



AGENDA NO: 7

INDEPENDENT AUDIT COMMITTEE – 29 July 2020

FOIA – OPEN

EXTERNAL AUDIT FEES FOR 2020/21

REPORT BY: KAREN JAMES

PURPOSE OF THE REPORT:

The purpose of this report is to notify the Audit Committee of the external audit fees for 2020/21.

1. INTRODUCTION

- 1.1 The duty to prescribe the scale of fees is a statutory function delegated to Public Sector Audit Appointments (PSAA) by the Secretary of State for Communities and Local Government.
- 1.2 The scale fees for individual audited bodies are normally based on the scale fee for the previous year, reflecting the auditor's assessment of audit risk and complexity. Variations from the scale fees are only expected to occur where these factors are significantly different from those identified and reflected in the fee for the previous year.
- 1.3 PSAA can approve proposed variations to the scale fee for an individual audited body, to reflect changes in circumstances. They obtain updated fee information from appointed auditors, and explanations for any proposed variations from the scale fee, on a regular basis. They consider the reasonableness of the explanations provided by auditors before agreeing to any variation to the scale fee.
- 1.4 Scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

2. FEES FOR 2020-21

- 2.1 PSAA undertook consultation with stakeholders early in 2020 regarding the fees for the 2020-21 accounts.



- 2.2 They received 54 responses to that consultation. The PSAA highlighted that consultation responses from opted-in bodies were varied, with no majority view about the most appropriate approach to setting the 2020/21 fee scale. Around 35% of responses support accepting the consultation proposal of maintaining fees although they also raised concerns. In contrast, 46% of responses stated they would prefer an across-the-board increase in scale fees in order to reduce the need for local discussions about fee variations.
- 2.3 Responses received from audit firms consistently presented a strong view that the challenges of increased regulation, additional technical requirements and the tighter timetable meant the scale fees were no longer aligned with the level of audit work now required. Audit firms argued the need for significant increases in scale fees across the board.
- 2.4 Responses from opted-in bodies and audit firms expressed concern that ongoing uncertainty about audit fees is likely to continue to have an adverse impact on the relationship between audit firms and opted-in bodies, especially with many more changes likely in the medium term.
- 2.5 On 31ST March 2020 PSAA published the 2020/21 scale fees. At that time they also sought to publish a 'Q & A' from the exercise on their website, which is attached at Appendix A.
- 2.6 Subsequent correspondence from the PSAA to Section 151 officers and Audit Committee Chairs have sought to notify them of the audit Fees for 2020/21 and to provide an update on the 2019/20 audits. The final 2020/21 Scale Fee document is attached at Appendix B.
- 2.7 In previous years this has been the responsibility of the auditor, however the PSAA agreed with the Audit firms that going forward it would be more efficient if PSAA did this.
- 2.8 The table below shows the fees for 2020/21 accounts.

Police area	2020/21 scale fee for Police and Crime Commissioner	2020/21 scale fee for Chief Constable	Total 2020/21 scale fee
Devon & Cornwall	£27,992	£14,438	£42,430
Dorset	£22,554	£11,550	£34,104



- 2.9 Whilst the fees themselves are unchanged from the previous year, the PSAA recognised that there will need to be further negotiations between the audited body and the auditor to reflect the risk-based audit approach and local circumstances as detailed under the National Audit Office's Code of Audit Practice.
- 2.10 The subsequent variation in fees are then approved by the PSAA before they can be invoices.
- 2.11 Members will recall that a similar risk based exercise took place this year for the 2019/20 accounts.
- 2.12 As you are aware the audit context which affects the fees is currently complex and the PSAA have sought to provide regular updates on how the situation is evolving. I have attached at Appendix C for your information the body of their most recent email with updates on the Sir Tony Redmond Review, the Impact of Covid and the 2019/20 Accounts timetable, the Audit Fees for 2019/20 and the potential for additional audit supply procurement.

3. RECOMMENDATIONS

- 3.1 Members are asked to note the report, and to raise any points from this paper with the External Auditors at the meeting.

Karen James
Head of Audit, Insurance and Risk Management