

## Standards & Governance Committee



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

Purpose: Noted

Date: 26 July 2021

Title: **EXTERNAL AUDIT PLANNING 2020/21 ACCOUNTS**

### Report of the Chief Financial Officer

#### SUMMARY

1. The purpose of this paper is to provide the Standards and Governance Committee with an update on the external audit arrangements for the 2020/21 statutory accounts in light of the continuing impact of Covid-19 both on the overall timescales and audit resource availability.

#### BACKGROUND

2. It would be normal practice early in the new calendar year for the External Auditors to present their audit plan to Standards and Governance Committee in advance of the commencement of the audit. In addition to the timetabling of the audit, the plan also provides detail of the areas of audit focus and key risks for the organisation.
3. For the 2020/21 final accounts this planning was delayed due to the impact of Covid-19, but a planning report has now been received from the auditors which is included at Appendix 1. The purpose of this report is to highlight any issues within the plan and update the Committee on the national picture as it relates to our external auditors Ernst and Young (EY) and the likely audit arrangements for HIWFRA.
4. For this year, there is also a new National Audit Office Code of Audit Practice 2020, which is reflected in the plan, with the main impact being the change to Value For Money procedures and reporting.

#### AUDIT ARRANGEMENTS

5. Last year, in response to the global pandemic, audit deadlines for the 2019/20 accounts were pushed back such that draft accounts needed to be published by the end of July with final audit sign off not required until November.

6. Despite the November deadline, the original plan for HFRA (as it was at the time) was for final sign off of the accounts by the end of September. This coincided with the audits for Hampshire County Council, the Hampshire Pension Fund, Hampshire Constabulary and the Office of the Police and Crime Commissioner, all of which are produced by the joint Finance team as part of the shared services arrangement and are audited 'en bloc' by EY.
7. Unfortunately, the eventual sign off was delayed due to resourcing issues within EY but in particular due to additional work and evidence associated with the Going Concern statement in light of the impact of Covid-19 on public finances.
8. In many areas across the country (and impacting on all audit firms) delays were experienced within the audit process leaving a backlog that has caused problems of resourcing in an area of the market that struggles to recruit and retain staff and is now impacting the audit arrangements for the 2020/21 accounts.
9. In response to this, the UK Government and Public-Sector Assurance Leader for EY wrote to the Chief Financial Officer and the Chair of Standards and Governance Committee to outline their concerns for the audit of the 2020/21 accounts and to explain their proposed approach for ensuring that they were able to provide high quality local public audits despite the resource problems they were facing.
10. A copy of the letter has been made available privately to all members of Standards and Governance Committee to ensure that they have a full appreciation of the issues for this year's audit delivery.
11. Further to this letter, our local Associate Partner wrote to HIWFRA to outline his approach for timetabling different organisations across the region, and at this stage, their intention is to continue to work to the current timescales agreed by the Government, which is publication of draft accounts by the end of July with Audit sign off by the end of September. It is hoped that this position can be formally confirmed by EY at this Committee meeting.

## AUDIT PLAN

12. The audit plan for the 2020/21 accounts is attached at Appendix 1 and follows a similar format to previous years. Particular attention is drawn to the key risks section on page 5 and the changes to Value for Money procedures and reporting as outlined on pages 14 and 15.
13. Most of these are standard as per previous years but it does include reference this year to the going concern statement. Recent CIPFA guidance

would suggest that this is no longer a key issue for the public sector as there is always a presumption of a 'continued provision of service'.

14. This seems to be slightly at odds to the position that the auditing firms are taking and they were not consulted by CIPFA on the guidance. In some respects this is a technical matter which we will resolve with the auditors separately.

#### SUPPORTING OUR SAFETY PLAN AND PRIORITIES

15. The statement of accounts and formal sign off by the external auditors is a vital part of the overall governance and reporting arrangements for the Authority and underpins our safety plan and priorities.

#### RESOURCE IMPLICATIONS

16. Audit fees for the 2021/22 financial year have already been notified to the Authority based on an assessment of risk and these are already budgeted for. There are still outstanding queries with PSAA on the 2019/20 audit fee and there may be further resource implications this year arising from the new ISA requirements and changes to the VFM approach.

#### IMPACT ASSESSMENTS

17. Impact assessments have not been required for this report as the production of the report will not result in the implementation of a new change activity, and/or introducing, or amending, a Service Policy.

#### LEGAL IMPLICATIONS

18. There are no legal implications arising from this report, but the production and sign off of the accounts is required by law.

#### OPTIONS

19. There are no options applicable to this report.

#### EVALUATION

20. N/A

#### RISK ANALYSIS

21. The audit planning document attached at Appendix 1 contains the Auditor's own risk analysis and key areas of audit focus that will be brought to the Committees attention.

## CONCLUSION

22. The impact of both Covid-19 and resourcing issues within the audit sector presents challenges for our external auditors in completing the audit of the 2020/21 accounts but we will continue to work with them to achieve a successful outcome within the timescales indicated.

## RECOMMENDATION

23. That the Standards and Governance Committee notes the current position in respect of audit planning and delivery for the 2020/21 accounts.

## APPENDICES ATTACHED

Appendix 1 – Audit Planning Report

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