

The Annual Audit Letter for Devon and Somerset Fire and Rescue Authority

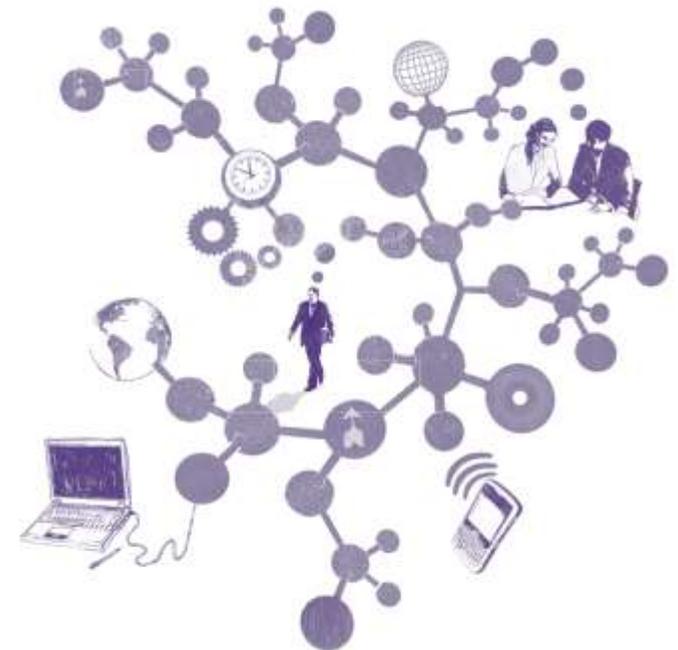
Year ended 31 March 2017

October 2017

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Devon and Somerset Fire and Rescue Authority (the Authority) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Authority and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Authority's Audit and Performance Review Committee (as those charged with governance) in our Audit Findings Report on 12 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Authority's financial statements on 12 September 2017.

Value for money conclusion

We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 12 September 2017.

Certificate

We certified that we had completed the audit of the accounts of Devon and Somerset Fire and Rescue Authority in accordance with the requirements of the Code on 12 September 2017.

Other work completed

We provided your teams with training on financial accounts. We also held a separate workshop on Faster Close for the final accounts process.

Working with the Authority

During the year we have delivered a number of successful outcomes with you:

- An efficient audit –delivery of the accounts audit over one month before the deadline
- VFM - we provided you with assurance and feedback on your arrangements for delivering efficiency, effectiveness and economy.
- Sharing our insight – we provided regular audit and performance review committee updates covering best practice. We also shared our sector insight via our National Reports.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Authority's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Authority's accounts to be £1.65 million, which is 2% of the Authority's gross revenue expenditure. We used this benchmark, as in our view, users of the Authority's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for senior officer remuneration, auditor's remuneration and members allowances.

We set a lower threshold of £83,000, above which we reported errors to the Audit and Performance Review Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Authority's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Treasurer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Authority and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> Identified the controls put in place by management to ensure that the pension fund net liability was not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. Reviewed the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation. Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from the Authority's actuary. 	<p>Our audit work did not identify any issues to report.</p>
<p>Valuation of property plant and equipment</p> <p>The Authority revalues its assets on a rolling basis on a yearly basis. The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> Reviewed management's processes and assumptions for the calculation of the estimate. Reviewed the competence, expertise and objectivity of any management experts used. Reviewed the instructions issued to valuation experts and the scope of their work Held discussions with the Authority's valuer about the basis on which the valuation was carried out, challenging the key assumptions. Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. Tested revaluations made during the year to ensure they were input correctly into the Authority's asset register Evaluated the assumptions made by management for those assets not revalued during the year to assess how management satisfied themselves that these were not materially different to current value. 	<p>Our verification testing of assets on the fixed assets register identified water rescue equipment consisting of small items of plant and machinery, including cones, wrenches and saws, that had been capitalised as one asset and could not be physically verified. The Authority should review its capitalisation policy to ensure that items that would normally be revenue expenditure are not grouped together and treated as Property Plant and equipment.</p> <p>Overall, our work concluded that the carrying value of your Property Plant and equipment was not materially misstated.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Authority's accounts on 12 September 2017, in advance of the 30 September 2017 national deadline.

The Authority made the accounts available for audit in line with the agreed timetable.

- The draft accounts were produced to a good standard
- The audit has been facilitated by good supporting working papers and excellent assistance from the finance team

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Authority to the Authority's Audit and Performance Review Committee on 12 September 2017.

Annual Statement of Assurance and Narrative Report

We are required to review the Authority's Annual Statement of Assurance and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Authority and with our knowledge of the Authority.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts.

We did not identify any issues that required us to apply our statutory powers and duties under the Act.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in the table overleaf.

Overall VfM conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Medium Term Financial Planning The Authority continues to face financial pressures with further cuts being made in central government funding. The settlement covering the four years 2016/17 to 2019/20 totalled a 25% grant cut.</p>	<p>We reviewed the Authority's latest Medium Term Financial Plan (MTFP), the Efficiency Plan and the 2017/18 budget, considering the robustness of the assumptions that underpin the figures within them. We will also review the 2016/17 outturn position against the budget.</p>	<p>The Authority set a balanced budget for the 2017/18 financial year, with a Council Tax increase of 1.99% being agreed. Budgeted savings within this were £2.3 million, consisting of £0.860 million from non staff budget lines, £0.202 million from support staff and £1.280 million from operational posts. The balanced budget position includes a transfers of £0.579 million from the CSR strategy reserve, which was intended as a smoothing mechanism during the austerity period.</p> <p>The current MTFP runs to 2021/22 with the savings requirement over that period being £3.6 million based on council tax increases of 1.99% each year. The MTFP is based on detailed modelling assumptions in the Financial Planning Model. These include inflation, pay and pension increases as well as anticipated reductions in grant funding. These assumptions have been reviewed and appear to be reasonable. The MTFP can change over time and is updated regularly as a result of updated information on grant settlements, savings strategy and new cost pressures identified.</p> <p>The Authority applied for the 4 year funding settlement on offer from the government, which has allowed it to plan with more certainty over the medium term.</p> <p>Budgets and the savings included within them are monitored monthly with quarterly reporting to members, allowing for appropriate actions to be taken in response to any slippage in savings. The 2016/17 outturn was £2.2 million below budget. This was due to the continued implementation of agreed Corporate Plan changes and ongoing identification of savings. The bulk of this underspend has been allocated to the Authority's Funding Pressures Reserve to meet future budget challenges.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements.</p>
<p>Collaborate Partnership The Authority are progressing with opportunities to collaborate with the Strategic Alliance of Dorset Police and Devon & Cornwall Police.</p>	<p>We reviewed the arrangements the Authority are putting into place for collaborative working under the Strategic Alliance.</p>	<p>The Collaborative Partnership between Devon and Somerset Fire, Dorset Police and Devon on Cornwall Police is currently on hold. Some business cases are underway, however these have not been formalised as the matters within them are still subject to discussion between the parties.</p> <p>However the Authority continues to progress other areas of blue light collaboration. The South West Emergency Services Collaboration (SWESC) Programme involves five police bodies, five fire authorities and one ambulance trust. A programme brief setting out the governance structure and objectives of the programme was prepared in October 2016.</p> <p>Our review of SWESC shows that good governance arrangements are in place in relation to blue light collaboration in the South West, with an appropriate governance structure established and regular meetings held which are minuted appropriately.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Authority	33,820	33,820	33,820
Total fees (excluding VAT)	33,820	33,820	33,820

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Reports issued

Report	Date issued
Audit Plan	April 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services: <ul style="list-style-type: none">• None	Nil
Non-audit services: <ul style="list-style-type: none">• Forensic Review• Provision of P11D Advice	4,890 650

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Authority's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.

The above non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor and have been approved by the Audit and Performance Review Committee.



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