

Essex Fire Authority

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

9 September 2016

Ernst & Young LLP



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working world

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between 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 ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (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. This report is intended solely for the use of the Members of the audited body. 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

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Policy and Strategy Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	We have substantially completed our audit of the financial statements of Essex Fire Authority for the year ended 2015/16. Subject to satisfactory completion of the outstanding items included in Appendix A we will issue an audit opinion in the form which appears in Appendix D. We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements. We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources. The Authority is below the materiality threshold set by the National Audit Office (NAO) for the Whole of Government Accounts return. We therefore do not have to complete any procedures related to this, other than confirming that the Authority is below the threshold. We expect to issue the audit certificate at the same time as the audit opinion.
Audit differences	We have not identified any audit differences within the draft financial statements, which management have chosen not to adjust. Our audit identified some minor disclosure differences which our team have highlighted to management for amendment. These have been corrected during the course of our work. These adjustments have not had an impact on useable reserves.
Scope and materiality	In our Audit Plan presented at the meeting of the Audit, Governance and Review Committee on 20 April 2016, we communicated that our audit procedures would be performed using a materiality of £2.223 million. We have reassessed this based on the actual results for the financial year and have reduced this amount to £1.958 million. The threshold for reporting uncorrected audit differences which impact the financial statements has also reduced from £0.111 million to £0.098 million. The basis of our assessment is 2% of gross operating expenditure. Our materiality has been reduced as a result of expenditure reducing in 2015/16 compared to 2014/15. We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include: • <i>Remuneration disclosures including any severance payments, exit packages and termination benefits:</i> Our audit strategy was to check

the bandings reported in Notes 25 and 31 of the financial statements, test the completeness of the disclosure and compliance with the Code requirements. We sample checked transactions back to the payroll system and supporting documentation. We have completed our work and did not identify any issues.

- *Related party transactions:* Our audit strategy was to obtain and review declarations from senior officers and members of the Authority and review for any material disclosures. We also confirmed that the disclosure in Note 27 complied with the Code requirements. We undertook a sample check of contracts included on the Authority's contracts register against Companies House records to identify whether any key decision makers within the Authority had an interest in the companies with which the Authority had contracts. We have completed our work and did not identify any issues.
- *Members Allowances:* Our audit strategy was to test the completeness of the disclosures within Note 24 and make sure that the disclosure was compliant with the Code by sample checking transactions back to the payroll system and other relevant supporting documentation. We have completed our work and did not identify any issues.

We carried out our work in accordance with our Audit Plan.

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- risk of management override;
- risk of fraud in revenue recognition; and
- Milne v Government Actuaries Department (GAD).

We have not yet completed our audit procedures to address these risks, but have no issues to report on the work completed to date. We will report any findings arising from the completion of this work to the Policy and Strategy Committee on 21 September 2016.

Other reporting issues

We have no other matters we wish to report.

Control observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Kevin Suter
Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Authority's responsibilities

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Authority reports publicly 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.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Authority had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Authority's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
Risk of management override As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our audit approach focussed on: ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. ▶ Reviewing accounting estimates for evidence of management bias. ▶ Evaluating the business rationale for significant unusual transactions.	We have carried out sample testing on journals and this work has not identified any issues or matters for reporting. Our work on accounting estimates and unusual transactions has not identified any management bias or matters for reporting. We did not identify any matters that we need to bring to your attention
Risk of fraud in revenue recognition Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. For fire authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of fraud in revenue recognition.	During the course of our audit we have: ▶ Reviewed and tested the Authority's revenue and expenditure recognition policies. ▶ Reviewed and tested revenue cut-off at the period end date. ▶ Tested capital expenditure on property, plant and equipment to ensure it meets the definition of capital expenditure as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).	We have carried out sample testing on income streams and this work has not identified any issues or matters for reporting. Our work on expenditure streams is currently being completed. This work will include agreeing the amounts to supporting documentation for reasonableness and business purpose. We will provide an update and any findings at the Policy and Strategy Committee meeting. Our sample testing of income and expenditure transactions at the period end date found that transactions had been recorded in the correct period. Our sample testing of capital additions found that expenditure on property, plant and equipment met the relevant accounting requirements to be capitalised.

Milne v Government Actuaries Department (GAD)

Following the determination of the case of Milne v GAD in May 2015 by the Pensions Ombudsman, Essex Fire Authority is required to make payments to those individuals affected by the judgement.

This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The total value of payments which are due to be paid before 31 March 2016 is expected to be material. The payments are expected to be funded by the Department for Communities and Local Government (DCLG) through the top up grant. Therefore there will be no overall impact on the financial position of the Authority. The accounting arrangements for these payments have not yet however been determined.

Our audit approach focussed on:

- ▶ Testing a sample of payments made to affected individuals during 2015-16; and
- ▶ Reviewing the accounting treatment and associated disclosures within the Authority's statement of accounts as well as in the Firefighters' Pension Fund Account.

Our work on the payments is currently being completed. This work will include sample testing the payments to supporting documentation and recalculating the amount paid.

We will provide an update and any findings at the Policy and Strategy Committee meeting.

Our review of the income received, accounting treatment and associated disclosures found that the transactions had been correctly disclosed in the financial statements of the Authority and the Firefighters' Pension Fund.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Authority's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters we wish to report at this stage of our audit.

Control themes and observations

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix E.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

The Authority is below the materiality threshold set by the National Audit Office (NAO) for the Whole of Government Accounts return. We therefore do not have to complete any procedures related to this, other than confirming that the Authority is below the threshold.

4. Value for money



We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

Overall conclusion

We identified two significant risks in relation to these criteria, and performed the procedures outlined in our Audit Plan. Our overall findings are set out in the table below.

Sustainable resource deployment: Achievement of savings needed over the medium term

Identified risk

The Authority faces significant financial challenges and has identified that they will face a £8 million reduction in revenue support grant over the spending review period to 2019-20.

Given the scale of the savings needed, there is a risk that savings plans to bridge this gap are not robust and/or achievable.

The Authority has recognised this challenge as part of its options for change, through Programme 2020.

We have considered:

- ▶ The robustness of any assumptions used in the 2016-17 annual budget.
- ▶ The Authority's progress in identifying sources of savings and efficiencies to meet the pressures of future reductions in funding.
- ▶ The adequacy of future levels of reserves.
- ▶ The Authority's arrangements for longer term financial planning, taking into account any relevant information from progress of Programme 2020.
- ▶ The options being considered and the decisions taken, which support the Service as it seeks to deliver significant organisational change and transformation.

The key findings and factors considered included:

Programme 2020

Essex Fire Authority commenced Programme 2020 in February 2016 and generated a range of options, of which three were approved for wider consultation.

On 8 June 2016, the Fire Authority resolved to support the proposals included in Option 2, which was overwhelmingly supported in the consultation. Option 2 proposed a 2% increase (about £1.35 on a Band D property per year) in the fire service portion of Council Tax and a smaller reduction in response resources.

The proposals have started to be implemented with the removal of second fire engines from operational service at some fire stations and transition of crewing arrangement to On-Call.

The decision, and implementation, gives us assurance that the arrangements put in place before the 31 March 2016 were adequate.

As part of Programme 2020, the Authority wants to avoid or minimise compulsory redundancies. Therefore, eligible uniformed staff have been offered an early exit opportunity. However, this will put pressure on the budget in the short-term.

The option includes proposals to broaden the role of firefighters and invest in prevention and protection. The Authority is also seeking different ways in working in partnerships with other agencies, such as CCGs and developing plans for further collaboration with Essex Police.

Budget and efficiency plans

The Authority's efficiency plans are based on the assumption that Council Tax will increase by 2% annually until 2019/20. However, the Authority has recognised in its efficiency plans that it still faces financial challenges of £14.7 million from 2016/17 to 2019/20.

As well as operational effectiveness, Programme 2020 considers the financial position. Plans indicate that the reduction in the number of fire engines and the crewing changes will generate a net £6.4 million of savings by 2020. Further savings of £2 million have been identified from areas such as management review during 2016/17 and collaboration and integration from 2017. The total savings assumptions reduce the budget pressure to £2.7 million from 2016/17 to 2019/20.

In order to balance the budget, the Authority has resolved to use reserves to support the one-off costs of early exit options in 2016/17 and the transition to On-Call firefighters in 2017/18 and 2018/19. The efficiency plans include annual transfers to reserves of £0.303 million to normalise reserves and ensure they remain at a stable level of £12 - £13 million between 2016/17 and 2019/20.

Conclusion:

We have concluded that the Authority's arrangements are adequate.

Informed decision-making: Progress on the delivery of the work programme required to improve the culture within ECFRS

Identified risk

The report of the Independent Cultural Review of Essex County Fire and Rescue Service, received by the Authority on 2nd September 2015, made 35 recommendations to improve the culture in the organisation.

A number of other resolutions were also agreed by the Authority.

Failure to effectively address the issues identified within the Independent Review of Culture present significant risks to the Service and the Authority, not least, as the report suggests, that without significant change employees and communities may be at risk.

We have considered the:

- ▶ Authority's progress on the implementation of the recommendations and resolutions required to improve the culture within ECFRS.
- ▶ Monitoring arrangements and reporting progress to members of the Strategic Management Board and Members of Essex Fire Authority.
- ▶ The integration of the Authority's response with Programme 2020.

The key findings and factors considered included the following.

Irene Lucas CBE conducted a review into organisational culture at Essex County Fire and Rescue Service during 2015. Her final report and recommendations were published in September 2015. The report set out 35 recommendations, one of these being that a progress review should be undertaken.

Essex Fire Authority invited Sir Ken Knight to undertake this work, which was conducted at the end of July. The report concluded the following:

I am satisfied that Essex Fire Authority (the Authority) and Essex County Fire and Rescue Service (the Service) have taken, and are continuing to take, appropriate early actions to deliver against the Lucas Review recommendations. Appropriate consideration has been given to the fundamental issues and the Authority is on track to deliver against the recommendations in a timely manner. However, while good progress has been made in respect of laying groundwork and foundations, there is still some way to go to build on this work and embed change throughout the Authority and Service.

There remains significant scope for the lessons to be learned from the work that the Authority and the Service have undertaken to address organisational culture to be shared more widely with other fire and rescue services.

Some specific areas remain uncertain and are undoubtedly hindering some of the necessary progress; particularly in relation to ongoing historical employment issues. Whilst it can be tempting to demand immediate resolution of these matters; it is important that due process is allowed to continue in order to ensure that all matters are dealt with fairly; particularly given their complex nature. For this reason it is necessary for a progress review to be completed during the autumn of 2016 to seek an update on resolution of historical employment issues.

While Sir Ken Knight's review was undertaken after the 31 March 2016, this gives us assurance over the arrangements that the Authority put in place. We have also seen evidence that progress is being made to implement the recommendations from the culture review and integrate these with Programme 2020

Conclusion:

We have concluded that the Authority's arrangements are adequate.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Other matters to bring to your attention

We have no other matters to bring to your attention.

Appendix A – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Other outstanding work	Management and EY to work together to complete any outstanding work on: • expenditure account testing • payments testing on Milne v Gad transactions • final Director and Manager review of the audit work • review of the final version of the financial statements	EY and management
Annual accounts	• Correction of any misstatements identified by EY. • Approval of accounts by the Policy and Strategy Committee. • Accounts re-certified by RFO.	EY, management and Policy and Strategy Committee
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Management representation letter	Receipt of signed letter of representation	Management and Policy and Strategy Committee

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 31 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Policy and Strategy Committee on 21 September 2016.

We confirm that we have met the reporting requirements to the Policy and Strategy Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 31 March 2016.

Appendix C – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	35,625	35,625	

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix D – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSEX FIRE AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of Essex Fire Authority for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- related notes 1 to 39; and

include the firefighters' pension fund financial statements comprising the:

- Fund Account;
- Net Assets Statement;
- related notes 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Essex Fire Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance Director and Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the statement of accounts set out on page 10, the Finance Director and Treasurer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Finance Director and Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Essex Fire Authority 2015/16 Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired

by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Essex Fire Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in Essex Fire Authority 2015/16 Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Essex Fire Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Essex Fire 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Essex Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Essex Fire Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Essex Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Essex Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter, (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

September 2016

Appendix E – Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Kevin Suter
Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Dear Kevin,

Essex Fire Authority Letter of Representations

This letter of representations is provided in connection with your audit of the financial statements of Essex Fire Authority ("the Authority") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements true and fair view of the Authority financial position of Essex Fire Authority as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the Authority's financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the Authority's financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you minutes of the meetings of the Authority and all committees, including the Audit, Governance and Review Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared held through the to the most recent meeting on the following date: xxx
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

F. Subsequent Events

1. Other than the results of the EU referendum described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the Property, Plant and Equipment and Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Estimates for Property, Plant and Equipment and Pension Liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We confirm that the significant assumptions used in making the estimates for property, plant and equipment and pension liabilities appropriately reflect our intent and ability to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenue and expenses during the year on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

I. Retirement Benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our

knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours Sincerely,

Finance Director and Treasurer (s151 Officer)

I confirm that this letter has been discussed and agreed at the Policy and Strategy Committee on 21 September 2016

Chairman of Policy and Strategy Committee

Appendix F – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Essex Fire Authority's ability to continue as a going concern for the 12 months from the date of our report.
Misstatements ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant	Audit Results Report.
Fraud ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud	We have made enquiries of management and those charged with governance. We have not become aware of any fraud or illegal acts during our audit.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	We have no matters we wish to report.

Required communication	Reference
External confirmations ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	We have received all requested confirmations.
Consideration of laws and regulations ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have not identified any material instances of non-compliance with laws and regulations.
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Fee Information ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit	Audit Plan Audit Results Report

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