



INDEPENDENT AUDIT COMMITTEE - 11 DECEMBER 2018

CONSULTATION ON THE 2019/20 SCALE OF AUDIT FEES

REPORT BY KAREN JAMES

PURPOSE OF THE REPORT

The purpose of this report is to present to members the consultation being undertaken by Public Sector Audit Appointments (PSAA) on the scale of audit fees for 2019/20 for opted-in local government and police bodies.

1. INTRODUCTION

- 1.1 Public Sector Audit Appointments Limited (PSAA) is responsible under the Local Audit (Appointing Person) Regulations 2015 for setting the scale of fees for the audit of the accounts of principal local government and police bodies in England that have opted into the appointing person scheme.
- 1.2 There are currently 495 bodies eligible to opt into PSAA's national scheme, of which 485 (98%) have opted in for the current appointing period covering accounts for five years from 2018/19 to 2022/23.
- 1.3 The Local Audit (Appointing Person) Regulations 2015 (the Regulations) require PSAA to specify, before the start of the financial year to which the fees relate, the scale of fees for the audit of the accounts of opted-in authorities.

2. PROPOSED FEE SCALE FOR 2019/20

- 2.1 PSAA propose that the scale of fees for 2019/20 should be the same as the scale of fees applicable for 2018/19. PSAA was able to reduce scale fees for 2018/19 by 23 per cent compared to the fees applicable for 2017/18 as a result of the favourable prices secured from firms in their audit services procurement and having regard to planned savings in PSAA's own operating costs.
- 2.2 Previously members have raised concern regarding the quality of audit work and therefore should the fees be maintained at such a low price. PSAA has developed

new arrangements for monitoring and reporting auditor performance and quality which will commence with the audit of the 2018/19 accounts.

- 2.3 In support of this they have developed a 'Statement of Responsibilities' of auditors and audited bodies and a number of reports will be published on the assessments they have made:
- the Quality Review Programme annual report providing an overview of the quality of work across all our audit suppliers;
 - an annual regulatory compliance and quality report for each firm providing service on our behalf; and
 - a regime compliance monitoring report for each firm on a quarterly basis for firms auditing principal bodies such as the police.
- 2.4 The scale of fees covers both the cost of the auditors' work at the individual opted-in body and the PSAA's own costs.
- 2.5 At the time of publishing the 2018/19 fee scales, the PSAA stated that it hoped to maintain the 23 per cent reduction in audit fees that it had achieved for period of at least three years and possibly five years depending upon the assumptions it has made in relation to inflation, changes to the Code of Audit Practice and financial reporting requirements.
- 2.6 Details of the full consultation can be found on the PSAA website at: <https://www.psa.co.uk/audit-fees/2019-2020scaleoffees/>
- 2.7 It is not the PSAA's intention to generate or retain any surplus money from the scales fees and so if any surplus does arise, it will be distributed back to the opted-in bodies. A distribution of fees was last made in December 2017. It is anticipated that any future distributions, if they do occur, will be modest.

3. CONCLUSION

- 3.1 The current consultation on fees with audited bodies and stakeholders will close on Monday, 17 December 2018.

4. RECOMMENDATIONS

- 4.1 Members are asked to consider the proposal of the consultation and provide any feedback they wish to be included.

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