

Response to Public Sector Audit and Appointments (PSAA) Consultation on the 2022/23 audit fee scale: Opted-in local local government government and police bodies

September 2022

About the Local Government Association

1. The Local Government Association (LGA) is the national voice of local government. We are a politically led, cross party membership organisation, representing councils from England and Wales.
2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.
3. This response has been cleared by the LGA's Resources Board.

General points

4. As is explained in the consultation document, we appreciate that the fees being set here relate to the audit of the current year (2022/23). These audits will not be started until 2023. We also appreciate that this is the final year of the current five-year appointing period, which covers the audits of the accounts of relevant authorities for 2018/19 to 2022/23 and that the audit procurement exercise that PSAA is undertaking for new audit contracts for the five audit years from 2023/24 is a separate exercise.
5. We also understand that this is the first time that the annual fees have been set under the [new arrangements](#) that allow fees to be set by 30 November of the financial year to be audited (rather than before the start of the year) and the new arrangements for fee variations that PSAA [consulted on in November 2020](#). We were supportive of both changes as a way of improving the accuracy of initial fees.
6. That said, with so many 2020/21 audits and several 2019/20 audits still incomplete due to the current crisis in local audit, the fees for 2022/23 still have to be set using incomplete information. We understand that as part of the consultation PSAA is writing individually to each opted in body to explain the proposed change to their scale fee due to variations from prior years being consolidated into the scale fee for 2022/23. It will be important that due notice is taken of the responses from the individual bodies.
7. It is clear that there is also incomplete information for some ongoing additional work that started for the 2020/21 year (eg the new requirements relating to the Value For Money commentary). Ideally fees relating to this would have been consolidated in the overall fee for 2022/23 but the lack of information will mean continued and extensive use of the fee variation process, coupled with a range of

the indicative estimate of likely additional cost. It is important that the change in fees to cover this additional work is accurate; in addition, it is appreciated that PSAA is unable to amend a fee scale once it is set. In these circumstances, the approach outlined in the consultation document is supported.

8. We understand that the current contract allows for an uplift for inflation of 1% below the most recent Consumer Price Index (CPI) published before the beginning of the financial year being audited. As mentioned in the consultation document CPI was 6.2%; this is the figure for February 2022 that was published in March 2022. The proposal is for this inflation uplift to be met from PSAA's surplus rather than from additional charges to audited bodies. We accept this is a pragmatic approach to the last year of the current contract (the surplus would be due for distribution to audited bodies in any case). This approach is unlikely to work for the new contract. Unless the surplus contains sufficient funds to cover cumulative inflation rises every year (extremely unlikely), then in one year the fee charged to the audited body will include cumulative inflation rises for more than one year. This could lead audited bodies to underestimate and so under budget for fees and face unexpected increases year on year.

Individual questions

Question 1. Do you support the proposals in the consultation for the fee scale for 2022/23 audits? Please add any additional comments that you wish to make.

9. Yes. Additional comments are made in the paragraphs on general points above.

Contact:

Bevis Ingram

Senior Adviser Finance

Phone: 079 2070 2354

Email: bevis.ingram@local.gov.uk