

A photograph of a meeting table with several papers and hands pointing at documents. The background is a bright, white table with several sheets of paper. A person's hand in a yellow sleeve is pointing at a document. Another person's hand is pointing at a document. A smartphone is visible on the table. The overall scene suggests a collaborative meeting or review.

**East Sussex Fire
Authority**
**Update -
Audit Planning Report**
Year ended 31 March 2021

July 2021

9 July 2021



East Sussex Fire Authority
Service Head Quarters
Church Lane
Lewes
East Sussex
BN7 2DZ

Dear Scrutiny & Audit Panel Members

Update - Audit Planning Report 2020/21

Please find attached an update to our Provisional Audit Planning Report which was previously issued dated 16 April 2021. This document has been prepared to address the changes in audit risks as a result of our completed planning procedures.

We have now completed our routine audit planning procedures and this update summarises the changes to our initial assessment of the key risks driving the development of an effective audit for the Authority, and outlines our planned audit strategy in response to those risks. We will update the Scrutiny & Audit Panel if our assessment changes further during the course of the audit.

This report is intended solely for the information and use of the Scrutiny & Audit Panel and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours sincerely

Helen Thompson

For and on behalf of Ernst & Young LLP



01 Audit Updates





Audit Updates

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for new government grants	Inherent risk	New risk	The Authority has received government funding in relation to Covid-19 and investment support in Protection Services following the Grenfell Tower Inquiries. There is a need for the Authority to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions. More details on our response to this risk are reported on our next slide.

Auditing accounting estimates

In addition to the risks and areas of focus reported in our Provisional Audit Planning Report in April 2021, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

Value for money conclusion

We reported in our Provisional Audit Planning Report that we had not commenced our detailed value for money planning against the new NAO Code requirements and that we would update the next Panel meeting on the outcome of our planning and our planned response to any identified risks of significant weaknesses in arrangements. We have now substantially completed our planning work and have noted the following:

- ▶ Our planning on value for money and the associated risk assessment focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to draft a commentary under three reporting criteria.
- ▶ We have not identified any significant risks regarding the Authority's 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p>Accounting for new government grants</p> <p>The Authority has received government funding in relation to Covid-19 and investment support in Protection Services following the Grenfell Tower Inquiries.</p> <p>Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Authority will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.</p>	<p>We will consider the underlying restrictions and conditions of material grants received by the Authority and assess the appropriateness of the accounting treatment of these grants in the 2020/21 financial statements.</p>

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