

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Overview and Audit Committee
DATE OF MEETING	24 September 2014
OFFICER	David Skinner, Director of Finance and Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Letter of Management Representation 2013/14
EXECUTIVE SUMMARY	The Authority is required to consider and sign the letter of representation to Ernst & Young in order for the audit opinion and conclusion to be issued.
ACTION	Decision.
RECOMMENDATIONS	Members are asked to consider the Letter of Representation for the Authority before it is signed by the Chief Finance Officer and the Chairman of the Committee.
RISK MANAGEMENT	The results of the audit give reassurance regarding entries in the accounts and value for money arrangements.
FINANCIAL IMPLICATIONS	No direct impact.
LEGAL IMPLICATIONS	The audit of the financial statements is a statutory requirement.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	No direct impact.
PROVENANCE SECTION & BACKGROUND PAPERS	As part of the audit, the Chairman was required to provide a response to Ernst & Young detailing how the Committee gains assurance from management. A copy of this letter is attached in Annex B.
APPENDICES	Annex A: Letter of Management Representation 2013/14. Annex B: Understanding how the Overview and Audit Committee gains assurance from management.

TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Mark Hemming mhemming@bucksfire.gov.uk 01296 744687



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400 Capability Green
Luton
LU1 3LU

Your ref:
Our ref: **Letter of Representation 2013/14**
Enquiries to: David Skinner
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Buckinghamshire & Milton Keynes Fire and Rescue Authority - Audit for the year ended 31 March 2014

This representation letter is provided in connection with your audit of the financial statements of Buckinghamshire & Milton Keynes Fire Authority ("the Authority") for the year ended 31 March 2014. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Buckinghamshire & Milton Keynes Fire Authority as of 31 March 2014 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of the expenditure and income of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and are free of material misstatements, including omissions. We have approved the financial statements. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

Director of Finance & Assets: David Skinner BA CPFA
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3. We believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 that are free from material misstatement, whether due to fraud or error
4. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit, and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority, and the Executive and Overview & Audit committees held through the year to the most recent meeting on the following date: 30 July 2014.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all

related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto, other than those already disclosed.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates are appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the

Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.

2. There are no agreements or options to buy back assets previously sold that need to be recorded and disclosed in the financial statements.
3. We have no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realizable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

J Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

K Use of the Work of Experts

1. We agree with the findings of the experts engaged to evaluate the fair value of property plant and equipment and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully

David Skinner
Director of Finance and Assets and Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Overview and Audit Committee on 24 September 2014

Councillor David Watson
Chairman of the Overview & Audit Committee.

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Your ref: **BMKFA/MWTCWG/2013-14**
Our ref: As above
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Date: 14 May 2014
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Dear Mick

Understanding how the Overview and Audit Committee gains assurance from management

I am replying to your letter in my capacity as Chairman of the Overview and Audit Committee in order that you may formally update your understanding of our management processes and arrangements. My responses to your questions are set-out below.

1) How does the Overview and Audit Committee, as 'those charged with governance' at Buckinghamshire and Milton Keynes Fire Authority, exercise oversight of management's processes in relation to:

- Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)

Response: As part of the presentation of the Statement of Accounts the Chief Finance Officer (CFO) is required to certify that they present a true and fair view. The CFO will carry out sufficient scrutiny of the accounts and working papers to enable him to reach that view. The Committee is able to question the CFO on any aspect of the accounts to gain additional assurance on this matter.

- Identifying and responding to risks of fraud in Buckinghamshire and Milton Keynes Fire Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, accounts balances, or disclosure for which a risk of fraud is likely to exist

Response: There is a proactive fraud response plan and part of the Internal Audit Plan is allocated to the examination of controls designed to reduce or identify fraudulent behaviour and activity. Internal Audit reports their findings to the Committee on a quarterly basis. Members have the opportunity to raise issues and concerns with both responsible officers and Internal Audit

- Communicating to employees its views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority's code of conduct)

Response: The Authority wide Counter-Fraud and Corruption Policy was reviewed and updated in 2013/14 and released to all employees via the intranet (see also Whistleblowing policy below). This policy is approved by the Committee.

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- Encouraging employees to report their concerns about fraud

Response: The Authority wide Whistleblowing Policy was reviewed and updated in 2013/14 and released to all employees via the intranet. This policy is approved by the Committee.

- Communicating to you the processes for identifying and responding to fraud or error

Response: The Counter-Fraud and Corruption Policy is approved by the Committee. As Chairman of the Committee I am the counter-fraud champion for the Authority.

- 2) How does the Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

Response: The Committee receives quarterly updates from Internal Audit and challenges officers on the achievement of recommendations against the agreed timescales. The Committee has overseen the implementation of the recommendations that led to the substantial opinion in the most recent audit of the core financial controls.

- 3) Is the Committee aware of any breaches of, or deficiencies in, internal control; and actual, suspected or alleged frauds during 2013-14?

Response: No

- 4) Is the Committee aware of any organisational or management pressure to meet financial or operating targets?

Response: No

- 5) How does the Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2013/14?

Response: The Director of Legal and Governance is designated as the Monitoring Officer. He is required to report any non-compliance to management and the Committee. No instances of non-compliance were identified during 2013/14

- 6) Is the Committee aware of any actual or potential litigation claims that would affect the financial statements?

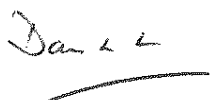
Response: A review of potential litigation and claims is carried out by officers as part of the year end closedown process. An assessment is made as to whether these require a provision or contingent liability to be disclosed in order for the financial statements to present a true and fair view.

7) How does the Committee satisfy itself that is appropriate to adopt the going concern basis in preparing the financial statements?

Response: The circumstances are reviewed by officers against the 'Code of Practice on Local Authority Accounting in the United Kingdom - Guidance Notes for Practitioners'. There is currently no reason to assume that the authority and its functions and services will not continue for the foreseeable future

I believe that the answers that I have given will satisfy all your queries but if you need any more information then please do not hesitate to contact me

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Watson', with a horizontal line underneath it.

Councillor David Watson

Chairman – Overview and Audit Committee