

EAST SUSSEX FIRE AUTHORITY

Meeting Scrutiny & Audit Panel

Date 21 July 2022

Title of Report External Audit Planning Report and Scale Fee 2021/22

By Assistant Director Resources / Treasurer

Lead Officer Helen Thompson / Stephan van der Merwe EY LLP

Background Papers None

Appendices

1. External Audit Planning Report (EY)
2. PSAA scale fee determination 2020/21

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 present the external auditor's updated planning report for the audit of the 2021/22 financial accounts and the external audit scale fee variation for the audit of the 2020/21 accounts.

EXECUTIVE SUMMARY The attached external audit planning report (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 2021/22 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. The report has been updated from the version submitted to this Panel on 12 May 2022.

The report asks that (p20) the Panel confirm its understanding of, and agreement to the proposed materiality and reporting levels as follows:

- Planning materiality = £1.09m
- Performance materiality = £0.818m
- Audit differences = £0.054m

In May 2022 EY notified the Authority of a proposed scale fee variation of £11,423 for the audit of the 2020/21 accounts. However, it was not clear at the time that it should also have included the scale fee rebasing figure of £27,553 included in the original planning document for 2020/21. EY subsequently submitted a scale fee variation of £45,885 to PSAA who are minded to approve a variation of £18,548 giving a total scale fee of £42,238 (as set out in Appendix 2). This is an increase of 30% on the final fee scale for 2019/20 (£32,390) and includes the 25% increase in the hourly rate for additional fees agreed by PSAA across all audit contracts and additional costs for the new vfm judgement and relating to ISA540. It clearly exceeds the additional grant of £12,212 provided by Government to cover the additional costs arising from all of the actions taken in response to the Redmond Review, however it is within the amount provided for within the 2021/22 accounts. An update has been sought from PSAA on the status of the variation and this will be provided at the Panel meeting.

In Appendix A of its Audit Planning document EY indicates that it expects to submit a scale fee variation for the audit of the 2021/22 accounts in the range of £43,762 - £47,762 giving a total scale fee of £67,452 - £71,452. At this stage it does not appear that there are any material new responsibilities on external auditor resulting from the relevant Code and therefore if PSAA remains consistent in its approach in previous years then an approved scale fee variation of the order of £20,000 may be a more reasonable forecast, giving a total scale fee of approximately £43,690. Again the increase exceeds the additional grant provided by Government however it can be contained within the existing finance budget.

In response to the Redmond Review the Government has, as part of "Measures to improve local audit delays", amended the draft and final accounts publication deadlines for relevant bodies including Fire Authorities to 31 July and 30 November the accounting year 2021/22. The Service expects to publish its draft accounts in the week commencing 11 July. This is later than planned as a result of delayed receipt of collection fund information from billing authorities. The changes in dates will require an additional Scrutiny & Audit Panel on 28 September for approval. It appears likely that EY will not receive the assurances they require from the auditor of the East Sussex Pension Fund until October. If this is the case then a further update and final audit report may need to be

presented to the Scrutiny & Audit Panel on 10 November 2022.

RECOMMENDATION

The Panel is recommended to:

- (i) Approve the updated external audit planning report for 2021/22.
 - (ii) Agree the materiality and reporting levels set out in the planning report.
 - (iii) Approve the 2020/21 scale fee variation as determined by PSAA.
 - (iv) Note the planned fee variation set out by EY in Appendix A of their report.
 - (v) 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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