

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting	Scrutiny & Audit Panel
Date	5 June 2019
Title of Report	External Audit Update and Fee Letter 2019/20
By	Assistant Director Resources / Treasurer
Lead Officer	<i>Duncan Savage, Assistant Director Resources / Treasurer</i>

Background Papers	None
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Appendices	<ol style="list-style-type: none">1. External Audit Update2. External Audit Fee Letter 2019/203. EY Leaflet – Working with You
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Implications

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

PURPOSE OF REPORT	To inform the Panel of progress on the external audit of the 2018/19 financial accounts and the proposed external audit fee for 2019/20
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EXECUTIVE SUMMARY	<p>The Authority's external auditors EY LLP have provided an update on the delivery of the audit of the 2018/19 accounts (Appendix 1). Members are reminded that the statutory deadline for the publication of the draft accounts is 31 May 2018. At this stage EY have not identified any significant issues in relation to their audit.</p>
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The fee for the 2019/20 audit (Appendix 2) is confirmed as £23,690 which is in line with the nationally set fee scales under the PSAA contract and is unchanged from 2018/19. It is dependent on a number of factors including the quality and timeliness of the accounts and their associated working papers, and the ability of the external auditors to rely on the work carried out by internal audit. Further information on the service provided by EY LLP is provided at Appendix 3.

RECOMMENDATION

The Panel is recommended to:

- (i) Note the progress on the external audit of the 2018/19 accounts
 - (ii) Note the external audit fee for 2019/20
 - (iii) 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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East Sussex Fire and Rescue Authority

Audit Progress Report

May 2019



Building a better
working world

The Members of the Scrutiny and Audit Panel
Service Headquarters, Church Lane, Lewes
East Sussex
BN7 2DZ

20 May 2019

Dear Members,

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken on the audit during 2018/19. The purpose of this report is to provide the Committee with an update of our plans for the 2018/19 audit, to ensure they continue to be aligned with your service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

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 faithfully

Helen Thompson
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

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2018/19 audit

Financial statements audit

We issued our 2018/19 Audit Plan in January 2019 where we outlined how we intend to carry out our responsibilities as auditor, including our proposed audit approach.

Our interim procedures have confirmed that the risks identified in the Audit Plan remain appropriate. These were:

- Misstatements due to fraud or error (significant risk)
- Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure (significant risk)
- Valuation of land and buildings
- Pension asset/liability valuation
- New accounting standards

Interim Visit

We started our first interim visit on 25 February for two weeks, to undertake walkthroughs of material systems and early substantive testing. We performed our second interim visit in April for 1 week, to complete the early substantive testing. We completed all the work that we planned for this time period.

A significant portion of our interim testing was performed on property and land valuations that have been carried out in the year

We continue to use the client portal, which was introduced in 2017/18 to facilitate the provision of working papers and audit evidence. This constitutes a secure means of document transfer, whereby officers can upload documents directly to our audit file in response to specific requests.

We have not identified any additional risks from our interim work that we need to make the Panel aware of.

Post Statements Audit

Our final audit visit was due to start on 17 June. We are proposing to delay the start of the audit by a week due to the audit senior allocated to the audit moving to a new service line within EY; this has led to a change in resource availability. We have discussed this with the Assistant Director Resources & Treasurer, and we are aware the audit needs to be completed by 12 July to meet the timetable for papers to the Scrutiny and Audit Panel on 25 July. We will continue to keep all options under review to ensure we meet your deadlines and the 31 July deadline, and we will remain in touch with the Assistant Director Resources & Treasurer over the coming weeks.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also continue to use the client portal to request working papers and evidence for samples and in view of faster close, quick responses from officers will be critical.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

We plan to present our audit results report, setting out the findings of our work and overall conclusions, to the Scrutiny and Audit Panel meeting on 25 July 2019.

Value for Money Assessment

We have completed our planning work and did not identify any risks to our conclusion.

2019/20 audit

Fee Letter

We issued our fee letter for 2019/20 in April 2019. For the 2019/20 financial year, PSAA has set the scale fee for each audited body that have opted into its national auditor appointment scheme.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

For East Sussex Fire Authority our indicative fee is set at the scale fee level of £23,690 (£23,690 in 2018/19).

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Timetable

For the 2018/19 financial year, the timetable for preparation and approval of accounts is brought forward to a draft accounts deadline of 31 May and an audit deadline of 31 July. We have planned our 2018/19 audit to meet these revised deadlines. We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2018/19 committee cycle.

Audit phase	EY Timetable	Deliverable	Report to Panel	Status
High level planning	April 2018	Audit Fee Letter	June 2018	Completed
Risk assessment and setting of scope of audit	December 2018/January 2019	Audit Plan	June 2019	This document.
Testing of routine processes and controls	February / April 2019	Progress Report	June 2019	This document.
Year-end audit	June / July 2019	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	July 2019	Work is planned to start late-June 2019 and run for 4 weeks.

EY | Assurance | Tax | Transactions | Advisory

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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Ms Dawn Whittaker
Chief Fire Officer and Chief Executive
East Sussex Fire and Rescue Service
East Sussex Fire and Rescue Service Headquarters
Church Lane
Lewes
East Sussex
BN17 5LF

25 April 2019

Ref: Fee Letter/19-20

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Dawn

Annual Audit 2019/20

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year for East Sussex Fire and Rescue Service.

From 2018/19, local government, fire and police bodies have been responsible for making their own arrangements for the audit of the accounts.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

Indicative audit fee

For the 2019/20 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

Our final fee will include the impact of additional risks and/or circumstances that are out of the scope of the scale fee, for example:

- Additional work performed on asset valuations, including the involvement of our valuation specialists;
- Additional work performed on the valuation of the net pension liability, including the involvement of our pension specialists; and
- Additional work arising from the implementation of IFRS 16 Leases.

At this stage, the indicative fee is set at the scale fee.

This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that of the prior year;
- Officers meet the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2018/19, our audit planning process for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2019/20 £	Planned fee 2018/19 £	Actual fee 2017/18 £
Scale Fee	23,690	23,690	30,766
Scale Fee Variation			1,492
Total Code audit fee	23,690	23,690	32,260

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance. All variations to the scale fee will be subject to PSAA approval.

Billing

The scale fee will be billed in 4 quarterly instalments of £5,923.

Audit plan

Our plan is expected to be issued in January 2020. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Assistant Director Resources & Treasurer and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Scrutiny and Audit Panel.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

We remain committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me, or Janet Dawson as our Government and Public Sector Assurance Leader at jdawson1@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

cc. Duncan Savage, Assistant Director Resources & Treasurer
Councillor Roy Galley, Chair of the Scrutiny and Audit Panel

Confidential

EY working with you

An overview of our approach

March 2019

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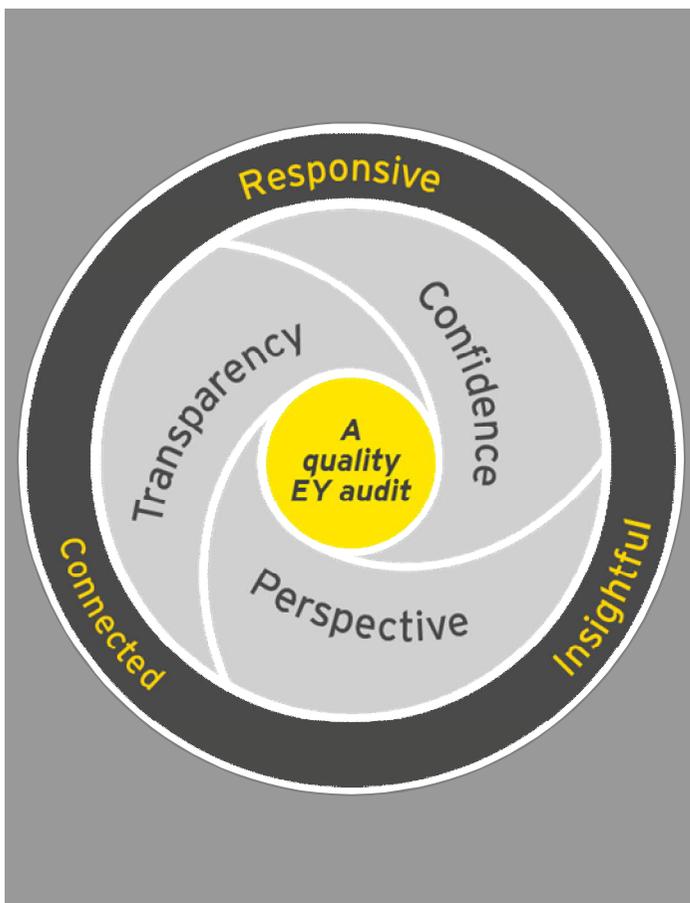
Value beyond the audit

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Our commitment to you



East Sussex Fire Authority opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which started in 2018/19. PSAA appointed EY as your auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.



Janet Dawson – Partner

I am the lead partner for this contract, and EY's Global Government and Public Sector Assurance Leader. I have been a partner in Government and Public Sector (GPS) assurance services for 14 years, and have over 20 years of experience and knowledge from working in the sector. My work across health and central government brings an understanding of the broader context of the environment that you operate within.

My appreciation of the value of audit, transparency, and the importance of working in partnership with the public sector aligns with PSAA in promoting and supporting those values through our work. I have asked Helen Thompson to lead your engagement on behalf of EY. Our commitment to quality and culture of consultation means that they will draw on the expertise within the firm in fulfilling this responsibility.

Our extensive experience of providing a range of assurance services has demonstrated that strong relationships, clear communication, and investing time with our clients to understand their issues delivers the highest quality outcomes.

This is our commitment to you.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach, and what clients can expect from us. A summary of the key points of the method statement follows. It is provided as a guide and reference for liaising with us, and a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.



Working with you

Communication

Our experience shows that close, constructive working relationships are built on trust and open dialogue.

Helen Thompson is your engagement lead and responsible for our relationship protocols, overall audit service and quality. We meet regularly with Officers and Members, discussing sector challenges and bringing insights from our network. Your engagement manager, Hannah Lill, is a key contact and brings significant experience of managing local authority audits.

Our relationship protocols allow you to escalate concerns to Janet Dawson (Contact Partner) or Steve Varley (UK Managing Partner) should you need to.

Our Audit Planning Report contains further information on our planning approach and timetable, giving you a risk based, tailored audit. We ensure our senior leaders are accessible for management and members.



Knowledge and training

Significant investment in the development of dedicated GPS teams is part of our commitment to improve skills in the public sector. Our structured recruiting and training approach delivers the best audit quality. All our training is developed by technical specialists and is quality and risk assessed. Staff must pass online tests following training, to demonstrate they can apply the learning in practice.

GPS sector specific training including emerging opportunities and risks, new requirements and specific technical areas, e.g., capital accounting, group accounts, LG pensions and other areas.

Topics are derived from our sector knowledge and stakeholder engagement.

We share these insights with you via our Audit Committee Briefings, Public Sector Accounting Workshops, Audit Committee Forums and other bespoke training sessions.



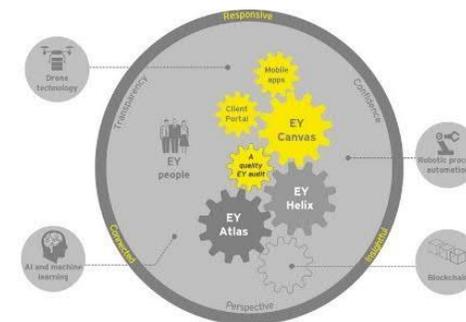
Quality and Innovation

Audit quality is our primary goal in ensuring confidence in public services in a landscape of constant change and uncertainty. Factors which contribute to achieving consistently high quality audits are our people, tailored audits, consultation, and engagement quality reviews.

Our consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues.

Audit quality is at the heart of our innovation strategy.

We will continue to innovate and integrate new technologies into our audit process. The technologies discussed so far are just the start of our journey, designed to grow and be enhanced with additional functionalities.





Value beyond the audit

In line with the firm's broader vision to build a better working world, EY's commitment to, and investment in, the public sector is focussed on delivering sustainable social value.

We are the first of the Big 4 firms to establish an apprenticeship programme awarded 'employer status' by the Skills Funding Agency, that specifically addresses the needs of deprived communities. 'EY Business Apprenticeships' is a way of investing in local people, directly challenging the UK skills gap, whilst prioritising those from deprived communities, and disadvantaged backgrounds. Our work under the PSAA contract enable us to create around 165 additional apprentice roles.

EY was also the major graduate recruiter to change our minimum entry requirements, increasing inclusivity by opening up opportunities for talented individuals regardless of their background and education.



Economic and Social

We deliver socio-economic improvements by carefully aligning existing initiatives to our clients' objectives, for example, local authorities' focus on local employability.

Examples include: Removing barriers to employment and education: our 'Smart Futures' initiative provides Year 12 students access to paid work experience, employability workshops and career talks plus 10-months of mentoring from an EY employee. We deliver this from 11 EY offices across the UK. The benefit to you is that we focus on state schools and prioritise those on free school meals. In addition, our 'Stay Curious' and 'Employability Support' initiatives raise awareness of audit career opportunities to STEM students and provide CV advice, networking, mock interviews and assessment centres. Collectively the improvement outcomes include increased employability for young people in the community, connecting schools, universities, employers and building confidence in the students themselves.

Supporting local businesses for prosperity in the community: the EY Foundation, our independent charity, supports collaboration between young people and local businesses. The benefit is a community better connected, focussed on key issues, and providing a voice to the under privileged.

Our global EY Ripples programme enables our staff to donate time to make use of their knowledge, skills and experience to support young people and impact entrepreneurs, by providing mentoring support, business skills training, and more equitable access to resources – to drive sustainable inclusive growth.

Environmental

We protect the environment by minimising waste and using resources efficiently, e.g., we proactively manage and monitor the environmental impacts of our supply chain, and our own people. We encourage carbon footprint reduction through initiatives such as Bike to Work, Flexible Working Policy, and our sustainable travel strategy. We have also made changes to our processes from procurement to recruitment to minimise the environmental impact of them on the wider world.

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EY-000089533-01 (UK) 03/19. CSG London.



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