

Prepared on 19 September 2023

## 2023/24 scale fee for Lancashire Combined Fire Authority

PSAA has recently launched its [consultation on the fee scale for 2023/24 audits](#).

Our aim is to update your scale fee to ensure it reflects current audit requirements. This updating is particularly important for the 2023/24 fee scale to ensure fees are set on a consistent and equitable basis at the start of the new contract period. This means that the scale fee for each opted-in body better reflects the audit work required under the current Code of Audit Practice published by the National Audit Office and the regulatory expectations of the Financial Reporting Council. Updating the fee scale in this way will have the benefit of making expected fees clearer for opted-in bodies much earlier in the audit cycle and reducing the volume of fee variations.

We propose setting your 2023/24 scale fee based on the elements set out in Table 1 below. Table 2 provides more detail. Further explanation of each of the elements is provided in the consultation on the fee scale for 2023/24 audits.

**Table 1: Summary of your proposed 2023/24 scale fee**

Fee scale elements	
1) 2022/23 scale fee	£29,295
2) Add: approved fee variations or estimates for recurring work not already included (see Table 2 for details)	£600
3) Add: changes in audit requirements (VFM arrangements, ISA 540)	£7,000
4) Add: adjustment for special circumstances (where applicable)	£0
<b>Subtotal 2022/23 scale fees plus recurring fees</b>	<b>£36,895</b>
5) Audit fee adjustment to reflect the procurement outcome (uplift by 151%)	£55,711
<b>Scale fee for 2023/24</b>	<b>£92,606</b>

PSAA is required under the local audit regulations to consult on and set the 2023/24 fee scale by 1 December 2023. We cannot change your scale fee after that date. Any further changes in the work the auditor needs to undertake on your audit will therefore need to be determined using the fee variations process, and if the increase or decrease in the work is recurring the change will be considered for consolidation in the next fee scale.

We are setting the 2023/24 fee scale at a time of change in the local audit system. In July 2023 the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to address the audit backlog and is working with all stakeholders to tackle the complex issues involved. The proposals include the possibility of a time-limited revision to the Code of Audit Practice, which may reduce the amount of audit work needed while the backlogs are resolved. The proposals are still under consideration and any changes affecting fees are still to be confirmed, so we cannot reflect them in the proposed fee scale. We are therefore consulting on the basis of existing audit requirements. We will need to assess the impact on audit fees if changes are confirmed, and at that point we will write to opted-in bodies to set out how we will update fees.

Table 2 below sets out the proposed aggregate recurring value for consolidation into your 2023/24 scale fee in column A. Some of these recurring values may already have been consolidated into your 2022/23 scale audit fee. Where this is the case, relevant figures are shown in column B. The balance of any recurring value (A minus B) which has not yet been consolidated is shown in column C. These are the additional fees which we propose to incorporate into your 2023/24 scale fee.

The proposed values in Table 2 are based on fee variations approved to date for your audit over the four audit years 2018/19-2021/22 (left-hand side of table 2). Where fee variations are yet to be determined, either for particular categories or overall, we have used estimates based on averages for your authority type. The figures in Table 2 may not reconcile directly to the fee variation statements we have sent you previously for approved fee variations because:

- we have reviewed each fee variation to identify the recurring element specifically, as sometimes fee variations can be a combination of recurring and non-recurring work; and
- we have considered the applicability of each category to each opted-in body to ensure we are consolidating the proposed additional fees consistently and equitably where we would expect the auditor would need to undertake additional work.

Further fee variations may be needed during the course of the 2023/24 audit. For example, our research has concluded that it is premature at this stage to consolidate additional fees for some changes in audit requirements such as ISA 315 and ISA 240. The recurring elements of any further fee variations approved will be considered in future fee scale consultations.

**Table 2: Summary of recurring figures for consolidation into 2023/24 scale fees**

Fee variation area of work	Proposed aggregate recurring value for consolidation into 2023/24 scale fees	Already consolidated into 2022/23 scale fees	Recurring value for consolidation into 2023/24 scale fees
	A	B	A-B=C
Group accounts – note 1	£0	£0	£0
Pension valuation	£2,188	£2,188	£0
PIE	£0	£0	£0
PPE valuation	£2,188	£2,188	£0
Increased FRC Challenge	£1,850	£1,250	£600
PFI – note 2	£0	£0	£0
Other – note 3	£0	£0	£0
VFM commentary	£5,500	£0	£5,500
ISA540	£1,500	£0	£1,500
IAS19 – note 4	£0	£0	£0
Major local audits	£0	£0	£0
Investment valuations – note 5	£0	£0	£0
<b>Total</b>	<b>£13,226</b>	<b>£5,626</b>	<b>£7,600</b>

## Notes

1. **Group accounts:** in some cases, for example bodies with long-standing group accounts requirements, if we have not previously consolidated a fee variation into the scale fee but are aware that work on group accounts will be required, we have updated the proposed 2023/24 scale fee accordingly.
2. **PFI:** while most PFI schemes are long-standing, an incoming audit firm will not be familiar with the details of each scheme and will need to do additional work to understand the scheme and model. The additional work will therefore require a fee variation.
3. **Other:** we have included additional amounts where the body has experienced significant changes in size or complexity or other factors. We propose making a temporary scale fee adjustment, but subject to detailed review after the first audit year to compare to the actual outcome. We will then determine if the adjustment is correct or requires further refinement for subsequent years.
4. **IAS19:** applies to pension fund audits only and reflects the expectation in NAO auditor guidance that auditors of pension funds should provide IAS 19 assurances under the scope of the Code of Audit Practice to auditors of admitted bodies that are relevant local audit bodies. We propose including an additional fee for this work in the 2023/24 scale fee for each pension fund audit, calculated based on the number of assurances expected for local audit bodies in the local government sector. This work was previously outside the Code, so although additional fees are likely to have been charged these may have been reported differently by the auditors.
5. **Investment valuations:** applies to pension fund audits / pension authorities only and relates to the additional work/testing auditors are doing in response to clarification of regulatory expectations. This includes auditors demonstrating that they have heightened their challenge of management’s assumptions/assessments and have a greater depth to their assurance about the source of evidence.