

2024/25 audit fee scale

Opted-in bodies

27 November 2024

Public Sector Audit Appointments Limited (PSAA) was incorporated by the Local Government Association (LGA) in August 2014. PSAA is a not-for-profit company limited by guarantee without share capital. The company's sole member and guarantor is the Improvement and Development Agency (IDeA), which is a subsidiary of the Local Government Association (LGA). PSAA is operationally independent of both organisations. PSAA's financial statements are not consolidated into the LGA's as neither the IDeA nor the LGA exercise control over PSAA or benefit from its results and financial performance.

In July 2016, the Secretary of State for Housing Communities and Local Government specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the [Local Audit and Accountability Act 2014](#) and the [Local Audit \(Appointing Person\) Regulations 2015](#).

Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.

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Summary

- 1 This publication sets out the fee scale for 2024/25 audits for opted-in bodies and a [summary of the outcome](#) of our statutory consultation.
- 2 We are acutely aware of the financial pressures facing bodies and understand that increased audit fees are an unwelcome additional budgetary pressure. Our strong view is that work on reforming accounting and auditing frameworks must reduce the volume of local audit work needed to make it more proportionate and relevant for users. We welcome the Government's recognition that the local audit system is broken and their commitment to overhaul the system to provide better value for money for bodies and taxpayers. The absence of a proportionate local audit system and financial reporting framework has been a major contributor to the significant audit delays and the current audit opinion backlog. The Government and key system partners are now taking action which initially involves modified opinions on a scale that is unprecedented globally.
- 3 [Our consultation](#) took place during September-October 2024. It set out a proposed increase of 9.5% in total scale fees to cover additional audit work under revised standards and a contractual inflationary increase payable to audit firms. The new work relates to revised auditing standard ISA (UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). Incorporating fee increases into scale fees provides more certainty on expected fees and without this consolidation such changes would be payable as fee variations.
- 4 Responses to the consultation understandably raise concerns about the need for an increase in audit fees given the financial pressures on opted-in bodies. We received 128 substantive responses to the consultation (25% of consultees), with 124 responses (97%) from opted-in bodies and four (3%) from other stakeholders. Of those who expressed a view, 53% agree with the proposed fee scale and 47% do not. Most responses also raise concerns about aspects of the proposed fee scale.
- 5 We thank all those who took the time to provide their views. The PSAA Board has reflected carefully on the consultation outcome and takes very seriously the views expressed. It has confirmed the final 2024/25 fee scale as proposed in the consultation but resolved to continue to press for change in local audit to address the issues raised. It noted that many of the issues raised in the consultation responses are complex and call for action that is outside our remit. For example, we cannot change the scope of local audits, direct auditors on the amount or timing of their work or commit additional funding for higher fees.
- 6 We will therefore continue to feed the concerns raised by bodies into the work MHCLG is leading on the forthcoming overhaul of the local audit system. We have long lobbied for change and bodies' feedback on the areas to address this is invaluable.
- 7 We are required under local audit regulations to consult on and set the 2024/25 fee scale before 1 December 2024. Audit work under this fee scale is likely from March 2025 to February 2026 under the dates set out in a [statement on the local audit backlog](#) published by the Ministry of Housing, Communities and Local Government (MHCLG) in July 2024 and confirmed in the [Accounts and Audit \(Amendment\) Regulations 2024](#).
- 8 Our [information paper](#) for 2023/24 audits identifies the impact of changes in a range of standards and provides information on how opted-in bodies and auditors can work together to mitigate the amount of additional audit work needed.

Introduction to the fee scale

PSAA's remit

- 9 PSAA is specified under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 as the appointing person for principal local government bodies in England.
- 10 We are responsible for providing an auditor appointment scheme for eligible bodies which choose to opt in. This involves procuring and managing contracts with audit firms for the provision of audit services. PSAA's specific remit under the regulations is to:
 - appoint an auditor to all bodies that have chosen to opt into the scheme rather than appoint their own auditor;
 - set a scale or scales of fees; and
 - monitor independence and contractual compliance of the audit firms it appoints.

Audit scope

- 11 PSAA does not control the scope or timescale of the local audit work auditors undertake:
 - the National Audit Office publishes the statutory Code of Audit Practice (the Code) for auditors of local public bodies, which sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. The 2024 Code came into force in November 2024, replacing the 2020 Code;
 - CIPFA LASAAC sets financial reporting requirements for local government bodies in the Code of Practice on Local Authority Accounting; and
 - the Financial Reporting Council is responsible for regulating audit quality.
- 12 The Code of Audit Practice requires the auditor to:
 - use their professional judgement to apply the principles and requirements set out in the Code to the particular circumstances that exist at each body;
 - ensure their work is designed to meet the auditor's statutory responsibilities, applying the auditor's professional judgement to tailor their work to the circumstances in place and the audit risks to which they give rise; and
 - comply with auditing standards currently in force in the United Kingdom, as may be amended from time to time, having regard to any other guidance issued by a relevant regulatory body, and statutory guidance issued by the NAO.
- 13 Our contracts with audit firms require auditors to undertake audits that comply with the requirements of the Code of Audit Practice. Once appointed auditors exercise their statutory and professional responsibilities independently of PSAA, by design of the local audit framework.
- 14 The [Accounts and Audit \(Amendment\) Regulations 2024](#) took effect on 30 September 2024 and now set the timescales under which audit work should be completed up to 31 March 2028. There has previously been no statutory deadline for local audit completions.

Audit fees

- 15 The Local Audit (Appointing Person) Regulations 2015 and the Local Audit (Appointing Person) (Amendment) Regulations 2022 require that PSAA must specify the scale or scales of fees for the audit of the accounts of opted-in authorities before 1 December of the financial year to which the fee scale relates. A fee scale cannot be amended after this date.
- 16 Where we are not able to determine the impact of changes in audit requirements at the time we set the fee scale, the fee variations process provides the mechanism to adjust fees for increases or decreases in the audit work required. Where more work is needed, the total fee will be higher, where less work is needed a negative fee variation applies. If these adjustments are expected to be permanent, we consolidate them into a future fee scale.
- 17 The total audit fee for an individual opted-in body is driven by the circumstances and audit risks of the body and by the volume and nature of the work needed for an auditor to deliver a Code-compliant audit. This will be determined by a combination of local factors and the accounting, auditing and regulatory requirements which are determined nationally.
- 18 The total audit fee for an opted-in body is a combination of:
 - **the scale fee**, which is based on the information available to us at the time we set the fee scale; and
 - **fee variations**, which are based on our assessment and challenge of the information provided by an auditor about why they have had to do more/less work than expected.

The 2024/25 fee scale consultation

- 19 [Our consultation](#) explained the proposed elements of the 2024/25 fee scale, comprising:
 - the scale fees set for 2023/24;
 - additional fees for changes in audit requirements;
 - adjustments for specific bodies, where updated information is now available; and
 - a contractual adjustment of 3.4% for inflation.
- 20 We also wrote to bodies during the consultation period to set out the calculation of their expected scale fee based on these elements.
- 21 We received 128 substantive responses to the consultation (25% of consultees), with 124 responses (97%) from bodies and 4 (3%) from other stakeholders. 53% of consultation responses confirm they agree with our proposals and 47% do not agree. Most responses also raise concerns about aspects of the proposed fee scale.
- 22 Many of the issues raised are complex and typically call for action outside our statutory remit. For example, we cannot change the scope of local audits, direct auditors on the amount or timing of their work, or secure additional funding for higher fees. We have long stated our view that local audit work needs to be more focused on the sector's needs.
- 23 A [summary of the responses to the consultation](#) is available on our website. We welcome the feedback provided and thank those who responded.

The 2024/25 fee scale

- 24 We have set the 2024/25 fee scale based on the work required under the [Code of Audit Practice](#) published by the National Audit Office and associated auditor guidance as far as we are able given the information available to us.
- 25 After careful consideration of the issues raised in the feedback to our consultation, we have set the fee scale for 2024/25 using the following elements:

2024/25 fee scale elements
A The scale fees for 2023/24
Plus:
B Fees for significant changes in audit requirements (ISA 315 and related ISA 240 requirements), using standard fees based on body type
C Adjustments for specific opted-in bodies
D Adjustment for inflation of 3.4%

Work on ISA (UK) 315/240

- 26 Under current local audit requirements, additional audit work under revised ISA (UK) 315 (risks of material misstatement) and the related impact of ISA (UK) 240 (fraud) is required at all local audit bodies from the 2022/23 audits.
- 27 Additional fees for this work (under element B in the table above) are included in the fee scale based on standard fees for groups of bodies:

Additional standard fees to be consolidated for work on ISA 315 and 240

Body type	Standard fee
Metropolitan district council, London borough, unitary authority, county council	£15,690
District council	£9,410
Police and Crime Commissioner	£4,710
Chief Constable	£4,710
Fire authority	£7,058
Pension fund audit	£7,840

Adjustment for inflation

- 28 Our audit contracts provide for an inflationary increase for 2024/25 audits. The inflation level which must be applied is the 12-month CPI rate published by 31 March before the start of the relevant audit year. The set point at which inflation applies is to provide certainty.
- 29 The latest ONS annual CPI rate published prior to 1 April 2024 is 3.4% (published in March 2024). This is the rate applied to the 2024/25 fee scale.

Subsequent changes in national or local audit requirements

- 30 Changes in audit work or audit requirements that are identified or quantified after publication of this fee scale or are not ongoing requirements will continue to be subject to the fee variations process.
- 31 We will review any estimated figures consolidated into the scale fees of individual bodies and the adjustments for special cases to ensure they remain appropriate.

Local audit backlog

- 32 This fee scale does not cover audit work required in relation to arrangements to address the local audit backlog, announced in the [statement on the local audit backlog](#) published by MHCLG in July 2024. A further statement is expected by the end of 2024.
- 33 The backlog solution involves modified opinions on a scale that is unprecedented globally. We are working on quantifying the fees and related costs of disclaimed audits and will provide further information as soon as we can.
- 34 MHCLG's July statement sets out the broad principles on audit fees:
 - if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a modified or disclaimed opinion; and
 - if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount.

Additional information

Communications

- 35 We have written to each body to set out the calculation of their scale fee based on these elements. The individual 2024/25 scale fees are available from the [scale of fees page](#) of our website.

Fee variations process

- 36 The nature of audit means it may be necessary for an auditor to carry out more audit work than has previously been required or was planned. PSAA has the power to vary the audit fee payable by a body where it considers substantially more or less audit work was required than envisaged by the scale fee. Where it becomes clear that audit risk or complexity is significantly different from the level identified and reflected in the scale fee, or audit requirements have increased or decreased, the auditor may request a fee variation.
- 37 Fee variation requests must be made to PSAA by the auditor using a standard process. We encourage discussions between the auditor and the body to take place as early as possible in the audit cycle, and ideally for the auditor to obtain agreement from the body to the proposed variation before seeking approval. Irrespective of whether the proposed variation has been agreed by the body concerned, we scrutinise every proposal and are responsible for the ultimate determination of every variation. The fee variation is not payable by the opted-in body until PSAA has approved the request.
- 38 We obtain updated fee information and supporting evidence on proposed variations from the scale fee from appointed auditors and consider the reasonableness of the explanations provided. For example, fee variations relating to Code changes, regulatory changes or inadequate working papers are potentially valid (subject to individual circumstances and the body's observations).
- 39 Fees are also chargeable when auditors carry out work in line with their other responsibilities, such as considering information provided by third parties, objections or carrying out other investigations.
- 40 Further information on the [fee variations process](#) is available on our website.

Statement of responsibilities

- 41 The [statement of responsibilities of auditors and audited bodies](#) sets out the expectations on which scale fees are based. The statement effectively represents the terms of engagement between appointed auditors and audited bodies and summarises their respective responsibilities.
- 42 Scale fees are based on the expectation that audited bodies can provide the auditor with complete and materially accurate financial statements and supporting working papers within agreed timeframes. Where a body is unable to fulfil these requirements, local fee variations may be required.
- 43 Additional audit costs that arise due to auditors not meeting expectations, for example where members of the audit team are inadequately prepared or where changes in audit teams lead to repeated questions, are ineligible for a fee variation.

2024/25 audit fee scale

Invoicing

- 44 Under the audit contracts applicable from 2023/24, payment to auditors is based on milestones linked to audit delivery.
- 45 In contrast to the previous contracts, where the auditor invoiced the body each quarter irrespective of delivery progress, the current contracts have four predefined audit milestones, (each attracting 25% of the scale fee), at which point it is permissible for an audit firm to invoice an audited body.
- 46 The milestones have been updated for 2024/25 to recognise the arrangements to address the local audit backlog. The four milestones are:

Milestone	Value	Delivery requirement
1	25%	Paid on either prior year draft Auditor's Annual Report or Opinion issued, but not before 1 December
2	50%	Paid on draft Audit Plan production and issue
3	75%	Paid on 50% planned hours delivered
4	100%	Paid on 75% planned hours delivered

- 47 Contracted audit firms collect fees from bodies as agents of PSAA.

Value added tax

- 48 Individual audit fees under the 2024/25 fee scale do not include value added tax (VAT), which will be charged at the prevailing rate, currently 20%, on all work done.

Enquiries

- 49 If you have questions about this fee scale please send them to us by email to: workandfeesconsultation@psaa.co.uk.