



**REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT AND  
IMPROVEMENT**

**PUBLIC SECTOR AUDIT APPOINTMENTS' CONSULTATION ON WORK  
PROGRAMME AND SCALE OF FEES FOR 2016/17 AUDITS**

**Purpose of the Report**

1. To consider a response to the Public Sector Audit Appointments' consultation on the external audit work programme and scale of fees for 2016/17.

**Information and Advice**

2. The Public Sector Audit Appointments (PSAA) body replaced the Audit Commission, from 1<sup>st</sup> April 2015, in taking responsibility for appointing external auditors to local authorities. As part of this responsibility, the PSAA is now consulting on the work programme for 2016/17 and on the scale of fees that will apply.
3. The PSAA was incorporated by the Local Government Association in August 2014. The PSAA is a company limited by guarantee and is a subsidiary of the Improvement and Development Agency which is wholly owned by the Local Government Association.
4. The PSAA will oversee the Audit Commission's audit contracts for local government and police bodies until they end in 2018. This follows the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements for one year. As a consequence the Authority will continue to have KPMG as its external auditors for the 2017/18 financial year.
5. A copy of the consultation document relating to local government and police audited bodies is attached as Appendix A.
6. The background to the current proposals is set out in the consultation document. The scale of fees was reduced by 40% from 2012/13 and then by an additional 25% for 2015/16, whilst still the responsibility of the Audit Commission. The PSAA expect that these substantial fee reductions will continue to apply for the length of the audit contracts, providing that there are no significant changes to the auditors' work.
7. The PSAA does not plan to change the work programme for local government bodies for 2016/17 and proposes that the 2016/17 scale audit fees and indicative certification fees are set at the same level as for 2015/16. The proposed fee scales for NCC and Nottinghamshire Pension Fund for 2016/17 are £98,213 and £29,926 respectively. The PSAA website

provides a comparator tool, which can be used to show where we sit in comparison with other county councils. A copy of these are attached as appendices B and C for the County Council and the Nottinghamshire Pension Fund.

8. However, the PSAA may approve variations to the published fee scales for individual audited bodies to reflect changes in circumstances or audit risks. A change in the accounting requirements in 2016/17 for highways infrastructure assets will require additional audit work, and this is likely to result in a fee variation for NCC. The additional fees in the first year of implementation for a highway authority are anticipated to be in the range of £5,000 to £10,000.
9. Following the completion of the Audit Commission's 2014/15 accounts, the PSAA received a payment in respect of the Audit Commission's retained earnings. The PSAA intend to redistribute any surpluses from audit fees to audited bodies, which is likely to be of the order of 15% of scale audit fees.
10. Audit Committee members are invited to respond to the consultation, and consider what responses they want to make. Suggested responses are that:-
  - a. the Audit Committee welcome the continuing reductions in audit fees
  - b. The Audit Committee agree that the work programme for 2016/17 should remain unchanged

### **Other Options Considered**

- 11 The Audit Committee may determine that a response to the PSAA should not be sent.

### **Reason/s for Recommendation/s**

12. To provide Members with the opportunity to comment on the proposals of the Public Sector Audit Appointments body for the work programme and scale of fees for 2016/17.

### **Statutory and Policy Implications**

13. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION**

- 1) That Members of the Audit Committee accept the PSAA plan to keep the work programme unchanged for 2016/17 and welcome their proposal to freeze the scale of fees for 2016/17.

**Nigel Stevenson**

## **Service Director (Finance, Procurement and Improvement)**

### **For any enquiries about this report please contact:**

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## **Constitutional Comments (KK 29/10/15)**

The proposal in this report is within the remit of the Audit Committee.

## **Financial Comments (JMB 16/11/15)**

The costs of external audit are set out in the report in paragraph 7.

## **Background Papers**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

## **Electoral Division(s) and Member(s) Affected**

- All

