

East Sussex Fire Authority

Annual Audit Letter

Year ending 31 March 2014

October 2014



Building a better
working world



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Private and confidential

6 October 2014

Members of East Sussex Fire Authority
East Sussex Fire & Rescue Service
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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 Audit Results Report presentation given on 18 September 2014.

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
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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 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued to the Scrutiny and Audit Panel on 15 May 2014 and is 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 the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of the governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place 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 arrangements that the Authority has in place 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 2014 in accordance with International Standards on Auditing (UK & Ireland) | On 19 September 2014 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 19 September 2014 we issued an unqualified value for money conclusion. |
| Issue a report to those charged with governance of the Authority (the Scrutiny and Audit Panel) communicating significant findings resulting from our audit. | On 19 September 2014 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 19 September 2014. |
| 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. | No issues to report. |
| Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of 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 19 September 2014 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 19 September 2014.

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.

The main issues identified as part of our audit of your financial statements, including our conclusions in relation to the areas of risk/areas of audit emphasis outlined in our Audit Plan were:

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

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

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

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

We issued an unqualified value for money conclusion on 19 September 2014. 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 2013/14 budget by £647,000 and increased the level of reserves by a greater amount than that 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 Changing the Service, Shaping our Future programme, along with changes to funding, has seen the funding gap over the life of the MTFP reduce from £7.1m to £1.7m (by 2019/20). This is dependent on the Authority implementing the changes that it has agreed.

2.3 Objections received

We did not receive any objections to the Authority's 2013/14 financial statements from members of the public.

2.4 Whole of government accounts

On 19 September 2014 we reported to the National Audit Office the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts.

We did not identify any areas of concern.

2.5 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.

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 a weakness within the accounts payable authorisation process relating to forms not being completed or authorised properly. We carried out additional audit testing and found no further breaches.

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