

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Scrutiny & Audit Panel
Date	26 November 2020
Title of Report	Public Sector Audit Appointments (PSAA) Consultation on Audit Fee Variations
By	Duncan Savage, Assistant Director Resources / Treasurer
Lead Officer	Duncan Savage, Assistant Director Resources / Treasurer

Background Papers None

Appendices 1. Public Sector Audit Appointments' (PSAA) consultation document

Implications

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT To inform the Panel of the PSAA consultation on audit fee variations and to seek its views on the questions asked by PSAA.

EXECUTIVE SUMMARY Public Sector Audit Appointments (PSAA) is the body which lets and manages contracts for the provision of external audit for the majority of local government including fire authorities.

PSAA is consulting on proposed new arrangements for determining fee variations for local audits of opted-in bodies from audits of 2020/21 accounts onwards.

The current fee variations process requires the auditor to discuss all proposed variations with the audited body before submitting them to PSAA for determination. Feedback from both auditors and audited bodies frequently refers to the practical

challenges and limited value of local discussions about proposed variations which relate to those factors which affect most or all audited bodies. Many contributors have asked PSAA to take a national lead on additional fees, where possible removing the need for local negotiations.

PSAA is therefore proposing a new approach, based on two types of variation:

- **national variations**, required for changes that relate to the conduct of all or most audits, such as changes to the auditing and accounting codes, standards and regulatory requirements, where a standard cost can be reasonably estimated; and
- **local variations**, required for issues that relate to local factors arising from the conduct of a particular audit, such as the additional audit work required if accounts reflect complex transactions that are not built into the scale fee, or where working papers are poorly prepared, or for work relating to an auditor's statutory responsibilities such as objections, statutory recommendations or public interest reports.

The consultation is available on the PSAA website at [Fee variations consultation - November 2020](#).

The questions posed in the consultation are:

1. Do you agree that fee variation arrangements should be changed to improve the efficiency of the process and to help manage the pressures on senior finance staff and auditors?
2. Do you agree that a system based on two distinct categories - national variations and local variations - would be a logical approach?
3. Do you agree that PSAA should lead on national variations, carrying out research to enable it to assess appropriate additional fees for groups of bodies with similar characteristics, with appropriate consultation?
4. Do you agree that local discussions between the auditor and the audited body should continue to be a requirement in relation to additional audit work arising from factors which are specific to a particular audited body?
5. Do you agree that the fee rates applicable to fee variations should be increased in recognition of the importance of maintaining a sustainable local audit market?
6. Any other comments.

PSAA welcomes comments on the proposals set out in the consultation from all stakeholders. The consultation will close on **Tuesday 1 December 2020**.

Please note that fee variation arrangements for 2019/20 audits remain unchanged and are not affected by the proposals in this consultation.

RECOMMENDATION

The Panel is recommended to:

- i. consider the consultation document and its proposals;
and
 - ii. direct officers as to its preferred response
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