

East Sussex Fire Authority Annual Audit Letter

Year ending 31 March 2013

October 2013

Ernst & Young LLP



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Members of East Sussex Fire Authority
East Sussex Fire & Rescue Service
20 Upperton Road
Eastbourne
East Sussex
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25 October 2013

Dear Members,

Annual Audit Letter

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 2012/13 Audit Results Report presentation given on 19 September 2013.

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
Director
For and behalf of Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' ('Statement of responsibilities'). It is available from the Chief Executive 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 2012/13 audit work has been undertaken in accordance with the Audit Plan issued on 11 April 2013 and 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 the Annual Governance Statement, in which it reports publicly on the extent to which it complies with its own code of governance. This includes how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. It 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;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of East Sussex Fire Authority for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 26 September 2013 we issued an unqualified audit opinion for the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 26 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with the governance of the Authority (the Scrutiny and Audit Panel) communicating significant findings from our audit.	On 26 September 2013 we issued our report for the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 26 September 2013.
Consider the completeness of disclosures in the Annual Governance Statement, identify any inconsistencies with other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.

Consider whether, in the public interest, we should make a report on any matter coming to our notice during the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.
Issue 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.	On 26 September 2013 we issued our audit completion certificate

2. Key findings

2.1 Financial statement audit

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. We issued an unqualified audit report on 26 September 2013.

We identified no significant risks impacting on the audit of the financial statements. Our main findings in relation to the area of other financial statement risk are set out below.

The Authority continues to provide high quality working papers and financial statements. This was evidenced by the very low number of errors noted. Officers have also responded promptly and efficiently to our audit queries.

Other financial statement risks:

Risk of misstatement due to fraud and error

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.

Findings

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

We were made aware of a potential control issue by management after we presented our Audit results report. We considered the issue and concluded that it was not material to our audit and therefore we were not required to alter our audit strategy of assessment of risk. The issue was communicated to the Chair of the Scrutiny and Audit Panel.

2.2 Value for money conclusion

We are required to carry out enough work to conclude whether the Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ the organisation has proper arrangements for securing financial resilience; and
- ▶ it has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 26 September 2013. 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 2012/13 budget by £62,000 and increased the level of reserves by a greater amount than that planned. Given the challenging financial environment that the Authority faces it has adopted a strategy that is focussed on maximising its levels of reserves in order to provide temporary resources to support the delivery of changes in services and ultimately savings.

Economy, efficiency and effectiveness

The Authority has responded to funding forecasts and over recent years has implemented a comprehensive programme to reduce costs and maximise income. The Medium Term Financial Plan has been updated for the period 2014/15 to 2018/19 and sets out a

requirement for savings of £7.1m in addition to savings of £1.38m already approved by the Authority in February 2013 over this period. The Authority is taking action to reduce its cost base further while looking for new ways of service provision by working in partnership with others. However, radical solutions are needed to deliver this scale of savings and in the future the Authority will need to make some difficult decisions.

2.3 Whole of government accounts

The Authority is required to prepare a consolidation pack for the whole of government accounts. On 26 September we reported to the National Audit office the results of our work on its accuracy. There were no significant issues to report.

2.4 Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA/SOLACE guidance. We completed this work and did not identify any areas of concern.

2.5 Audit Fees

The table below sets out the scale fee and our final proposed audit fee. We are discussing an additional fee for the work carried out to consider the control issue set out in Section 2.1 above. Consequently the final fee may increase subject to determination from the Audit Commission

	Proposed final fee 2012-13	Scale fee 2012-13	Variation comments
	£s	£s	
Total Audit Fee – Code work	41,021(*)	41,021	(*) – we are discussing an additional fee as set out above.
Non Audit work	Nil	Nil	

3. Control themes and observations

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

The matters reported are shown below and are limited to those we identified during the audit and that we concluded are important enough to report.

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 a weakness within the accounts payable authorisation process relating to a change in roles for the Procurement Manager. Our additional audit testing did not highlight any further breaches. Action has been taken and we are satisfied the control weakness has been fully addressed.

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