

Annual Audit Letter

Hampshire Fire & Rescue Authority

6 October 2015

Ernst & Young LLP



Building a better
working world



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Hampshire Fire & Rescue Authority
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06 October 2015

Dear Members,

Annual Audit Letter

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

2014/15 Audit results report for Hampshire Fire & Rescue Authority Issued on 22 September 2015

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

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

Yours faithfully

Maria Grindley
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 Annual Audit Letter 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 2014/15 audit work has been undertaken in accordance with the Audit Plan we issued on 31 March 2015 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; and
- ▶ undertaking any other work specified by the Audit Commission.

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

Audit the financial statements of Hampshire Fire & Rescue Authority for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland)	On 22 September 2015 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 22 September 2015 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Standards and Governance Committee) communicating significant findings resulting from our audit.	On 22 September 2015 we issued our report in respect of the Authority
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.	We reported our findings to the National Audit Office on 22 September 2015.
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.	No issues to report.
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.

On 22 September 2015 we issued our audit completion certificate.

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 22 September 2015.

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:

Risk of misstatement due to fraud and error

As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. This risk is inherent across all local government bodies and we do not consider the risk to be greater at Hampshire Fire & Rescue Authority than any other local government body.

Our substantive testing found no evidence of management override or bias. We reviewed material adjusting journals which did not highlight any issues that we needed to report to those charged with governance.

Fire Fighter's Pension Fund – Injury Benefits

During the 2013/14 audit a material adjustment was made in relation to injury benefits. There is a risk that the amount owed to DCLG is not accounted for correctly within the financial statements

We substantively tested the injury benefit within 2014/15 financial statements and concluded that they are materially correct. There are no issues that we needed to bring to the attention of those charged with governance.

H3 contract arrangements

A strategic partnership (H3) has replaced SLA agreements between Hampshire Fire and Rescue Authority, Hampshire County Council, The Chief Constable of Hampshire Constabulary and the Police and Crime Commissioner for Hampshire during the 2014/15 financial year. The change in arrangements includes changes in the basis of charging to all organisations, which could have a financial impact. Monitoring arrangements have also changed from the SLA agreements and the transition of operations needs to be reviewed.

We have substantively reviewed the H3 contract monitoring arrangements. There are no issues that we needed to bring to the attention of those charged with governance.

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 2014/15 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 22 September 2015. We noted the following issues as part of our audit.

Arrangements for securing financial resilience

We concluded that the Authority is aware of its financial risks and is addressing them; it has planned a high level of reserves to fund future capital programmes; and has developed a sustainable budget and medium term plan. We had no issues to report to those charged with governance.

Arrangements for securing economy, efficiency and effectiveness

We concluded that where the Authority was an outlier when compared to the Audit Commission's profiling tool, this was because of the Authority's conscious policy decisions and demographics; and that the Authority is responding positively to the findings from the Local Government Association's peer review. We had no issues to report to those charged with governance.

2.3 Objections and correspondence from electors

We received no objections to the 2014/15 accounts from members of the public.

2.4 Whole of government accounts

We reported to the National Audit office, on 22 September 2015, the results of our work performed in relation to 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 (AGS), 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, significant deficiencies in internal control.

We did not identify any significant weakness in the design or operation of an internal control that we needed to report.

4. Audit Fees

A breakdown of our fee is shown below.

	Final fee 2014/15 £	Planned fee 2014/15 £	Scale fee 2014/15 £
Total Audit Fee – Code work	48,300	48,300	48,300

We undertook no non-audit work at the Council in 2014/15.

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