

Additional information for 2024/25 audit fees

**Opted-in local government, fire, police and
other bodies**

September 2025

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

From 2018/19, PSAA became responsible for appointing an auditor and setting scale fees for relevant principal authorities that have chosen to opt into its national scheme under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

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Summary

- 1 This briefing provides information on the expected impact on audit fees of changes in local audit requirements for 2024/25 audits. We are making this information available to support local discussions between opted-in bodies and auditors about fee variations for 2024/25 audits. Information is also provided on the potential impact for 2025/26 and future years.
- 2 We are publishing this briefing alongside our [consultation on the 2025/26 fees](#). The final 2025/26 fee scale will be published on our website.
- 3 Some 2024/25 audits will have had a disclaimed or modified opinion in 2023/24 because of the introduction of the 'backstop' legislation. In these cases, the total 2024/25 audit fee may include audits costs from auditors undertaking 'build-back' work in accordance with guidance issued by the NAO [Local Audit Reset and Recovery Implementation Guidance \(LARRIG\) 06](#). These costs and any corresponding adjustment to the published scale fee will be dealt with using the fee variation process.
- 4 On 24 June 2025 MHCLG published its arrangements for distributing the £49m funding package that it was making available to fund the process of clearing the backlog and rebuilding assurance (the 'build-back' process). The Government recognises that bodies will be incurring additional costs and are making funding available under the New Burdens Doctrine. The details of this funding arrangement was provided in [a technical note for local bodies with disclaimed opinions](#) published on 10 July 2025.

Changes in audit requirements

- 5 Audit requirements have grown in recent years due to increased regulatory challenge on audit quality, updated auditing and financial reporting standards, and the move to a VFM arrangements commentary, all of which have increased audit fees. From 2023/24 general audit fees have also increased because of the increase in firms' rates which resulted from our 2022 procurement of audit services.
- 6 We can only include additional fees in the published fee scale when we have sufficient and reliable information on the actual impact of a change in accounting or audit requirements. We do not include a contingency element in the fee scale, as this would mean bodies paying more than is necessary for their auditor to deliver an audit that meets the requirements of the NAO Code of Audit Practice (the Code) audit in years when additional requirements do not apply.
- 7 Each year we commission technical research from independent experts to help us understand the impact on audit fees of changes to the Code, auditing and financial reporting standards, and the CIPFA/LASSAC Code of Practice on Local Authority Accounting. From a complete list of forthcoming changes, the research focuses detailed work on those requirements that could have a significant impact on audit work and fees.
- 8 We use the results of the research to support our work on setting the scale fees each year and considering fee variations requested by auditors. There can be a delay of more than one financial year between the introduction of a change in requirements and the point at which we can consolidate additional fees for ongoing work into the fee scale. This is because we need to wait for information on completed audits before we have sufficient evidence of the cost of the work to support any ongoing change in fees.
- 9 There are some changes in auditing or financial reporting standards where the impact will be dependent on the circumstances of an individual audited body. In these circumstances we will need to wait for sufficient information from a range of completed audits before we have evidence of the cost of the work to support any ongoing change in fees on a body-by-body basis.
- 10 For the period from introduction of a change in requirements to consolidation of fees into the fee scale, any additional fees needed are submitted to us as fee variations.
- 11 The next section of this briefing provides information for 2024/25 audits on changes in local audit requirements where we have determined there maybe the need for additional fees at some audited bodies.

2025 research scope

- 12 Our 2025 research considered the potential impact of a range of revised local audit requirements, including:
 - the Revised Ethical Standard 2024;
 - the Code of Audit Practice 2020 and 2024 (the Code);
 - International Standards on Quality Management (ISQM) 1 and 2;
 - revised International Standards on Auditing (UK); and

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- changes to the Code of Practice on Local Authority Accounting in the UK.

Fees research 2025: focus areas

- 13** Subsequent work has focused on establishing whether the additional work required in these areas is substantial and considering whether it is possible to determine the cost of additional audit work at this time.

Quality management	Planning	Law and Regulations	Groups	Leasing	Code of Accounting Practice
<ul style="list-style-type: none"> • ISQM (UK) 1 • ISQM (UK) 2 • ISA (UK) 220 	<ul style="list-style-type: none"> • ISA (UK) 240 • ISA (UK) 315 	<ul style="list-style-type: none"> • ISA (UK) 250 • ISA 2X0 (draft) 	<ul style="list-style-type: none"> • ISA (UK) 600 	<ul style="list-style-type: none"> • IFRS 16 	<ul style="list-style-type: none"> • Infrastructure • Indexation • Pension disclosures

Source: PSAA research

Impact on 2024/25 audit work

- 14** The research concluded that many of the changes in audit requirements are unlikely to result in a general substantial increase in audit work. However, the changes in the requirements of ISA (UK) 600 (audit of group financial statements) and the application of IFRS 16 (leases) may have an impact for individual bodies depending on the local arrangements and circumstances as shown in the table below.

Key areas of additional audit work for 2024/25 audits

Requirement	Summary of changes	Effective from	Expected impact
ISA (UK) 600 Specific considerations – audit of group financial statements	<p>The revised standard:</p> <ul style="list-style-type: none"> • focuses the group engagement team's attention on identifying, assessing and responding to risks of material misstatement at the group financial statement level; • reinforces the need for robust communication between group and component auditors; • requires greater involvement from the group engagement team in component audits with an enhanced emphasis on review of component auditor documentation; • enhances procedures to overcome restrictions on access to people and information; • clarifies the application of the concepts of materiality and aggregation risk; and • enhances documentation requirements. 	2024/25	<ul style="list-style-type: none"> • the impact is for entities preparing group accounts; • additional fees will be highly dependent on audited body circumstances and size and nature of group structure; • potential impact on some bodies if the NAO's requirements for the Whole of Government Accounts consolidation change; and • may be possible to consolidate into fee scale after the implementation year when there is sufficient body-specific information.

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Requirement	Summary of changes	Effective from	Expected impact
IFRS 16 Leases	<p>Under the 2024/25 CIPFA Code mandatory application of IFRS 16 is required in 2024/25.</p> <p>Early adoption was encouraged from 1 April 2022 or 1 April 2023 but not mandated. IFRS 16 replaces IAS 17 in relation to accounting for leases.</p> <p>Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases.</p> <p>It also covers the mandated remeasurement of the lease liability for any service concession arrangements such as PFI contracts.</p>	2024/25	<ul style="list-style-type: none"> the impact is for entities with leased assets; additional fees will be highly dependent on audited body circumstances, the preparedness of the entity, the completeness and accuracy of accounting records and the quality of supporting documentation and evidence; significant year 1 impact not applicable subsequently; and may be possible to consolidate into fee after the implementation year when there is sufficient body-specific information.

15 We will consider additional work for these changes under the fee variations process until it is possible to determine any appropriate change in fees that can be consolidated into the fee scale. As additional fees are likely to vary for these audit requirements depending on the local circumstances of individual bodies, we will not be able to estimate the ongoing impact on scale fees until we have sufficient information from completed audits to enable a balanced judgement. For 2024/25 the cost of additional audit work will be dealt with through the fee variation process.

16 The research recommendations also highlighted some key messages about the changes in local audit requirements:

- for most new requirements, the impact in the first year of implementation is more significant than for subsequent years. This will particularly be the case with IFRS 16 (Leases);
- the preparedness of opted-in bodies to respond to new requirements and provide the supporting documentation and evidence that auditors require has a significant influence on the amount of audit work required; and
- increasing pressure on Key Audit Partner time for some revised standards creates further pressure on auditor resources to deliver the audit work required.

17 Appendix 1 provides information on factors that may affect the level of additional fee required at an individual body for a range of audit requirements and the actions opted-in bodies can take to mitigate the amount of additional work needed.

Future changes in local audit requirements

18 Our research has identified some changes in local audit requirements for audit years 2025/26 and beyond which is expected to have an impact on the level of audit work required in those years.

Future changes in local audit requirements

Requirement	Summary of changes	Effective from	Expected impact
Code of Accounting Practice	Ending of temporary relief that local authorities were not required to report the gross book value and accumulated depreciation for infrastructure assets.	2025/26	<ul style="list-style-type: none"> Minimal.
IAS 16 Property Plant and Equipment (Code of Accounting Practice application)	For property, plant and equipment a revaluation is required once every five years, or on a five-year rolling basis, supported by indexation in intervening years. In the rare cases where no index is available, local authorities may use a desktop valuation in year three instead of indexation. Transitional arrangements to apply prospectively. Changes in nature of audit procedures required.	2025/26	<ul style="list-style-type: none"> There will be some changes in the nature of some audit procedures however the impact has yet to be quantified by audit suppliers.
IAS 36 Impairment (Code of Accounting Practice application)	A full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset.	2025/26	<ul style="list-style-type: none"> Potential reduction in audit work required at some bodies
IAS 38 Intangible Assets (Code of Accounting Practice application)	Intangible assets must be measured at historical cost. Transitional arrangements to apply prospectively.	2025/26	<ul style="list-style-type: none"> If revaluation accounting had been adopted, potential reduction in audit procedures required at some bodies.
Pension Fund Bodies IAS 19 Employee Benefits	Triennial Valuations are due by 31 March 2026.	2025/26	<ul style="list-style-type: none"> There will be additional costs for Triennial Valuation work. The amount will be body specific and dealt with through the fee variation process.
Pension Fund Bodies Pooling and potential Merger of Local Government Pension Schemes	The Government's proposals for the reform of Local Government Pension Schemes may lead to changes in governance and administrative arrangements.	2025/26	<ul style="list-style-type: none"> There will be additional costs do deal with the audit risks arising from the pooling of Local Government Pension Schemes. The amount will be body specific and dealt with through the fee variation process.

19 Our research identified some potential significant amendments in local audit requirements for future audit years where proposed changes are not yet confirmed. These included:

- Amendments to ISA (UK) 250 – Consideration of Laws and Regulations in an Audit of Financial Statements; and
- Consultation on changes to the 2026/27 Code of Accounting Practice.

20 Our research will continue to review the impact of changes in auditing and accounting requirements on a year-by-year basis.

The fee variations process

- 21 Local audit regulations set out the statutory framework for audit fees and variations. We set the fee scale annually and publish the individual scale fee for each opted-in body.
- 22 The regulations provide that if an auditor subsequently considers that substantially more or less work is required to deliver their responsibilities, they can submit a fee variation proposal to PSAA. We undertake detailed work to consider the reasonableness of the explanations provided by auditors before agreeing to any variation to the scale fee.
- 23 Information on PSAA's [fee variations process](#) is available on our website.

Next steps

- 24 We hope the information in this briefing is helpful to opted-in bodies and auditors to support discussion of fee variations for additional audit work requirements for 2024/25.
- 25 We consider appropriate adjustments to scale fees where there is a substantial change in the work required. PSAA's objective is to ensure that fee variations for ongoing audit requirements are included in the fee scale, so that individual scale fees reflect current audit needs.
- 26 We welcome questions or feedback on this document – please contact us at workandfeesconsultation@psaa.co.uk.

Appendix 1: Assumptions and mitigations that may affect the level of additional fee required at an individual body - assumes auditors planning to give unqualified opinion and excludes build-back work

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> • No significant weaknesses have been identified in previous audits • Arrangements are stable • There are no major incidents in the year • The body has provided good documentation to support arrangements • The body has provided timely, relevant and comprehensive responses to audit queries 	<ul style="list-style-type: none"> • Significant weaknesses have been identified in previous audits • There have been significant changes in arrangements • There is a major incident in the year • There are weaknesses in internal control • Documentation to support arrangements is weak • Responses to audit queries are delayed and/or inadequate 	<ul style="list-style-type: none"> • Implementation of effective internal controls and in particular: <ul style="list-style-type: none"> ○ clear documentation of arrangements for prevention, detection and investigation of fraud ○ established arrangements for reporting of suspected frauds by employees and other parties ○ established arrangement for investigation of fraud ○ assurance over the operation of arrangements for prevention, detection and investigation of fraud • Effective engagement with the audit process through: <ul style="list-style-type: none"> ○ high quality risk assessment overseen by the Audit Committee ○ timely responses to auditor enquiries ○ prompt notification of actual or potential frauds to the auditor

ISA (UK) 250 – Consideration of laws and regulations in an audit of financial statements

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> No significant weaknesses have been identified in previous audits Arrangements are stable The body has provided good documentation The body ensures good communication with the auditor 	<ul style="list-style-type: none"> Significant weaknesses have been identified in previous audits There have been significant changes in arrangements Documentation is unclear Inadequate communication with the auditor 	<ul style="list-style-type: none"> Effective leadership by the Monitoring Officer in: <ul style="list-style-type: none"> identifying relevant law and regulations documenting arrangements for compliance advising the auditor on a timely basis of actual or potential breaches of law and regulations

ISA (UK) 315 - Identifying and assessing the risks of material misstatements

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> The body has a well-documented assessment of inherent and control risks for assertions relating to transactions, balances and disclosures The body does not have inherent risks for assertions relating to transactions, balances and disclosures that are unusual for the type of body in question The body has clear documentation of the controls for assertions relating to transactions, balances and disclosures (including controls over journal entries, general IT controls and application-specific IT controls) There are no significant changes in the controls for the assertions relating to transactions, balances and disclosures (including controls over journal entries, general IT controls and application-specific IT controls) 	<ul style="list-style-type: none"> The body does not have a well-documented assessment of inherent and control risks for assertions relating to transactions, balances and disclosures or the assessment is incomplete and/or out of date The body has inherent risks for assertions relating to transactions, balances and disclosures that are unusual for the type of body in question The body does not have clear documentation of the controls for the assertions relating to transactions, balances and disclosures (including controls over journal entries, general IT controls and application-specific IT controls) or the documentation is incomplete and/or out of date There are significant changes in the controls for the assertions relating to transactions, balances and disclosures (including controls over journal entries, general IT controls and application-specific IT controls) 	<ul style="list-style-type: none"> Preparing and keeping up to date a well-documented assessment of inherent and control risks for assertions relating to transactions, balances and disclosures Preparing and keeping up to date clear documentation of the controls for assertions relating to transactions, balances and disclosures (including controls over journal entries, general IT controls and application-specific IT controls) Promptly responding to and addressing any weaknesses in internal controls relevant to assertions relating to transactions, balances and disclosures Implementation of effective internal controls and in particular:

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> The body does not have a history of weaknesses in internal controls relevant to assertions relating to transactions, balances and disclosures No significant weaknesses in internal controls relevant to assertions relating to transactions, balances and disclosures are identified relevant to the year of audit 	<ul style="list-style-type: none"> The body has a history of weaknesses in internal controls relevant to assertions relating to transactions, balances and disclosures Significant weaknesses in internal controls relevant to assertions relating to transactions, balances and disclosure are identified relevant to the year of audit 	<ul style="list-style-type: none"> comprehensive documentation of controls over transactions, account balances and disclosures comprehensive documentation of IT controls, including general IT controls

ISA 540 (Accounting estimates)

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> No significant weaknesses have been identified in previous audits No material accounting estimates other than for property, plant and equipment, pension liabilities and local taxation revenue Arrangements for preparation of material accounting estimates are stable The body has appropriately instructed experts to support them in preparing accounting estimates They have validated the information provided to experts They have considered the advice of experts and documented clearly the reasons for the approach that they have adopted in respect of material estimates Any weaknesses in internal control relevant to material accounting estimates are minor The body has provided good documentation to support material accounting estimates 	<ul style="list-style-type: none"> Significant weaknesses have been identified in previous audits There are material accounting estimates other than for property, plant and equipment, pension liabilities and local taxation revenue There have been significant changes in arrangements for preparing material accounting estimates Experts have not been instructed or inadequately instructed in respect of material accounting estimates Information provided to experts has not been validated There is no documented consideration of the advice offered by experts and the reasons for the material estimates chosen There are weaknesses in internal control relevant to material accounting estimates other than of a minor nature 	<ul style="list-style-type: none"> Implementation and high-quality monitoring of implementation of agreed actions in response to previous audits Early and open engagement on changes in arrangements for preparation of accounting estimates Engagement and appropriate instruction of experts in respect of accounting estimates Validation of information provided to experts in respect of accounting estimates Documentation of their consideration of advice offered by experts in respect of accounting estimates and the reasons for material estimates chosen Preparation of high-quality documentation to support material accounting estimates

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> • The body has provided timely, relevant and comprehensive responses to audit queries • Timely and effective responses to interim reporting 	<ul style="list-style-type: none"> • Documentation to support accounting estimates is weak • Responses to audit queries relating to accounting estimates are delayed and/or inadequate • There are circumstances that require consideration of non-standard reporting in respect of accounting estimates • Delayed and/or ineffective responses to interim reporting 	<ul style="list-style-type: none"> • Establishment of effective arrangements for responding to audit queries • Effective arrangements for timely and comprehensive consideration of interim reporting • Implementation of effective internal controls and in particular: <ul style="list-style-type: none"> ○ systematic documentation of estimates by reference to criteria in the auditing standard ○ early engagement of appropriate experts where in-house expertise is not available ○ preparation of appropriate, relevant instructions by reference to the financial reporting framework ○ demonstrable quality assurance of data used for preparing estimates ○ evidence review of estimates by senior officers and audit committee or equivalent

ISA (UK) 600 – Special considerations – audits of group financial statements

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> No significant issues have been identified in previous audits Arrangements are clear and stable There is good liaison with subsidiaries 	<ul style="list-style-type: none"> Significant issues have been identified in previous audits of group or subsidiaries There have been significant changes in group structure Liaison with subsidiaries is weak 	<ul style="list-style-type: none"> A documented assessment of the group boundary Clear leadership of the accounts preparation process, including timetable Liaison with subsidiaries so that there is: <ul style="list-style-type: none"> alignment of accounting policies and year ends where possible an understanding of the respective roles of the auditors of the parent and subsidiaries complete and timely responses to queries from the group auditor

IFRS 16 (Leases)

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> No significant weaknesses have been identified in previous audits The body has undertaken a readiness assessment for implementing IFRS16 The overall approach has been determined by the application of agreed accounting policies for making key decisions and judgements. The body has comprehensive, complete and accurate documentation of all leases including arrangements with embedded leases. 	<ul style="list-style-type: none"> Significant weaknesses have been identified in previous audits Documentation and lease records are poor and/or incomplete There are delays in obtaining information Responses to audit queries relating to accounting estimates are delayed and/or inadequate 	<ul style="list-style-type: none"> Implementation and high-quality monitoring of implementation of agreed actions in response to previous audits Preparing and keeping up to date comprehensive and accurate documentation on all leases included arrangements with embedded leases. Maintaining management systems for the accurate recording,

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> • Complex transactions (such as sale and leaseback, PFI and IFRIC 12) have had special attention • Lease liabilities and 'right of use' asset have been calculated and valued correctly • Financial reporting notes has been accurately drafted • The potential impact on prudential indicators and the implications for capital and treasury management strategies has been considered • The body has provided timely, relevant and comprehensive responses to audit queries 		<p>calculation and reporting of IFRS16 transactions.</p>

VFM arrangements commentary

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> • No significant weaknesses have been identified in previous audits or planning • Arrangements for financial sustainability, governance and improving VFM are stable 	<ul style="list-style-type: none"> • Significant weaknesses have been identified in previous audits or planning • There have been significant changes in arrangements for financial sustainability, governance or improving VFM 	<ul style="list-style-type: none"> • Implementation and high-quality monitoring of implementation of agreed actions in response to previous audits • Early and open engagement on changes in arrangements and

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
<ul style="list-style-type: none"> Financial information including annual accounts has been prepared on a timely basis and is supported by a clear audit trail There are no major issues in the year The body has made only limited use of complex, unusual or innovative arrangements for service delivery (e.g. outsourcing, joint ventures, controlled companies, pooled budgets) Any weaknesses in internal control are minor Comprehensive and balanced description of arrangements for financial sustainability, governance and improving VFM in Annual Governance Statement The body has provided good documentation to support arrangements in most areas The body has usually provided timely, relevant and comprehensive responses to audit queries Timely and effective responses to interim reporting 	<ul style="list-style-type: none"> Financial statements have not been audited There is a major issue in the year The body has entered into complex, unusual or innovative arrangements for service delivery There are weaknesses in internal control other than of a minor nature Limited and/or balanced description of arrangements for financial sustainability, governance and improving VFM in Annual Governance Statement Documentation to support arrangements is weak Responses to audit queries are delayed and/or inadequate There are circumstances that require consideration of interim reporting There are circumstances that require consideration of statutory reporting Delayed and/or ineffective responses to interim reporting 	<p>proposed complex, unusual or innovative arrangements for service delivery</p> <ul style="list-style-type: none"> Preparation of high-quality, comprehensive and balanced description of arrangements for financial sustainability, governance and improving VFM in Annual Governance Statement Preparation of financial information including annual accounts on a timely basis Preparation of high-quality documentation to support arrangements and financial reporting. Establishment of effective arrangements for responding to audit queries Effective arrangements for timely and comprehensive consideration of interim reporting Implementation of effective internal controls and in particular: <ul style="list-style-type: none"> maintenance of high quality, up-to-date documentation of internal controls appropriate documentation of support for, challenge in making, and reasons for major decisions

Fees will usually be lower if ...	Fees will usually be higher if ...	Bodies can reduce the impact on fees by ...
		<ul style="list-style-type: none"> ○ effective communication and dialogue with the external auditor • Implementation of an effective system of financial management and in particular: <ul style="list-style-type: none"> ○ maintenance of high quality, up-to-date documentation of risks and associated mitigation, including for risks relating to complex arrangements ○ clear documentation of the financial implications of other plans and initiatives ○ effective communication and dialogue with the external auditor • Implementation of an effective performance management framework and in particular: <ul style="list-style-type: none"> ○ evidenced consideration of comprehensive performance management reports covering all relevant areas ○ effective communication and dialogue with the external auditor