



Annual Audit Letter 2017/18

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

DRAFT

August 2018



A group of business professionals in a meeting, looking at documents. The image is a close-up, slightly blurred, showing several people in business attire. A woman with dark hair is on the left, looking down. A man with grey hair is in the center, also looking down. A woman with dark hair is on the right, looking down. They are all wearing suits and ties. The background is out of focus, suggesting an office or conference room setting. The overall tone is professional and focused.

Section one

Summary for Governance

Summary for Governance

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 2017/18 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.

Audit opinion

We issued an unqualified opinion on the Authority’s financial statements on 31 July 2018. 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.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority’s accounts was set at £0.680 million which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Governance and Audit Board any misstatements of lesser amounts, other than those that are “clearly trivial”, to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.035 million.

We have not identified any uncorrected audit difference in our audit of the financial statements for the year ended 31 March 2018.

Our audit work was designed to specifically address the following significant risks:

Valuation of PPE – The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a cyclical revaluation approach, which sees all land and buildings physically revalued every five years. As a result of this, however, individual assets may not be physically revalued for four years. This creates a risk that the carrying value of those assets not physically revalued in the interim years differs materially from the actual year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end.

Pensions Liabilities - The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Leicestershire Pension Funds, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation. There is a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Faster Close – In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July. These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years. In

Section one:

Summary for Governance (cont.)

the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.

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 consistent with our understanding and did not identify any issues.

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.

Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017/18 on 31 July 2018. 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.

Value for Money 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 matters:

Delivery of Budgets – The sector continues to face significant financial pressures and uncertainties and the Authority has recognised a number of risks and uncertainties associated with its Medium Term Financial Plan (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. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing savings required to balance its Medium Term Financial Plan. The Authority has determined the budget gap over the life of the Medium Term Financial Plan and needs to ensure that momentum is maintained to deliver efficiencies and savings in order to close the budget gap.

High priority recommendations

We raised no high priority recommendations as a result of our 2017/18 work.

Section one:

Summary for Governance (cont.)

Certificate

We issued our certificate on 31 July 2018. The certificate confirms that we have concluded the audit for 2017/18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2017/18 was £29,247 excluding VAT (2017: £29,247). Further detail is contained in Appendix 2.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.



Appendices



Appendix 1:

Summary of reports issued

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

These reports can be accessed via Authority's website at www.leicestershire-fire.gov.uk

Initial Planning Meeting and Risk Assessment

Audit Strategy Plan

Interim Audit

Year end audit of financial statement and annual report

Signed Audit Opinion

ISA 260 (UK&I) Report

Annual Audit Letter

2018

October

November

December

January

February

March

April

May

June

July

August

September

Appendix 2:

Audit fees

This appendix provides information on our final fees for the 2017/18 audit.

External audit

Our final fee for the 2017/18 audit of Leicester, Leicestershire and Rutland Combined Fire Authority was £29,247, which is in line with the planned fee. This compares to a planned fee of £29,247.

Other Services

We did not charge any additional fees for other services.

All fees quoted are exclusive of VAT.



The key contacts in relation to our audit are:

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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.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, by email to 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.

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