

EAST SUSSEX FIRE AUTHORITY

Meeting Scrutiny and Audit Panel
Date 21 January 2021
Title of Report Annual Audit Letter 2019/20
By Duncan Savage, Assistant Director Resources / Treasurer
Lead Officer Duncan Savage, Assistant Director Resources / Treasurer

Background Papers Scrutiny & Audit Panel 26 November 2020 – 2019/20 External Auditor's Results Report and Statement of Accounts

Appendices 1. Annual Audit Letter 2019/20

Implications (please tick ✓ and attach to report)

Any implications affecting this report should be noted within the final paragraphs of the report

CORPORATE RISK		LEGAL	✓
ENVIRONMENTAL		POLICY	
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT To consider and approve, on behalf of the Fire Authority, the Annual Audit Letter 2019/20.

EXECUTIVE SUMMARY The Authority's external auditor, Ernst & Young, has recently published the Annual Audit Letter 2019/20 relating to East Sussex Fire Authority which is attached as Appendix 1 to this report.

The Letter summarises the external auditor's work relating to 2019/20 the majority of which has already been reported to this Panel in the Audit Results Report for 2019/20.

The Letter will be published on the Authority's website.

The key matter to draw to the Panel's attention is section 7 - Audit Fees pp25-28 which the Treasurer has met with EY to discuss.

The two main fee variations proposed by EY are:

- a) Scale Fee Rebasing - £27,553 – this reflects EY's assessment of the underlying and ongoing increase in the cost of the audit as a result of regulatory and professional requirements and risk. Members will recall that the Panel debated PSAA's proposal for an increase of 25% in the fee scale rates for variations and whilst acknowledging the case for an increase in fees were concerned at the arbitrary nature of the 25% proposal which mirrors that made in the Redmond Review. In the Authority's response to PSAA we requested that the basis for any increased was evidenced and transparent. The EY proposed variation at 116% is clearly significantly in excess of 25% and anecdotally is higher than the variations proposed by other audit firms. Officer's view is that the increase is excessive and our advice to the Panel would be not to agree it.
- b) Additional work during the 2019/20 audit – this reflects specific additional costs incurred by EY in the conduct of the audit. Whilst an increase in audit fees is not welcome, having explored these charges with EY officers believe that they are acceptable and our advice to the Panel would be to agree them. Taking particular note of the issues raised by the Panel, officers are satisfied with EY's explanations of the basis of the fees, for example that the additional work on going concern reflected the actual additional effort at this Authority rather than an average across all audits, and that Covid related costs include the netting off of savings in travel and other expenses and include additional meetings with the audited body necessitated by the changes in both deadlines and the focus of the audit as a result of Covid 19.

Both fee variations will require consideration and approval by PSAA in due course.

SLT has agreed budget provision to cover the £4,342 in the current year. Should PSAA agree the £27,533 this would create an additional unfunded pressure on the 2020/21 budget.

RECOMMENDATION

The Panel is asked to:

- (i) consider and approve, on behalf of the Fire Authority, the Annual Audit Letter 2019/20
 - (ii) consider whether to approve EY's proposed fee variations:
 - (a) fee scale rebasing for £27,533
 - (b) additional work during the 2019/20 audit of £4,342
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