PSAA fee variation process

October 2026

Introduction to fee variations

1. PSAA sets the fee scale annually and publishes the scale fee for each individual audited body. If the auditor subsequently considers that substantially more or less work on an audit is required than that provided for in the scale fee for an individual body, a fee variation proposal can be submitted to PSAA. This is set out in the legal framework for audit fees and variations, in the Local Audit (Appointing Person) Regulations 2015 ('the Regulations'). Regulation 17(2) provides for the auditor to propose to PSAA (as the Appointing Person) that fees should be varied where the work involved in a particular audit was substantially more or less than envisaged by the appropriate scale.

2. The reasons for submitting fee variation proposals vary. Examples of reasons given include:

    - valuations of property, plant and equipment or pensions;
    - technical accounting issues, such as changes to the Minimum Revenue Provision;
    - The Auditor's decision to invoke its statutory powers and responsibilities;
    - increased challenge on audit quality;
    - group accounts;
    - the working papers to support the annual accounts were of poor quality;
    - issue of a disclaimed or modified audit opinion;
    - work to build back assurance following a disclaimed or modified audit opinion; or
    - additional value for money work arising from risks and/or weaknesses identified in value for money arrangements.

3. Auditors are obliged to have discussions with individual bodies about proposed fee variations. These discussions should take place at the earliest opportunity, and wherever possible the auditors should highlight at the planning stage any additional work which is likely to be required during the audit, including potential fee implications. While it may not be possible to quantify the proposed fee until the work is done, early discussion can help to avoid misunderstandings at a later stage.

Fee variation submission

4. Firms submit fee variation proposals in accordance with an agreed timetable. Auditors are required to:

- state the date the fee variation was agreed with the audited body (or record that it has not been agreed);
- state the date the fee variation was reported to those charged with governance;
- confirm whether this fee variation proposal relates to recurring additional work;
- provide narrative/documentation to support and explain the fee variation proposal, including why the work was needed and what work was undertaken. Mandatory documentation required includes the audit plan, auditors Annual Report and ISA260; and
- enter the number of hours that the additional work has taken to complete. This is split across the different staff grades that have been used in line with our rate card - Partner, Senior Manager, Senior Auditor and other staff.

5. Firms submit fee variation forms to PSAA using secure transfer facilities.

Review process

6. A PSAA officer reviews the fee variation proposals submitted, including some or all of the following as applicable:
    - confirming that the fee variation form has been filled in correctly;
    - considering the value of the fee variation and its size relative to other similar fee variations;
    - comparing the size of the fee variation to the scale fee to consider whether it is proportionate;
    - reviewing the justification (including any supporting workings/documentation) provided by the firm to support the fee variation proposal, and assessing whether the complexity of the issue and the challenges described are in proportion to the fee variation submitted;
    - checking that the work performed meets the requirements as set down in regulations for a fee variation, for example, it is work required under the Code of Audit Practice;
    - confirming that the work detailed in the firm's justification is consistent with PSAA's other records, for example, a delay in the issue of an accounts opinion, statement of reasons issued;
    - exercising judgement when considering the grade mix used and hours taken (for example, do they appear reasonable?);
    - considering any specific outputs resulting from the additional work undertaken (Such as the exercise of statutory powers);
    - checking whether the audited body has agreed the fee variation proposal;
    - checking that the relevant issues raised in the firm's justification have been reported to TCWG (for example the ISA260 report or Auditors Annual Report);

- checking that the appropriate fee variation value is being reported in the Audit Plan/ISA260/Auditors Annual Report;
- reviewing whether any approved fee variation is one-off or recurring, to assess whether the additional audit work will be repeated in future audits (for example, pension fund valuations, PPE valuations, group accounts, increased challenge on audit quality). Where we are satisfied that the fee variation is recurring, we will aim to reflect it in the scale fee at the earliest opportunity, which is determined in accordance with the Appointing Person regulations. This assessment helps ensure that recurring audit requirements are reflected in future scale fees where appropriate, reducing the need for repeated annual fee variation proposals;
- where a fee variation proposal exceeds the scale fee by £100k or more, PSAA perform a review of the audit file to gain a better understanding of the additional work;
- where a fee variation proposal exceeds the scale fee by £250k or more, or where the fee variation proposal meets other discretionary referral criteria, PSAA undertake an internal panel review of the proposal to provide an additional layer of challenge; and
- consulting with the audited body (typically the Section 151 Officer) by sharing a proposed fee variation statement and if appropriate, meeting with the body to address concerns or clarify before finalising fee determination.

Review process final stages

7. A PSAA officer will consider all the information and explanations provided, then draft comments, (taking advice as appropriate), on the proposed fee variation and determine the fee variation based on the following options:

Option	Description
Agree	No issues identified from the checks performed. We have received sufficient and appropriate evidence to support the fee variation, and we can agree the variation proposal.
Agree lower	Although we accept that additional work is needed, in our view there is insufficient acknowledgement that some of the work detailed could have been done more efficiently or that some of it is covered by the scale fee. We also consider whether the level of resource used appears reasonable and proportionate. It may also occur when fee variations are submitted under an incorrect category.
Agree higher	No issues identified from the checks performed; however, we believe that the fee variation proposal submitted is not sufficient to cover the additional work detailed. It may also occur when fee variations are submitted under an incorrect category.

Rejected	The work detailed is covered by the scale fee or was not required. We may reject fee variation proposals where the auditor has not provided sufficient evidence to demonstrate that the additional work was necessary, proportionate, and outside the scope of the scale fee. We would also reject if the work performed was not within the code.
More information required	We need further information to help us understand the fee variation proposal submitted. The auditor may need to provide a more detailed breakdown of the work performed or evidence that the auditor has reported any matters raised to TCWG. We may also ask for additional supporting evidence, reports or relevant communications with other organisations.
Being considered	We may need to speak to a body about a fee variation proposal, or pause our procedures until a technical consideration has been resolved. (For example the body has requested a meeting with us).
Deferred	The fee variation is at too early a stage for us to be able to make a decision (for example we are waiting for some further examples so that we can compare).
Withdrawn	A firm confirms that a fee variation is no longer required.

8. An authorised consistency checker reviews the proposed determination after the first stage review. This check supports equitable treatment across all firms and bodies, identifying whether the fee variation methodology has been applied consistently across firms and audited bodies and whether comparable cases have been treated similarly.

9. A suitably experienced PSAA officer performs a second review of each fee variation, providing independent professional challenge prior to the final determination of the fee variation proposal.

10. PSAA consults the audited body on the fee determinations it is minded to approve, providing an opportunity to review the proposed determinations and submit comments. Any comments received are considered before the fee determination is finalised.

11. PSAA then communicates its determination to the audit firm, after which the firm can invoice for agreed fee variations.

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