Essex Fire Authority

Year ending 31 March 2013

Annual Audit Letter

25 October 2013
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Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Essex 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 of Essex Fire Authority in the following report:

2012/13 Audit results report for Essex Fire Authority

Issued 12 September 2013

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

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

Yours faithfully

Debbie Hanson
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.
1. Executive summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 4 April 2013 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 they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

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

<table>
<thead>
<tr>
<th>Task</th>
<th>Date of Conclusion</th>
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<tbody>
<tr>
<td>Audit the financial statements of Essex Fire Authority for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK &amp; Ireland)</td>
<td>On 26 September 2013 we issued an unqualified audit opinion in respect of the Authority.</td>
</tr>
<tr>
<td>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</td>
<td>On 26 September 2013 we issued an unqualified value for money conclusion.</td>
</tr>
<tr>
<td>Issue a report to those charged with governance of the Authority (the Policy and Strategy Committee) communicating significant findings resulting from our audit.</td>
<td>On 12 September 2013 we issued our report in respect of the Authority and presented this to the Policy and Strategy Committee on 25 September</td>
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<tr>
<td>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.</td>
<td>We reported our findings to the National Audit Office on 26 September 2013.</td>
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<tr>
<td>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.</td>
<td>No issues to report.</td>
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<td>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</td>
<td>We did not issue such a report.</td>
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<td>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</td>
<td>We did not take such action.</td>
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<tr>
<td>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.</td>
<td>On 26 September 2013 we issued our audit completion certificate.</td>
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2. Key findings

2.1 Financial statement audit

We audited the Authority’s Statement of Accounts in line with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 26 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

Significant risk: Implementation of new fixed asset register

We reviewed and tested the work done by the Authority to transfer their property, plant and equipment data onto the new asset register. We also tested inputs and calculations from the new system to ensure they were materially accurate.

Our work confirmed that the information had been correctly input into the new fixed asset system and this system had produced materially accurate figures for the financial statements.

As part of the process of transferring data to the new asset register, the Authority identified a number of vehicle, plant and equipment leases which had not been removed from the old asset register when the lease had expired in previous years. These assets had been fully depreciated, with a carrying value of nil, and therefore there was no impact on the figures reported in the balance sheet in previous years. The gross book value and depreciation analysis reported in note 11 was however incorrect.

Other opinion risk: Risk of misstatement due to fraud and error

We assessed the effectiveness of management controls designed to detect and address fraud and error. We tested the completeness of accruals and provisions, cut off and journal postings.

We did not identify any material instances of fraud or error.

2.2 Value for money conclusion

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

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

► The organisation has proper arrangements in place for securing financial resilience; and

► The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 26 September 2013. Our audit did not identify any significant matters.

2.3 Objections received

No objections have been received in respect of the 2012/13 financial year.

2.4 Whole of government accounts

We reported to the National Audit office on 26 September 2013 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts. We did not identify any areas of concern.
2.5 **Annual governance statement**

We are required to consider the completeness of disclosures in the Authority’s Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.
3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicated to those charged with governance at the Authority, as required, any significant deficiencies in internal control.

We had no such matters to report.