

KPMG warns British corporate giants of big hike in audit fees

The big four audit firm KPMG warned some of Britain's biggest companies that they faced substantial increases in their audit fees just weeks before giving thousands of staff substantial pay rises.

Sky News has learnt that [KPMG](#) has notified listed audit clients that the cost of scrutinising their accounts would rise by up to 20% next year.

The move threatens to add millions of pounds to the annual bills facing companies such as Barclays, Legal & General, Reckitt Benckiser and Standard Chartered.

In a letter to clients sent by Catherine Burnet, KPMG UK's head of audit, the firm said cost pressures driven by revised accounting standards meant that audits were becoming more heavily resourced.

"Audit quality remains our top priority, and we are committed to delivering consistently high-quality audits," she wrote in a letter to one client seen by Sky News.

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"We've made good progress supported by our record levels of investment but there is still more to do.

"We are committed to continuous improvement and investment.

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“As you may know, we are facing a number of additional upward cost drivers, notably the requirements of the revised ISA (UK) 315, which we estimate will add between 5 and 20% to base audit costs, as well as significant inflationary pressures in relation to staffing costs and recruitment.”

KPMG's UK arm has been hit by a [string of multimillion-pound](#)

[audit fines](#), the most significant of which came this month when it was hit with a near-£15m penalty for its work on Carillion, the construction giant which collapsed in 2018.

The firm, now run by Jon Holt, apologised for deficiencies in its work, but faces a £1.3bn legal claim brought by the Official Receiver.

Last year, the industry regulator, the Financial Reporting Council, said KPMG's audit work in the banking sector was inadequate.

The firm has overhauled its management in the last 12 years, with the previous UK chairman, Bill Michael, stepping down following comments made on a video-call with colleagues.

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Earlier this month, KPMG handed staff pay rises worth at least £2,000 amid an intensifying recruitment battle across the professional services sector.

The audit profession has been anticipating a far-reaching overhaul of its regulation since the demise of Carillion and BHS, the department store chain previously owned by Sir Philip Green.

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However, while the recent Queen's Speech included a provision for draft legislation encompassing audit reform, the most radical changes are still likely to be years away – if they materialise at all.

The firm declined to comment on the prospective increase in audit fees.