

Annual Audit Letter

Buckinghamshire & Milton Keynes Fire Authority

28 October 2014



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working world

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The Members
Buckinghamshire & Milton Keynes Fire Authority
Brigade HQ
Stocklake
Aylesbury
Buckinghamshire HP20 1BD

28 October 2014

Dear Members,

Annual Audit Letter


The purpose of this Annual Audit Letter is to communicate to the Members of Buckinghamshire & Milton Keynes 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 those charged with governance (the Overview and Audit Committee) in our 24 September 2014 Audit Results Report and to the Fire Authority in our 22 October 2014 Audit Results Report.

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

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

Yours faithfully



Mick West
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 Audit Results Report 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.

Executive summary

Our 2013-14 audit work has been undertaken in accordance with our 2013-14 Audit Plan 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 its 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
- ▶ Undertaking any other work specified by the Audit Commission

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

| | |
|---|---|
| <p>Audit the financial statements of Buckinghamshire & Milton Keynes Fire Authority and the Firefighters' Pension Fund for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)</p> | <p>On 22 October 2014 we issued an unqualified audit opinion in respect of the Authority accounts and the Firefighters' Pension Fund. This was after the deadline of 30 September 2014 for the publication of audited accounts.</p> |
| <p>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</p> | <p>On 22 October 2014 we issued an unqualified value for money conclusion.</p> |
| <p>Issue a report to those charged with governance (the Overview and Audit Committee) communicating significant findings resulting from our audit.</p> | <p>On 24 September 2014 we issued our initial Audit Results Report to the Committee. We issued a second Report that was considered at the 22 October 2014 meeting of the Fire Authority.</p> |
| <p>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.</p> | <p>We reported our findings to the National Audit Office on 2 October 2014.</p> |
| <p>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</p> | <p>No issues to report.</p> |

complies with CIPFA / SOLACE guidance.

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.

The audit completion certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year.
We have not issued the audit completion certificate pending the results of the Authority's investigation regarding injury pensions

Key findings

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. On 22 October 2014 we issued an unqualified auditor's report on the Authority's accounts and the Firefighters' Pension Fund. This was after the deadline of 30 September for the publication of audited accounts.

The factors contributing to the delay included the following

- We were raising audit queries and identifying errors late in September.
- Our audit work was still in progress when we issued the initial Annual Results Report and when the Overview and Audit Committee considered the report on 24 September 2014.
- The 24 September 2014 Committee agreed to changes in the accounts for injury pensions. At this point the Committee approved the letter of representation as presented and delegated authority to the Chairman of the Committee and the Director of Finance and Assets to approve the accounts once amended for agreed changes in injury pensions
- There was a misunderstanding over the agreed response to an error identified in the Annual Results Report which prevented the accounts from being amended. The Committee had not delegated authority to amend the accounts for this error and the Committee had not been asked to include any representation explaining why the error was not being amended in the approved letter of representation.

The main issues identified in our financial statements audit are set out below.

Risks in our Audit Plan

We identified one significant risk when planning our audit strategy

Significant risk : Risk of misstatement due to fraud and error as a result of management override

This is a general risk we consider for the public sector bodies we audit. We obtained assurance that the risk of material misstatement due to fraud and error had been mitigated

Firefighter injury pensions

Injury awards payable to a firefighter attributable to a qualifying injury are not part of the Firefighters' Pension Scheme. Injury awards are outside the Firefighters' Pension Scheme and must be paid from the Authority's operating account, not from the Firefighters' Pensions Fund. The Authority has complied with these requirements for injury awards since the rules were introduced in 2006 but has been charging to the Pension Fund the continuing payments for injury awards that started before 2006. The Authority is investigating how this happened. It is seeking legal advice to understand more fully the regulations governing the expenditure on pre-2006 awards and to ensure that any reimbursement expenditure would not be unlawful.

The Authority identified this issue after it prepared its financial statements in June 2014 and amended the financial statements to disclose the impact. The revised and approved financial statements recognise through a provision the probability of having to reimburse CLG £1.4m for the cumulative relevant expenditure charged to the Pension Fund since April 2006.

However the outcome is subject to the results of the investigation the Authority has commissioned and to the legal advice the Authority it is seeking. Given the sum involved

and the uncertainty we have not issued the audit completion certificate. This allows us to consider the action proposes to take after receiving the results of the investigation and legal advice.

Business rates and council tax income

Billing authorities collect business rates and council tax for their own purposes and for preceptors and CLG. These transactions are accounted for on an agency basis. This means that the billing authority and preceptors must include in their accounts their share of ratepayers' and council taxpayers' transactions.

For business rates the Authority reported only precept receipts. The accounts were amended to show its share of actual rate income and its share of ratepayers' debts and prepayments; bad debt provisions and provisions for unsettled valuation appeals.

In the notes supporting balance sheet creditors and debtors the Authority misclassified council taxpayers' prepayments and debts as "Other Local Authorities" transactions when they should have been reported as "Other Entities and Individuals" balances.

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
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We issued an unqualified value for money conclusion on 22 October 2014. Our audit did not identify any significant matters.

Whole of Government Accounts

We reported to the National Audit office on 2 October 2014 the results of our work performed in relation to confirming the consistency of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts, with its financial statements. We did not identify any areas of concern.

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. The Annual Governance Statement was not prepared until September 2014. The Authority should produce its Annual Governance Statement alongside the Statement of Accounts by the 30 June. We did not identify any other areas of concern.

Audit fee

As the audit has not been completed we have not finalised the audit fee for 2013-14. The scale fee set by the Audit Commission was £41,839. We expect to request an additional fee for the work on injury pensions and the additional audit work post 30 September 2014.

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 of internal control we were required to communicate to those charged with governance (the Overview and Audit Committee) any significant deficiencies in internal control.

We found no deficiencies during the audit that were of sufficient importance to merit being reported.

Key findings

EY | Assurance | Tax | Transactions | Advisory

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