

EAST SUSSEX FIRE AUTHORITY

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| Panel | Scrutiny & Audit Panel |
| Date | 19 January 2023 |
| Title of Report | External Audit Update |
| By | Assistant Director of Resources/Treasurer |
| Lead Officer | Duncan Savage – Assistant Director of Resources / Treasurer |

Background Papers Scrutiny & Audit Panel meeting 10 November 2022 (Item 020) –Appointment of External Auditors

Appendices

1. East Sussex Fire Authority response to PSAA fee consultation September 2022
2. PSAA Fee Scale for all Fire Authorities for 2022/23.

Implications

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

PURPOSE OF REPORT To provide an update on Public Sector Audit Appointment's (PSAA's) proposals for appointing the external auditor to the Authority for the accounts for the five-year period from 2023/24 and the outcome of the fee scale consultation for 2022/23.

EXECUTIVE SUMMARY The current contract with PSAA for the appointment of the Authority's external auditors ends on 31 March 2023 (with the audit of the 2022/23 accounts).

At its meeting on 9 December 2021 the Fire Authority agreed to opt in to the PSAA scheme for the next five year period.

Following consultation with the Authority PSAA has now confirmed the appointment of Ernst & Young (EY LLP), our current auditors, as the Authority's auditors for five years from 2023/24 to 2027/28.

As previously reported PSAA has advised that the Authority's audit fee for 2023/24 is likely to rise by 150% to approximately £125,000. This will create a pressure of £42,500 on the Authority's revenue budget which has been built into our budget proposals for 2023/24. We have continued to lobby Government and Local MPs for an increase in the existing new burdens grant for the additional costs resulting from the Redmond Report accordingly.

In September 2022 PSAA consulted in its proposed fee scales for 2022/23. A copy of the Authority's response is attached at Appendix 1. A copy of PSAA's response to the consultation can be found at:

[Consultation document 2022/23 audit fee scale – PSAA](#)

The consultation on the fee scale explained the impact on audit fees of the significant tensions and pressures in the wider audit market and profession, and of evolving arrangements in the local audit system. It also set out the practical difficulties for PSAA in setting a realistic fee scale without full information on all audit requirements or any information on audits for the preceding year.

On the basis of the broadly positive response to the consultation, PSAA is setting the 2022/23 fee scale as proposed, using the scale set for 2021/22 audits as a baseline with adjustments for:

- recurrent fee variations for 2019/20 and 2020/21 audits, for audited bodies where these have been submitted to and approved by PSAA; and
- the 5.2% inflationary increase required under PSAA's current audit contracts, although this will be funded from the surplus which would otherwise be distributed to opted-in bodies.

PSAA is not adjusting the 2022/23 fee scale for the additional work required for the VFM arrangements commentary or work on some updated technical standards because they do not yet have sufficiently reliable information on the ongoing impact of these changes. The local fee variations process will continue to apply until PSAA is able to consolidate the additional requirements into a future fee scale or it is able to determine national fee variation levels. The indicative

additional rates published by PSAA for the new VFM commentary (£5,000 - £9,000 for Fire Authorities) and ISA 540 work (£1,900 for Fire Authorities) continue to provide a guide for the fee scale variation process.

The fee scale for this Authority for 2022/23 is set at £30,815, an increase of 30% on the current level of £23,690. In reality once known additional work (VFM / ISA540) is taken into account, and noting that there may be other additional requirements for the 2022/23 audit, the actual fee is likely to continue to be in the range of £40,000 - £50,000. The fee scales for all Fire Authorities are shown at Appendix 2.

RECOMMENDATION

The Panel is recommended to note:

- (i) The appointment of EY LLP as the Authority's auditors for the period 2023/24 – 2027/28
 - (ii) The fee scale determined by PSAA for 2022/23
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