# CAMBRIDGESHIRE AND PETERBOROUGH FIRE AUTHORITY

Annual Audit Letter Year ended 31 March 2019



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### **EXECUTIVE SUMMARY**

### Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2019.

It is addressed to the Authority but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

### Responsibilities of auditors and the Authority

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code). Under the Code, we are required to report:

- Our opinion on the Authority's financial statements; and
- Whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Audit conclusions

Audit area	Conclusion
	Conclusion
Financial statements	Unmodified opinion
Use of resources	Unmodified conclusion

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

We issued our audit opinion on the financial statements and use of resources conclusion on the national deadline of 31 July 2019.

BDO LLP

30 August 2019

### FINANCIAL STATEMENTS

### Audit opinion on the financial statements

We issued an unmodified audit opinion on the financial statements. This means that we consider that the financial statements:

- Give a true and fair view of the financial position and its income and expenditure for the year; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

### **Final materiality**

Materiality was calculated at  $\pounds 0.87$  million based on a benchmark of 65% of gross expenditure.

### **Material misstatements**

We did not identify any material misstatements. An adjustment was made to reflect the increased pension fund liability arising as a result of the McCloud judgement. This increased the value of the pension fund liability by £14.040m.

### Unadjusted audit differences

We identified audit adjustments, the net impact if posted, would increase the net deficit on provision of services for the year by  $\pounds 0.001$  million.



## FINANCIAL STATEMENTS

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

Risk description How the risk was addressed by our audit		Results	
Management override of controls	We carried out the following planned audit procedures:	No issues were identified by our audit of journals an accounting estimates for management override of controls or management bias.	
	<ul> <li>Reviewed and verified unusual journal entries made in the year and agreed the journals to supporting documentation.</li> </ul>		
	<ul> <li>Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias.</li> </ul>		
	<ul> <li>Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.</li> </ul>		
Valuation of land and buildings	We carried out the following planned audit procedures:	No material issues were identified by our audit of th valuation of land and buildings.	
	<ul> <li>Reviewed the instructions provided to the valuer and reviewed the valuer's skills and expertise in order to determine if we could rely on the management expert.</li> </ul>		
	<ul> <li>Confirmed that the basis of valuation for assets valued in year was appropriate based on their usage.</li> </ul>		
	<ul> <li>Reviewed managements' considerations of price movements in the current year and compared these to independent data to assess their reasonableness.</li> </ul>		

# **FINANCIAL STATEMENTS**

Risk description	How the risk was addressed by our audit	Results	
Pension liability assumptions	<ul> <li>We carried out the following planned audit procedures:</li> <li>Obtained assurance over the controls for providing accurate membership data to the LGPS actuary from the auditor of Cambridgeshire Pension Fund.</li> <li>Reviewed the competence, objectivity and independence of the actuaries responsible for the valuation of the liabilities associated with the Firefighters' Pension Schemes and the Cambridgeshire Pension Fund.</li> </ul>	We found that there had been a significant movement between the fund liability values provided by the actuary and the year-end values included in the pension fund account as a result of the McCloud judgement. An adjustment of £14.040 million in respect of this was made to the pension fund liability in the final financial statements. No other material issues were identified by our audit of pension liability assumptions.	
Production of financial statements compliant with the Code	<ul> <li>We carried out the following planned audit procedures:</li> <li>Reviewed the disclosure checklist prepared by the Fire Authority to confirm that all required disclosures had been correctly presented in the financial statements in accordance with the Code.</li> </ul>	We found that the number and volume of issues identified was lower than has been identified in prior years, evidencing the increased level of checks performed on the financial statements by management. However, we identified a number of disclosure errors in the published unaudited accounts which were largely due to deficiencies in the Big Red Button software tool. All of the issues were amended in the final financial statements.	

### **USE OF RESOURCES**

### Audit conclusion on use of resources

We did not identify any significant risks in resect of the Authority's use of resources. We issued an unmodified conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we consider that in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

# **REPORTS ISSUED AND FEES**

### Fees summary

	2018/19	2018/19	2017/18
	Final	Planned	Final
	£	£	£
Audit fee - PSAA scale fee	24,536	24,536	31,865
Non-audit assurance services	-	-	-
Fees for other non-audit services	-	-	-
Total fees	24,536	24,536	31,865

### Communication

Reports	Date	To whom
Audit plan	May 2019	Overview and Scrutiny Committee
Audit completion report	July 2019	Policy and Resources Committee
Annual audit letter	October 2019	Overview and Scrutiny Committee

#### FOR MORE INFORMATION:

Lisa Clampin e: lisa.clampin@bdo.co.uk The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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