

Annual Audit Letter

East Sussex Fire and Rescue Authority

Audit 2010/11



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Traffic light explanation

Red  Amber  Green 

Key messages

This report summarises the findings from my 2010/11 audit. My audit has two parts:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

I gave an unqualified opinion on the Authority's 2010/11 financial statements before the 30 September deadline.

- The Authority has coped well with the challenges posed by the first year implementation of International Financial Reporting Standards (IFRS). The accounts were once again presented to very high standard.

Value for money

I also gave an unqualified value for money conclusion, stating the Authority has proper arrangements in place for securing economy, efficiency and effectiveness. The Authority has:

- good governance arrangements;
- effective and forward looking financial planning including consultation on possible future collaboration and merger with West Sussex Fire and Rescue Service;
- sound arrangements for financial control; and
- a strategic approach to prioritising resources.

Current and future challenges

The Authority has coped well in meeting the immediate pressures of the credit crunch. Demands on the public sector to manage within ever more constrained resources look set continue. The Authority has positioned itself well but will need to continue to focus on its priorities as it explores joint working or merger choices with West Sussex Fire and Rescue.

Economic downturn and pressure on the public sector

The economic forecast for the UK and western developed economies is gloomy. Since taking office in May 2010 the Coalition government has focused attention on deficit reduction and the public sector has faced an unprecedented squeeze on funding. The UK recovery remains weak. Financial markets are volatile as Europe struggles to deal with the sovereign debt crisis affecting Greece and other countries in the Euro zone.

The Authority understands it faces a reducing budget over the next five years. The budget is expected to reduce from £39.2 million in 2011/12 to £38.2 million in 2015/16. Although, a reassessment of the budget and government grant funding for the new authority will be needed beyond 2012/13 if the merger proposal is approved.

The Authority had usable reserves at 31 March 2011 of £6.3 million, including earmarked reserves of £2.3 million. The level of reserves is enough to meet the amount assessed by the Treasurer as being needed to cover the risks faced by the Authority, but is not excessive given the current environment.

Merger proposals

The Authority has recently ended a major public consultation exercise on its plans for increased joint working or potentially merging with West Sussex Fire and Rescue Service. The proposal identifies benefits including cost savings and improvements to resilience and capacity for the benefit of the public. A final decision is expected in December 2011.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds.

Overall conclusion from the audit

I gave an unqualified opinion on the Authority's financial statements dated 22 September 2011. The Authority prepared financial statements to a very high standard. It coped well with the added requirements of International Financial Reporting Standards. I reported the detailed findings of my audit to the Scrutiny and Audit Panel. There were no recommendations from my report.

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements.

Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

The Authority has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources. My conclusion on each area is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>East Sussex Fire Authority has good systems and processes in place to manage financial risks. Its corporate governance arrangements are clearly documented and are adhered to. The leadership team has a clear understanding of the financial challenges faced by the organisation and this has been communicated in the Corporate Plan and budget setting reports. The Authority has brought forward a range of measures to ensure the continued delivery of the Authority's priorities in the future. A review of service provision in rural areas has been completed and it has recently launched consultation on further collaboration or merger with West Sussex Fire and Rescue Service.</p> <p>The Authority's financial planning and budgetary control is strong. It has a history of managing effectively within available resources. In 2010/11 there was a 1.2 per cent under spend. The Authority has continued to make investments in its property, vehicles and equipment, spending £2.7 million in 2010/11, without needing to increase borrowing. It has reviewed and scaled down the future capital programme to match the level of expected resources and avoid additional borrowing.</p>

Criterion	Key messages
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2010/11: The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>East Sussex Fire Authority has good arrangements which allow it to challenge and prioritise resources. It has an established planning framework. A mature strategic plan is supported by divisional plans and a review process to monitor delivery of priorities. The plan and priorities are developed in consultation with stakeholders. There is ongoing monitoring and scrutiny of performance and challenge where targets are not being achieved.</p> <p>The Authority's medium term financial plan has been agreed, which includes a programme of savings to be implemented in 2011/12 and 2012/13, with a further savings package approved in principal for 2013/14 and future years. These plans are aside from potential savings which may result from the outcome of the consultation on further collaboration or merger.</p>

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Authority Treasurer. I will present this letter at the Scrutiny and Audit Panel on 17 November 2011.

Report	Date issued
Audit Plan 2010/11 audit	March 2011
Annual Governance Report	September 2011
Annual Audit Letter	November 2011

The Authority has once again taken a positive and positive approach to our audit. I wish to thank the Authority staff for their support and cooperation during the audit.

Lizzie Peers
Appointed Auditor

November 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Scale fee	74,314	74,314	0
Non-audit work	0	0	0
Total	74,314	74,314	0

In addition the Audit Commission issued refunds to the Authority of £4,445 in April 2010 for the cost of first year audit work on IFRS and an extra refund of £1,115 in December 2010.

Appendix 2 - Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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