



Annual Audit Letter 2015/16

**Leicester, Leicestershire
and Rutland Combined Fire
Authority**

October 2016



Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Headlines

This Annual Audit Letter summarises the outcome from our audit work at Leicester, Leicestershire and Rutland Combined Fire Authority in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 30 September 2016. This means we are satisfied that during the year that the Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.

Our Audit Plan recognised the risk around financial resilience and we undertook work to understand the Authority's response to this risk. To arrive at our conclusion we reviewed the Authority's Medium Term Financial Plan (MTFP) and outturn for 2015/16. The key findings were:

- The Authority recognises the budget pressures it faces in the medium term, most notably reductions in external funding provided centrally which are predicted to reduce significantly over the next five years. The savings made to date mean that, on current projections, the Authority needs to make fewer savings than originally anticipated and these amount to £0.3 million per year over the life of the MTFP.
- The actual outturn for 2015/16 is a surplus of £1.8 million which is higher than the budgeted surplus due to favourable variances in all areas of expenditure as savings have been achieved more quickly than anticipated. Over half of the savings achieved are judged to be recurrent in future years.
- The Authority's general reserves target is £1.8 million. The balance at the end of 2015/16 was £7 million in earmarked reserves and a £2.3 million general fund balance. The Authority therefore holds a reasonable level of reserves for future requirements and has taken the decision to increase the general reserves target to £3 million for future years.
- Government grant income is based on known settlement funding or reasonable assumptions concerning future entitlement. We have agreed amounts included in the MTFP for revenue support grant and baseline funding to the local government finance settlement from DCLG.
- The Authority has articulated its approach to budgeting, council tax increases and reserves which we have reviewed. Whilst the Authority has made savings over a number of years, it recognises that strategic solutions are required to achieve the level of savings required in future. It has established its strategic direction for achieving savings which include management, premises and fleet reviews and collaboration with other emergency services.
- The Authority flags a number of risks and uncertainties associated with its MTFP, including uncertainties in funding, council tax projections and the transfer of responsibility for fire authorities to the Home Office which could result in a change to the funding regime. We have reviewed the assumptions contained within the MTFP and concluded they are reasonable.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 30 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

Annual Governance Statement

We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.

Section one

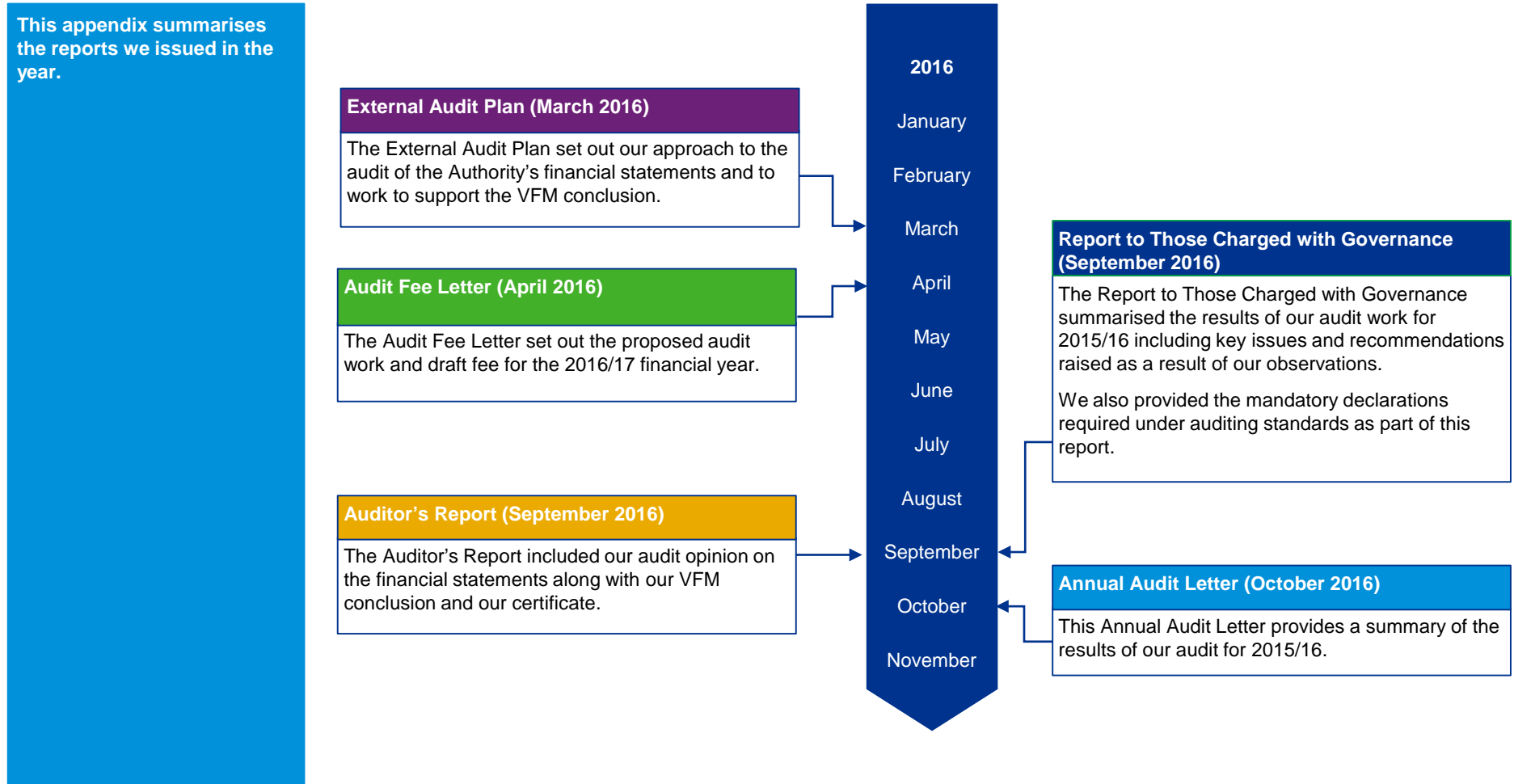
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Whole of Government Accounts	The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.
Certificate	We issued our certificate on 30 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
Audit fee	Our fee for 2015/16 was £29,247, excluding VAT. This is in line with the planned fee. Further detail is contained in Appendix 2.

Appendix 1: Summary of reports issued



Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audit at Leicester, Leicestershire and Rutland Combined Fire Authority was **£29,247** which is in line with the planned fee.

Other services

We have not provided any other services to the Authority in the year.



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