



# Shropshire and Wrekin Fire and Rescue Authority Audit Plan

**Audit progress report and sector update**

July 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

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This paper provides the Standards, Audit and Performance Committee with a report on our progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Standards, Audit and Performance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at July 2024

## Financial Statements Audit

We undertook our planning procedures for the 2023/24 audit in February and March 2024.

Our planning work included:

- Obtaining an understanding of the control environment, including performing a walkthrough of controls pertaining to significant risks
- Documenting the business process around significant classes of transactions
- Gaining an understanding of the financial and information systems in place at the Fire Authority through our IT general controls procedures
- Review of Internal Audit reports and committee meeting minutes to gain further understanding of any potential issues at the Force
- Understanding how the Fire Authority makes material estimates for the financial statements.

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings
- Valuation of the net defined pension liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Our final accounts audit is due to begin in September 2024, following the public submission of the financial statements on 14 June 2024.

## Status of areas still outstanding from planning

Our planning procedures are still outstanding in the following areas

- Obtaining an understanding of the IT General controls

## Value for Money

Our risk assessment regarding your arrangements to secure value for money has not yet been finalised. Our work to date has not identified a risk of significant weakness in relation to Shropshire and Wrekin Fire and Authority.

We will issue an addendum to the audit plan should further risks be identified through our value for money planning.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

## Audit Fees

PSAA have published their scale fees for 2023/24: 2023/24 auditor appointments and audit fee scale – PSAA

As reported in the Audit Plan, the proposed fees are £92.6k for the audit in total, as detailed in the breakdown below. These fees are derived from the procurement exercise carried out by PSAA in 2023. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work. There is a £5,020 proposed increase to the scale fee, to reflect the additional work auditors must undertake in response to the changes in ISA 315, which is an auditing standard relating to identifying and assessing the risks of material misstatement This is subject to agreement with PSAA.

	Fee 2023/24
Shropshire and Wrekin Fire Rescue Authority Scale Fee	£87,624
ISA 315	£5,020
<b>Total audit fees (excluding VAT)</b>	<b>£92,644</b>

# Audit Deliverables

Below are the key audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Standards, Audit and Performance Committee setting out our proposed approach in order to give an opinion on the 2023/24 financial statements.</p>	March 2024	Complete
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Standards, Audit and Performance Committee.</p>	5 Dec 2024	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	5 Dec 2024	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on value for money arrangements.</p>	5 Dec 2024	Not yet due

# Sector Update

# Audit Backstop - update

As we have previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO's Code of Audit Practice.

Our understanding was that the necessary regulations to enact the backstop legislation were due to be laid before Parliament prior to summer recess in July 2024. This would have enabled the legislative framework which would have enabled the 30 September 2024 backstop to be implemented.

The calling of a General Election on July 5<sup>th</sup> puts this timetable in considerable doubt. The Government that is elected will have to both decide if it wants to implement the backstop solution and if so, determine the timetable by which it happens. In the meantime, we will continue with the plan we have informed you of in respect of your audit.

## Audit sign off as at 31 May 2024

As at the end of May, we had signed 136 audits for 2022/23, representing 65% of our local government population. We envisage achieving a 75% sign off rate by the end of September. This compares with a sign off rate for other firms at the end of May of 7% (18 audits). If the backstop is extended to the end of the year – we envisage this figure moving to 80% completion.

We had signed off 81% of our 2021/22 audits by the end of May. We envisage achieving an 85% sign off rate by the end of September. Other firms had signed off 48% of audits by the end of May.

Audit year	Grant Thornton audits signed		Other firms
	Position as at end of May 2024 (%)	Forecast position end of Sep 2024 (%)	Position as at end of May 2024 (%)
2022-23	65	75	7
2021-22	81	85	48
2020-21	92	92	81

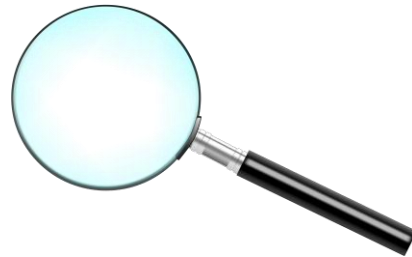
# Change of external auditor – how to get the best out of new arrangements

With 2023/24 being the first year of a new five-year PSAA contract for external audit, and the year-end (31 March 2024) having just passed, many Local Authorities will now be starting to work closely with a new incoming external auditor. Audit delays from the past mean that for some Local Authorities, this will be the first close experience of working with an external auditor for several years.

When it works well, external audit can provide management with valuable insight and, at the same time, demonstrate to the public that there has been proper use of, and accounting for, public money. To get the best out of this year's audit though, many Local Authorities will need to take effective steps to close-down the prior year backlog whilst simultaneously ensuring a smooth transition between different external auditors.

A recent Local Government Association “Must know” guide on working with auditors may help with navigating the unique challenges that this year's audit cycle poses. The guide provides an oversight of internal and external audit functions and outlines what to expect from external audit, and when to expect it.

For the full guide, see [Must know guide: Working with auditors | Local Government Association](#).



## Working well with a new external auditor

- **Understand the respective responsibilities of the Local Authority and the external auditor.**
- **Be open to early meetings between senior executives and the new external auditor.**
- **Understand that outgoing and incoming external auditors will need time to confer.**
- **Introduce the Head of Internal Audit.**
- **Facilitate introductions for the Audit Committee.**
- **Share the timetable and be clear about how timetable risk will be managed.**
- **Provide a named single point of contact and appropriate supporting resources.**
- **Provide early information around any new projects, including commercial projects.**
- **Provide appropriate access to IT systems and records.**
- **Respond promptly to requests for information.**
- **Ensure that all relevant staff affected by the external audit process understand what to expect and why it is important.**



# Audit Committee resources

**The Audit Committee and organisational effectiveness in local authorities (CIPFA):**

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

**LGA Regional Audit Forums for Audit Committee Chairs**

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email [ami.beeton@local.gov.uk](mailto:ami.beeton@local.gov.uk) LGA Senior Adviser, for more information.

**Public Sector Internal Audit Standards**

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

**Code of Audit Practice for local auditors (NAO):**

<https://www.nao.org.uk/code-audit-practice/>

**Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):**

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

**The Three Lines of Defence Model (IAA)**

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

**Risk Management Guidance / The Orange Book (UK Government):**

<https://www.gov.uk/government/publications/orange-book>

**CIPFA Guidance and Codes**

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

**Audit Committees: Practical Guidance For Local Authorities And Police**

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

**Delivering Good Governance in Local Government**

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

**Financial Management Code**

<https://www.cipfa.org/fmcode>

**Prudential Code**

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

**Treasury Management Code**

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



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