

# Auditor's Annual Report

Leicester, Leicestershire and Rutland  
Combined Fire Authority – year ended 31  
March 2021

February 2022



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of Leicester, Leicestershire and Rutland Combined Fire Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Leicester, Leicestershire and Rutland Combined Fire Authority ('the Authority') for the year ended 31 March 2021. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 3 December 2021. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

In our audit report, issued on the 3 December 2021, we reported that we had not completed our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Authority's arrangements. No significant weaknesses in arrangements were identified and there are no recommendations arising from our work.



### Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office and we are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Authority's financial statements.

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# 02

Section 02:

## **Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 3 December 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Our Audit Completion Report, presented to the full Authority on 3 December 2021 provides further details of the findings of our audit of the Authority's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit.

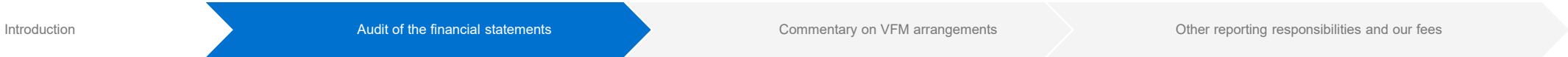
## Qualitative aspects of the Authority's accounting practices

We reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority in advance of the revised statutory deadlines and were of a good quality. The accounts were supported by good quality working papers and we received full co-operation from the Finance team in responding to our queries on a prompt basis.

## Significant difficulties during the audit

We did not encounter any significant difficulties during the course of the audit and we have had the full co-operation of management.



# 03

Section 03:

**Commentary on VFM arrangements**

# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria. As part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses. We did not identify any significant risks during the audit.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. There are no significant weaknesses to report.

The table below summarises the outcomes of our work against each reporting criteria. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	13	No	No

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### How the Authority identifies significant financial pressures that are relevant to its short and medium-term plans

The Authority is required to set a balanced budget on an annual basis and to agree a reserves strategy to manage longer-term risk. The Authority has developed a budget strategy which covering a 2 year timeframe from 2021/22 to 2022/23 which recognises the risks and uncertainties facing the Authority in terms of cost pressures and future funding arrangements. There is a further appendix to the report that provides a projection for a third year 2023/24 but a note is added to state that it is difficult to plan this far in advance for the medium term budget due to uncertainties around future funding.

Our review of the MTFP and associated assumptions identified no evidence of significant weaknesses in arrangements.

The financial position throughout the period has been communicated to the Senior Management Team and the Corporate Governance Committee on a quarterly basis as evidenced by our review of minutes. The Authority's outturn report for 2020/21 showed an underspend of £1.336m prior to transfers to reserves. This was mainly due to the receipt of additional government funding which was not anticipated when the original budget was set. This has contributed to an improved reserves position in 2020/21.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Authority plans to bridge funding gaps and identifies achievable savings

The current 2 year budget strategy and additional year projection shows a shortfall of £179,000 and £477,000 by the end of 2022/23 and 2023/24 respectively which is expected to be financed from the budget strategy reserve. This is in part due to uncertainty surrounding the level of Government funding. The projections above show a funding gap in 2022/23 onwards. The Authority states that this is manageable initially using the budget reserve they have available. This will enable time to plan the best approach to be taken by the Fire Authority without having to make in year budget cuts.

As at 31 March 2021, the usable reserves balance has increased by £6.54m to £21.83m (£15.29m in 2019/20). In the current uncertain environment, clarity on future funding is essential and this will still require careful monitoring by Members.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The MTFP recognises the ongoing pressure the Authority faces and the potential impact on service delivery. In-year monitoring reports detail the pressures faced by the Authority, whether savings are being achieved, and if resources need to be redirected to areas in need. Our review of the MTFP did not identify a reliance on 'one off' measures to balance the budget or unplanned use of reserves.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

### How the Authority ensures that its financial plan is consistent with other plans

Cost of pay awards are estimated and revised as part of budget setting. The Authority liaise with the Pension Fund on a triennial basis to review the employers contribution rates.

A Treasury and Capital Strategy is updated on a regular basis and sets out how the Authority manages risks and benefits associated with cash-flow, treasury management and borrowing. The strategy sets out how the Authority can fund a multi-year capital programme in a financially sustainable way using a series of prudential indicators to monitor the position. These plans and strategies are considered and approved by Authority alongside the MTFP and budget decisions each year.

Other operational planning and its impact on the MTFP is also considered, together with the impact of working with other public bodies. Risk management is also considered in terms of financial plans and risk-registers are regularly updated and reported to the Corporate Governance Committee throughout the year.

The Authority consider the updated financial position at various stages throughout the year and this allows for Member scrutiny and challenge. The MTFP update was considered by the Authority at their February 2021 budget setting meeting.

The annual MTFP process includes reviewing the Authority’s earmarked reserves. We confirmed a review was completed in 2020/21 to ensure funding set aside remains in line with strategic and statutory priorities of the Authority. This is evidenced in the outturn reports presented to the Authority during the financial year.

Our work did not identify any evidence to indicate a significant weakness in arrangements.



### How the Authority identifies and manages risks to financial resilience

The MTFP recognises the risks and uncertainties facing the Authority in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services. Our review of the MTFP shows that there is no evidence that assumptions are unrealistic or that there is unplanned or heavy reliance of reserves to cover unplanned spend. The Authority models its income and expenditure over the MTFP and builds in known pressures including the use of scenario planning.

The Authority has an established risk management framework and the Corporate Governance Committee receives regular risk management updates as evidenced by our review of minutes and our attendance at meetings during the year.

We reviewed the reports presented to the Corporate Governance Committee during 2020/21 which reported the monthly and yearly forecast outturn position. These reports contain evidence of a clear summary of the Authority’s performance, detailing significant variances and providing adequate explanation of the causes. Our review did not indicate a weakness in the Authority’s risk management or budget monitoring and reporting arrangements.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### How the Authority monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority has approved a code of corporate governance, which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – “Delivering Good Governance in Local Government”. The Code sets out the mechanisms for monitoring and reviewing the Authority’s Corporate Governance arrangements underpinning the Authority’s Annual Governance Statement. As part of our audit procedures we considered the Authority’s Annual Governance Statement and identified no matters indicating a significant weakness in arrangements.

The Authority has outsourced its internal audit services to the Leicestershire County Council Internal Audit Team. The Authority uses a risk-based Internal Audit plan to determine the priorities of the internal audit activity, consistent with the organisation’s goals as evidenced by our attendance at Corporate Governance Committee and our review of Internal Audit plans and reports.

The Corporate Governance Committee received regular updates on the audit plan and has responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Finance Management and making recommendations concerning relevant governance aspects of the Constitution. The Corporate Governance Committee monitors management actions in response to recommendations and this is reported on a regular basis. The Committee challenges management if recommendations are not implemented within the agreed timeframe.

The Head of Internal Audit issued a reasonable overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2020/21 (same as in 2019/20). See extract below:

*For 2020-21 the HoIAS gives reasonable assurance that overall the control environment was adequate and effective. Whilst there were isolated high risk rated weaknesses identified in some areas, controls to mitigate key risks are generally operating effectively. The HoIAS was on the whole satisfied with management’s response to resolving identified issues and welcomed the Committee’s support and engagement over them.*

The Authority seeks to align its risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis. Risk reports and the Corporate Risk Register are regularly reviewed throughout the year and reported to the Corporate Governance Committee as evidenced through our review of minutes and attendance at meetings. The Senior Management Team also scrutinise risks regularly.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Authority approaches and carries out its annual budget setting process

The MTFP recognises the risks and uncertainties facing the Authority in terms of future cost pressures, funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services in particular. We have reviewed the budget setting arrangements through review of minutes and discussions with officers. No matters have been identified indicating a significant weakness in arrangements.

### How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

A plan and timetable is agreed and followed, with the annual preparation of a detailed revenue budget and Medium-Term Financial Plan in February/March each year. See the Financial Sustainability section for further detail of our review of the MTFS.

There is a performance management system in place and quarterly reports on performance are presented to the Senior Management Team, the Corporate Governance Committee, and the CFA.

We have reviewed the Authority’s minutes and confirmed there was regular reporting of the financial position during 2020/21 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year, after taking account of additional COVID-19 grants. The Authority has a good record of delivering against its budget and this is evidence of effective arrangements for budgetary control.

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

### How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. Areas of potential change are identified throughout the year and the Constitution is reviewed on a regular basis. The Authority ensures that appropriate legal, financial, and other professional advice is considered as part of the decision-making process.

The Authority is transparent about how decisions are taken and recorded by ensuring that decisions are made in public and recording those decisions and relevant information and making them available to the public, including areas such as expenditure exceeding £250, the register of contracts, policies and grants to voluntary, community and social enterprise organisations.

The Authority also ensures that effective, transparent, and accessible arrangements are in place for dealing with complaints. The website includes facilities for complaints to be made against the Authority by the public and processes are in place to progress any complaints that are made.

We have reviewed Authority minutes in the year and have not identified any evidence of a significant weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decisions or recommendations Members were asked to make.

We have not identified any matters from our review to suggest a significant weakness in the committee structure of the Authority. It is designed to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Authority monitors and ensures appropriate standards are maintained

The Authority's Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people.

The Authority has in place a framework of written procedures and controls. Central to these are detailed rules for decision making, and rules of procedure, including; the Constitution, Standing Orders, Contract Procedure

Rules, Financial Regulations, Member and Officer Codes of Conduct, and a Confidential Reporting Code.

Related parties are recorded on an annual basis and disclosed in the statement of accounts as well as senior officer remunerations. We considered these disclosures and compared them with the interests declared. Our work did not indicate a significant weakness in arrangements.

The Annual Governance Statement (AGS) is published and reviews the effectiveness of the Authority's Governance Framework. Our review of the AGS did not identify any significant weaknesses in arrangements.

There is regular reporting of treasury management activity that details the Authority's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2020/21 financial year and sets out the Authority's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Authority's finances and we identified no evidence to indicate a weakness in arrangements.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

# 3. VFM arrangements – Governance

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### How financial and performance information has been used to assess performance to identify areas for improvement

We reviewed the reports presented to the Corporate Governance Committee during 2020/21 which reported the monthly and yearly forecast outturn position. These reports contain evidence of a clear summary of the Authority's performance, detailing significant variances and providing adequate explanation of the causes. Our review did not indicate a weakness in the Authority's risk management and budget monitoring and reporting arrangements.

The Corporate Governance Committee consider reports on performance on a regular basis detailing performance against a suite of performance indicators and information on corrective action being taken.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### How the Authority evaluates the services it provides to assess performance and identify areas for improvement

The Authority monitors detailed performance through the Corporate Governance Committee and also receives regular summary reports on performance. The Authority monitors performance of the business by service, integrating finance and performance management to provide a complete overview of performance.

The Authority is also subject to review by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). HMICFRS carry out inspections of fire and rescue services to assess and report on three key areas: effectiveness, efficiency, and people.

The Authority was subjected to inspection by HMICFRS in 2018/19 which was published in June 2019. The report also provides specific ratings in each of the three areas:

- **Effectiveness** - *How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?*
- **Efficiency** – *How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks? and*
- **People** - *How well does the fire and rescue service look after its people?*

The Authority received a rating of '**Requires Improvement**' in all three areas. HMICFRS inspection was completed in November 2018, with the inspection report issued in June 2019 identifying 24 areas for improvement.

Although this indicates there are improvements to be made in the intervening years the Authority has taken steps to make improvements. This is reported on a bi-annual basis to the Corporate Governance Committee, the most recent report being in November 2021.

This reports that the Authority implemented an action plan of 88 actions in order to bring the Authority up to the level of service that is expected by HMICFRS. By September 2021 the Authority reported that it had now completed 54 of the actions and all responses have been commenced and should be completed within the coming year.

The next inspection by HMICFRS takes place in May 2022 and this will provide an independent assessment of how effectively the issues previously identified have been addressed.

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# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

**How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve**

The Authority is a member of the Leicester, Leicestershire and Rutland Road Safety Partnership, and works with the partnership’s other organisations including Leicestershire Police and the local authorities. Services provided include taking the lead on young drivers’ education, offering interactive activities at schools, colleges and universities. Local operational teams also work with Leicestershire Police to promote anti-drink-driving campaigns.

The Authority supports a number of local projects and works alongside the police, health and local authorities to prevent fires in areas that have been identified as vulnerable. The service is also involved in the local Road Safety Partnership.

It was noted as part of the report by HMICFRS that “the service should ensure its staff work with local businesses to share information and expectation on compliance with fire safety records”. We have noted that from this recommendation the Authority set up the following action to improve on its Partnerships in the Community: “Develop an engagement approach to interact with businesses”. This action is currently in progress and aims to improve the Partnership provision offered by the Authority in the local area.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

**How the Authority commissions or procures services, how the Authority ensures this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits**

Contract Procedure Rules provide the framework for procurement activity. All procurement activities are in line with the service’s standing orders and financial instructions, national legislation and European legislation as per Public Contract Regulations 2015 and procurement best practice.

There is evidence that the Authority has arrangements in place to ensure procurement is in accordance with relevant legislation, professional standards and internal policies.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data.

We have not yet received group instructions from the National Audit Office therefore we are unable to issue our audit certificate until this work is completed.



## 4. Other reporting responsibilities and our fees

### Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Corporate Governance Committee in March 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£22,520	£22,520
Recurring increases in the base audit fee arising from regulatory pressures (as reported in the 2019/20 audit)	£4,606	£4,606
Additional fees in respect of the new VFM approach (recurring)	£nil	£5,000
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring)	£nil	£1,900
Additional one-off fees for specific issues	£2,052	£nil
<b>Total fees</b>	<b>£29,178</b>	<b>£34,026</b>

All fees are subject to VAT. All additional fees are subject to Public Sector Auditor Appointments (PSAA) approval.

### Fees for other work

We did not undertake any non-audit services in 2020/21.

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