



EAST SUSSEX FIRE AUTHORITY

SCRUTINY & AUDIT PANEL

THURSDAY, 13 SEPTEMBER 2018 at 10:00

MEMBERS

East Sussex County Council

Councillors Galley, Lambert, Osborne, Sheppard, Taylor

Brighton and Hove City Council

Councillors Peltzer Dunn, Penn

You are requested to attend this meeting to be held at County Hall, St Anne's Crescent, Lewes, East Sussex BN7 1UE at 10:00 hours.

AGENDA

Item No.	Page No.	
178	1	In relation to matters on the agenda, seek declarations of interest from Members, in accordance with the provisions of the Fire Authority's Code of Conduct for Members
179	1	Election of Chairman for this meeting
180	1	Apologies for Absence
181	1	Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items (Any Members wishing to raise urgent items are asked, wherever possible, to notify the Chairman before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgently)
182	3	<u>Non-Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 26 July 2018</u> (<i>copy attached</i>)

Item No.	Page No.	
183	2	Callover
		<p>The Chairman will call the item numbers of the remaining items on the open agenda. Each item which is called by any Member shall be reserved for debate. The Chairman will then ask the Panel to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called</p>
184	9	<u>Annual Audit Letter for the year ended 31 March 2018 – Report of the Assistant Director Resources/Treasurer</u> (<i>copy attached</i>)
185	33	<u>2017/18 Annual report of the ESFRS Local Firefighters' Pension Board – Report of the Assistant Director Human Resources & Organisational Development</u> (<i>copy attached</i>)
186	2	Exclusion of the Press and Public
		<p>To consider whether, in view of the business to be transacted or the nature of the proceeding, the press and public should be excluded from the remainder of the meeting on the grounds that, if the press and public were present, there would be disclosure to them of exempt information.</p> <p>NOTE: Any item appearing in the confidential part of the Agenda states in its heading the category under which the information disclosed in the report is confidential and , therefore, not available to the public.</p>
187	39	<u>Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 26 July 2018</u> (Exempt category under paragraph 4 of the Local Government Act 1972) (<i>copy attached</i>)

ABRAHAM GHEBRE-GHIORGHIS
Monitoring Officer
East Sussex Fire Authority
c/o Brighton & Hove City Council

EAST SUSSEX FIRE AUTHORITY

NON-CONFIDENTIAL Minutes of the meeting of the SCRUTINY & AUDIT PANEL held at County Hall, St. Anne's Crescent, Lewes, East Sussex at 10:00 hours on Thursday, 26 July 2018.

Members Present: Councillors Galley (Chairman), Lambert, Osborne, Peltzer Dunn, Sheppard and Taylor.

Also Present: D Whittaker (Chief Fire Officer), M Andrews (Assistant Chief Fire Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning and Improvement), H Scott-Youlton (Assistant Director Training & Assurance), L Stevenson (Risk and Insurance Officer), P King (Ernst & Young), V Simpson (Deputy Monitoring Officer), A Blanshard (Senior Democratic Services Officer), Z Downton (Democratic Services Officer), E Simpkin (Democratic Services Officer), J Knightley (East Sussex County Council)

166 DECLARATION OF INTERESTS

166.1 It was noted that, in relation to matters on the agenda, no participating Member had any interest disclosable in accordance with the provisions of the Fire Authority's Code of Conduct for Members.

167 ELECTION OF CHAIRMAN

167.1 It was proposed by Councillor Peltzer Dunn and seconded by Councillor Sheppard that Councillor Galley be elected as Chairman of the Panel for the 2018/2019 municipal year.

168 APOLOGIES FOR ABSENCE

168.1 No apologies were made.

169 URGENT ITEMS AND CHAIRMAN'S BUSINESS

169.1 There were none.

170 NON-CONFIDENTIAL MINUTES OF THE SCRUTINY & AUDIT PANEL MEETING HELD ON 13 JUNE 2018

170.1 **RESOLVED** – That the non-confidential minutes of the meeting of the Scrutiny & Audit Panel held on 13 June 2018 be approved as a correct record and signed by the Chairman. (*Copy in Minute Book*)

171 CALLOVER

171.1 Members reserved the following items for debate:

172 Contract Standing Orders Waivers Summary April 2018 to date

173 Safety Events Statistics Report – Quarter 1 2018/19

174 External Auditors' Audit Results Report (ISA 260) and Statement of Accounts 2017/18

175 2018/19 First Quarter Corporate Risk Register Review

172 CONTRACT STANDING ORDERS WAIVERS SUMMARY APRIL 2018 TO DATE

172.1 The Panel received the report of the Assistant Director Resources/Treasurer (ADR/T) which informed Members of the waivers granted thus far in the financial year 2018/2019, in accordance with the Contract Standing Order (CSO) requirement 7.4. (*Copy in Minute Book*)

172.2 The ADR/T reminded Members that all waivers were the decision of the Treasurer, after consultation with the Procurement Manager, Deputy Monitoring Officer and the Chairman (as the relevant Member in these cases).

172.3 The Panel queried the current financial arrangements of the Headquarters Shuttle Bus service (under section 2.4 of the report) and whether there were rental opportunities. The ADR/T explained that, as from Autumn 2017, the Authority had agreed with the Police that the costs of the shuttle bus service would be shared equally. There would be further discussions with the Police on the future of that arrangement, given that they were currently reviewing their own travel plan. Staff feedback on the service would also be taken into consideration and depending on the outcome the service would be reviewed accordingly. In terms of rental opportunities, the ADR/T explained that the shuttle bus was owned by CTLA Community Transport and was therefore not an asset of the Authority to hire out.

172.4 In response to a councillor's query, the ADR/T would forward details of the specific cost of extending the contract to Panel Members.

172.5 **RESOLVED** – That the Panel noted the contents of the report.

173 SAFETY EVENTS STATISTICS REPORT – QUARTER 1 2018/19

173.1 The Panel received the report of the Assistant Director Training & Assurance (ADT&A) which summarised safety events data and hazard reports which had been received by the Health, Safety and Wellbeing Team for Quarter 1 2018/19. (*Copy in Minute Book*)

173.2 The ADT&A highlighted to Members that the report reflected a change in presentation style of the statistics.

173.3 Workplace safety representatives were appointed across the Authority and met regularly to discuss each statistic.

173.4 The Panel queried whether the increase in the number of near hits (as detailed under Appendix A) was due to the ease of reporting or a concerning trend. The ADT&A advised that staff were encouraged to report and the aim was to see a greater number of near hits rather than actual safety events as that allowed the Authority to be proactive in its prevention work.

173.5 The Panel commented that it would be useful to see a breakdown of equality data within the report in order to fully scrutinise the information. The ADT&A responded that she would feed the comment back to the relevant officers and would look to include equality data in future health and safety reports.

173.6 **RESOLVED** – That the Panel:

- i) considered the Quarter 1 health and safety statistics for 2018/19 as set out in the report;
- ii) continued to monitor and scrutinise performance over the forthcoming year; and
- iii) had not identified any areas where Members required further assurance.

174 EXTERNAL AUDITORS' AUDIT RESULTS REPORT (ISA 260) AND STATEMENT OF ACCOUNTS 2017/18

174.1 The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which presented the results of the External Auditor's Results Report (ISA 260) and updated Members on the External Auditor's unqualified opinion on the Authority's 2017/18 Statement of Accounts. (*Copy in Minute Book*)

174.2 The ADR/T explained that it was a function of the Panel to approve the Authority's accounts. He advised that the accounts had been prepared within the relevant timescales and in liaison with East Sussex County Council (ESCC). The statutory deadline for publishing the audited accounts was 31 July 2018.

174.3 The ADR/T brought to the Panel's attention that, whilst the report recommended the approval of the accounts, the Authority's External Auditors, EY (Ernst & Young) were awaiting assurance from KPMG in respect of the East Sussex Pension Fund, and as such were unable to issue an unqualified audit opinion on the Authority's financial statements in time for the meeting.

174.4 The External Auditor explained to the Panel that EY had substantially completed its audit of the Authority's financial statements for the year ended 31 March 2018. As part of its audit work (across all areas, not just East Sussex), EY looked for assurances on the Pension Fund. Ordinarily the established protocol for seeking that assurance worked well, however this year there had been a delay in receiving the necessary assurance as auditors from KPMG, thus delaying EY's audit opinion. The ADR/T advised that the reason for the delay had been that KPMG had asked additional questions of ESCC towards the end of the audit process and was out of the direct control of the Authority. The External Auditor provided sufficient reassurance to the Panel (notwithstanding the delay in issuing the Final Opinion) to enable it to proceed to sign off the accounts at the meeting.

174.5 The ADR/T explained that the awaited information had been chased by EY and was expected later in the day. However, he informed the Panel that there was a theoretical risk to the Authority, in the event of a further delay, that the accounts would not be published by the deadline (although in the event that the deadline was not met then it would be reported by the External Auditor that the reason was not due to a direct omission by the Authority itself).

174.6 **RESOLVED** – That the Panel:

- i) noted the External Auditor's Audit Results Report (ISA 260);
- ii) authorised the Assistant Director Resources/Treasurer to sign the formal letter of representation to the External Auditor;
- iii) approved the 2017/18 Statement of Accounts for publication; and
- iv) delegated authority to the Assistant Director Resources/Treasurer, in consultation with the Chief Fire Officer and Chairman of the Scrutiny & Audit Panel, to make any minor amendments required to the 2017/2018 Statement of Accounts on receipt of the final Audit Opinion from the Authority's External Auditors.

175 2018/19 FIRST QUARTER CORPORATE RISK REGISTER REVIEW

- 175.1 The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) detailing the latest quarterly review of Corporate Risk (with those risks scored against a matrix as shown in Appendix A). (*Copy in Minute Book*)
- 175.2 The ADR/T highlighted that a refreshed approach had been applied to the reporting of Corporate Risk, with the presentation slightly amended and simplified. The key change in the Register was a more concise description of the risk and the cause of the risk to allow an appreciation of the risk. There was also a distinction between 'actions' to be completed to reduce the risk, and 'mitigations' where the action was complete and consequently the risk score reduced.
- 175.3 In light of the new statutory duty to collaborate, the Panel queried whether there should be an additional corporate risk around collaboration. The Chief Fire Officer thanked the Panel for its query and advised that it had previously been discussed by officers. As background she explained that historically the Authority had entered into a number of collaborations with varied success and costs and that the Senior Leadership Team (SLT) had shifted its view of how collaboration was assessed. The Chief Fire Officer would take the matter back to SLT for review, adding that it may require further investigation.
- 175.4 The Panel commented on whether equality data and analysis could be more embedded into all reporting and subsequently reflected in risk reporting. For instance, in order to gauge the cumulative effect of organisational change on certain categories of people. The Chief Fire Officer thanked the Panel for raising the issue and stated that the Authority's intention was to refine its Equality Impact Assessments against policies and decisions that might affect the workforce or parts of the wider community. She sought to arrange a meeting with the Equality Advisor and SLT to discuss the Authority's approach to equality reporting. The ADR/T added that high level Equality Impact Assessments were published as part of the Authority's budget papers each year and that the majority of savings proposals had been neutral in terms of affect or impact. For those that had a positive or negative impact then a full Equality Impact Assessment was completed.
- 175.5 The *Ability to meet new legislative requirements* risk (on page 158 of the agenda) was discussed by the Panel and Principal Officers. It was noted that the Risk Register contained the pre-risk score (red) and not the adjusted mitigated risk score (amber) for that particular risk. The Assistant Chief Fire Officer advised that

the Register would be updated accordingly and Democratic Services would circulate an updated copy to Panel Members once it had been amended. It was noted that the Register would contain the mitigated risk scores and not the pre-risk scores in future reporting.

- 175.6 **RESOLVED** – That the Panel approved the 2018/19 First Quarter Corporate Risk Registers.

176 EXCLUSION OF THE PRESS AND PUBLIC

The Panel considered, that in view of the business to be transacted or the nature of the proceeding, the press and public should be excluded from the remainder of the meeting on the grounds that, if the press and public were present there would be disclosure to them of exempt information.

The meeting concluded at 11.11am

Signed

Chairman

Dated this day of 2018

ABRAHAM GHEBRE-GHIORGHIS
Monitoring Officer
East Sussex Fire Authority
c/o Brighton & Hove City Council

EAST SUSSEX FIRE AUTHORITY

Meeting	Scrutiny and Audit Panel
Date	13 September 2018
Title of Report	Annual Audit Letter for the Year Ended 31 March 2018
By	Assistant Director Resources / Treasurer
Lead Officer	Duncan Savage, AD Resources / Treasurer

Background Papers	Scrutiny & Audit Panel 26 July 2018 - 2017/18 External Auditor's Results Report and Statement of Accounts
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Appendices	1. Annual Audit Letter 2017/18
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Implications

CORPORATE RISK		LEGAL	✓
ENVIRONMENTAL		POLICY	
FINANCIAL	✓	POLITICAL	✓
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT	To consider and approve, on behalf of the Fire Authority, the recently published Annual Audit Letter 2017/18.
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EXECUTIVE SUMMARY	The Authority's external auditor, Ernst & Young, has recently published the Annual Audit Letter 2017/18 relating to East Sussex Fire Authority which is attached as Appendix 1 to this report and is also available on the website. The report has already been circulated to all Members of the Authority to meet the statutory deadline of 31 August.
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The Letter summarises the external auditor's work relating to 2017/18 the majority of which has already been reported to this Panel in the Audit Results Report for 2017/18.

The planned scale fee for the audit was £30,766. EY has indicated that an additional charge of £1,500 will be levied, subject to the approval of PSAA, as a result of a review by their Real Estate team of the outcomes of the Authority's Property Plant and Equipment valuations and the change of the Authority's valuer. The resulting requirement to value the whole estate rather than a proportion as planned resulted in an additional cost to the Authority of c£10,000. During the audit EY requested additional information from the auditors of the East Sussex Pension Fund (ESPF) as part of their IAS19 review. We understand that this resulted in an additional charge to ESPF and they may choose to pass this on to this Authority.

RECOMMENDATION

The Panel is asked to consider and approve, on behalf of the Fire Authority, the recently published Annual Audit Letter 2017/18

East Sussex Fire and Rescue Authority

Annual Audit Letter for the year
ended 31 March 2018

August 2018

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between 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 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (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.



01

Executive Summary



Executive Summary

We are required to issue an annual audit letter to East Sussex Fire and Rescue Authority following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority's:	Unqualified - the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Authority.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	We had no matters to report. The Authority is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on the 26 July 2018
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 30 July 2018

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Paul King

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the Scrutiny and Audit Panel, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 22 January 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Authority is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the Annual Governance Statement, 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 putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it 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 National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 12 July 2018.

Our detailed findings were reported to the July 2018 Scrutiny and Audit Panel.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our audit work found no evidence that management had attempted to override internal controls. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.
Valuation of Land and Buildings We initially identified the valuation of land and buildings as an area of audit focus in our Audit Plan. The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. We identified at our interim audit that the new valuers had identified errors in the base data supporting the valuations of a number of assets and that they had changed the valuation methodology on other assets. The Authority usually use an indexation method to uplift the assets not valued in the year. Given the variances in the valuations performed by the valuers, we undertook advice from EY Real Estate and agreed with the Authority that the total population of properties required revaluation as at 31 March 2018.	We are satisfied that the asset valuations have been reflected in the financial statements and are based on accurate supporting information.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Risk	Conclusion
<p>Pension asset valuation</p> <p>The Authority is required to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by East Sussex County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We are required to undertake procedures on the assumptions of the actuary.</p>	<p>We are satisfied that the required IAS 19 disclosures have been reflected in the financial statements and are based on accurate supporting information.</p>
<p>Earlier deadline for production of the financial statements</p> <p>The timetable for the preparation and approval of accounts has been brought forward with draft accounts needing to be prepared by 31 May (one month earlier than in previous years) and the publication of the accounts by 31 July (two months earlier than in previous years).</p>	<p>The risk did not crystallise and we issued the audit opinion in advance of the 31 July deadline.</p>

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

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.05 million, which is 2% of Operating Expenses reported in the accounts of £52.6 million adjusted for We consider Operating Expenses to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Scrutiny and Audit Panel that we would report to the Committee all audit differences in excess of £52,000.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits:
- ▶ Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations

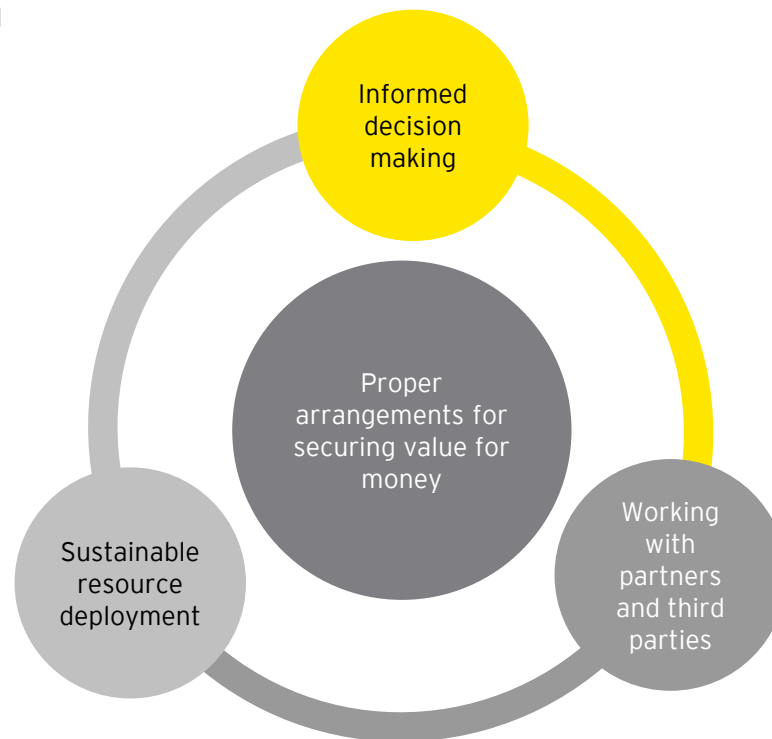


04 Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We did not identify any significant risks in relation to these criteria

We have performed the procedures outlined in our audit plan. To ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The Authority is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

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 is misleading.

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

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.



Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Scrutiny and Audit Panel on the 26 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, 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 are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

However our audit did not identify any controls issues to bring to the attention of the Scrutiny and Audit Panel.



06

Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all of the Authority's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our general ledger analyser in our payroll testing. We analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



07

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Authority will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p>

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EAST SUSSEX FIRE AUTHORITY

Meeting	Scrutiny & Audit Panel
Date	13 September 2018
Title of Report	2017/18 Annual report of the ESFRS Local Firefighters' Pension Board
By	Vicky Chart, Assistant Director Human Resources & Organisational Development
Lead Officer	Zoe Downton, Democratic Services Officer
Background Papers	Local Firefighters' Pension Board meetings held on 7 September 2017 and 7 December 2017

Appendices	None
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Implications

CORPORATE RISK		LEGAL	
ENVIRONMENTAL		POLICY	
FINANCIAL		POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT	To inform the Panel of the matters considered by the Pension Board during 2017/18.
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EXECUTIVE SUMMARY

The Authority, (on 12 February 2015), approved the establishment of a Local Firefighters' Pension Board to fulfil the requirements of the Public Service Pensions Act 2013. The terms of reference of the Pension Board state that the Board shall report its activities periodically, but at least once each year to the Scrutiny & Audit Panel.

The Board has met on two occasions during the year.

The Board has considered local issues and national issues and their impact on the East Sussex Schemes.

The Board has not identified any matters of concern in the administration of the Firefighters' Pension Scheme.

RECOMMENDATION

The Panel is asked to note the annual report of the Pension Board for 2017/18 and that the Board has not identified any matters of concern in the administration of the Firefighters' Pension Scheme.

1 ESTABLISHMENT OF THE LOCAL PENSION BOARD

1.1 The Authority (on 12 February 2015) approved the establishment of a Local Firefighters' Pension Board to fulfil the requirements of the Public Service Pensions Act 2013. The Authority agreed that the Board should comprise four employee representatives (one each from Fire Brigades' Union (FBU), Retained Firefighters' Union (RFU), Fire Officers' Association (FOA) and Association of Principal Fire Officers (APFO - now FLA; Fire Leaders Association)) and four employer representatives drawn from the Fire Authority.

1.2 The Authority also approved a role description for employer and member representatives. The terms of reference for the Board are set out in the Authority's Constitution and can be viewed at:

<http://www.esfrs.org/about-us/fire-authority-constitution/>

The terms of reference indicate that the Board should meet a minimum of twice per year, although the Board understood that this may have to be more often whilst it became established and familiar with its role.

1.3 The Board members for 2017/18 were:

Employer Representatives: Councillors Penn (Chair), Earl, Tutt and Taylor

Employee Representatives:

FOA – Matt Lloyd

RFU – Justin Goodchild

FBU – Mark Brown

APFO (now FLA) – Mark Andrews

The Board elected Councillor Caroline Penn as its Chair for the year.

2 MEETINGS OF THE BOARD

2.1 The Board has met on two occasions – 7 September 2017 and 7 December 2017. The meeting scheduled for 15 February 2018 was cancelled due to lack of business.

3 MAIN ISSUES CONSIDERED BY THE BOARD

3.1 7 September 2017

The Board considered an update on pensions matters. This included:

3.1.1 Pensions Update

Transitional arrangements – Firefighters' Pension Scheme 2015

Following the introduction of the new Firefighters' Pension Scheme on 1 April 2015, the FBU has levied a trade dispute which remains live. Transitional arrangements were introduced by the Government. Those members who, as at 1 April 2012, are within 10 years of their current scheme's national pension age would remain in that scheme until they retired. A taper protection was introduced for those members who were up to a further 4 years from their scheme's normal pension age and these members can remain in their scheme until their taper protection date after which they will transfer to the 2015 scheme. The Government's transitional arrangements were being challenged by the FBU. Should the Government be found to have acted unlawfully, the transitional arrangements will have to be changed and any individuals affected offered compensation.

3.1.2 Contributions for those who joined aged 18-20 with over 30 years' service

The Government has conceded a claim regarding the number of years' service that could be counted for pensionable purposes. The effect of this is that members of the Scheme should make contributions for 30 years maximum; those who have made contributions between the ages of 18-30 and who have left the Scheme will be entitled to a refund of the contributions paid between the ages of 18-20. Those members who are still active members of the scheme will have contribution free years between the ages of 48-50.

The Authority has received the grant from the Home Office for the 35 individuals affected by this ruling and refunds due were made at the end of the last financial year.

3.1.3 Pensionable Pay & Temporary Allowances

The Scheme Advisory Board agreed at their last meeting to do some further work on guidance for pensionable pay. They have confirmed their intention to take legal advice to provide clear guidance on when temporary means temporary. There is some work to do on Temporary Promotions, how and when we apply allowances and when we consider them to be permanent/pensionable. This is however not a pension issue but a Human Resources one.

3.1.4 Firefighters' Pension Schemes – 2016 Valuation

The Government Actuary's Department (GAD) has received the initial data from FRAs as part of the 2016 valuation of the firefighter pensions' schemes. This process will value the total liabilities of the 1992, 2006 and 2015 Scheme as at 31 March 2016. Data for the Authority was submitted by Orbis in line with the deadline of 12 August 2016.

Whilst the initial data has been sent, this is an ongoing project designed to identify and correct any anomalies within the data.

3.1.5 Guaranteed Minimum Pension (GMP) Reconciliation

HMRC have requested that Fire & Rescue Authorities supply guaranteed minimum pension (GMP) data for their firefighters. They need to compare this information with the data they hold to fulfil the reconciliation process.

The Authority has signed up to the HMRC reconciliation service. Orbis have engaged in commercial negotiations with a third-party provider for the Local Government schemes reconciliation exercise, and they have confirmed that the Fire data will be reconciled at the same time within the same agreement.

Orbis are committed to achieving the HMRC deadline of December 2018.

3.1.6 Firefighters' Pension Schemes Administration Update

The Board received a report from the Lead Pensions Manager, Business Operations, Orbis which provided an overview of key activities affecting the delivery of the scheme administration, and considered an update on performance and themes including key performance indicators for Quarter 1 of 2017/18.

3.1.7 Firefighters' Pension Schemes Audit Update

The Board received a report from the Assistant Director Resources/Treasurer which informed Members of the external audit activity in relation to the Firefighters' Pension Scheme.

As part of their audit work, the Fire Authority's external auditor Ernst & Young (EY) reviews pension transactions that impact on the Authority's accounts and on the Firefighters' Pension Fund Account, and considers risks and controls in relation to pensions administration.

3.2 7 December 2017

The Board considered an update on pensions matters. This included:

3.2.1 **Firefighters' Pension Schemes Administration Update**

The Board received a report from the Lead Pensions Manager, Business Operations, Orbis and considered an update on performance and themes including key performance indicators for Quarter 2 of 2017/18. Although volumes were relatively low during the reporting period, with the increase in retirements being the only noteworthy change, performance in each area was on target.

4 CONCLUSION

- 4.1 The Board has not identified any matters of concern in the administration of the Firefighters' Pension Scheme.

