



PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

13 MARCH 2023

EXTERNAL AUDIT FEE FOR 2022/23

**Report by Interim Chief Finance Officer
(Report No. G/23/25)**

PURPOSE OF REPORT

This report requests approval from the Audit and Performance Committee for the proposed 2022/23 External Audit fee.

1. RECOMMENDATIONS

It is recommended that the Audit and Performance Committee:

- (i) Note Audit Scotland's explanation for the increase in base fee
- (ii) Approve the proposed External Audit fee for 2022/23

2. BACKGROUND/OVERVIEW

- 2.1 Audit fees are based on Audit Scotland's Funding & Fee Strategy. The two key principles for fee setting arrangements are:
 - Audit fees should be set with the objective to recover the full cost of audit work in each sector;
 - The cost of the audit should be independent of the identity or location of the auditor.
- 2.2 Each year Audit Scotland set a fee strategy and a base fee to be charged. However, fees can be charged at a higher rate if agreed between the auditor and Integration Joint Board (IJB). The IJB audit fee for last year was made up of the Audit Scotland base fee plus an additional fee agreed between KPMG and the Perth & Kinross IJB.
- 2.3 In December 2022, Audit Scotland wrote to IJB Chief Finance Officers to indicate the fee level for 2022/23 audits. It was also confirmed that a rebate

would be applied for the reduced travel and subsistence costs incurred during the 2019/20 and 2020/21 audits.

2.4 The proposed fee for Perth & Kinross Integration Joint Board (IJB) is £31,470, this is a 12.6% increase on the base fee for last year. Audit Scotland have been approached by the IJB CFO Section to provide an explanation for this level of increase. Audit Scotland have responded and cited 3 main reasons:

- Audit Market – Increased costs and absence of discounts from private sector firms which Audit Scotland had previously benefitted from.
- Scope of audit – regulatory and industry requirements on audit have increased and public audit has a wider scope than previously. The extra work has resulted in additional costs.
- Statutory Requirements – requirement to break even and Audit Scotland can no longer absorb the increase in costs and resource pressures.

2.5 Audit Scotland have confirmed a rebate will be given on the audit fees paid for the 2020/21 and 2021/22 audits. This is a rebate for reduced transport and subsistence costs due to the audits not being conducted on-site.

2.6 Due to the rebate and the absence of any additional fee, the proposed fee for the 2022/23 audit is a 2.6% reduction on the fee approved for last year. Table 1 below provides detail on the fee movement:

Table 1

	2021/22 Audit (KPMG)	2022/23 Audit (Audit Scotland)	Increase / (Decrease)
Base Fee	£27,960	£31,470	12.6%
Additional Fee	£ 2,700	-	-
Rebate from prior years	-	(£1,603)	-
Total	£30,660	£29,867	(2.6%)

3. CONCLUSION

3.1 The Audit & Performance Committee are recommended to:

- Note the reasons Audit Scotland have given to explain the increase in base fee level;
- Approve the proposed External Audit fee for 2022/23.

Author(s)

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