

Health

April 2006



Work programme and fee scales 2006/07

Health

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

For further information about the Audit Commission, visit our website at www.audit-commission.gov.uk

For additional copies of Audit Commission reports please contact:
Audit Commission Publications, PO Box 99, Wetherby LS23 75A Tel: 0800 502030

Summary	2
1 Preface and background	6
2 Planned audit programme	12
3 Audit fee scales	15

© Audit Commission 2006

First published in April 2006 by the Audit Commission for local authorities and the National Health Service in England, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Summary

This work programme describes the work that we plan to undertake in the NHS in 2006/07 and includes our proposed scales of audit fees. This document is relevant only to NHS trusts, primary care trusts (PCTs) and strategic health authorities (SHAs), but not to foundation trusts, who appoint their own auditors at a mutually agreed fee.

The 2006/07 work programme has been designed with certain key issues in mind, as follows:

- Auditors will be delivering a risk-based audit.
- There will be additional audit work to meet the requirements of new professional standards.
- The auditors' local evaluation (ALE), introduced last year, will continue to be a key element in our audit of trusts and PCTs, with fresh scores produced at the end of 2006/07 audits.
- The work programme and our assessments will be shaped, in part, by the issues arising from the development programmes for trusts and PCTs being led by the Department of Health.
- Auditors' work will be informed by the Healthcare Inspection Concordat, working in partnership with other members, relying on the findings of their work where appropriate and ensuring they can rely on our work and on our judgements.
- The NHS will be going through a substantial reorganisation, characterised by reconfiguration and mergers. For PCTs and SHAs which are being reconfigured in-year, there will be part-year audits for the period up to the date of reconfiguration. There will then be a new work programme and fee for the bodies that come into existence part way through the year. New PCTs will be subject to an ALE assessment.

The audit programme will continue to be funded through audit fees. The aim is that audits should be tailored to the risks facing individual bodies and result in clear judgements that enable the body to improve. We have looked at how the work of auditors could be improved in each area – risk assessment and audit planning, giving clear judgements and helping improvement. This document sets out how we will achieve this. Risk assessments will continue to be tailored to individual bodies but will be explicitly informed by the wider risks facing the health economy identified by the SHA and its auditor. We have also identified

some major risks facing the NHS as a whole. These are principally in the areas of financial management, the implementation of payment by results, information management and technology, and changes arising from *Commissioning a Patient-led NHS*.

Following the audit, as in 2005/06, auditors will also score NHS trust and PCT performance in five areas: financial reporting, financial management, financial standing, internal control and value for money against clear criteria and more detailed guidance on the evidence needed to underpin those judgements. The results will be fed back to the audited body, giving a clearer and more consistent view and also enabling the body to benchmark itself against its peers, to measure any improvement that may be necessary and to identify the steps needed. The criteria and judgement on value for money will enable auditors to discharge their responsibilities under the *Code of Audit Practice* (the *Code*) to give a conclusion on the adequacy of the body's arrangements for using its resources economically, efficiently and effectively. The judgements that auditors make and the relevant scores in each area will contribute to the Healthcare Commission's annual health check.

2006/07 fee scales

The Commission has considered the comments made during consultation on the proposed fee scales and has agreed the fee scales set out in this document. They take account of:

- the introduction of new International Standards in Auditing (UK and Ireland) (ISA [UK & I]) that came into effect in 2005/06 and which have increased auditors' mandatory work on audit of the financial statements resulting in an estimated 5 per cent increase in the overall volume of audit work;
- cost pressures that are estimated at 5 per cent but will result in only a 2.5 per cent increase in fees as the Commission is committed to making a 2.5 per cent efficiency gain as part of our response to the Gershon agenda; and
- recalibration of the fixed and variable elements of the fee scales to bring the midpoint into line with the reality of the fees currently being charged by auditors. This is particularly relevant for PCTs where we have also sought to reflect the very wide range of size of PCTs which will come into being during the year and where there is still considerable uncertainty given the current consultation. We will be further reviewing the fee scales for 2007/08 in the light of experience of the actual fees charged.

PCTs, NHS trusts and SHAs are reminded that fee scales only provide a framework within which auditors set the actual fees charged to individual audited bodies. The actual fees charged to individual audited bodies will vary according to the risks that each faces and the amount of audit work entailed which will also be affected by the strength of the control environment and the extent of internal audit work and the reliance that can be placed upon it.

The Department of Health is putting in place a payment by results (PbR) code of conduct and assurance framework, and has asked the Audit Commission to manage the implementation of the assurance framework in 2006/07. A pilot will initially be undertaken in one or two health economies to test the approach, and an audit programme will be initiated in the second half of 2006/07. There will be separate fees for PbR assurance work. Further details about the programme and proposed fees will be issued in due course.

Transparency of individual audit fees

Audited bodies have asked that we make the fee-setting process for individual organisations more transparent. As a consequence, auditors are now required to explain:

- the specific factors which the auditor has taken into account in proposing the fee (particularly the risk assessment);
- the assumptions upon which the fee is based in terms of, for example, the standard of the body's control environment, coverage of internal audit, quality of working papers etc;
- what is included in the fee and what is not included;
- what specific actions the audited body could take to reduce the level of its audit fee in the future; and
- the processes for agreeing additional fees if circumstances change or the assumptions upon which the fee is based are not met.

From 2006/07 onwards the Commission will also publish the agreed fees for individual bodies to enable individual bodies to compare their fee with that of similar bodies.

The table below shows the overall effect of these changes on total fees.

	£ million	% change
Initial planned fee income for 2005/06	58.0	
Rebased for impact of ISA (UK & I)	61.0	
Add:		
Cost pressures	3.0	5.0
	64.0	
Deduct:		
Loss of income from foundation trusts leaving the Commission's regime	(3.0)	(5.0)
Efficiency savings	(1.5)	(2.5)
Forecast fee income for 2006/07	59.5	2.5

This reflects an increase on the re-based fee scales of 2.5 per cent for 2006/07, but excludes the effects of changes to the structure of bodies still to be determined by ministers.

1

Preface and background

- 1 This document contains details of the work that the Audit Commission plans to undertake in the NHS in England during 2006/07 and of the fee scales that will apply to audit work in relation to the audit of accounts for 2006/07.
- 2 A separate document has been prepared covering the Commission's work in the local government, housing, criminal justice and fire and rescue sectors in England.

The Commission's responsibilities

- 3 The Commission's responsibilities in relation to the NHS are principally:
 - appointing auditors to all NHS bodies in England (with the exception of foundation trusts and special health authorities);
 - setting standards for appointed auditors, by setting out how auditors should conduct the audit and report the results, and by monitoring the quality of auditors' work against those standards;
 - setting audit fee scales; and
 - undertaking national studies of financial management.
- 4 The work of the Commission and its appointed auditors is carried out in accordance with the provisions of the Audit Commission Act 1998 and the *Code of Audit Practice* (the *Code*). Responsibility for the conduct of the audit remains, at all times, that of the appointed auditor.

Working in partnership

- 5 The Healthcare Commission is responsible for coordinating reviews of healthcare in the NHS. Its responsibilities cover public and private sector healthcare and include powers to encourage cooperation between regulators of the NHS. It has responsibility for undertaking annual assessments of performance of NHS bodies and also for national studies into value for money. The Healthcare Commission and the Commission have powers and duties to work in partnership with each other which is reflected in a Memorandum of Understanding. We will expect auditors to work closely with the

Healthcare Commission's local presence, to avoid duplication of effort and focus combined resources to achieve the greatest impact.

- 6 At the same time, the Commission will aim to continue close cooperation with other bodies to promote improvement in health, integrated governance and the effective modernisation of health services. The Commission is a signatory to a Concordat of 14 bodies involved in inspecting, regulating and auditing healthcare and a further six organisations who are associate signatories with an interest in regulation. The Concordat is designed to support the improvement of services for the public and to reduce unnecessary burdens on front-line staff. The Concordat signatories have undertaken a considerable amount of work in the past year, and the Commission has made a significant contribution to its success. These include more cooperative approaches to scheduling reviews, less burdensome processes of review and communications, and a better understanding of potential overlaps and scope for complementary working. It is particularly important that regional and local links now develop between all of those involved in inspection, regulation and audit to ensure this work is taken forward.

The role of the Commission's appointed auditors

- 7 Under the *Code* auditors have two responsibilities, as detailed below:
 - **The audited body's financial statements and statement on internal control.** Auditors give an opinion whether the statements give a true and fair view of the financial position of the audited body and its expenditure and income, whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards and, for specified bodies, on the regularity of expenditure and income. They also review the schedules and returns submitted to the Department of Health to help them prepare their NHS summarised and departmental resource accounts and for Whole of Government Accounts. Auditors also review whether the directors' statement on internal control reflects compliance with the Department of Health's requirements and report if it does not meet the requirements specified by the Department, or if the statement is misleading or inconsistent with other information of which the auditor is aware from other audit work.
 - **The audited body's arrangements for securing economy, efficiency and effectiveness in the use of its resources.** Auditors have a responsibility to satisfy themselves that audited bodies have put in place proper arrangements to secure

economy, efficiency and effectiveness in their use of resources. The *Code* requires that auditors give a conclusion on whether such arrangements are satisfactory. In meeting this responsibility, auditors will need to review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements and report on these arrangements.

- 8 The Commission may identify risks relating to the use of resources faced by all bodies of a particular type. In the light of these risks, the Commission has powers to design programmes of work that require comprehensive coverage by auditors. The Commission may specify additional elements of work to be carried out by auditors, which supplement the local risk-based approach to planning the audit. The Commission intends to use this power in 2006/07 to require auditors to give qualitative assessments of the effectiveness of audited bodies' arrangements to secure economy, efficiency and effectiveness in their use of resources in the form of auditors' local evaluations (ALEs) (see paragraphs 13-16). It will also consider using this power in relation to work which may be specifically requested by the Healthcare Commission, and the possible work in relation to payment by results (PbR).
- 9 Each year the Commission's independently-appointed auditors draw up tailored audit plans with each audited body, based on the auditor's assessment of the financial and operational risks facing that organisation and the arrangements that it has put in place to manage those risks. This helps to ensure that audit resources are targeted at the most important issues locally. The work that auditors then do informs their opinions and annual audit letters which they provide to the audited body. It also means that, where audited bodies are undertaking the same sort of activities on a similar scale, those with sound corporate governance arrangements – including a strong control environment and effective internal audit – can expect to have lower audit fees, as the level of risk is likely to be lower.
- 10 The Commission aims to work in a strategic partnership with the Healthcare Commission, both at national level and locally through its appointed auditors. In order to achieve this, the Commission's auditors use a framework which is designed to ensure increased consistency and clarity in auditors' judgements. This in turn will ensure that results can be shared with the Healthcare Commission, so that it can rely on the auditor's judgement on use of resources for the annual health check.
- 11 The first stage of the framework is the risk assessment. In planning their local work, auditors are expected to consider the risks facing each audited body and the

arrangements put in place by the body to manage and address them, having regard to evidence gained from other aspects of the audit or from previous audit work. However, the Commission will expect that such assessments will be explicitly informed by consideration of the wider risks facing the local health economy and the audited body's place within it based on a prior discussion between the Commission's relationship manager for the area and the SHA. This health economy assessment will look forward three years and be related to the audit plan for the SHA itself. The auditors of SHAs will continue to take a lead in ensuring that the audits of all local bodies are appropriately coordinated and that key points arising are brought to the attention of the SHA.

12 Auditors' analyses will produce an overall assessment of the significant financial and operational risks applying at each individual audited body in a systematic way, guided by a common format. The level of risk will be discussed with audited bodies, and will determine the size, scope and focus of the necessary audit work. In making their assessment about the work to be done, auditors will as now decide whether:

- to **carry out substantive work** in relation to specific risks to form a view on the adequacy of particular aspects of the body's arrangements;
- to **defer any further work** in the light of planned work by the body or other review agencies; or
- simply to **bring the risk to the attention of management**.

They will also take into account the work and findings of other regulators, as required by the *Code*.

13 The substantive audit work undertaken during the year will be incorporated into a framework that will allow separate judgements to be made on the following areas:

- Financial reporting.
- Financial management.
- Financial standing.
- Systems of internal control.
- Value for money (efficiency, economy, effectiveness).

14 These judgements make up the ALE. The audited body's performance on each of these elements will be scored on a scale of one to four, with four being the best score. The more

detailed key lines of enquiry (KLOEs) which will help underpin auditors' judgements about these criteria were consulted on during 2005 and are available on the Commission's website (www.audit-commission.gov.uk). The criteria for making judgements at the end of 2006/07 will be reviewed in the light of experience in 2005/06 and the changing circumstances of the NHS.

- 15 Auditors will use the value for money questions and judgements made under them in reaching their conclusion under the *Code* on whether the body has satisfactory arrangements to use its resources economically, efficiently and effectively. When the results of the Healthcare Commission's annual health check are published in mid-2006, auditors will need to review plans in-year, in the light of this information.
- 16 Details of the judgements made and the scores will be shared with the audited body and the relevant SHA. This will enable audited bodies to see more clearly where they stand, both absolutely and in relation to their peers; a baseline against which improvement can be measured and, where appropriate, the steps which need to be taken. The judgements made and the overall assessment will be a key component in the following year's risk assessment and audit plan. Audited bodies' scores will also directly affect subsequent fees, with higher scores resulting in lower fees.
- 17 Our audit approach for 2006/07 will also take account of the requirements of the development of ISAs (UK & I). The new ISAs (UK & I) include a requirement for more mandatory procedures including discussing with an audited body the risk of misstatement in the financial statements arising from fraud, assessing IT controls, attendance at stocktaking where the value of stock is material, more work on the internal controls within key information systems and undertaking more procedures when relying on the work in internal audit. Under the *Code*, compliance with professional auditing standards is a statutory, as well as a professional, requirement of appointed auditors.

Healthcare Commission annual health check

- 18 The Healthcare Commission's annual health check of NHS bodies, which will replace the star ratings from 2006, include assessments of use of resources at all NHS bodies. The Audit Commission will use auditors' scored judgements to arrive at an overall use of resources assessment for each PCT and NHS trust which the Healthcare Commission will rely on to make its assessment.

- 19 The Healthcare Commission's annual health check framework includes a declaration by NHS trusts and PCTs regarding their compliance with the Department of Health core standards. There is a direct link between NHS trusts and PCTs declarations of compliance against some of the *Standards for Better Health*, and auditors' responsibilities in relation to the Statement of Internal Control. ALE key lines of enquiry, and the value for money conclusion under the *Code*, will be important evidence for auditors' risk assessments and audit planning.
- 20 The declarations and the Healthcare Commission's overall assessment of an NHS trust or PCT will in the future be an important factor in the auditor's risk assessment and in determining the audit work to be carried out.

2

Planned audit programme

Key risks

- 21 The NHS is facing a significant challenge to modernise and deliver against national change programmes that are driving improvement. It is increasingly being recognised that, for users to experience significant improvement, different public bodies need to work in partnership to deliver bespoke services that meet the diverse needs of individuals and communities and that improve health as well as healthcare.
- 22 This agenda requires all NHS bodies to modernise the main elements of their management over the next few years. There are significant risks associated with changes in processes on such a scale, and these increase where there are changes in structures. The implementation of *Commissioning a Patient-led NHS* brings significant risks to all parts of the NHS, particularly in relation to the roll out of practice-based commissioning and the impact of reconfigurations/mergers, business continuity, governance, financial management and integration of systems are all potential risk areas.
- 23 Key business risks identified by the Commission, which were endorsed by the respondents to the consultation and to which auditors will pay attention in 2006/07, include:
 - risks associated with the structural changes of SHAs, PCTs and ambulance trusts;
 - roll out of Connecting for Health (the National Programme for IT);
 - roll out of practice-based commissioning;
 - the implementation of PbR;
 - contracting with NHS foundation trusts and the private sector;
 - the benefits realisation arising from the 2005/06 workforce contract changes;
 - the continuing financial management challenges faced by many NHS bodies; and
 - the information management and governance issues which need to underpin all the above.
- 24 The Commission is keen to contribute its knowledge and expertise to help ensure that the changes in the NHS are as effective as possible in delivering improved services for patients, and in safeguarding taxpayers' money. For 2006/07 the Commission has a set

of audit tools covering several of the most significant issues affecting NHS bodies arising out of the key business risks currently identified. It will be for auditors locally to decide which risks they should address through further work following their local risk assessments.

- 25 Auditors will also need to consider, where appropriate, the reliability of the audited body's key financial and information systems.
- 26 The main elements of the local audit work programme, which will apply at all NHS bodies unless specified, are as follows:
- **Audit management**
 - Planning, liaison and reporting, including coordination across health economies.
 - Liaison with the Healthcare Commission and other inspectorates.
 - **Audit of financial statements**
 - Accounts and statement on internal control.
 - Regularity of expenditure and income (at specified bodies).
 - **Arrangements for securing economy, efficiency and effectiveness in the use of resources**
 - Risk-based, locally tailored audit work in relation to aspects of the body's stewardship and governance and corporate performance management and financial management arrangements.

Specified audit work for 2006/07

- 27 We plan to exercise our right to specify audit work in the following area:
- **Auditor input to the Healthcare Commission assessment model** – The Audit Commission will specify audit work leading to the delivery of the use of resources assessments at all NHS bodies in 2006/07. This work will also support the annual conclusion, under the *Code*, on arrangements to secure value for money.

Payment by results

- 28 The Department of Health is putting in place a PbR code of conduct and assurance framework, and has asked the Audit Commission to manage the implementation of the assurance framework in 2006/07. The framework will include national analysis of provider data to identify anomalies which could signal potential data quality issues, strengthened local arrangements for data quality and monitoring payments, and a programme of random and targeted external audits of clinical coding and data quality. A pilot will initially be undertaken in one or two health economies to test the approach, and an audit programme will be initiated in the second half of 2006/07. Separate information on the work to be undertaken under this programme and the fees to be charged will be issued in due course. The fees will be separate from and additional to those set out in this document as made clear in the earlier consultation.

NHS foundation trusts

- 29 Where an NHS trust becomes a foundation trust in the course of the year, the Commission's appointed auditors will continue to be responsible for the audit of the trust's accounts up to that date. The Commission will specify the work that auditors of these bodies will need to do to meet their responsibilities under the *Code*. In summary, the audit will comprise of:
- an audit of the financial statements for the part-year;
 - a review of the Statement of Internal Control for the part-year; and
 - any specified studies undertaken at the request of the Healthcare Commission.

Programme of national studies of NHS financial management issues

- 30 The Commission expects shortly to consult on a proposed programme of studies on aspects of financial management of NHS bodies. This will be set out in a document also covering the relevant planned work of the Healthcare Commission, the National Audit Office and the Commission for Social Care inspection.

3

Audit fee scales

31 The fee scales set out in paragraph 32 cover the audit of the accounts of NHS bodies for the financial year ending 31 March 2007. They are based on the work programme described above and will apply from 1 April 2006. In response to comments made in previous consultations, they have been recalibrated so that they are more in line with the current levels of fees for different types of audited bodies currently being charged by auditors. They are based on four key variables:

- the type of body, which reflects the range of services undertaken – an element of the fee is fixed and payable irrespective of the size of the body;
- the size of the body in terms of its budgeted gross expenditure for the financial year ending 31 March 2007 – the variable element of the fee is calculated as a percentage of gross expenditure;
- the location of the body – a premium is added for bodies that are located in London and south-east England; and
- the national and local risk and complexity profiles for each individual body determined by the auditor. The fee bands range from 30 per cent below to 30 per cent above the standard fee that is determined by applying the three criteria above. The actual fees set may fall outside these bands where there are particular local circumstances. We intend to review the fee scales for PCTs and SHAs when we have more experience of the new arrangements once the transition period is over and in doing so will pay particular attention to the type and number of bodies which fall outside the fee bands.

The fee scales also take account of:

- new ISAs (UK & I) which came into effect from 2005/06 audits. Although, the change was highlighted in the 2005/06 planning documents, we have only now been able, in conjunction with our own audit staff and the firms, to properly assess the additional amount of work auditors are required to do to comply with the new standards. We have concluded that ISAs (UK & I) have increased auditors' mandatory workload by approximately five per cent and the fee scales have been adjusted to reflect the requirement for this additional work; and
- a 2.5 per cent increase to meet cost pressures. These are increasing at five per cent a year for the Commission but will be offset by a 2.5 per cent efficiency gain as part of our response to the Gershon agenda.

32 The 2006/07 fee scales are as follows:

	+/- 30% depending on risk	
	Fixed element	Plus a percentage of 2006/07 gross expenditure
Acute trusts – Standard	93,500	+0.033%
Acute trusts that become foundation trusts part way through the year* – Standard	60% of acute trust fee	
Mental health and community trusts – Standard	61,000	+0.047%
Mental health trusts that become foundation trusts part way through the year* – Standard	60% of mental health trust fee	
Ambulance trusts – Standard	35,500	+0.054%
– London	Fee to be agreed between the London Ambulance Service NHS Trust and the local auditor	
Ambulance trusts that dissolve due to reconfiguration – Standard	60% of ambulance trust fee	
Primary care trusts – Standard	65,500	+0.025%
Primary care trusts that dissolve due to reconfiguration – Standard	60% of PCT fee	

	+/- 30% depending on risk	
	Fixed element	Plus a percentage of 2006/07 gross expenditure
Strategic health authorities and workforce development confederations (combined) – Standard	97,000	
Strategic health authorities that dissolve due to reconfiguration – Standard		60% of SHA fee

*figures exclude any fees for specified studies undertaken at the request of the Healthcare Commission

- 33** In applying the fee scale formulae, gross expenditure is based on the body's total gross budgeted expenditure (including any pooled budgets for which the body may be responsible) for the financial year ending 31 March 2007.
- 34** Acute trusts and mental health trusts that become foundation trusts in the course of 2006/07 will be charged a reduced fee to cover the audit of the financial statements for the part-year and a review of the trust's statement of internal control covering the part-year, as well as any work undertaken at the request of the Healthcare Commission. The fees to be charged, will reflect the fact that the work involved in auditing the financial statements is not significantly less for a part-year than for a full year.
- 35** Organisations that dissolve during the course of 2006/07 will also be charged a reduced fee to cover the audit work required. The fees to be charged will reflect the fact that the work involved in auditing the financial statements is not significantly less for a part-year than for a full year.
- 36** A premium of three per cent will be added to the above fee scales for audited bodies located in south-east England. A premium of six per cent will be added for bodies located in London.

- 37 The south-east England premium applies to all audited bodies situated in the counties of Berkshire, Cambridgeshire, Kent, Surrey, East and West Sussex, Hampshire, Isle of Wight, Oxfordshire, Buckinghamshire, Bedfordshire, Hertfordshire and Essex.

Fee setting

- 38 It is important to emphasise that the fee scales only provide a framework within which auditors set the actual fees charged to individual audited bodies. Recalibration of the fee scales has increased significantly the midpoint of the fee scales for some audited bodies. So the increase in the midpoint of the fee scales does not of itself mean that audit fees for individual audited bodies will increase. Rather, it simply means that individual bodies will be in a more appropriate position relative to the midpoint, ie medium and lower risk bodies' fees will be at or below the midpoint, rather than above it as at present and therefore better able to judge their respective positions.
- 39 The level of fee, and any increase, experienced by individual bodies will therefore vary according to local circumstances and the risks each body faces. To ensure greater transparency in the fee-setting process we require auditors to explain much more clearly the basis for the proposed fees. Specifically, they will be required to explain:
- the specific factors which the auditor has taken into account in proposing the fee (particularly the risk assessment);
 - the assumptions upon which the fee is based in terms of, for example, the standard of the body's control environment, coverage of internal audit, quality of working papers etc;
 - what is included in the fee and what is not included;
 - what specific actions the audited body could take to reduce the level of its audit fee in the future; and
 - the processes for agreeing additional fees if circumstances change or the assumptions upon which the fee is based are not met.

In certain circumstances, for example where a body faces a particular challenge to manage high risks, a fee may fall outside the appropriate fee scale. In these cases, the audit fee will still be determined in discussion between the auditor and the body to reflect the size and complexity of the work programme, and the auditor's assessment of risk. The Commission's audit policy and appointments directorate identifies and reviews any fees that fall outside the relevant range to ensure that they are adequately explained by local circumstances.

- 40 If it should not prove possible to agree a fee, either the auditor or the body can ask the Commission to determine the fee in accordance with Section 7(4) of the Audit Commission Act 1998.
- 41 The Commission will publish the agreed 2006/07 fees for all bodies in order to aid transparency.

National Fraud Initiative

- 42 The fee rates for NFI 2006/07 will range from £500 to £675. The higher rate is for NHS trusts for which it has been decided to include creditors' payments data matching as part of the core mandatory NFI modules. This follows a highly successful series of pilots which introduced creditors' payments and standing data on creditors to the NFI portfolio and which have already generated significant savings for pilot bodies.

All NHS trusts	675
Primary care trusts	525
Strategic health authorities	500

Skill-related fee scales

- 43 In certain circumstances, auditors may need to use staff with specialist skills in order to review specific local issues. The Commission encourages the appropriate use of senior and specialist staff on the more complex parts of audits and recognises that additional costs will be incurred.
- 44 To facilitate the use of appropriately skilled staff, the Commission has set the following skill-related fee scales for 2006/07 as the basis for local discussion. The actual fee rates charged will be determined in discussion between the auditor and the body to reflect the size, complexity or any particular difficulties in respect of the work required.

45 The skill-related fee scales for 2006/07 are as follows:

Maximum £ per hour	Standard	South-east England	London
Partner/District Auditor	£290	£315	£345
Senior Manager/ Manager	£160	£175	£190
Senior Auditor	£100	£110	£120
Other staff	£75	£85	£90

46 The Commission recognises that these fee scales represent a significant discount on the standard commercial rates charged by the larger firms of auditors. Higher rates may be appropriate for certain pieces of work in order to obtain individuals with specialist knowledge. In such circumstances the Commission must be consulted in advance.

Fees for specified work

47 The fee scales in this paper do not include any work undertaken in relation to a strategic approach to ensuring accuracy and reliability in connection with payment by results, which will be charged for separately – see paragraph 28 above.

Value added tax

48 All the 2006/07 fee scales exclude VAT, which will be charged at the standard rate (currently 17.5 per cent) on all work done.

This report is available on our website at www.audit-commission.gov.uk. Our website contains a searchable version of this report, as well as a text-only version that can easily be copied into other software for wider accessibility.

If you require a copy of this report in large print, in braille, on tape, or in a language other than English, please call **0845 0522613**.

To order additional copies of this report or other Audit Commission publications please contact **Audit Commission Publications, PO Box 99, Wetherby, LS23 7SA Tel 0800 502030**.

Audit Commission
1st Floor, Millbank Tower,
Millbank, London SW1P 4HQ
Tel: 020 7828 1212 Fax: 020 7976 6187
Textphone (minicom): 020 7630 0421
www.audit-commission.gov.uk

Stock code: HAR3328