

PSAA proposals for a new approach to fee variations

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.

We are 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 our website at [Fee variations consultation - November 2020](#).

We welcome 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.

The consultation questions are set out below:

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?