

Hereford & Worcester Fire Authority Audit Progress Report

Year ending 31 March 2021

30th September 2021



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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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Summary of Progress at 15 September 2021

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

Financial Statements Audit – Delay in audit completion

We undertook our initial planning for the 2020/21 audit in March 2021, the results of which formed the basis for our Audit Plan which was reported to the Audit and Standards Committee on 28th July 2021. As reported at the Committee meeting our planning work started later than last year as a result of the pandemic.

We received the Authority's draft financial statements on 30th July 2021 and we commenced our updated risk assessment and substantive audit work on the same date.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The date by which authorities are required to publish audited financial statements is 30th September. In 2020 this date was pushed back to 30th November.

Our original resourcing and delivery timetable was based upon receiving auditable financial statements by 31st May and attaining audit sign-off by 30th September. However, as our work has progressed we have encountered delays. We are now planning to substantively complete our audit testing by mid October and present our Audit Findings Report to you after that time. We would then plan to issue our audit opinion shortly after, in early November. We recognise this is after the 30th September 2021 publishing date. The reason for this delay is the result of a combination of factors including;

- We received the draft financial statements later than planned. The Treasurer explained the reasons for this to the Audit and Standards Committee on 28th July. This meant that our audit started later than anticipated to deliver for the 30th September 2021 target opinion sign off date.
- Our journals testing has taken longer than in previous years. Firstly because of extended sampling to meet the increasing quality expectations and secondly the need to work with the Authority to obtain reports in the right format to look to enable use of new audit software designed to further increase the quality of our work in this area.
- A key member of our audit team have been off work unexpectedly for a lengthy period. Additional resource has been allocated to the audit to make up the shortfall but due to resourcing constraints this has had to be at a later date than originally planned impacting upon delivery.
- The challenges of remote auditing, as we reported last year, remain.

Summary of Progress at 15 September 2021

Financial Statements – Progress as at 15th September

We have performed an initial review of the financial statements and a number of points have been raised with management.

As at the date of this report we have significantly progressed our work on the Authority's draft financial statements in the following areas:

- Cash
- Creditors
- Borrowing
- Investments
- Employee benefits
- Other expenditure
- Journals testing

The main areas needing completion are:

- Property revaluations
- Net Pension liability

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay. As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. The extended deadline is now no more than three months after the date of the opinion on the financial statements. We are still required to issue a letter setting out for the reasons for the delay which is shown on page 6.

We plan to report our VFM work to the Audit and Standards Committee on at a later date.

Audit Deliverables

| 2020/21 Deliverables | Planned Date | Status |
|--|---|-------------|
| <p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p> | July 2021 | Complete |
| <p>Progress report</p> <p>We will report to you the progress made to date</p> | September 2021 | Complete |
| <p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit and Standards Committee.</p> | September 2021 – deferred to November 2021 | Not yet due |
| <p>Auditors Report</p> <p>This is the opinion on your financial statements.</p> | September 2021 – deferred to November 2021 | Not yet due |
| <p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p> | December 2021 | Not yet due |

Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Marcus Hart
Audit and Standards Committee Chair
Hereford & Worcester Fire Authority
Hindlip Park
Worcester
WR3 8SP
CV32 5HZ

Dear Marcus, Chair of Audit and Standards Committee as TCWG,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Avtar Sohal

Director and Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor



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