



**TYNE & WEAR FIRE AND RESCUE AUTHORITY**

**Item No. 5**

**MEETING: GOVERNANCE COMMITTEE 29 SEPTEMBER 2023**

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**SUBJECT: AUDIT STRATEGY MEMORANDUM 2022/2023**

**REPORT OF THE FINANCE DIRECTOR**

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**1.0 Purpose of the report**

1.1 This report details the external auditors Audit Plan which notifies the Authority of the work that they are proposing to undertake in respect of the audit of the financial statements and their view of whether the Authority has made proper arrangements for securing value for money (economy, efficiency and effectiveness) in its use of resources for the financial year 2022/2023.

**2.0 Audit Strategy 2022/2023**

2.1 The attached Memorandum advises on the scope, approach and timeline of the auditors work together with the estimated scale fee for the 2022/2023 audit, although the fee will be subject to review by Public Sector Audit Appointments Ltd (PSAA) who acts on the Authority's behalf in this matter.

2.2 The audit scale fees have been estimated at £32,575 for the 2022/2023 audit, which is based on the previous years proposed scale fee for 2021/22 of £23,590 plus the recurring increase for regulatory pressures of £7,375 plus inflation of 5.2%. This follows the guidance issued by the Public Sector Audit Appointments Ltd (PSAA). In the past Mazars have also had to carry out additional work to complete their audits and additional fees have had to be charged in addition to the scale fees agreed. Section 6 of the report details the fees proposed to be charged for 2021/22 of £37,925 which can be compared to those fees charged for 2020/21 of £39,994. Most of the increased charges relate to recurring additional work in respect of more regulatory aspects in respect of pension disclosures and asset valuations. The fees also reflect the additional work in satisfying the revised and more detailed approach required to audit and report on the Authority's value for money arrangements introduced from 2020/21.

The additional costs however have still not been finalised yet for 2021/22 and are likely to increase further. On page 21 of the Appendix it is clear that the final cost of the audit for 2022/23 cannot be agreed until after the audit work has been completed and the costs can be expected to increase further. There was a clear expectation that external audit fees would need to increase generally as both the PSAA and the Redmond Review acknowledged that current scale fees were underestimated based on the fact external auditing work had increased and that there were also fewer accountancy firms actively involved in the public sector market. This was reflected by the Chancellor when he announced £15m would be made available for public sector bodies to help meet anticipated increased costs of external audit resulting from recommendations from the Redmond Review. The Authority was notified that it would receive £12,161 towards the cost of the 2021/22 audit which is welcomed but may not be sufficient to cover the higher audit fees anticipated.

In addition the government also announced in the 2022/23 Finance Settlement a package of measures to improve the timely completion of local audits, including £45 million additional funding over the next 3 years to support local councils with increased costs relating to new audit requirements. These measures it claimed will help improve transparency and accountability in councils and other local authorities. We have assumed a similar allocation to that received in 2021/22 for budget purposes.

- 2.3 The Audit Strategy identifies the specific areas for the planned audit work based upon a risk assessment process and also includes their views on key judgements used within the financial statements and for the Value for Money work to be carried out. The Memorandum document sets out the key significant risk areas that have been identified for 2022/2023 and are detailed in Section 4 for the Financial Statements and in Section 5 for their Value for Money work. All identified risks have been discussed with senior officers and are viewed as typical for an organisation of this size and type.
- 2.4 The document also sets out the protocol the auditors will follow in completing their planned work by providing an audit timeline of key phases of their work and also sets out their proposed methods of communication at each stage.
- 2.5 The Memorandum also sets out in Section 8 the materiality levels that will be applied to the audit work for 2022/2023 for member's information.
- 2.6 The auditors will be in attendance to outline the content of the document and to answer any questions.

### **3.0 Recommendation**

- 3.1 The Committee is recommended to note the contents of this report.