

# East Sussex Fire Authority

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP



Building a better  
working world





Ernst & Young LLP    Tel: +44 2380 382000  
Wessex House        Fax: +44 2380 382001  
19 Threefield Lane   ey.com  
Southampton  
SO14 3QB

WE ASSIST OUR CLIENTS  
TO GROW AND SUCCEED

Members of East Sussex Fire Authority  
East Sussex Fire & Rescue Service  
20 Upperton Road  
Eastbourne  
East Sussex  
BN21 1EU

October 2015

Dear Members

## Annual Audit Letter 2014/15

The purpose of this Annual Audit Letter is to communicate to the members of East Sussex Fire Authority and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to the Scrutiny and Audit Panel in our Audit Results Report presentation given on 17 September 2015.

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of the Authority for their assistance during the course of our work.

Yours faithfully

Paul King  
For and behalf of Ernst & Young LLP  
Enc

## Contents

<b>1. Executive summary .....</b>	<b>1</b>
<b>2. Key findings .....</b>	<b>3</b>
<b>3. Control themes and observations.....</b>	<b>5</b>
<b>4. Looking ahead .....</b>	<b>6</b>
<b>5. Fees .....</b>	<b>7</b>

Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Executive summary

Our 2014/15 audit work was undertaken in accordance with the Audit Plan issued on 28 May 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements and on the consistency of other information published with them;
- reviewing and reporting by exception on the Authority's AGS;
- forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of East Sussex Fire Authority for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland)	On 17 September 2015 we issued an unqualified audit opinion on the Authority's financial statements
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources	On 17 September 2015 we issued an unqualified value for money conclusion
Report to the National Audit Office on the accuracy of the consolidation pack the Authority needs to prepare for the Whole of Government Accounts	We reported our findings to the National Audit Office on 25 September 2015
Consider the completeness of disclosures on the Authority's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance	No issues to report
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit	No issues to report
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act	No issues to report

***As a result of the above we have also:***

---

Issued a report to those charged with governance of the Authority with the significant findings from our audit.

---

Our Audit Results Report was presented on 17 September 2015 to the Scrutiny and Audit Panel

---

Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

---

Issued on 17 September 2015

---

## 2. Key findings

### 2.1 Financial statement audit

The Authority's Statement of Accounts is an important tool to show both how the Authority has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 17 September 2015.

Our detailed findings were reported to the Scrutiny and Audit Panel on 17 September 2015.

---

#### **Significant Risk: Risk of management override**

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.

We identified no material misstatements, evidence of material fraud or other significant matters to report.

---

### 2.2 Value for money conclusion

As part of our work we must also conclude whether the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Authority had proper arrangements in place for:

- ▶ securing financial resilience, and
- ▶ challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 17 September 2015. A summary of the key findings from our work to support our conclusion is set out below.

#### **Financial Resilience**

The Authority under spent against its 2014/15 budget by £670,000 and increased the level of reserves by a greater amount than planned. Given the challenging financial context the Authority faces this has increased the Authority's financial resilience. These reserves will continue to provide temporary resources to support the delivery of changes in services and ultimately long term savings.

#### **Economy, efficiency and effectiveness**

The Medium Term Financial Plan (MTFP) has been updated and reports to the Authority have identified savings proposals over the past 12 months. The funding gap over the life of the MTFP has increased to £2.1 million (by 2020/21).

The Authority has a sound record for identifying and delivering the savings required and the MTFP recognises the national context and its assumptions, at this time, are reasonable.

### **2.3 Whole of Government Accounts**

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes.

We had no issues to report.

### **2.4 Annual Governance Statement**

We are required to consider the completeness of disclosures in the Authority's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

### **2.5 Objections received**

We did not receive any objections to the 2014/15 financial statements from members of the Public.

### **2.6 Other powers and duties**

We identified no issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

### **2.7 Independence**

We communicated our assessment of independence to the Scrutiny and Audit Panel on 17 September 2015. In our professional judgement the firm is independent and the objectivity of the Audit Director and audit staff has not been compromised within the meaning of regulatory and professional requirements

### 3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicate to those charged with governance at the Authority, as required, significant deficiencies in internal control.

We have not identified any significant weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware. Internal Audit found an improvement in controls over procurement and contracting and noted that plans were in place to address a small number of remaining control weaknesses, including finishing the procurement manual and ensuring that contracts are in place in all cases where spend exceeds the thresholds agreed by the Authority.

## 4. Looking ahead

Description	Impact
<p>In 2014/15 the Authority's post balance sheet events note was updated to disclose the Fire Authority's liabilities in relation to the Pensions Ombudsman determination in the case of the Government Actuary's Department (GAD) v Milne.</p> <p>Payments are expected to be made to individuals impacted by this judgment in 2015/16. At the time of writing this letter we anticipate that there will not be an impact on the Fire Authority accounts or the Firefighters pension fund account, as any liabilities incurred will be fully funded by top up grant from Central Government.</p>	<p>We will consider the accuracy and disclosure of the accounting entries relating to GAD v Milne liabilities along with any associated top up grant that may be received by the Fire Authority in 2015/16.</p>
<p>The Accounts and Audit Regulations 2015 were laid before Parliament in February 2015. A key change in the regulations is that from the 2017-18 financial year the timetable for the preparation and approval of accounts will be brought forward.</p> <p>As a result, the Authority will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>The Authority is aware of this challenge and the need to start planning for the impact of these changes. This will necessarily include review of the processes for the production and audit of the accounts, including areas such as the production of estimates, particularly in relation to pensions, the valuation of assets, and the year-end closure processes.</p> <p>We have held preliminary discussions with management and will continue to discuss and develop plans over the coming year.</p>

## 5. Fees

Our fee for 2014/15 is in line with the planned fee and scale fee set by the Audit Commission and reported in our Audit Plan and Audit Results Report. We carried out no non-audit work in 2014-15 (none in 2013-14).

	<b>Final fee 2014/15</b>	<b>Planned fee 2014/15</b>	<b>Scale fee 2014/15</b>	<b>Final fee 2013/14</b>
Total Audit Fee – Code work	£41,021	£41,021	£41,021	£41,021

**EY** | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.  
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](http://ey.com)