



# Audit Completion Report

Leicester, Leicestershire and Rutland

Combined Fire Authority

Year ending 31 March 2020

# CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to Leicester, Leicestershire and Rutland Combined Fire Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Members of the Authority  
Leicester, Leicestershire and Rutland Combined Fire Authority,  
12 Geoff Monk Way  
Birstall  
Leicester  
LE4 3BU

14 September 2020

Dear Sirs/Madams

### **Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Corporate Governance Committee on 11 March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Authority was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. We would like to express our thanks for the assistance of your teams in preparing accounts and enabling us to substantially complete our audit in the difficult circumstances pertaining this year, and to have done so well ahead of the revised deadlines. If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07896 684771.

Yours faithfully

*Gavin Barker*

Gavin Barker  
Mazars LLP

Mazars LLP – Salvus House – Aykley Heads – Durham – DH1 5TS  
Tel: 0191 383 0000 [www.mazars.co.uk](http://www.mazars.co.uk)

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Leicester, Leicestershire and Rutland Combined Fire Authority ('the Authority') for the year ended 31 March 2020, and forms the basis for discussion at the Authority meeting on 23 September 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Valuation of land and buildings; and
- Defined benefit liability valuation.

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

The NAO have not yet issued group instructions so the timing of our review of your WGA submission is to be confirmed. We will report the results in our Annual Audit Letter.

### Wider powers

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. Further details on the exercise of our wider powers are provided in section 2.

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	<p>At the time of writing this report, we have some final checks still to complete in relation to our pensions work.</p> <p>We are also awaiting assurance from the pension fund auditor.</p> <p>We will not be able to issue our audit opinion and VFM conclusion until the pension fund auditor assurance has been received.</p>
PPE	●	<p>At the time of writing this report, we have some final checks still to complete in relation to our work on Property, Plant and Equipment valuations and disclosures.</p> <p>As a result of the declaration of 'material valuation uncertainty' in the valuation of land and property in the valuer's report, which has been caused by the Covid-19 pandemic, we will include an emphasis of matter paragraph in our audit report, which draws attention to this disclosure in the financial statements. More information is provided on page 6.</p>
WGA	●	<p>We are awaiting group instructions from the National Audit Office. This may impact on the timing of issuing our audit certificate to formally conclude and close the audit.</p>
Closing Procedures	●	<p>Review and closure processes, including final consideration of post balance sheet events.</p>

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Treasurer with an update in relation to these outstanding matters in a follow-up letter prior to signing the auditor's report. We will ensure that a copy of our follow up letter is provided to all Members of the Authority.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to the Corporate Governance Committee on 11 March 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £1.051m using a benchmark of 2% of Gross Revenue Expenditure at surplus/deficit on provision of services level. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1.193m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Authority) at £36k based on 3% of overall materiality.

## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

Management override of controls

#### Description of the risk

The International Standards on auditing presume that management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a mandatory significant risk on all audits.

---

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

---

#### Audit conclusion

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.

---

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Property, Plant  
and Equipment  
Valuations

### Description of the risk

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of PPE. Although the Authority uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.

---

### How we addressed this risk

We addressed this risk by considering the Authority's arrangements for ensuring that PPE values are reasonable and used corroborative evidence to assess the reasonableness of the valuations provided by the Authority's valuer. We also assessed the competence, skills and experience of the valuer.

We have reviewed the valuation methodology used for assets valued in 2019/20 and tested the underlying data and assumptions. We have compared the valuation output to market intelligence to gain assurance that the valuations are in line with market expectations.

We have reviewed and considered the robustness of the approach taken by the Authority to address the risk of assets not subject to valuation in 2019/20 being materially misstated. We have also considered the movement in market indices between the date of valuation and the year end to determine whether values have moved materially between the dates.

We also considered the impact of COVID-19 on the valuations to gain additional assurance on their reasonableness.

---

### Audit conclusion

The valuer followed guidance issued by the Royal Institute of Chartered Surveyors and their valuation report disclosed a "material valuation uncertainty" in relation to the valuation of the Authority's land and buildings. This has been disclosed in note 15 of the final version of the financial statements. We plan, in line with normal practice, to include reference to this disclosure as an 'emphasis of matter' in our audit report. The purpose of this paragraph is to draw attention to this disclosure, it is not a qualification and does not modify our proposed unqualified opinion on the financial statements.

Our draft Auditor's Report at Appendix B includes a draft emphasis of matter paragraph (as highlighted on page 21 of this report). The draft wording is subject to our internal review processes, and if this wording subsequently changes we will provide an update in the follow up letter to the Treasurer when the audit is completed, as noted on page 4 of this report.

Subject to final completion, our work to date has provided the assurance we sought and has not identified any other matters to report in relation to property, plan and equipment valuations.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

### Description of the risk

Defined benefit liability valuation

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, in 2019/20 the local government pension assets and liabilities are subject to triennial revaluation. This results in an increased risk of material misstatement.

---

### How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls that you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to our expert's report on all actuaries nationally.

We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We also considered the adequacy of disclosures in the financial statements.

We are still awaiting assurance from the auditor of the Leicestershire Pension Fund.

---

### Audit conclusion

Material amendments have been made to the pension disclosures arising from changes in the estimated impact of the McCloud Judgement on the firefighters' pension scheme. Further details of amendments made are set out on page 13. Further context to the issues relating to pensions accounting that have arisen this year are described on page 9. We are still waiting for assurance from the pension fund auditor, and have some final checks to complete in relation to pensions.

---

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

### Description of the risk

Quality of Working Papers

In our 2018/19 Audit Completion Report we highlighted the difficulties we experienced during the 2018/19 audit which led to the suspension of the audit and additional time being spent by the audit team to complete our procedures. These issues contributed to the late audit opinion and additional fees. The completion report highlighted the problems linked to the quality and timeliness of working papers as well as the initial draft accounts containing material errors

---

### How we addressed this risk

We have followed up the implementation of the recommendations made in our 2018/19 Audit Completion Report to improve the accounts preparation process for the current year of audit.

From discussions with the Finance Team we are aware of changes made to the finance team in 2019/20 to reduce the risk of similar issues impacting on this year's audit. These changes include the Chief Accountant from Leicester City Council overseeing the accounts production and audit process this year, the recruitment of an interim accountant and staff training and standard template working papers being introduced within the finance team.

We kept arrangements under review during both the interim and final audit work and had regular meetings with finance officers enabling any issues arising to be addressed promptly.

---

### Audit conclusion

Our work has provided the assurance we sought. Officers have worked hard to produce good working papers this year which were clear and easy to follow and also provided additional supporting evidence promptly when required. There has been a marked improvement in the quality of the working papers, and the availability of the supporting information that underpins the disclosures in the financial statements.

---

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded that they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances. The Authority has taken advantage of the exception permitted by the Code to exclude immaterial disclosure notes and this has resulted in financial statements that are relatively streamlined. It also means we have not reported the omission of immaterial figures from disclosure notes as errors.

Draft accounts were received from the Authority on 6 August 2020 and were of a good quality and working papers were provided by the scheduled audit start date of 10 August 2020 and were likewise of good quality and much improved from the prior year.

### Significant matters discussed with management

There have been significant issues once again this year relating to accounting for pensions. These issues are not specific to the Authority, but are national issues impacting on all local government, police and fire bodies, to varying degrees. There have been two issues raised this year with respect to pension accounting, these relate to the ongoing implications of the McCloud Judgement which was also an issue last year and a new case, the Goodwin case, and each are discussed separately below.

#### *McCloud Judgement*

The McCloud judgement relates to potential age discrimination arising from transitional protections offered to some existing members of public service pension schemes that were not made available to younger members. In July 2019, Treasury confirmed that the difference in treatment between older and younger members of public service pension schemes would need to be removed in order to remove the discrimination. For the financial year 2018-19 GAD and Hymans Robertson provided revised actuarial reports which included an estimate of the impact of the case on the Authority's pension liability, for both the Fire Fighters Pension Scheme and Local Government Pension Scheme respectively. At the time of making this estimate actuaries were required to estimate what the proposed remedy would be. In 2019/20 the respective actuarial reports made an adjustment to the initial estimates based on further information received.

In July 2020 Treasury initiated a consultation on the proposed remedy for public service pensions and MHCLG released a consultation into the proposed remedy for the LGPS, which set out the estimation basis for the impact of the judgement.

The difference between the original accounting entries and the entries required taking into account the consultation remedy were expected to be material in relation the Fire Fighters Pension Scheme. As such a revised IAS 19 Actuarial report was requested from GAD including the updated figures. The changes in this revised report have been reflected in the updated financial statements that are to be approved, and the accounting entries are summarised on page 13.

Management enquired of Hymans Robertson, the actuary of your LGPS, in relation to the expected outcome of this change on the LGPS. Hymans Robertson confirmed that the estimate made in their IAS 19 report was likely to overstate the McCloud liability, and indeed, the allowance for McCloud under the proposed remedy could be in the region of less than half of what they had allowed for. As the actuary's estimate of the McCloud impact on the LGPS was not material, an overstatement of more than half of this would also not be material. To illustrate this, the estimate of the McCloud impact in 2018/19 for the LGPS was in the region of £400k, so the overstatement in the 2019/20 actuarial assessment of liability would be in the region of £200k. We accepted that the impact was not material, and an adjustment was not required. As this relates to the refinement of an estimate rather than an error, this has not been reported as an unadjusted misstatement on page 13.

#### *Goodwin Case*

A case was made against the Teachers Pensions Scheme in relation to sexual orientation discrimination. The discrimination occurs because there is a difference in survivor benefits payable depending upon whether the member was in a same-sex marriage or civil partnership or an opposite-sex marriage or civil partnership. The government concluded that changes are required to the Teachers' Pension Scheme to address the discrimination. The government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

We understand from your actuary (GAD) that the Goodwin case will not have an impact on the liabilities for the fire fighters pension scheme.

In relation to the LGPS, your actuary (Hymans Robertson) has confirmed that there will be an additional liability arising from the Goodwin judgement. Full information is not yet available to accurately calculate the impact, however, based on an estimation, your actuary has indicated that the LGPS impact is likely to be in the region of 0.1%-0.2% of the LGPS Fund's total liability. For your accounts this would amount to an increased liability of between £40k to £80k. As the impact of this is well below materiality, no adjustment to the financial statements has been made. As these issues relate to the refinement of an estimate rather than an error, they have not been reported as unadjusted misstatements on page 13.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. Officers have been very helpful and responsive in addressing our audit queries, and we are grateful for the assistance provided.

Given the Government's COVID-19 instruction for the public to work from home if possible, our audit was completed remotely but this did not cause significant difficulties during the audit because:

- we used technology, such as video conferencing, to ensure the audit was completed to the required standards;
- all working papers provided were electronic and of a high standard; and
- we used a team of public sector audit specialists with the same manager as in 2018/19 and a new experienced team leader.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability 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 law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

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 have not received any questions or objections in respect of Leicester, Leicestershire and Rutland Fire and Rescue Authority.

# 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our 2019/20 audit has not identified any significant deficiencies to report.

## Follow up of previous internal control points

Last year, we raised three significant internal control issues. We are pleased to report that all of these issues have been addressed.

## Preparation of the Financial Statements

---

### Recommendations from last year

We recommend that the Authority fully reviews its processes for preparing the financial statements and makes improvements in its arrangements to prevent a recurrence of the problems with the 2018/19 financial statements in future years.

Key issues to address should include:

- A review of any gaps in the skills and competencies required in the production of the financial statements, and the provision of external support where needed, particularly in complex technical areas;
  - Improvements in the level of supervision and review of the production of the draft financial statements;
  - Improvements in the arrangements for compiling working papers and providing evidence to show how the figures reflected in the financial statements have been derived; this should include a clear mapping of the trial balance to the financial statements, ensuring that all transactions are properly reflected in the ledger and ensuring that any manual adjustments are properly documented and supported;
  - Implementation of quality assurance processes to ensure the risk of material error in the draft financial statements is minimised.
- 

### 2019/20 update

The Authority has updated its procedures around the preparation of the accounts in 2019/20. Changes have been made to the finance team and the accounts process was also managed by the Chief Accountant from Leicester City Council to ensure this issue would not be repeated. Our testing of the draft accounts and working papers has not identified any areas of concern. Working papers produced were of good quality and followed a set template and had been subject to a quality review process.

---



### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Accounting for Property, Plant and Equipment (PPE)

---

##### Recommendation from last year

We recommend that depreciation is not applied to assets under construction, the useful lives of assets are correctly input to the fixed asset register and checked, assets are correctly reflected in the correct category of the asset register so that it can be reconciled to the PPE note and additions are treated correctly in the revaluation reserve in future years. Management understanding and internal control checks on PPE accounting entries need to be improved.

---

##### 2019/20 update

The Authority I has updated its procedures around accounting for PPE and the update of entries to the Fixed Asset Register to ensure that this issue cannot be repeated. Our testing PPE in the current year has not identified any areas of concern.

---

#### Accounting for Pensions

---

##### Recommendation from last year

We recommend that officers ensure that pensions disclosures are properly reflected in the financial statements in future years.

---

##### 2019/20 update

The Authority has updated its procedures around accounting for Pensions and the update of entries to the ledger at the year end to ensure that this issue cannot be repeated. Our testing of pensions in the current year has not identified any areas of concern, although this work is still to be finalised.

---



## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £36k.

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The table outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2019/20

We have identified one adjustment that the Authority does not plan to adjust. This relates to note 20 Cash and Cash equivalents. A credit card imprest account is included within the petty cash balance. Due to Covid-19, and remote working the individual card holders had not submitted their statements so the transactions on these statements have not been posted to the ledger. The difference between the ledger and the credit card statements is £57k. Expenditure is therefore understated by this amount and cash held by the Authority is overstated by this amount. The amount although above triviality is well below performance materiality and does not have to be adjusted by the Authority.

The table below outlines the misstatements that have been adjusted by management during the course of the audit.

### Adjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Cr: Pension reserve				2,780
Dr: Pension liability			2,780	
Cr: Current service costs		1,950		
Cr: Past service costs		780		
Cr: Other comprehensive income and expenditure		50		
Dr: MIRS - Adjustment between accounting basis and funding basis	2,780			

Following consultation on the proposed remedy relating to the McCloud judgement, a revised report was obtained from GAD in relation to the Fire Fighters Pension Scheme and the adjustments above have been made to reflect the revised position. This is as set out on page 9, and an adjustment was not required in relation to the LGPS scheme. For the avoidance of doubt, this was not an error in the draft financial statements that were produced by the Authority. Issues arose after the draft financial statements were produced, which have required an updated estimate to be used.

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Disclosure amendments

During our review of the financial statements we have identified a number of relatively minor amendments that were required to disclosures. The Authority has made these amendments:

- Note 9: Adjustments between Accounting Basis and Funding Basis. Blank disclosures for both current year and prior year comparatives of adjustments relating to the Deferred Capital Receipts Reserve, Capital Grants Unapplied Reserve and Financial Instruments Adjustments Reserve are not required and have been removed.
- Note 15: As the valuer of land and buildings disclosed a 'material valuation uncertainty' in relation to covid-19 in the valuation report, this needs to be disclosed in the financial statements.
- Note 19: Debtors. The other local authority debtors balance has been increased by £864k while other debtors have decreased by this amount as council tax was categorised incorrectly.
- Note 30: Senior Officer Remuneration. The Assistant Chief Fire Officer in post from the 20.01.2019 to 30.06.2019 was omitted from the senior officer remuneration table in error. They have now been correctly included in the latest version of the accounts.
- Note 30: Higher Paid Employees. Bandings for employees earning between £40-£45k and £45k-£50k were included in line with previous years. These have now been removed from the table in line with the code requirements which require employees earning over £50k to be disclosed.
- Note 30: Higher Paid Employees. The Assistant Chief Fire Officer now added to the senior officer remuneration table has been removed from the banding table to ensure double counting does not occur between the 2 notes. The number of employees paid between £80k to £85k has now changed from 1 to zero.
- Note 36: Termination Benefits. Testing identified there were 2 exit agreements in 2019/20 and not just the 1 originally disclosed. The note has been amended to now show the 2 in full.

We also identified a small number of other minor disclosure inconsistencies and errors, all of which have been amended by management in the final version of the financial statements.



## 5. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, *'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'* To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

It is important to clarify that the arrangements we consider in reaching this year's conclusion are those in place for the 2019/20 financial year.

### Our approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2018/19 financial year, we identified no significant audit risks.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>There is a Corporate Governance Framework in place which is subject to annual review. The framework includes a Code of Corporate Governance, the scheme of delegation, the decision making policy and financial and contract regulations. The Code is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE framework - 'Delivering Good Governance in Local Governance</p> <p>A Corporate Governance Committee has been established to assist the Treasurer in discharging her statutory responsibilities. A Corporate risk register is maintained with progress reports being made to Corporate Governance Committee. There is an Internal Audit function in place who also report to the Corporate Governance Committee.</p> <p>There is regular reporting of financial and non financial performance to the Senior Management Team and the Combined Fire Authority and the Corporate Governance Committee.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Authority's arrangements:</p> <p>a) Acting in the public interest, through demonstrating and applying the principles and values of sound governance;</p> <p>b) Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;</p> <p>c) Reliable and timely financial reporting that supports the delivery of strategic priorities; and</p> <p>d) Managing risks effectively and maintaining a sound system of internal control.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
--------------	------------	------------------------

Sustainable resource deployment	The Authority's financial outturn for 2019/20 was positive. The authority underspent £894k on the revenue budget attributable to savings on employee costs as well as an upturn in controlled income. This underspend has been transferred to the capital fund earmarked reserve to fund future capital programmes. In addition there has been slippage on the capital programme of £2.4m of which £2.092m relates to slippage into 20/21 plus £286k of savings.	Yes
---------------------------------	--	-----

A balanced budget has been set for 2020/21 and a MTFP which covers the period to 2021/22 was agreed by the Authority on the 12 February 2020. The MTFP and capital programmes have not been extended beyond 2 years due to uncertainty on funding. The detailed budget for 20/21 is balanced at £39.4m and does not plan to draw on reserves. The Authority plan to increase general reserves over the next 2 years. A large proportion of the savings plans have already been achieved. Contingencies exist to cover pay awards and strike action.

The financial outlook remains challenging, with the added complexity of managing in the context of the COVID-19 pandemic and the continued uncertainty over future funding settlements.

'Our Plan' an Integrated Risk Management Plan (IRMP) and Corporate Plan is in place, this sets out how the Authority plans to deliver services to the local population from 2020 to 2024. This states the authority want to avoid new leases and borrowing and will set aside reserves to maintain the estate.

In June 2019 HMICFRS rated the Authority as 'requires improvement' in all three inspection pillars. The improvement plan addresses these areas and this is also set out in the Corporate Plan.

We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Authority's arrangements:

- a) Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;
- b) Managing and utilising assets effectively to support the delivery of strategic priorities; and
- c) Planning, organising and developing the workforce effectively to deliver strategic priorities.



## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>The Authority has Corporate Plan in place called 'Our Plan' which sets out its strategic vision, priorities and objectives up until 2024. There are five corporate strategies of which safer communities features partnership working. Strengthening of partnership working with other community safety agencies has been identified as a way to improve data sharing and better target services which will assist in identifying the vulnerable more easily. The plans are facilitated by annual department and district level plans.</p> <p>The Corporate Governance Framework includes Contract Standing Orders which each relevant expenditure item must conform to.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Authority's arrangements:</p> <ul style="list-style-type: none"> <li>a) Working with third parties effectively to deliver strategic priorities;</li> <li>b) Commissioning services effectively to support the delivery of strategic priorities; and</li> <li>c) Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>	Yes

During March 2020, the significant impact of the COVID-19 pandemic began to have far reaching implications for us all, including an impact on the Authority. In particular, following the lockdown from 26 March 2020, the service needed to respond to the impact of the pandemic on its communities and also needed to adapt to new ways of working.

Our 2019/20 value for money conclusion is focused on the arrangements in place during the 2019/20 financial year. Given the timing of the major impact of the pandemic one week before the end of the financial year, the Authority did not have time to review its arrangements for informed decision making, sustainable resource deployment or working with partners and other third parties during the financial year under review. Consequently, we did not identify an additional significant risk relating to the COVID-19 pandemic in our 2019/20 value for money conclusion work.

The Authority's response to the pandemic will be a major focus of our 2020/21 audit. With this in mind, we have continued to liaise with officers and gain an understanding of the arrangements that have been put in place in the new financial year.

### Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

From:  
Chief Finance Officer  
Leicester, Leicestershire and Rutland Fire and Rescue Headquarters  
12 Geoff Monk Way  
Birstall  
Leicester  
LE4 3BU

To:  
Mr Gavin Barker  
Director  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS  
Date: September 2020

### Leicester, Leicestershire and Rutland Combined Fire Authority - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Leicester, Leicestershire and Rutland Combined Fire Authority for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

#### My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

#### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within the Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### Accounting records

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Corporate Governance Committee meetings, have been made available to you.

#### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

#### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money  
conclusion

Appendices

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

#### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

#### Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

#### Related party transactions

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

#### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

#### Charges on assets

All the Authority's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

#### Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

#### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

#### Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Authority, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Authority will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

#### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Chief Finance Officer

Date.....

PLEASE ADD THE APPENDIX OF UNADJUSTED MISSTATEMENTS TO THIS LETTER



# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the Leicester, Leicestershire and Rutland Combined Fire Authority

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Leicester, Leicestershire and Rutland Combined Fire Authority for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters' Pension Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Leicester, Leicestershire and Rutland Combined Fire Authority as at 31<sup>st</sup> March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### THE WORDING OF THIS PARAGRAPH IS SUBJECT TO INTERNAL REVIEW AND IS SUBJECT TO CHANGE

##### Emphasis of Matter

###### Material uncertainty relating to valuations of land and property

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 15 to the financial statements concerning the material valuation uncertainty statement made by the Authority's valuer.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Authority's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Conclusion on Leicester, Leicestershire and Rutland Combined Fire Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Leicester, Leicestershire and Rutland Combined Fire Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Use of the audit report**

This report is made solely to the Leicester, Leicestershire and Rutland Combined Fire Authority as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to them those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Leicester, Leicestershire and Rutland Combined Fire Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **THE FOLLOWING SECTION WILL DEPEND ON WHETHER WE HAVE BEEN ABLE TO REPORT ON WGA BEFORE WE ISSUE OUR REPORT EITHER:**

#### **Certificate**

We certify that we have completed the audit of Leicester, Leicestershire and Rutland Combined Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

**OR:**

#### **Delay in certification of completion of the audit**

We can not formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

**IF THERE IS A DELAY IN ISSUING A CERTIFICATE, A CERTIFICATE WILL BE ISSUED AT A LATER DATE WHEN THE WGA REPORT HAS BEEN COMPLETED.**

[Signature]

Gavin Barker  
Director  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

[Insert date]

# APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



## CONTACT

### **Engagement lead**

Gavin Barker

Mobile: 07896 684771

Email: [gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

### **Engagement manager**

Anita Pipes

Mobile: 07919 395251

Email: [anita.pipes@mazars.co.uk](mailto:anita.pipes@mazars.co.uk)