

## EAST SUSSEX FIRE AND RESCUE SERVICE

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| <b>Meeting</b>         | Scrutiny & Audit Panel                                |
| <b>Date</b>            | 29 April 2021   |
| <b>Title of Report</b> | External Audit Plan and Scale Fee 2021/22             |
| <b>By</b>              | Duncan Savage, Assistant Director Resources/Treasurer |
| <b>Lead Officer</b>    | Helen Thompson / Stephan van der Merwe, EY            |

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**Background Papers** None

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- Appendices**
1. External Audit Plan (EY)
  2. 2021-22 Audit Fee Scale Consultation Response (PSAA)
  3. 2021-22 Directory of auditors and scale fees (PSAA)
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### Implications

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|----------------------------|---|-------------------------------|---|
| <b>CORPORATE RISK</b>      |   | <b>LEGAL</b>                  | ✓ |
| <b>ENVIRONMENTAL</b>       |   | <b>POLICY</b>                 |   |
| <b>FINANCIAL</b>           | ✓ | <b>POLITICAL</b>              |   |
| <b>HEALTH &amp; SAFETY</b> |   | <b>OTHER (please specify)</b> |   |
| <b>HUMAN RESOURCES</b>     |   | <b>CORE BRIEF</b>             |   |

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**PURPOSE OF REPORT** To present the external auditor's planning document for the audit of the 2020/21 financial accounts and the external audit scale fee for 2021/22.

To provide an update on the fee variations proposed by the Authority's external auditors for the 2019/20 audit.

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**EXECUTIVE SUMMARY** The attached external audit plan (Appendix 1) sets out the work that the Authority's external auditors, Ernst & Young LLP (EY), intend to carry out in order to audit the Authority's 2020/21 accounts and form their judgement on the Authority's value for money arrangements. EY has not identified any specific risks relating to the Authority's accounts. However it should be noted that the Code of Practice sets out changes to the auditor's approach to making it's value for money judgement, for which detailed guidance has only recently been issued.

PSAA has published its response to the consultation on 2021-22 scale fees (Appendix 2). The scale fee for the Authority is £23,690 i.e. no change from the previous year (Appendix 3).

The Panel will be aware that EY submitted two proposed fee variations in relation to the 2019/20 audit:

- a) Scale Fee Rebased - £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
- b) Additional work during the 2019/20 audit £4,342 – this reflects specific additional costs incurred by EY in the conduct of the audit.

PSAA has indicated that they have asked for additional information from EY regarding the latter variation and expect this matter to be determined by mid-May. On the larger scale fee re-basing we understand that PSAA has rejected EY’s approach and asked them to resubmit with individual calculations and supporting evidence for the additional work carried out at each audited body. It is not clear what the timeline is for this to be resolved and the extent to which it will impact on fees for 2021/22 onwards.

EY has repeated its request for a scale fee variation in relation to the audit of the 2020/21 accounts of £27,553 taking the total audit fee to £51,243 (an increase of 116%). A further variation may be made to reflect the impact of the changes to the vfm judgement. Given previous debate on this issue, Officer’s recommendation is that the Panel maintains its existing position and does not approve the proposed variation. Further consideration should be given once PSAA has considered the existing fee variation proposals.

There is currently no further information on how MHCLG plans to allocate the £15m grant provided by Government to cover increases in audit fees resulting from changes in regulatory regimes. In its revenue budget for 2021/22 the Authority has made provision for an increase of £30,000 in external audit fees.

In response to the Redmond Review the Government has, under the Accounts and Audit (amendment) Regulations 2021, amended the draft and final accounts publication deadlines for relevant bodies including Fire Authorities from 1 June and 31 July to 1 August and 30 September for the next two accounting years i.e. 2020/21 and 2021/22. The Service’s intention is still to publish its draft accounts by the end of May or early June (depending on the availability of IAS19 reports and collection fund data which are outside of

our control). The changes in dates will require an additional Scrutiny & Audit Panel in late September for approval.

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**RECOMMENDATION**

The Panel is recommended to:

- (i) Approve the external audit plan for 2021/22, excepting the proposed fee scale variation of £27,553;
  - (ii) Note the change in the audit timetable;
  - (iii) Note the update on EY's 2019/20 fee variations; and
  - (iv) Identify any further information or reassurance they require from the Authority's external auditors, or any matters which they wish to raise with them.
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