

Work programme and scales of fees 2014/15

Local government and police bodies

March 2014

The Audit Commission's role is to protect the public purse.

We do this by appointing auditors to a range of local public bodies in England. We set the standards we expect auditors to meet and oversee their work. Our aim is to secure high-quality audits at the best price possible.

We use information from auditors and published data to provide authoritative, evidence-based analysis. This helps local public services to learn from one another and manage the financial challenges they face.

We also compare data across the public sector to identify where services could be open to abuse and help organisations fight fraud.

Contents

Introduction.....	2
Background	2
Scales of fees for 2014/15	2
Fees from 2015/16	3
Work programme 2014/15	4
Audit	4
Auditors' local value for money work	4
National reports	5
Certification work	5
Assessment and inspection work.....	6
Scales of fees for 2014/15	7
Scales of audit fees for local government, police and fire and rescue bodies.....	7
Pension fund audits	7
Certification work	8
Value added tax.....	8

Introduction

1 This document sets out the work the Audit Commission plans to undertake at local government and police audited bodies during 2014/15, with the associated scales of audit fees. Separate documents cover the Commission's work in the [NHS](#) and at [small bodies](#).

Background

2 The work of the Commission and its appointed auditors is carried out under the Audit Commission Act 1998 and the Code of Audit Practice 2010 (the Code). Copies of [the Code](#) and the associated [Statement of Responsibilities of Auditors and Audited Bodies](#) are on the Commission's website. Responsibility for the conduct of the audit remains, always, that of the appointed auditor.

3 Under section 7 of the Audit Commission Act 1998, the Commission has a statutory duty to prescribe scales of fees for the audit of accounts. Before prescribing any scales of fees, we consult audited bodies in local government, their representative associations, the Department for Communities and Local Government (DCLG) and the accountancy profession.

4 Fees are the principal way the Commission finances its activities. In law, audit fees are not a fee for audit services, but a levy to fund the costs of the Commission, out of which it meets the costs of audits and its other statutory functions. It has a statutory duty to cover its costs, taking one year with another.

5 The Commission publishes the [scale fees for individual bodies](#) each year on its website, to support transparency and to help audited bodies compare their fees with those of similar bodies. A [fee comparator tool](#) is also available on the website.

6 Section 28 of the Audit Commission Act 1998 requires the Commission to charge fees for certification work that cover the full cost of the work we undertake. The Commission publishes [indicative certification fees](#) for individual bodies each year on its website.

Scales of fees for 2014/15

7 The Commission made significant reductions of up to 40 per cent in audit and certification fees in April 2012, on the basis that these lower fee levels would apply for the five years of the contracts let to audit firms, for the audit of the accounts for 2012/13 to 2016/17. These fees are subject to annual review. The fee reductions were achieved as a combined result of the Commission's bulk purchasing power and internal efficiency savings.

- 8** We do not plan to make any changes to the work programme for local government and police audited bodies for 2014/15. Following consultation, we have therefore set scale audit fees at the same level as the fees applicable for 2013/14.
- 9** We will keep the scale fees for police bodies, as relatively new bodies, under review to ensure they continue to be consistent with auditors' local assessments of audit risks.
- 10** While we have not made any change to the 2014/15 scale audit fees for pension funds, we are aware that the complexity of some pension funds makes the necessary audit work difficult to deliver within the scale fee. We will keep the fees for pension fund audits under review.
- 11** We received a limited response to our consultation on the 2014/15 work programme and scales of fees, with only 13 replies across all our sectors and stakeholders. A [summary of the consultation responses](#) is available on our website.

Fees from 2015/16

- 12** The Audit Commission expects to close on 31 March 2015, as a result of the Local Audit and Accountability Act 2014. This Act provides for the introduction of a new framework for local public audit.
- 13** The Commission will set the fees and work programme for 2015/16 before it closes. This will be the first year of audit following our closure. We continue to work with officials at DCLG on this basis.
- 14** The Commission's current contracts with audit suppliers run until 2016/17, with a possibility of extension for up to three years. The responsibility for overseeing these contracts, and for setting fees under them, will pass to a transitional body from April 2015. Ministers have announced that an independent private company to be set up by the Local Government Association (LGA) will be the transitional body.
- 15** The Commission is undertaking a further audit procurement exercise, for the contracts with audit firms let in 2006 and 2007. These contracts cover 30 per cent of principal bodies in the Commission's regime. We expect to make further savings for all audited bodies from 2015/16 as a result of this exercise. An announcement on the outcome of the procurement will be made at the end of March 2014.

Work programme 2014/15

Audit

16 Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They do this by assessing the significant financial and operational risks facing the body, and the arrangements it has put in place to manage those risks.

17 Under the Code of Audit Practice, the Commission may specify additional audit work to supplement the local risk-based approach to planning the audit. For 2014/15, the Commission will specify work on Whole of Government Accounts (WGA) only.

18 Following consultation on proposals for changes to the measurement requirements for transport infrastructure assets, the Chartered Institute for Public Finance and Accountancy (CIPFA) now expects that full implementation of the expected changes will be reflected in 2016/17 accounts, with 2015/16 being the preparatory year. There will therefore be no impact on auditors' work or scale audit fees for 2014/15.

Auditors' local value for money work

19 Under the Audit Commission Act 1998, auditors must satisfy themselves about an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

20 Auditors of single-tier, county and district councils, fire and rescue authorities and police bodies will apply a risk-based approach to their local value for money work, giving a conclusion on the arrangements in place. The approach is based on criteria specified by the Commission relating to financial resilience and prioritising resources.

21 Auditors of larger national parks authorities, waste disposal authorities, integrated transport authorities, passenger transport executives, joint committees, and other miscellaneous local government bodies will continue to apply a tailored approach to their local value for money conclusion work. The approach is based primarily on review of the annual governance statement, and any other specific work the auditor considers necessary.

22 A conclusion on value for money arrangements is not required for audited bodies with annual income or expenditure of less than £6.5 million, which are subject to limited assurance audit. This is in line with the threshold set in the Accounts and Audit (England) Regulations 2011 defining smaller relevant bodies.

23 Where a body with annual income or expenditure of less than £6.5 million elects to prepare accounts as a larger relevant body, it is subject to a full Code audit including a value for money conclusion.

24 Our website provides further [information about the VFM conclusion](#).

National reports

25 The Commission publishes the annual [Auditing the Accounts](#) and [Protecting the Public Purse](#) reports. These summarise, respectively, the results of auditors' work on audited bodies' financial statements and arrangements to secure value for money, and the results of our annual survey of fraud in local government. The reports are published in November-December each year.

26 As the Commission expects to close in March 2015, it will not be publishing these reports at the end of 2015. The last reports will be published in 2014, on the results of auditors' 2013/14 work.

27 The counter-fraud function at the Audit Commission will transfer to a new 'Public Sector Counter Fraud Centre of Excellence' to be established by the Chartered Institute of Public Finance and Accountancy (CIPFA). In setting up the centre, CIPFA will build on the Commission's existing counter-fraud work, including the annual *Protecting the Public Purse* report.

28 The Commission's responsibilities that transfer to the transitional body, to be established as a private company by the LGA, may include publishing a summary of auditors' work similar to *Auditing the Accounts*.

29 Central government departments are accountable to Parliament for the billions of pounds of taxpayers' money paid by them to local bodies, and will continue to need access to the results of local external audit. DCLG is considering this as part of the work programme to close the Commission.

Certification work

30 As well as their work under the Code, appointed auditors certify certain claims and returns as agents of the Commission.

31 DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns after the closure of the Commission. Arrangements will be based on tri-partite agreements between grant-paying bodies, auditors and audited bodies, with fees agreed locally between audited bodies and auditors.

32 Auditors will continue to certify local authority claims for housing benefit subsidy to the Department for Work and Pensions (DWP) under the arrangements put in place by the Commission. The DWP has asked the Commission to prepare the auditor guidance for 2014/15, and it is expected that arrangements for 2015/16 onwards will be made on the same basis by the independent private company to be set up by the LGA.

Assessment and inspection work

33 The Local Audit and Accountability Act 2014 sets out new arrangements for inspection, under which the Secretary of State may require an inspection to be undertaken.

34 The Commission's power to conduct corporate governance inspections will be repealed in April 2014, with the Secretary of State gaining powers to commission such inspections from that date. However, to support transition to the new arrangements, DCLG has asked the Commission to retain its capability until March 2015, when the Commission will close.

Scales of fees for 2014/15

Scales of audit fees for local government, police and fire and rescue bodies

35 The scales of fees for 2014/15 reflect the cost of the work programme outlined above. The 2014/15 scale fee for each [local government](#) and [police](#) audited body is available on our website.

36 The Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

37 As the 2014/15 scale fees for individual bodies are based on the fees for previous years, they already reflect the auditor's assessment of audit risk and complexity. Therefore, we expect variations from the scale fee to occur only where these factors are significantly different from those identified and reflected in the 2013/14 fee.

38 It is a matter for the auditor to decide the work necessary to complete the audit. Where an auditor considers more or less work is required than is represented in the scale fee, they must, subject to approval by the Commission, seek to agree a variation to the scale fee with the audited body.

39 The Commission obtains updated fee information from appointed auditors, and explanations for any proposed variations from the scale fee, on a regular basis. The Commission will consider the reasonableness of the explanations provided by auditors before agreeing to any variation to the scale fee. Only fee variations approved by the Commission can be invoiced or refunded to audited bodies.

40 The Commission will charge fees to cover the costs of considering objections, from the point at which auditors accept an objection as valid, as a variation to the scale fee. This also applies to costs incurred on any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Pension fund audits

41 The 2014/15 scale audit fee [for each pension fund audit](#) is available on our website.

Certification work

42 The indicative fee for certification work at [individual audited bodies](#) is available on our website. The fees are based on the latest final certification fees available, for 2012/13 certification, and cover certification of housing benefit subsidy claims only. The 2014/15 indicative certification fees have been reduced to reflect the removal of council tax benefit from subsidy claims from April 2013.

43 The indicative fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

44 It is a matter for the auditor to decide the work necessary to certify the claim or return and to seek to agree any proposed variation to the indicative fee with the audited body.

45 As 2014/15 indicative certification fees for individual bodies are based on the latest certification fees available, they already reflect the auditor's assessment of the work required. We expect variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the actual 2012/13 fee.

46 Information must be submitted by auditors to the Commission for any proposed variations to indicative certification fees. Only fee variations approved by the Commission can be invoiced or refunded to audited bodies.

Value added tax

47 All the 2014/15 fee scales exclude value added tax, which will be charged at the prevailing rate of 20 per cent on all work done.