



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

HIWFRA Standards and Governance Committee

Purpose: Noted

Date: **29 JULY 2022**

Title: **EXTERNAL AUDIT PLANNING 2021/22 ACCOUNTS**

Report of Chief Financial Officer

SUMMARY

1. The Authority is required to produce an annual Statement of Accounts and to have these accounts externally audited. The audit of the Authority's accounts is conducted by EY, an audit firm appointed through the Public Sector Auditor Appointments national scheme.
2. Prior to commencing the audit of the accounts, the external auditor prepares an audit plan setting out the proposed audit approach and scope for the audit. It sets out EY's initial assessment of key audit risks and outlines the planned strategy in response to these risks, as well as the planned timetable for the audit.
3. The report has been reviewed by the Chief Financial Officer and is now attached at Appendix 1 for the consideration of the Standards and Governance Committee. The audit team from EY will be attending the meeting to present and discuss their report 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. An audit plan is prepared by the Authority's external auditors prior to the audit commencing. This audit plan sets out the timetable for the audit and provides detail of the areas of audit focus and key risks for the organisation.

AUDIT ARRANGEMENTS

6. The timescales for the publication of draft and audited accounts have been temporarily extended through amendments to the Accounts and Audit Regulations over recent years due to the impact of Covid-19.
7. The Fire Authority benefits from economies of scale in the accounts and audit process through the shared services arrangements with Hampshire County Council, the Police and Crime Commissioner for Hampshire and Isle of Wight, and the Hampshire Constabulary. This arrangement means the accounts are prepared by the same finance team using the same accounting system and are then audited by the same audit firm.
8. Although the Authority's accounts were successfully audited and signed off in line with the extended deadlines, the national picture is that a significant majority of audits of local authority accounts did not meet these deadlines.
9. The Department for Levelling Up, Housing and Communities therefore published details of measures to support the improved timeliness of local audit in December 2021. One of the outcomes was to temporarily extend the deadline for the sign-off of audited accounts for 2021/22 to the end of November 2022.
10. In addition, the Chartered Institute of Public Finance and Accountancy (CIPFA) consulted on temporary measures to improve the situation. The result of this consultation was the agreement that the compulsory implementation of the new accounting standard for leases (IFRS 16) would be delayed for two years until April 2024. The Authority therefore intends to delay implementation of the new standard until at least April 2023.
11. The audit plan for 2021/22 is attached at Appendix 1. It is worth noting that the EY team are working to complete their audit testing over the summer with the intention of presenting their audit results report to the Standards and Governance Committee in September 2022 to enable the sign off of the accounts.
12. The audit plan identifies the additional work and testing that EY will need to complete to reflect the changes resulting from the creation of the new combined Hampshire and Isle of Wight Fire and Rescue Authority.

SUPPORTING OUR SAFETY PLAN AND PRIORITIES

13. 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, including delivering value for money in achieving these priorities.

COLLABORATION

14. The Authority benefits from economies of scale in the accounts and audit process through the shared services arrangements with Hampshire County Council, the Police and Crime Commissioner for Hampshire and Isle of Wight, and the Hampshire Constabulary. This arrangement means the accounts are prepared by the same finance team using the same accounting system and are then audited by the same audit firm.

RESOURCE IMPLICATIONS

15. The Authority's audit arrangements are managed through Public Sector Auditor Appointments (PSAA) Ltd, a national scheme for the appointment of local auditors, with audit fees agreed by PSAA. These audit fees include the scale fee plus any additions agreed by PSAA to reflect additional work in completing the audit.

IMPACT ASSESSMENTS

16. 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

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

RISK ANALYSIS

18. The audit planning report included at Appendix 1 contains the auditor's own risk analysis and key areas of audit focus that will be brought to the Committee's attention.

EVALUATION

19. 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.

CONCLUSION

20. The challenges with the timeliness of the sign-off of local authority accounts has been well publicised but we will continue to work with EY to achieve a successful outcome within the timescales indicated.

RECOMMENDATION

21. That the Audit Planning Report from EY be noted by the HIWFRA Standards and Governance Committee

APPENDICES ATTACHED

22. Appendix 1 – Audit Planning Report

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