****

**LGA response to Public Sector Audit Appointments Consultation: External Audit Work Programme and scale of fees 2017/18**

Date: For response 12 January 2017

The Local Government Association (LGA) is here to support, promote and improve local government. We will fight local government's corner and support councils through challenging times by making the case for greater devolution, helping councils tackle their challenges and assisting them to deliver better value for money services.

The LGA was instrumental in establishing Public Sector Audit Appointments (PSAA) in response to a request by the government for a company to be established to manage the external audit contracts that were put in place by the Audit Commission.

**General**

Overview – The LGA welcomes the opportunity to respond to this consultation and the overall direction taken in it. The specific proposals are dealt with individually below.

**Specific points:**

1. **Level of fees. The consultation proposes that the 2017/18 scale audit fees and indicative certification fees are set at the same level as the scale fees applicable for 2016/17.**

**LGA View** – Overall the proposal to freeze the level of fees is welcomed. The reduction in fees since the new contracts came into place in 2012/13 is also welcome. It is important to Councils that the reduction in fees should not affect the quality of audit work.

1. **Additional fees for Highways assets work. The consultation outlines arrangements for charging for additional work arising from changes in accounting requirements for highways infrastructure assets, following on from the arrangements for 2016/17 outlined last year.**

**LGA View –** Since the consultation was published in October 2016, the CIPFA / Local Authority Scotland Accounts Advisory Committee Local Authority Accounting Code Board have announced (November 2016) that the implementation of these arrangements will be delayed for a year. We would therefore expect that the audit arrangements and fees for 2016/17 and 2017/18 will be amended accordingly. That said, as we stated last year a number of councils are unhappy with the changes in accounting principles and with the additional burden it places on them, both in terms of the work required for the change and the additional audit fee. However, this is not the appropriate place to rehearse these concerns and it is accepted that if there is additional audit work arising then it is appropriate to charge for it.

1. **Distribution of surplus.** **The consultation outlines that PSAA has received a payment in respect of the Audit Commission’s retained earnings following completion of the Commission’s accounts and proposes to distribute this and any other surpluses from audit fees to audited bodies on a timetable to be established during 2017. The amount of the redistribution is likely to be in the order of 15 per cent of scale audit fees for local government bodies**

**LGA View.** This proposal is welcomed and we hope that this rebate will be paid as soon as possible.