or estimates.We shared an example of how a fee might be constructed: 1) 2022/23 scale fee+2) Add: approved fee variations or estimates for recurring work not already included+3) Add: changes in audit requirements (VFM arrangements, ISA 540)+4) Add: adjustment for special circumstances (where applicable)= 5) 2022/23 scale fees plus recurring fees+6) Audit fee adjustment to reflect the procurement outcome (uplift by 151%)=7) 2023/24 scale feeFee variations are relevant to a specific body, and we have added the recurrent areas from these fee variations to the scale fee. We are including two changes in audit requirements to the scale fee – value for money arrangements, and ISA 540. These fees are also specific to a body type. These are numbers 2 & 3 on slide 24 and in the individual scale fee letters to opted-in bodies.Number 4 on slide 24 is only applicable to 16 bodies, for example where the body has invested in specialist products or services or has had specific issues around its accounts or governance.We have written to all bodies outlining their specific circumstances. |
|  | A large number of delayed opinions are due to under-resourcing or poor performance by some of the audit firms. We are now rewarding those audit firms for their incompetence with a massive uplift in fees, including fees for ‘extra work’ (circa 40% in the example shown) and then a further 151% on top. This is completely unreasonable and there must be a better long-term solution than carrying on in this way, are any discussions taking place over the creation of a central audit body for Local Government that can deliver with greater focus and at reduced cost? | The 151% increase is the outcome of our public procurement and is not something we can negotiate. It represents the market rates required by eligible audit firms to undertake local audits. The procurement was difficult, and it was extremely challenging to obtain sufficient capacity. We have publicly called for government to consider the possibility of an auditor of last resort, to cover potential shortfalls in capacity in the future.Increased audit requirements are a result of requirements in the Code of Audit Practice, more demanding professional standards and increased regulatory challenge. The statutory local audit regulations require that auditors are reimbursed for substantial additional work. We are reflecting these additional recurrent fees into the scale fee to provide greater clarity on expected fees.The factors affecting capacity in the local audit world also affect the corporate sector in terms of the shortage of staff. Without a sustainable audit market there will be insufficient capacity in future procurement cycles.  |
|  | Should audit requirements change for PPE and Pensions in terms of reducing the audit burden on reviewing these valuations, would we expect a reduction in fees in future years? | See answer to Question 4 |
|  | Is my authority amongst the councils you mentioned as having special circumstances? | We have written to all opted-in bodies setting out the proposed scale fees for 2023/24, detailing the elements and fees to be included. If your scale fee letter includes no value under the line for ‘adjustment for special circumstances’, you are not one of the 16 bodies.If you think an adjustment should apply to your body, please contact us. |
|  | What is the process for determining recurring work especially for an authority who has become a unitary recently and the first year of accounts are not yet concluded. There is a risk that the recurring work would not take account of improvement in working papers, etc. | Where we do not have the benefit of approved fee variations, we have used estimates for recurrent fee categories based on averages for each body type. We will review the appropriateness of the estimated figures used when we consult on the next fee scale.We do not consider issues such as working papers to be recurrent requirements, because an opted-in body is able to make changes in subsequent years to address the problems involved. We are careful to review any proposed fee scale consolidations individually to ensure that only recurrent work is included.  |
|  | Is PSAA representing the current needs of local government to the Firms? - for example, we struggle with some more commercial elements, which have little/no relevance to local government. Of more importance is support to s151s - what thought is there for this? | We continue to lobby the varied stakeholders in the local audit system on the concerns of the sector. We have previously raised the need for a proportionate and sustainable approach to local audit in our submissions [to the Redmond review](https://www.psaa.co.uk/2020/01/news-release-response-to-sir-tony-redmond-review/) and the Levelling Up Housing and Communities Committee’s [inquiry into financial reporting and audit in local authorities](https://committees.parliament.uk/work/7348/financial-reporting-and-audit-in-local-authorities/publications/written-evidence/?page=2), and in [our oral evidence](https://committees.parliament.uk/event/17519/formal-meeting-oral-evidence-session/) to the Public Accounts Committee’s inquiry into the timeliness of local auditor reporting. We are involved in the discussions with key system stakeholders about the backlog proposals and reflect the feedback we receive from s151 officers. |
|  | I understand how the fee is set with scale and variation but don't understand why the previous year’s External Auditor didn't cover things like property and pension valuation. These things haven't changed and have always been there. Were these not discussed when setting previous fees. | Audit requirements in relation to PPE and pension valuations have increased significantly over recent years. At the point we are required to consult on and publish the fee scale each year (currently by 1 December, but previously 31 March), we do not have complete information on the audits of the previous year, so cannot consider the actual work required in response to changes in audit requirements. This has become a more significant problem with the audit backlog, and the volume of changes in audit requirements, delaying consolidation of additional fees into the scale fees of individual opted-in bodies. We are resolving this by updating the 2023/24 scale fees in all cases by using actual or estimated additional fees.  |
|  | Why are they not day rates rather than hourly rates. | When firms determine that substantially more or less work is required to complete an audit, Regulation 17(2) allows them to propose an additional fee, and it is our responsibility to determine the outcome. The utilisation of hourly rates allows for a more precise calculation of additional fees compared to the use of daily rates. |
|  | Could you please confirm when the first quarterly payment of the scale fee under the new contract is due please? And Will this be paid to the Auditor directly still or with the new contract management arrangements will this be due to the PSAA instead? | Please see Question 14. Payment will continue to be to the appointed audit firm. Fees are payable to PSAA, with the firms collecting them on an agency basis. This enables us to ensure that scale fees and fee variations are consistent with the work required and invoiced for each opted-in body.  |
|  | Accounts have become increasingly impenetrable. The review presents a real opportunity to reduce complexity, reduce the burden of accounts preparation and audit, and increase transparency and I hope the opportunity will be taken. What assurance can we have that the review will deliver a reduction in complexity rather than those involved in the review largely maintaining the status quo? | The Redmond Review reporting in 2020 challenged the complexity of local authority accounting. The letter from the DLUHC permanent secretary to the Public Accounts Committee dated 4/8/2023 reports on the work that is in hand to manage concerns on the accounting requirements. [DLUHC letter to PAC 4-8-2023](https://committees.parliament.uk/publications/41500/documents/204344/default/). |
|  | It almost feels like the 151% increase on fee variations is a double hit. I would assume that the fee variation already took account of the cost to audit firms for the additional work. | The audit fee is made up of two factors:* the amount of audit work required, (as impacted by the Code of Audit Practice, the Code of Local Authority Accounting, and the FRC/ICAEW expectations on audit quality in relation to the latest auditing standards, some of which have been revised in recent years and increased the work that auditors need to do); and
* the composite bid rate as the result of a procurement.

We calculate the fee based on the previous scale fee plus the additional recurrent work, then apply the adjustment applicable for the bid rate. See also Question 3. |
|  | When fee variations are submitted - what is the process to consult with authorities on the variation? | We have a rigorous process for considering fee variation requests, in accordance with the requirements under s17(2) of the Local Audit (Appointing Person) Regulations 2015. The process is set out in detail on our website: [Fee Variations Overview - PSAA](https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/)The process requires the auditor to discuss and agree proposed fee variations with the audited body. Where the body does not agree, we engage directly with them to understand the issues involved. In line with the Appointing Person regulations we then make a determination using all of the information available.  |
|  | Can we expect the quality of our audits to improve i.e., auditors who understand how local government works as we spend a lot of time explaining this to auditors? | There is an acknowledged shortage of auditors in the wider audit market as well as in local audit. The FRC, as prospective shadow system leader, is developing a workforce strategy to boost the number of auditors with local government knowledge as part of the commitment to a sustainable local audit market.See also Question 34. |
|  | These new fees are in real-terms more than we paid under the old Audit Commission (talked about at the time as bloated, unfit for purpose etc) - has any thought been given to setting up a new specific national body to audit local authorities again rather than using private firms which seems to be proving to not work any better / is perhaps even worse? | We have previously raised with government the part that a not for profit audit provider could play in securing sufficient capacity in a sustainable local audit marked ([Bringing local audit back on track](https://www.room151.co.uk/audit/bringing-local-audit-back-on-track/), an opinion piece from our Chair Steve Freer) but we recognise that creating one is complex and that it would take time to generate additional capacity. |
|  | Have a lot of firms and staff left the Audit sector in the UK, or have they mostly left the local government audit sector specifically? This could impact future fees - i.e., could higher fees attract more audit workers for next year, creating a rebalance? Fees have been low for some years. | There is a shortage of auditors in the UK. Recent audit discussions that we have attended have flagged resource concerns as the biggest risk that firms are facing across their portfolios. The wider challenge is to recruit and retain auditors with local government audit experience. In [oral evidence](https://committees.parliament.uk/event/18219/formal-meeting-oral-evidence-session/) to the Levelling Up Housing and Communities Committee inquiry into financial reporting and audit in local authorities, the FRC highlighted the importance of the workforce strategy in building capacity in local audit and developing measures to support a sustainable market for the future, including the involvement of smaller audit firms. |
|  | Could you say a little more please about PSAA's role in improving audit capacity in the system in the longer term? Note KPMG retuning and two new firms but wonder what the longer-term strategy will be. | PSAA’s statutory role is to appoint auditors, set fee scales, and oversee issues of auditor independence and contract management. While we try to support efforts to improve auditor capacity, we have no remit in relation to market or workforce development. We welcome the FRC’s appointment to lead the development of a workforce strategy and look forward to contributing. This work was covered in the 4/8/2023 letter from the DLUHC Permanent Secretary to the Public Accounts Committee (response to recommendation 3): [DLUHC letter to PAC 4-8-2023](https://committees.parliament.uk/publications/41500/documents/204344/default/) |
|  | Is there extra help to pay for these extra costs? | See answer to Question 7. |
|  | In relation to funding the increase, is there a case for the government allowing a specific one-off increase to allow for this, outside the usual restriction on council tax increases? | See answer to Question 7. |
|  | Our audit is attempted by staff working remotely and failing to come into the office and "understand the business" as happened pre-pandemic. This results in a piecemeal audit that incurs additional costs. Have we as part of the procurement attempted to require firms to go back to onsite visits which I have no doubt would yield efficiencies? | Some audit work is undertaken remotely due to availability of staff, either from the audit or finance team, or for other practical issues such as travel or effective use of staff time, or because an opted-in body prefers this. If an opted-in body thinks there could be a better balance, they should raise that with their auditor to look to find a more optimal approach. If a firm has proposed a fee variation that the body does not agree with, then we will take their views into account before making a determination of the fee variation. |
|  | For my Authority the financial impact of a 151% increase is equivalent to a 1.5% increase on Council Tax, with other cost pressures this is unaffordable and the increase in cost of the audit will result in cuts to front line services. Do you believe this is justifiable? | We recognise the significant financial pressures on authorities and understand that any further cost pressure is unwelcome. However, the proposed 2023/24 audit scale fee is determined by two factors:* + the amount of audit work required, (as determined by the Code of Audit Practice, accounting and financial reporting standards, the Code of Local Authority Accounting, and increased FRC/ICAEW expectations on audit quality); and
	+ the composite bid rate as the result of a procurement.

In England, as opposed to other parts of the UK, we are entirely dependent on the market to determine the price of audit work. We have previously raised the need for a proportionate and sustainable approach to local audit in our submissions [to the Redmond review](https://www.psaa.co.uk/2020/01/news-release-response-to-sir-tony-redmond-review/) and the Levelling Up Housing and Communities Committee’s [inquiry into financial reporting and audit in local authorities](https://committees.parliament.uk/work/7348/financial-reporting-and-audit-in-local-authorities/publications/written-evidence/?page=2), and in [our oral evidence](https://committees.parliament.uk/event/17519/formal-meeting-oral-evidence-session/) to the Public Accounts Committee’s inquiry into the timeliness of local auditor reporting.  |
|  | Our auditors are creating more work for themselves by the delays in signing off the accounts in that the more time that passes the more post balance sheet events and Going Concern issues they then have to test, and we end up in a cycle of testing rather than just sign off. What influence can we have to speed up the process when it gets into this situation? | A backlog solution should potentially resolve the need for the repeated re-working associated with the elongated post-balance sheet period resulting from audit delays. |
|  | How do these charge out rates compare with what they charge their PLC clients? | We are unable to comment on this as this information is not available to us. The procurement requires firms to bid a composite price for delivery of a tranche of audit work. The rate at which any firm bids for a piece of work is their commercial decision. As we have stated publicly, we need a market that is more robust. At present there is no spare capacity, no auditor of last resort and limited competition. |
|  | In respect of 151% increase – From what I have heard so far, I am not convinced if the procurement process was sufficiently robust to challenge the increase. Agree that the quality of field auditor has declined over the years and the trainees are not briefed of the local government environment and the off-shore auditors do need more support from the officers. | The 151% increase is the outcome of our public procurement drawing on the entirety of the market available to us within the current framework. It represents the bids by eligible audit firms to undertake local audits. The procurement was extremely challenging; we only secured the required audit supply after several rounds of procurement – ideally any procurer wants to have a choice of provision after the first round. In England, as opposed to other parts of the UK, we are entirely dependent on the market to supply and so determine the price of audit work. No firm has to undertake this work and firms make commercial decisions taking into account the other opportunities to deploy their limited staff resources. |