

Meeting: Resources Board

Date: 22 September 2022

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

Purpose of report

For decision / clearance of response

Summary

The report outlines a draft response to a consultation from Public Sector Audit Appointments (PSAA) on the 2022/23 audit scale fee for opted-in local government and police bodies, to be cleared by the Board. The report proposes that the response supports the approach suggested in the consultation.

Recommendation/s

That the Resources Board approve the draft response to the consultation appended to this report, subject to any amendments agreed at the meeting.

That officers make any amendments to the draft responses and arrange submission to PSAA.

Contact details

Contact officer: Bevis Ingram

Position: Senior Adviser Finance

Phone no: 079 2070 2354

Email: bevis.ingram@local.gov.uk

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

Background

1. PSAA has launched a consultation [on the fee scale for 2022/23 audits](#), which closes on Friday 30 September 2022. 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](#). The LGA was supportive of both changes as a way of improving the accuracy of initial fees.
2. A draft proposed response to the consultation is attached as an appendix to this report.

Proposed response

3. The methodology outlined in the consultation document follows the arrangements previously consulted on and should enable fees to be set with more up to date information. These new arrangements were supported by the LGA when they were consulted on, so it is proposed that the response to this consultation is broadly supportive.
4. That said, as members will be aware, many 2020/21 audits and several 2019/20 audits still incomplete due to the current crisis in local audit. This means that the fees for 2022/23 still have to be set using incomplete information. 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. This seems to be a reasonable approach, but it is suggested that the point is made that due notice is taken of the responses from the individual bodies.
5. 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 estimates of likely additional cost; this is because PSAA is unable to amend a scale fee once it is set. It is suggested that the response acknowledges the difficulties and supports the approach being taken.
6. The proposal also includes provision for inflation on scale fees. This is the first time that inflation has been sufficiently high for the threshold specified in the contract to take effect. Under the contract inflation of 5.2% should be applied to the fees and the proposal is for this to be met from PSAA's surplus rather than from additional charges to audited bodies. It is suggested that this proposal is

supported as a one-off pragmatic approach to the last year of the current contract (the surplus would be due for distribution to audited bodies in any case). However, it is also suggested that the response recommends that this approach should not be used when the new contract starts as it could mean in the future that in one year the fee charged to the audited body could 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.

Implications for Wales

7. The audit fee arrangements and so this consultation only apply to English local authorities.

Financial Implications

8. The work covered in this paper is included in the LGA's core budget.

Equalities implications

9. It is difficult to assess whether the audit fee proposals described in this report have any specific impacts for individuals with protected characteristics.

Next steps

10. That officers make any amendments to the draft responses and arrange submission to PSAA.