
Report To:	Inverclyde Integration Joint Board Audit Committee	Date: 19 March 2019
Report By:	Louise Long, Corporate Director (Chief Officer) Inverclyde Health & Social Care Partnership	Report No: IJBA/07/2019/LA
Contact Officer:	Lesley Aird	Contact No: 01475 715381
Subject:	EXTERNAL AUDIT FEE 2018/19	

1.0 PURPOSE

- 1.1 The purpose of this report is to present the response from Audit Scotland in relation to their fee proposal for 2018/19.

2.0 SUMMARY

- 2.1 At its January meeting, the Committee considered the 2018/19 fee proposal from Audit Scotland and agreed that a letter should be sent to Audit Scotland querying the fee and in particular the significant increase over two years.
- 2.2 Audit Scotland's response is detailed in this report. They are not proposing a change in the fee structure

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the IJB Audit Committee notes the response from Audit Scotland and authorises officers to accept the proposed fee.

Louise Long
Chief Officer

Lesley Aird
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The January Committee considered the fee proposal for 2018/19 from Audit Scotland. The proposed audit fee for 2018/19 was again a flat fee for all IJBs of £25,000. This represented a further £1,000 or 4.2% increase from 2017/18. The overall increase in the IJB audit fee since 2016/17 is £7,600 or 43%. The Committee agreed that a letter should be sent to Audit Scotland querying the fee.

5.0 RESPONSE FROM AUDIT SCOTLAND

- 5.1 The following response was received from David Jamieson of Audit Scotland on 24 February 2019.

Further to your request for an explanation of the rationale and re consideration of our 2018/19 fee, I offer the following comments.

It may be helpful just to reiterate that our audit goes beyond simply providing assurance on the financial statements and internal controls. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

The audit fee strategy forms part of Audit Scotland's Budget Proposal to the Scottish Commission for Public Audit (<https://www.parliament.scot/parliamentarybusiness/101154.aspx>). Our latest budget for 2019/20 was presented to the SPCA on 12 December 2018: (http://www.parliament.scot/ScottishCommissionforPublicAudit/2019-20_budget_SCPA_submission_Final.pdf)

The budget outlined a 5.8% increase in our budget with only 1.9% being passed on as increased charges to audited bodies. This results in an average fee increase of 3.0% in "other" local government bodies including IJBs.

The audit fee is constructed to cover the range of audit work and outputs required for us to comply with the Code of Audit Practice, which can be found on Audit Scotland's website:

http://www.audit-scotland.gov.uk/uploads/docs/report/2016/code_audit_practice_16.pdf

As you know, the 2018/19 audit fee for Inverclyde Integration Joint Board was laid out in Audit Scotland's letter to you of 6 December 2018. Audit Scotland set auditor remuneration based on its assessment of the work likely to be needed to deliver the audit. To this figure is added an allocation of pooled costs, performance audit costs and audit support costs resulting in a total "expected fee". The 2018/19 total expected fee for Inverclyde IJB is £25,000, an increase of £1,000 (4.2%) on the 2017/18 fee. These individual fee elements were set out in my 'Proposed Audit Fee' letter to you of 29 January 2019.

The Corporate Finance Manager says in his letter of 6 December 2018 that audit fees are based on Audit Scotland's Funding and Fee Strategy which was revised in 2016 following consultation with stakeholders. The two key principles for the 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.*

In the previous year, fee levels were adjusted across all IJBs as there was a consensus that IJB fees in 2016/17 were not adequate for the work done, in particular to cover the auditor's wider scope audit responsibilities and to continue

to deliver a good quality audit in compliance with auditing standards. There was also a view that fees should be set the same for all IJBs with the ability to use the range (up to +10% auditor remuneration) if there were particular local complexities. The reason for this is that the basic requirement of an IJB audit is similar despite relative expenditure differences, with significant risks in financial sustainability, management and delivery of transformational change to services. As a result of these factors, the fee increased by 38% in 2017/18.

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 audit. It represents Audit Scotland's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment.

We reported in the IJB's Annual Report on the 2017/18 Audit that we received the unaudited annual accounts in line with our agreed audit timetable, the working papers provided with the unaudited annual accounts were of a good standard and based on the work we have undertaken and knowledge of the IJB, we are satisfied that the governance arrangements in place at the IJB are sound and support good governance and accountability. As a result Inverclyde IJB falls into the criteria for an audited body which requires a standard audit that can be delivered at the expected fee.

The 2018/19 Annual Audit Plan describes the scope of our planned audit work. This input is similar to other IJB audits performed by Audit Scotland.

I hope that this letter explains more fully the rationale behind our proposal and allows us to reach an agreement of the fee. However should the IJB still consider that they are unable to agree with our proposal, I will forward the board's comments, together with my response, to the Associate Director, Corporate Services within Audit Scotland who will adjudicate on the fee level.

- 5.2 Officers recommend that the Committee accepts the proposed fee based on the explanation provided.

6.0 DIRECTIONS

6.1	Direction Required to Council, Health Board or Both	Direction to:	
		1. No Direction Required	X
		2. Inverclyde Council	
		3. NHS Greater Glasgow & Clyde (GG&C)	
		4. Inverclyde Council and NHS GG&C	

7.0 IMPLICATIONS

7.1 FINANCE

There are no financial implications arising from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From	Other Comments
N/A					

LEGAL

7.2 There are no specific legal implications arising from this report.

HUMAN RESOURCES

7.3 There are no specific human resources implications arising from this report.

EQUALITIES

7.4 There are no equality issues within this report.

Has an Equality Impact Assessment been carried out?

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YES (see attached appendix)

NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

7.5 How does this report address our Equality Outcomes

There are no Equalities Outcomes implications within this report.

Equalities Outcome	Implications
People, including individuals from the above protected characteristic groups, can access HSCP services.	None
Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated.	None
People with protected characteristics feel safe within their communities.	None
People with protected characteristics feel included in the planning and developing of services.	None
HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do.	None
Opportunities to support Learning Disability service users experiencing gender based violence are maximised.	None
Positive attitudes towards the resettled refugee community in Inverclyde are promoted.	None

7.6 **CLINICAL OR CARE GOVERNANCE IMPLICATIONS**

There are no governance issues within this report.

7.7 NATIONAL WELLBEING OUTCOMES

How does this report support delivery of the National Wellbeing Outcomes

There are no National Wellbeing Outcomes implications within this report.

National Wellbeing Outcome	Implications
People are able to look after and improve their own health and wellbeing and live in good health for longer.	None
People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community	None
People who use health and social care services have positive experiences of those services, and have their dignity respected.	None
Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	None
Health and social care services contribute to reducing health inequalities.	None
People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.	None
People using health and social care services are safe from harm.	None
People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.	None
Resources are used effectively in the provision of health and social care services.	Querying this fee increase demonstrates pursuit of best value

8.0 CONSULTATION

8.1 This paper has been prepared by the Chief Financial Officer and shared with the Chief Officer.

9.0 BACKGROUND PAPERS

9.1 None.