

2025/26 audit fee scale

Opted-in bodies

28 November 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 publication sets out the 2025/26 scale of audit fees payable by local bodies that have opted into PSAA's appointing person scheme. The fee scale has been confirmed following [our consultation](#) conducted in September–October 2025, in line with statutory requirements to set the fee scale before 1 December.
- 2 Audit work under this scale will apply to audits for the financial year ended 31 March 2026 to be completed by the statutory backstop date of 31 January 2027, as confirmed under the dates proposed in a statement on the local audit backlog published by the Ministry of Housing, Communities and Local Government (MHCLG) in July 2024 and confirmed in the Accounts and Audit (Amendment) Regulations 2024.
- 3 We consulted on an initial proposal of an average increase of approximately 4%, comprising a 2.8% contractual inflationary adjustment and a provisional 1.2% uplift for additional audit work, based on submissions from audit firms. Following consideration and consultation responses, the final uplift for additional audit work built into scale fees has been determined as 0.28%. This is in addition to the 2.8% inflation, giving an overall average fee increase of 3.08%. If any additional audit work is required beyond what is covered by the scale fee, we will review the associated costs in line with our established fee variation process.
- 4 Consultation responses raise understandable concerns about fee increases given the financial pressures on opted-in bodies. We received 126 responses (25% of consultees), of which 122 (97%) were from opted-in bodies and four (3%) from other stakeholders. Of those who expressed a view, 80% agree with the proposed fee scale and 20% do not.
- 5 We recognise the significant financial and wider pressures on opted-in bodies and understand that fee increases are an unwelcome additional budgetary pressure. We only propose uplifts where necessary to reflect recurring work or contractual obligations.
- 6 The backlog solution involves modified opinions on a scale that is unprecedented globally. However, this fee scale excludes costs for backlog-related assurance work.
- 7 On 10 July MHCLG published [a technical note for local bodies with disclaimed opinions](#) due to the backstop dates as set out in the Audit and Accounting Regulations 2024 and confirming arrangements for the distribution of £49 million in funding to support clearing the backlog and rebuilding assurance. The National Audit Office (NAO) issued its [Local Audit Reset and Recovery Implementation Guidance \(LARRIG\) 06](#), addressing special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The [LARRIGs](#) are intended to support the reset and recovery of local audit in England. The FRC has issued a guide on the [Local Audit Backlog Rebuilding Assurance](#) which explains how rebuilding assurance after a disclaimed opinion may work in practice on local government audits.
- 8 We are working closely with MHCLG and other system partners to inform and support the implementation of these measures, including funding arrangements that reflect the scale and complexity of the required audit work.

- 9 We welcome the Government's intention to reform the local audit system through the proposed English Devolution and Community Empowerment Bill. Subject to its approval, the Bill would establish the Local Audit Office (LAO), representing a significant shift in fee-setting and system oversight.
- 10 The Bill introduces principles aimed at enhancing consistency, transparency, and responsiveness in fee arrangements. These may begin to inform PSAA's work ahead of the LAO's formal launch. If implemented, the reforms are expected to address key issues raised in the consultation, including fee transparency, audit complexity, and capacity challenges. By simplifying financial reporting and aligning fees more closely with the scope and risk profile of audited bodies, the proposed framework seeks to support a more consistent and sustainable audit system.
- 11 We have actively supported these reforms and continue to advocate for changes that improve audit delivery and value for money. We are working closely with stakeholders to ensure that the concerns raised in this consultation inform the development of the new framework.
- 12 Our strong view is that a reduction in the volume of local audit work is required to deliver a more proportionate Code of Audit Practice (Code) compliant audit. This should be an imperative of reforming the accounting and auditing frameworks. We welcome MHCLG actions to address delayed opinions and strongly support the Government's commitment to overhaul the local audit system to enable bodies and taxpayers to get better value for money.
- 13 The PSAA Board has carefully considered consultation feedback and concluded that the 2025/26 fee scale must be confirmed as proposed. While we acknowledge that fee increases are challenging for opted-in bodies, they are necessary under current requirements and contractual commitments. Achieving a more proportionate audit scope remains a system-wide priority, requiring a shared understanding of audit's purpose.
- 14 Our [information paper](#) for 2024/25 audits identifies the impact of changes in standards and provides information on how opted-in bodies and auditors can work together to mitigate the amount of additional audit work needed.

Introduction to the fee scale

PSAA's remit

- 15 PSAA is specified under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 as the appointing person for principal local government bodies in England.
- 16 We are responsible for providing an auditor appointment scheme for eligible bodies which choose to opt in. This involves procuring and managing contracts with audit firms for the provision of audit services. PSAA's specific remit under the regulations is to:
 - appoint an auditor to all bodies that have chosen to opt into the scheme rather than appoint their own auditor;
 - set a scale or scales of fees; and
 - monitor independence and contractual compliance of the audit firms it appoints.

Audit scope

- 17 PSAA does not control the scope or timescale of the local audit work auditors undertake:
 - the NAO publishes the statutory Code of Audit Practice (the Code) for auditors of local public bodies, which sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. The 2024 Code came into force in November 2024, replacing the 2020 Code;
 - CIPFA LASAAC sets financial reporting requirements for local government bodies in the Code of Practice on Local Authority Accounting; and
 - the Financial Reporting Council is responsible for regulating audit quality.
- 18 The Code of Audit Practice requires the auditor to:
 - use their professional judgement to apply the principles and requirements set out in the Code to the particular circumstances that exist at each body;
 - ensure their work is designed to meet the auditor's statutory responsibilities, applying the auditor's professional judgement to tailor their work to the circumstances in place and the audit risks to which they give rise; and
 - comply with auditing standards currently in force in the United Kingdom, as may be amended from time to time, having regard to any other guidance issued by a relevant regulatory body, and statutory guidance issued by the NAO.
- 19 Our contracts with audit firms require auditors to undertake audits that comply with the requirements of the Code of Audit Practice. Once appointed auditors exercise their statutory and professional responsibilities independently of PSAA, by design of the local audit framework.
- 20 The [Accounts and Audit \(Amendment\) Regulations 2024](#) took effect on 30 September 2024 and now set the timescales under which audit work should be completed up to 31 March 2028. There has previously been no statutory deadline for local audit completions.

Audit fees

- 21 The Local Audit (Appointing Person) Regulations 2015 and the Local Audit (Appointing Person) (Amendment) Regulations 2022 require that PSAA must specify the scale or scales of fees for the audit of the accounts of opted-in authorities before 1 December of the financial year to which the fee scale relates. A fee scale cannot be amended after this date.
- 22 Where the impact of changes in audit requirements cannot be determined at the time the scale is set, adjustments are made through the fee variations process. This mechanism allows fees to increase or decrease based on the actual work required. If these changes become permanent, they are incorporated into future fee scales.
- 23 The total audit fee for an opted-in body reflects its circumstances, audit risks, and the volume and nature of work needed to deliver a Code-compliant audit. This is influenced by local factors and national accounting, auditing, and regulatory requirements, which are determined nationally.
- 24 The total audit fee for an opted-in body is a combination of:
 - **the scale fee** - based on the information available when the fee scale is set; and
 - **fee variations** - determined after PSAA reviews and challenges auditor submissions explaining why more or less work was required than expected

The 2025/26 fee scale consultation

- 25 [We consulted](#) on the 2025/26 fee scale and wrote to bodies with details of their expected fees.
- 26 Most respondents (80%) supported the proposed fee scale.
- 27 Many of the issues raised are complex and typically call for action outside our statutory remit. For example, we cannot change the scope of local audits, direct auditors on the amount or timing of their work, or secure additional funding for higher fees.
- 28 A [summary of the responses to the consultation](#) is available on our website. We welcome the feedback provided and thank those who responded.

The 2025/26 fee scale

- 29 We have set the 2025/26 fee scale based on the work required under the [Code of Audit Practice](#) published by the NAO and associated auditor guidance as far as we are able given the information available to us.
- 30 After careful consideration of the issues raised in the feedback to our consultation, we have set the fee scale for 2025/26 using the following elements:

2025/26 fee scale elements
A) The scale fees for 2024/25
Plus:
B) Adjustments for specific opted-in bodies, where updated information is now available
C) A contractual adjustment of 2.8% for inflation

Adjustment for inflation

- 31 Our audit contracts provide for an inflationary increase for 2025/26 audits. The applicable rate is the 12-month CPI rate published by 31 March before the start of the relevant audit year, providing certainty for fee setting.
- 32 The latest ONS annual CPI rate published prior to 1 April 2025 is 2.8% (published in March 2025). This is the rate applied to the 2025/26 fee scale.

Subsequent changes in national or local audit requirements

- 33 Changes in audit work or requirements identified after publication of this fee scale or that are not ongoing will continue to be subject to the fee variations process.
- 34 We will also review any estimated figures consolidated into the scale fees and adjustments for special cases to ensure they remain appropriate.

Local audit backlog

- 35 This fee scale does not cover audit work required in relation to arrangements to address the local audit backlog.
- 36 We are currently assessing the fees and related costs for rebuilding assurance and will share further details as soon as possible. These costs will be addressed through fee variations, as the scale fees do not cover work associated with disclaiming audits or restoring assurance. Because such activities cannot be reliably estimated in advance and are not considered recurring, they will be managed outside the standard fee scale.
- 37 MHCLG's July statement sets out the broad principles on audit fees:
- 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 (and have reported on work that is

no longer required), 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 modified or disclaimed opinion; and

- if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must refund the body the appropriate amount.

Additional information

Communications

- 38 We have written to each body to set out the calculation of their scale fee based on these elements. The individual 2025/26 scale fees are available from the [scale of fees page](#) of our website.

Fee variations process

- 39 Audit requirements can change during an engagement, sometimes requiring significantly more or less work than originally planned. When this occurs, PSAA has the authority to vary the audit fee where the level of work differs substantially from what was envisaged in the scale fee. This may happen if audit risk or complexity changes, or if audit requirements increase or decrease.
- 40 Auditors must submit fee variation requests to PSAA using the standard process. We encourage early discussions between auditors and audited bodies, ideally reaching agreement before submission. However, PSAA reviews every request independently, regardless of local agreement, and determines whether it is justified. No variation is payable until PSAA has formally approved it.
- 41 Each request must include updated fee information and supporting evidence. Examples of potentially valid reasons include changes to the Code of Audit Practice, new regulatory requirements, or issues such as the introduction of a new financial system or inadequate working papers. Additional fees may also apply for work arising from auditors' other responsibilities, such as considering third-party information, objections, or conducting investigations.
- 42 Further information on the [fee variations process](#) is available on our website.

Statement of responsibilities

- 43 The [statement of responsibilities of auditors and audited bodies](#) sets out the expectations on which scale fees are based. It effectively represents the terms of engagement between appointed auditors and audited bodies and summarises their respective responsibilities.
- 44 Scale fees are based on the expectation that audited bodies can provide the auditor with complete and materially accurate financial statements, along with supporting working papers within agreed timeframes. Where these requirements are not met, local fee variations may be necessary.

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- 45 Additional audit costs arising from auditors not meeting their own obligations, for example inadequate preparation or repeated queries due to changes in audit teams are not eligible for fee variations.

Invoicing

- 46 Under the audit contracts applicable from 2023/24, payment to auditors is based on milestones linked to audit delivery.
- 47 The contracts have four predefined audit milestones, (each attracting 25% of the scale fee), at which point it is permissible for an audit firm to invoice an audited body.
- 48 The milestones have been updated for 2025/26 to recognise the arrangements to address the local audit backlog. The four milestones are:

Milestone	Value	Delivery requirement
1	25%	Paid on either prior year draft Auditor's Annual Report or Opinion issued, but not before 1 December
2	50%	Paid on draft Audit Plan production and issue
3	75%	Paid on 50% planned hours delivered
4	100%	Paid on 75% planned hours delivered

- 49 Contracted audit firms collect fees from bodies as agents of PSAA.

Value added tax

- 50 Individual audit fees under the 2025/26 fee scale do not include value added tax (VAT), which will be charged at the prevailing rate, currently 20%, on all work done.

Enquiries

- 51 If you have questions about this fee scale please send them to us by email to: workandfeesconsultation@psaa.co.uk.