



REPORT TO: East Lothian IJB - Audit and Risk Committee

MEETING DATE: 6 March 2018

BY: Chief Finance Officer

SUBJECT: External Audit – Fee Proposition

1 PURPOSE

1.1 This report lays out the proposed audit fee for the IJB for 2017/18.

2 RECOMMENDATIONS

2.1 The Committee is asked to note this report.

3 BACKGROUND

3.1 The IJB is a statutory body which is regulated by the Local Government Scotland Act (1973) section 110 and any subsequent further amendments. As such it requires an annual audit to be carried out by an appointed independent auditor.

3.2 The IJB's external auditor is appointed by Audit Scotland who have appointed their own team. Audit Scotland also are the appointed auditors for East Lothian Council and this is a general rule across Scotland in that the auditor of the Council is generally also the auditor of the local IJB.

3.3 Audit Scotland have also set the audit fee. For the 2016/17 audit this was £17,470 but for 2017/18 the fee has been raised to £24,000. The basis for this fee is laid out in the attached letter from Audit Scotland.

3.4 In practical terms the IJB has to accept this fee but it is important to recognise that this is an additional cost to be borne by the IJB and its Partners.

4 ENGAGEMENT

4.1 The IJB's Audit and Risk Committee is held in public and the papers are openly available online.

5 POLICY IMPLICATIONS

5.1 There are no further policy implications arising from this paper.

6 INTEGRATED IMPACT ASSESSMENT

6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 RESOURCE IMPLICATIONS

7.1 Financial – none

7.2 Personnel – none

7.3 Other – none

8 BACKGROUND PAPERS

8.1 IJB's External audit plan – presented at this meeting.

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DATE	27 February 2018

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Mr David Small
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13 December 2017

Dear Mr Small,

Audit Scotland Statutory fees – 2017/18 audits

The purpose of this letter is to give you an indication of the fees for the 2017/18 audit of East Lothian IJB. This is based on Audit Scotland's overall budget proposals that will be considered by the Scottish Commission for Public Audit (SCPA).

Fee setting arrangements

We have set audit fees based on our fee strategy which was revised in 2016 following consultation with stakeholders. The two key principles underpinning our fee setting arrangements are that:

- audit fees should be set with the objective of recovering 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.

We reduced average fees by 8.6% in real terms last year. We told you then that we expected to further reduce 2017/18 audit fees in real terms. I am pleased to confirm that this year we are reducing average fees by a further 1.1% in real terms.

Fees

The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate unaudited accounts and meets the agreed timetable for the audit.

The average change in audit fees from the 2016/17 for local government bodies is -1.1% in real terms (+0.5% in cash terms).

Expected fee for 2017/18

We did not set an expected fee last year and asked your auditor to assess the audit needs for 2016/17 and agree an appropriate fee with you. We have consulted with all IJB auditors and assessed the time it took to audit IJBs in 2016/17. Based on this work, we are now able to set an expected fee. The expected fee for East Lothian IJB for the 2017/18 audit is:

	2017/18	2016/17
Auditor remuneration	£16,470	£11,930
Pooled costs	£1,460	£1,040
Contribution to PABV	£5,020	£3,790
Audit support costs	£1,050	£710
Total expected fee	£24,000	£17,470

The actual amount that you will pay will depend on the amount of the audit fee agreed with your auditor Gillian Woolman of Audit Scotland. Fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 10% above the level set (20% for bodies with an expected fee below £25,000), for example, where significant local issues require additional work to be undertaken. In exceptional circumstances higher remuneration can be agreed with the prior agreement of Audit Scotland.

Future fees

Following the 2017/18 audits of IJBs we will consult with auditors once more to ensure that the 2018/19 expected fee fairly reflects the audit requirements.

What do audited bodies receive for the fee?

The scope of the public sector audit model in Scotland, as explained more fully in Public audit in Scotland¹ means that the audit fees cover a wide range of audit work and related outputs.

All bodies receive a **financial statements audit** that includes an auditor's opinion on whether the financial statements present a true and fair view for the year. This opinion is supplemented by an annual audit report that summarises the key audit findings and auditor conclusions on aspects of the wider scope requirements of the Code of Audit Practice². These are public documents and help to explain the local audit work that was undertaken and key findings.

Every year around 10 to 12 **performance audit reports** are produced and published on our website. The aim of these is to provide independent assurance to the people of Scotland that public money is being spent properly and that it provides value for money. Local government bodies contribute to the costs of relevant reports through audit fees. Other performance audit work is funded by the Parliament. Some examples of forthcoming reports **due out in 2018 and 2019** are:

- Early learning and childcare
- Local Government Overview reporting in 2017/18
- Managing the implementation of the Scotland Acts
- Scottish Fire and Rescue Service - an update
- Are ALEOs improving council services?
- Children and young people's mental health

Best Value toolkits have also been prepared to provide support to all public bodies in improving their services.

Invoices

Bodies will be invoiced shortly for a payment on account, based on 1/3 of the expected fee. Further instalments (adjusted where possible for the amount of the fee agreed with the auditor) will be invoiced in March/April 2018 and August 2018.

A final invoice will be issued if necessary, once all 2017/18 audits are complete, to adjust for any late changes to agreed fees.

Please let me know if there is anything that you wish to clarify or discuss further.

Yours sincerely



Elaine Boyd
Assistant Director – Appointments and Assurance

¹ http://www.audit-scotland.gov.uk/docs/corp/2015/as_150511_public_audit_scotland.pdf

² <http://www.audit-scotland.gov.uk/report/code-of-audit-practice-2016>