



**Hampshire  
& Isle of Wight**  
FIRE & RESCUE AUTHORITY

## **HIWFRA Standards and Governance Committee**

Purpose: Noted

Date: **24 JULY 2023**

Title: **EXTERNAL AUDIT – AUDITOR’S ANNUAL REPORT 2021/22  
AND AUDIT PLANNING REPORT 2022/23**

Report of Chief Financial Officer

### SUMMARY

1. Attached to this report is the external auditor’s annual report for 2021/22 (Appendix 1). The purpose of the auditor’s annual report is to bring together all of the auditor’s work over the year. This includes reporting on the audit of the financial statements as well as the auditor’s commentary and findings in respect to the Authority’s value for money (VFM) arrangements.
2. Also attached to this report is the external auditor’s audit plan for the audit of the 2022/23 statement of accounts (Appendix 2). The purpose of this plan is to provide the Standards and Governance Committee with a basis to review the proposed audit approach and scope for the 2022/23 audit. The plan summarises the auditor’s initial assessment of the key risks driving the development of an effective audit and outlines the planned audit strategy in response to those risks.
3. The two reports from EY have been reviewed by the Chief Financial Officer and these are now presented to the Standards and Governance Committee for consideration. The audit team from EY will be attending the meeting to present and discuss their reports with the Committee.

### BACKGROUND

4. The Authority is required by the Local Audit and Accountability Act (2014) and the Accounts and Audit Regulations (2015) to produce an annual statement of accounts and to have these accounts externally audited.

5. The Authority's auditor is EY and was appointed by Public Sector Audit Appointments Ltd (PSAA) in accordance with the requirements of the 2014 Act.

## AUDIT ARRANGEMENTS

6. The timescales for the publication of draft and audited accounts were temporarily extended through amendments to the Accounts and Audit Regulations over recent years due to the impact of Covid-19. Despite these extended deadlines, the proportion of local authorities in England that have published their audited financial statements on time has fallen from more than 95% in 2017 to less than 12% in 2022 (as reported by the Institute of Chartered Accountants England and Wales).
7. The Authority's statement of accounts for 2021/22 was among the many not to be signed off by the deadline, however the audit work has now been completed. An unqualified opinion was given by the external auditor (EY) in February 2023, with the Audit Results Report shared with members of the Standards and Governance Committee. EY's auditor's annual report (Appendix 1) draws together the auditor's work on the 2021/22 accounts to present to the Committee.
8. Regulations required draft accounts for 2022/23 to be published by 31 May 2023 to allow the period of public inspection of the accounts to begin. This deadline was met by the Authority with the recently published draft accounts.
9. The Department for Levelling Up, Housing and Communities published details of measures to support the improved timeliness of local audit in December 2021. One of the outcomes was to extend the deadlines for the sign-off of audited accounts for 2021/22 to the end of November 2022, reverting to 30 September for the subsequent six years (as opposed to the 31 July deadline originally in the regulations).
10. EY's audit planning report (Appendix 2) sets out how the audit of the draft accounts for 2022/23 will take place. The planning report identifies that EY currently anticipate that they will be in a position to present the audit results report to the Standards and Governance Committee in December 2023. As this will be after the deadline of 30 September set out in the Accounts and Audit Regulations, the Regulations will require the Authority to publish a statement on its website explaining the reasons for the delay. It is important to emphasise that audit delays are a common issue for all audit firms and many other authorities across the country are in the same position, as has been well publicised.

## SUPPORTING OUR SAFETY PLAN AND PRIORITIES

11. Good financial management is essential to enable the Service to achieve its plans and priorities. The annual audit of the statement of accounts and VFM arrangements provides external confirmation and assurance around the quality and content of the final accounts and overall financial management and resilience of the Authority.

#### RESOURCE IMPLICATIONS

12. The duty to prescribe external audit fees is a statutory function delegated to PSAA by the Secretary of State. The fees charged to the Authority by EY comprise a core element (known as the scale fee) on top of which the auditor may propose additional fees. These additional fees would be proposed where the auditor believes additional costs have been incurred to meet requirements not covered by the scale fee. PSAA will review the scale fee variations proposed by the auditor to determine what if any additional fees are appropriate.
13. Appendix A of the Audit Planning Report (which is included as Appendix 2 to this report) includes the auditor's proposed fee for 2021/22 and planned fee for 2022/23. Any additional costs agreed by PSAA will need to be funded by the Authority.

#### IMPACT ASSESSMENTS

14. Impact assessments have not been required for this report as the production of the report will not result in the implementation of new change activity, and/or introduce or amend a service policy, procedure or guidance document.

#### LEGAL IMPLICATIONS

15. The Authority is required by the Local Audit and Accountability Act (2014) and the Accounts and Audit Regulations (2015) to produce an annual statement of accounts and to have these accounts externally audited.
16. There are no legal implications arising from this report.

#### RISK ANALYSIS

17. The external auditor's planning report (Appendix 2) summarises the auditor's initial assessment of the key risks driving the development of an effective audit for the Authority and outlines the planned audit strategy in response to those risks.
18. The auditor's annual report (Appendix 1) draws together the auditor's work over the previous year, reporting on the assessment of risk through the audit of the financial statements for 2021/22 and the auditor's VFM assessment.

19. The auditor is required to report by exception on any issues identified where the auditor considers there to be a significant weakness in the arrangements in place to secure economy, efficiency and effectiveness in the use of resources. The auditor must also report on any significant matters that are in the public interest.
20. The auditor has not identified any VFM or public interest issues to report and has issued an unqualified opinion on the 2021/22 accounts.

### EVALUATION

21. The finance team preparing the Authority's accounts evaluates the process of preparing the accounts and liaising with the external auditors to identify lessons learned and areas to further streamline and improve the process for future financial years.

### RECOMMENDATION

22. That the Auditor's Annual Report for 2021/22 and the Audit Planning Report for 2022/23 from EY be noted by the HIWFRA Standards and Governance Committee

### APPENDICES ATTACHED

23. Auditor's Annual Report – Appendix 1
24. Audit Planning Report – Appendix 2

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