



# Annual Audit Letter 2016/17

# Leicester, Leicestershire and Rutland Combined Fire Authority



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October 2017

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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](http://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](mailto: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](mailto: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.

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## Section one

# Summary

This Annual Audit Letter summarises the outcome from our audit work at Leicester, Leicestershire and Rutland Combined Fire Authority (the Authority) in relation to the 2016/17 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 2016/17 on 20 October 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

### VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matter:

#### Financial resilience:

The Authority has made a budget surplus of over £1 million in year. It has been able to achieve this position due to sound financial management in recent years. The Medium Term Financial Plan shows that the Authority has achieved substantial savings over the last few years. This has been achieved by undertaking in-depth reviews of major areas of expenditure, including management, fleet and premises costs. The outcome of these reviews were target savings which were built into budgets and the majority of which have been achieved. The Authority has over £13 million in usable reserves which equates to around 39% of total cost of services expenditure, putting the Authority in a strong position.

We have assessed the Authority's financial standing by discussions with officers and a review of the 2016/17 outturn, the outcome of the 2017/18 budget setting process and the Medium Term Financial Plan which spans the period up to 2019/20. We have concluded that the assumptions used are reasonable, that the Authority has recognised the risks and uncertainties inherent in forecasting future budgets and that the appropriate messages have been communicated to Members. The Authority recognises the need to critically review expenditure to drive further savings and continually review budget assumptions. In particular, following the announcement of a higher than expected pay increase for firefighters, the Finance team are actively working on plans to manage the increased cost in future years. The Authority continues to enhance its partnership working arrangements both with other local government bodies and with the other emergency services.

### Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 20 October 2017. 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. This was later than the deadline due to a minor issue with the accounts signatures. There were no new issues since the ISA260 report was presented to the Authority.

## Section one

### Financial statements audit

No material errors were identified during the audit and there were no uncorrected audit differences that we needed to report. We considered the Authority's accounting practices to be appropriate, the draft accounts were published in line with the deadline and the quality of supporting working papers was good.

Our audit plan identified the Local Government pension scheme triennial revaluation and changes to CIPFA's Code on Local Authority Accounting as significant risks or other areas of audit focus for the year. We noted that all of these areas had been appropriately addressed by the Authority.

We have had regular meetings with officers throughout the year which has facilitated delivery of the audit and have already discussed how we can work together to secure further improvement next year.

### Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were materially consistent with our understanding although we have suggested some changes to the Narrative Statement to better reflect the guidance, particularly the inclusion of non financial key performance indicators..

### 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 will confirm this with the National Audit Office.

### Certificate

We issued our certificate on 20 October 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

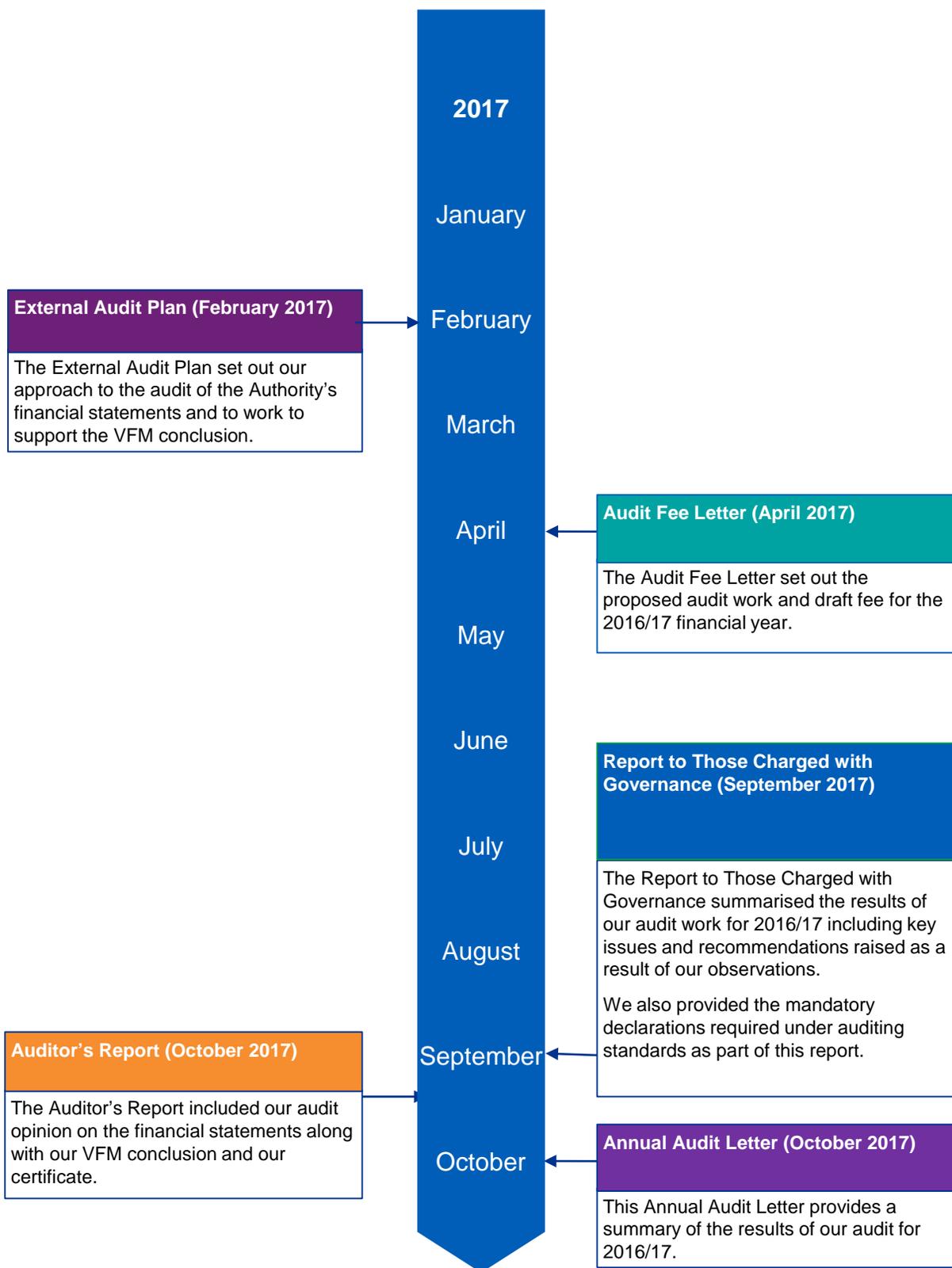
### Audit fee

The scale fee set by PSAA for 2016/17 was £29,247, excluding VAT. Further detail is contained in Appendix 2.

Appendix 1

# Summary of reports issued

This Appendix summarises the reports we issued since our last Annual Audit Letter.



## Appendix 2

# Audit fees

This Appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

### **External audit**

The scale fee for the audit is **£29,247** and the final fee is in line with the scale fee.

### **Other services**

We did not charge any additional fees for other services.

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