Report to the Policy and Resources Committee

CAMBRIDGESHIRE AND PETERBOROUGH FIRE AUTHORITY

Audit Completion Report: Year ended 31 March 2019

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WELCOME
Introduction

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We have pleasure in presenting our Audit Completion Report to the Policy and Resources Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Policy and Resources Committee. At the completion stage of the audit it is essential that we engage with the Policy and Resources Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Policy and Resources Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Fire Authority for the co-operation and assistance provided during the audit.

[insert signature]

Lisa Clampin

[date]

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Policy and Resources Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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This summary provides an overview of the audit matters that we believe are important to the Policy and Resources Committee in reviewing the results of the audit of the financial statements and use of resources of the Fire Authority for the year ended 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Subject to the successful resolution of outstanding matters, our audit work is complete, and we anticipate issuing our opinion on the financial statements and use of resources for the year ended 31 March 2019 in line with the agreed timetable.

Outstanding matters are listed on page 35 in the appendices.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We anticipate issuing an unmodified audit opinion on the financial statements and an unmodified use of resources conclusion.

THE NUMBERS

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Final materiality

Final materiality was determined based on gross expenditure.

Our materiality levels have not required reassessment since our audit planning report issued on 27 February 2019, but have been updated to reflect the gross expenditure reported in the draft financial statements presented for audit.

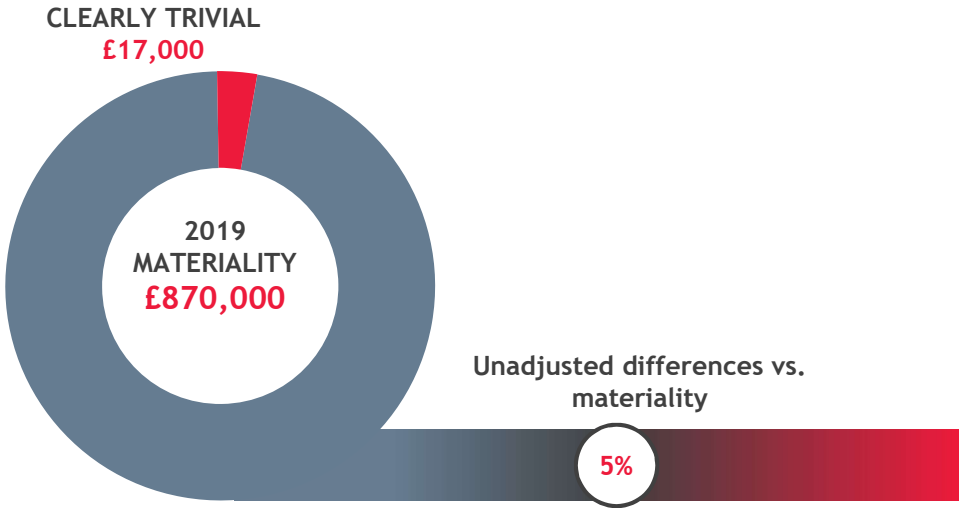
Material misstatements

Subject to completion of the outstanding matters on page 35, our audit has not identified any material misstatements.

A material adjustment will be made to the accounts to reflect the impact of the McCloud judgement. The impact on the firefighter's pension fund liability is an increase of £13.2m. This has no impact on the deficit on the provision of services.

Unadjusted audit differences

We identified audit adjustments that, if posted, would decrease the deficit on the provision of services by £0.043m.



OTHER MATTERS

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Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient
- Our review of the consistency of the Narrative Report and other information included in the Statement of Accounts with the financial statements and our knowledge acquired in the course of the audit is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.
- Our review of the Annual Governance Statement to determine if it is inconsistent or misleading compared to other information we are aware of is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.
- The Fire Authority is below the audit threshold of £500 million for a full assurance review of the Whole of Government Accounts Data Collection Tool.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Fire Authority in accordance with the Financial Reporting Council's Ethical Standard.

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AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 27 February 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	No	No	Yes
Revenue and expenditure recognition	Normal	Yes	No	No	No	No
Valuation of land and buildings	Significant	Yes	Yes	No	No	Yes
Pension liability assumptions	Significant	Yes	Yes	No	No	Yes
Production of financial statements compliant with the Code	Significant	No	No	No	No	No
Merger with Police and Crime Commissioner for Cambridgeshire and Peterborough	Normal	No	No	No	No	No

Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

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ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	
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Letter of Representation point	■

Risk description

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Under auditing standards there is a presumed significant risk of management override of the system of internal controls.

Work performed

We carried out the following planned audit procedures:

- A review and verification of unusual journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction;
- A review of estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our detailed testing of a sample of journals is substantially complete and work to date has not identified any significant issues.

We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.

We have not identified any significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

REVENUE AND EXPENDITURE RECOGNITION

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Revenue and expenditure recognition

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Risk description

Under auditing standards there is a presumption that income and expenditure recognition presents a fraud risk.

We consider that the presumed risk of fraudulent revenue recognition can be rebutted for income received in respect of taxation and non-specific government grants. These items are determined either at the beginning of the year as part of the Fire Authority's budget setting process or by central government. This reduces the opportunity for manipulation.

For the Fire Authority's remaining revenue streams, we consider that the risk of fraudulent revenue recognition remains in respect of accuracy and existence.

In respect of expenditure, we consider the risk to be around the completeness of expenditure around the year-end.

Work performed

We carried out the following planned audit procedures:

- Developed an understanding of the Fire Authority's internal control environment for the significant income and expenditure streams which are subject to the risk of fraudulent revenue and expenditure recognition, including how this operates to prevent loss of income and completeness of expenditure and ensure that income and expenditure is recognised in the correct accounting period.
- Performed substantive testing on an increased sample of transactions selected from these income and expenditure streams to ensure that they had been recorded at the correct amount and in the correct period.

Results

We have not identified any deficiencies in the internal control environment relating to the recognition of income.

Substantive testing to date of a sample of income and expenditure transactions has not identified any errors relating to the accuracy or completeness of the income or expenditure recognised. Our testing in respect of expenditure cut-off is ongoing at the time of writing. If any issues are identified, these will be communicated on completion of the audit.

There has been no change to the treatment applied to amounts recognised in respect of the Parkside development, with income continuing to be recognised over the 999 year period. The income recognised in year is not material.

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Valuation of Land and Buildings

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Adjusted error	
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Significant Control Findings	
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Risk description

Fire authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date.

The Fire Authority undertakes a rolling programme of revaluations to ensure that all items of PPE required to be measured at fair value are revalued at least once every three years. Management engage an external valuer to undertake the valuation of land and buildings.

There is a risk over the accuracy of the valuation of land and buildings where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end. This risk is enhanced in the current year with the continuing uncertainty in respect of BREXIT.

Work performed

We carried out the following planned audit procedures:

- 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.
- Confirmed that the basis of valuation for assets valued in year was appropriate based on their usage.
- Reviewed managements' considerations of price movements in the current year and compared these to independent data to assess their reasonableness.

Results

The Fire Authority engaged an external valuer to value all of its property assets as at 31 March 2019.

From our review of the instructions provided to the external valuer and the external valuer's reports we were satisfied that we could rely on the management expert.

We confirmed that the basis of valuation for assets valued was appropriate based on the nature and use of the assets.

We confirmed that the source data provided to the external valuer was materially correct and that the assumptions used were reasonable. The valuation movements within the accounts were identified to be potentially misstated. This error is a potential classification issue between the revaluation reserve and the CIES, estimated at £0.043m. The overall movement is concluded to be accurate. Our work to review this error remains ongoing as at the time of writing. We will provide a verbal update to the Policy and Resources Committee.

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Significant accounting estimate: £32.816m

Overview

Fire Authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the current value or fair value at the Balance Sheet date.

The valuation for land and buildings included in PPE is a management estimate based on a combination of depreciated replacement cost (DRC) and existing use valuation (EUV). Management uses external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation.

Discussion

See also page 10 above.

The Fire Authority engaged an external valuer to value all of its land and buildings as at 31 March 2019. The valuer confirmed that there was not a material movement in valuation between the previous valuation date and year-end, having conducted a full valuation as at 31 March 2019, with the total net movement across all land and buildings assets being £0.362m. A net revaluation loss has been recognised in respect of this.

We assessed the valuer's competence, independence and objectivity and determined we could rely on the management expert.

We reviewed the valuations provided and the valuation methodology applied, and confirmed that the basis of valuation for assets valued in year is appropriate based on the requirements of the Code.

We compared the valuations to expected movements using available market information and concluded that most of the movements are within expectations, with reasonable explanations provided where this was not the case.

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Risk description

The net pension liability comprises the Fire Authority's share of the market value of assets held in the Cambridgeshire Pension Fund and the estimated future liability to pay pensions to members of both the Cambridgeshire Pension Fund and the four Firefighters' Pension Schemes.

An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension funds and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuations are not based on accurate membership data or use inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Obtained assurance over the controls for providing accurate membership data to the LGPS actuary from the auditor of Cambridgeshire Pension Fund.
- 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.

Results

Our work to agree the disclosures to the information provided by the actuary is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.

The assurances from the auditor of Cambridgeshire Pension Fund have not been received at the time of writing. We will provide a verbal update to the Policy and Resources Committee.

There has been a significant movement between the fund liability values provided by the actuary and the year-end values included in the pension fund accounts as a result of the McCloud judgement. This has increased the value of the firefighter's pension fund liability by £13.2m. An adjustment in respect of this will be made to the final financial statements. Please see overleaf for details of this adjustment.

Our review of the reasonableness of the assumptions used by the pension fund actuary is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.

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McCloud age discrimination

Following the ruling on age discrimination in the McCloud case, where members approaching retirement age received protected benefits moving to the career average relevant earnings scheme from the final salary scheme but employees more than 10 years from retirement did not received this underpin of benefits, the valuation of both the Local Government pension scheme (LGPS), and firefighter's pension scheme will have to be increased to remedy this discrimination.

The Fire Authority has obtained an updated valuation of the liability to take account of the impact of this ruling. This suggests that the Fire Authority's liability in respect of the Firefighter's pension scheme could increase by £13.2 million. The increase in the LGPS is not expected to be material. Our work on the appropriateness of the assumptions used on the revised calculation is still ongoing.

Management is expected to correct the financial statements to include this additional liability for the firefighter's pension scheme.

GMP equalisation

Following a ruling on gender discrimination in the Lloyds Banking Group case, the courts found that UK defined benefit schemes must equalise Guaranteed Minimum Pensions (GMP). The Government's interim solution, originally in place from 2016 to 2018, has been extended to 2021 and it is not yet clear whether the firefighter's pension scheme, LGPS (through employers) or Government will fund these additional costs after 2021.

An LGPS wide assessment of additional liabilities arising from GMP equalisation for the interim solution between 2016 to 2018, the extension from 2018 to 2021, and potential post 2021 costs falling on the LGPS could increase liabilities by +0.3%. An adjustment of 0.3% would have a material impact of the Fire Authority's pension fund liability.

The Authority's actuary has confirmed that the calculation of pension liabilities has made adjustments for GMP equalisation costs in respect of the firefighter's pension scheme.

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Risk description

The initial draft of the 2017/18 financial statements did not reflect all the requirements of the Code. A number of drafts were subsequently prepared which attempted to rectify this but the Fire Authority continued to make errors. All required amendments were made in the final version of the financial statements.

The Fire Authority prepared its accounts using CIPFA's 'Big Red Button' (a software tool which allows the Fire Authority to map its TB to the core statements and notes required in the statement of accounts and then produce the statement of accounts document automatically) in 2017/18, although this led to a number of disclosure omissions being made. The Fire Authority is expected to implement this process again in 2018/19. Should the Fire Authority choose to continue using this, it will need to complete the disclosure checklist in order to confirm that all required disclosures have been made.

Given the issues arising from use of the "Big Red Button" in the prior year, it is unclear if the Fire Authority will produce a set of financial statements which is compliant with the Code.

Work performed

We carried out the following planned audit procedures:

- 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.

Results

Our initial review of the financial statements highlighted 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.

We have reconciled the Fire Authority's trial balance to the financial statements. No differences were identified. We identified a number of disclosure errors in the published unaudited accounts which are largely due to deficiencies in the Big Red Button software tool:

- Material balances in the primary statements did not include cross references to supporting notes.
- Primary statements and supporting notes included line items with nil balances in both the current and prior year.
- The accounting policies note was largely boiler plate text and did not reflect the actual policies currently in place.
- Other notes were duplicated and/or had not been updated for the current year.

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- Disclosures for IFRS 9 and IFRS 15 consisted of boiler plate narratives stating no material impact. The notes also included a line-by-line assessment of the impact of IFRS 9 and IFRS 15 which showed no changes to any of the lines disclosed. These disclosures were not therefore needed. The notes included in prior years had not been updated for the amended requirements of these standards.
- Some notes related to immaterial balances and should have been removed to improve clarity. In addition, notes for short-term debtors, short-term creditors, financial instruments and unusable reserves, which were material disclosures and therefore required, were omitted from the draft accounts.
- The notes disclosing the movements on revaluation of land and buildings had been grossed up by adjustments that were not required.
- One prior period comparative included within the CIES and supporting note did not agree to the prior year signed accounts.
- The values included within a number of notes did not agree with the values included within the main financial statements.
- There were a number of spelling and grammar issues throughout the accounts.

We are awaiting an amended version of the statement of accounts. We will perform checks on the final draft once we have completed our audit procedures.

MERGER WITH POLICE AND CRIME COMMISSIONER FOR CAMBRIDGESHIRE AND PETERBOROUGH

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Risk description

There are plans in place for the Fire Authority to be merged with the Police and Crime Commissioner for Cambridgeshire and Peterborough (PCC), so that it comes under the leadership of the PCC. The Fire Authority is contesting this decision and taking it to judicial review. There has been an initial court hearing, with the full hearing scheduled for March 2019.

If the merger is to go through, it is expected to take place midway through the 2019/20 accounting period. We are not expecting any significant transactions to go through the 2018/19 financial statements.

Results

We will obtain a status update on the progress of this merger at the point of sign-off, and ensure that this is adequately reflected within the financial statements.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

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Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and will review correspondence with the relevant authorities.

Our testing to date has not identified any non-compliance with laws and regulations that could have a material impact on the financial statements.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

Our testing in this area is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.

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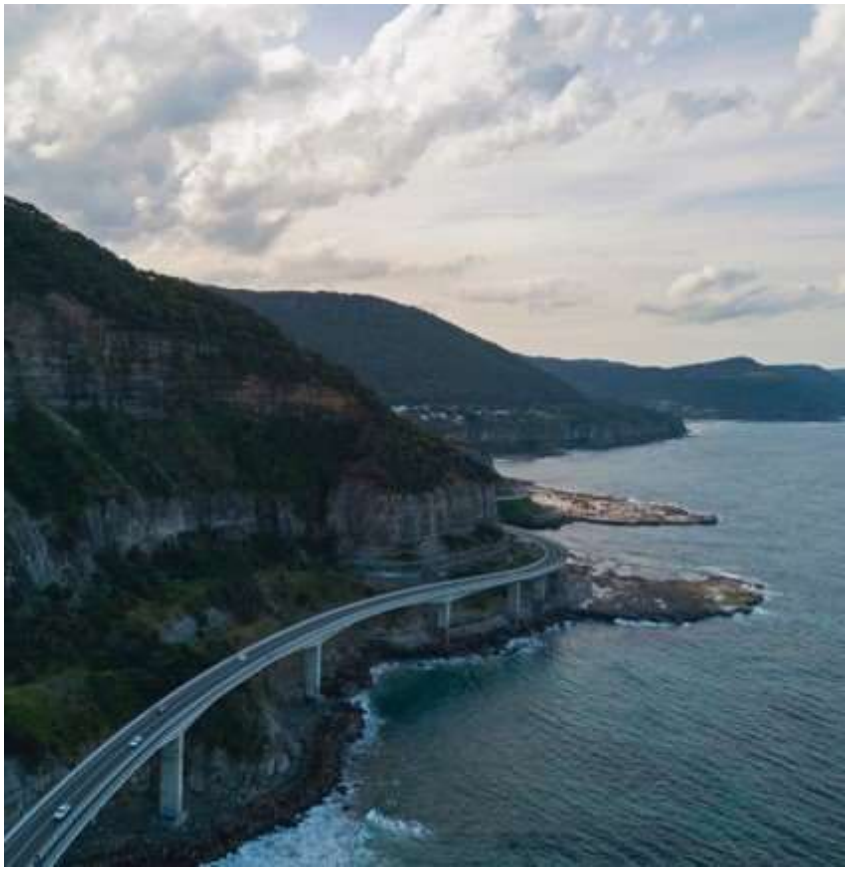

We are required to bring to your attention unadjusted differences and we request that you correct them.

There is one unadjusted audit differences identified by our audit work which would decrease the deficit by £0.043m if adjusted. It would have no impact on the net assets position (see page 19).

The general fund balance would increase by £0.043m if this audit difference was adjusted.

Management consider the difference to be immaterial in the context of the financial statements as a whole.

Our audit work in a number of areas of the audit file remains ongoing at the time of writing. If we identify any unadjusted differences after the Policy and Resources Committee, we will report on these upon completion of the audit.

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UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

		Income and expenditure		Statement of Financial Position	
Unadjusted audit differences	NET DR/(CR) £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Deficit on the provision of services before unadjusted audit differences	11,611				
1: Reclassification of valuation increase movements from the revaluation reserve to the CIES (judgemental)					
DR Revaluation reserve				43	
CR Cost of services income	(43)		(43)		
Total unadjusted audit differences	**(43)**	**-**	**(43)**	**43**	**-**
Deficit on the provision of services if above issues adjusted	11,568				

ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

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There were no material audit differences identified by our audit work to date that were adjusted by management.

An adjustment will be made to reflect the increased pension fund liability arising as a result of the McCloud judgement. This will increase the value of the firefighter's pension fund liability by £13.2m. This adjustment has no impact of the deficit position.

There were three audit differences identified by our audit work to date, after submission of the draft financial statements, that are expected to be adjusted by management:

- An adjustment of £0.044m to reclassify disposal costs which were incorrectly capitalised in-year.
- An adjustment of £0.017m to reduce the value of the NNDR precept accrued with Huntingdon District Council. This misstatement arose due to incorrect information being provided by Huntingdon District Council.
- An adjustment of £0.033m to increase the Fire Authority's share of the collection fund bad debt provision with Fenland District Council.

These adjustments will increase the deficit on the provision of services by £0.094m and decrease net assets by £0.094m. If we identify any further adjustments after the Policy and Resources Committee, we will report on these upon completion of the audit.

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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	Our work to determine whether the other information in the Narrative Report is consistent with the financial statements and our knowledge is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Fire Authority's review of effectiveness and our knowledge of the Fire Authority.	Our review of the consistency of the Annual Governance Statement with the financial statements and our knowledge is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.

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Matter	Comment
Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure. The Fire Authority falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. The Fire Authority met this deadline. We are planning to submit the relevant section of the assurance statement to the National Audit Office by the required deadline of 13 September 2019.

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OVERVIEW

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

Our risk assessment did not identify any use of resources significant risks. We have since updated our risk assessment following our completion of the interim review of financial controls and review of the draft financial statements and we have not included any additional significant risks.

We have not identified any matters which require reporting to you.

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SIGNIFICANT DEFICIENCIES

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Policy and Resources Committee.

As the purpose of the audit is for us to express an opinion on the Fire Authority's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

As reported on page 14 above, the unaudited statement of accounts published on 31 May 2019 included a number of material departures from the Code. This is indicative of a lack of robust procedures to ensure the statutory unaudited financial statements comply with the Code, including review by senior officers prior to publication. We reported this issue following our 2015/16, 2016/17 and 2017/18 audits. Our 2016/17 and 2017/18 audit completion reports included the following recommendations regarding this matter:

- Complete CIPFA's disclosure checklist in full as part of the financial statements closedown process.
- Arrange for a review of the draft financial statements to be undertaken by a senior officer.
- Matters arising from either of the above processes should be addressed in the draft financial statements prior to publication.

Management have confirmed that CIPFA's disclosure checklist was used as part of the 2018/19 financial statements closedown process. We have not been provided with a completed version of the checklist to evidence this. Management have confirmed that no review of the draft financial statements was undertaken by a senior officer prior to publication.

While management have agreed to amend the financial statements in respect of the errors identified, resolution of these matters has required a significant amount of time and effort on the part of both officers and the audit team during the field work phase of the audit.

We have also identified other deficiencies in controls which have been discussed with management and included in the action plan overleaf.

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OTHER DEFICIENCIES

Area	Observation & Implication	Recommendation	Management response
Generic User IDs	We identified that journals had been posted using a generic user account called "SquareSum Database Administrator". There were two journals posted using this account during 2018/19. One of them is a credit note to cancel a previous invoice, the second to raise a new invoice for this same amount. Management have confirmed that they cancelled the original invoice in order to raise a new invoice to the correct debtor. Posting journals using generic accounts is not considered best practice, and increases the risk of fictitious journals being posted.	All the journals should be posted using individual user accounts of each creator.	[xx]

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FOLLOW UP OF PRIOR YEAR DEFICIENCIES

Area	Issue and impact	Original recommendation	Progress	Management response
Presentation of financial statements	Our audit identified that the financial statements presented for audit included a number of material departures from the Code. This is indicative of a lack of robust procedures to ensure the statutory financial statements comply with the Code, including review by senior officers prior to publication. Resolution of these matters has required a significant amount of time and effort on the part of both officers and the audit team.	Complete CIPFA's disclosure checklist in full as part of the financial statements closedown process. Arrange for a review of the draft financial statements to be undertaken by a senior officer. Matters arising from either of the above processes should be rectified in the draft financial statements before publication.	BDO has been informed by management that the disclosure checklist has been completed. As at the time of writing, we have not received this to evidence that this control is now in place. We also recommend that the points raised on pages 14 and 15 are specifically reviewed in addition to completing the checklist next year.	[xx]
Management review of valuation of land and buildings and the net pension liability.	Management engage external valuers to undertake valuations of land and buildings and an actuary to value the net pension liability, both of which are significant accounting estimates. Management have not undertaken a review of the outcome of the above engagements to ensure that they are consistent with their expectations.	As part of the accounts preparation process, identify significant accounting estimates and for high level expectations regarding movements in the associated assets and liabilities. Compare expectations to outputs generated by management's expert. Challenge the expert where outputs are inconsistent with management's expectation.	BDO has confirmed and evidenced that the appropriate controls are now in place.	[xx]

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Opinion on financial statements

Subject to satisfactory completion of the outstanding work noted on page 35, we anticipate issuing an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Fire Authority's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

There are no material uncertainties in relation to going concern disclosed in the financial statements of which we are aware that we need to draw attention to in our report.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

Our review of the Annual Governance Statement to determine if it is inconsistent or misleading compared to other information we are aware of is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Fire Authority.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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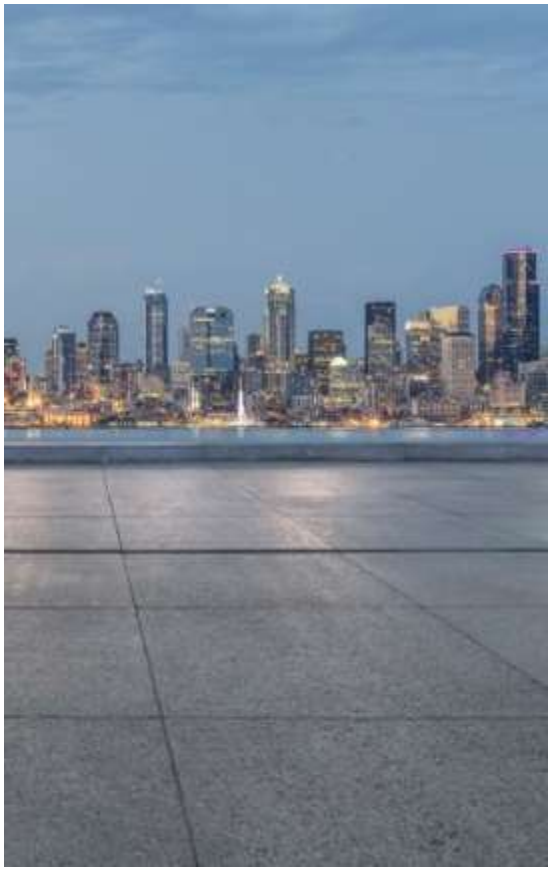
FEES

Fees summary	2018/19 Actual £	2018/19 Planned £	2017/18 Actual £
Audit fee			
• Code audit fee: financial statements and use of resources	24,536	24,536	31,865
Non-audit assurance services	-	-	-
Total fees	**24,536**	**24,536**	**31,865**



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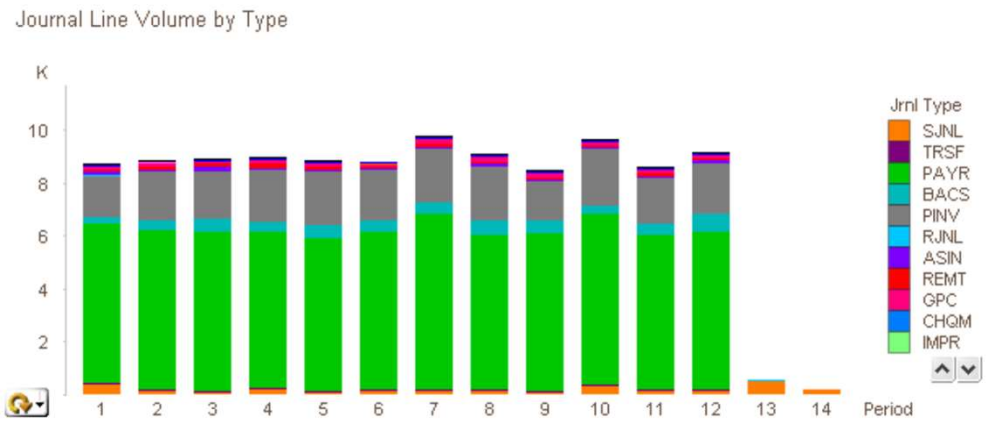
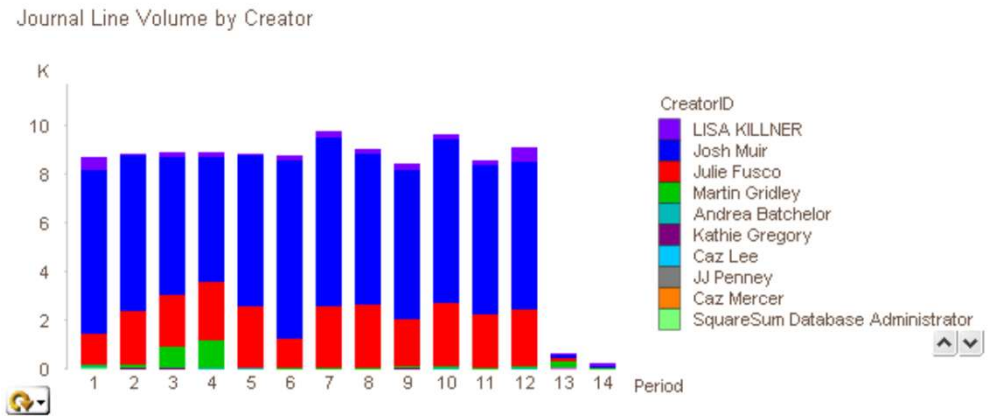
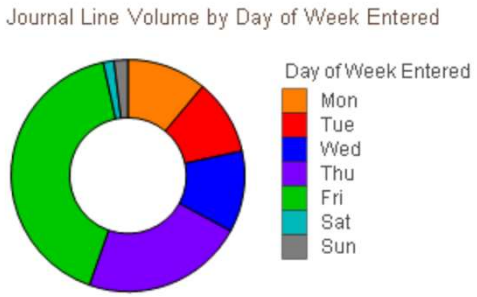
BDO ADVANTAGE

Data analytics







In respect of Cambridgeshire and Peterborough Fire Authority, we have shown a pictorial representation of the journals entered in the year.

The "journal value by day of the week entered" demonstrates that the number of journals which have been posted at the weekend, is lower than the number posted on the other five days, which is line with our expectations.

The "Journal line volume by type" graphic shows the volume of each type of journal entered in the year. As expected, we can see that the highest volume of journals entered are type PAYR (payroll entries), with 107,875 entries posted. The volume of different types of journals has been assessed with our knowledge of the entity and no unexplained anomalies have been found.

Lastly, the final graph "Journal line volume by creator" shows the number of journals posted by individuals at the Fire Authority. As expected the, highest volume of entries have been posted by Josh Muir and Julie Fusco. It was noted that 2 journals consisting of 8 journal lines were posted by a generic account tiled "SquareSum Database Administrator". A recommendation has been raised in respect of this on page 25.

For Cambridgeshire and Peterborough Fire Authority, the numbers in the population were found to follow the expected trend.

RESPONSIBILITIES AND REPORTING

Responsibilities and reporting

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Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Fire Authority.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Fire Authority has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Policy and Resources Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	Our testing in this area is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.
5	Significant matters in connection with related parties.	Our testing in this area is ongoing at the time of writing. We will provide a verbal update to the Policy and Resources Committee.

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COMMUNICATION AND REPORTS ISSUED

Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Fire Authority as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Policy and Resources Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion reports to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	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

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OUTSTANDING MATTERS

Our audit work in respect of the financial statements and use of resources for the year ended 31 March 2019 is in progress as at the date of writing.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Policy and Resources Committee meeting at which this report is considered:

- Clearance of outstanding requests currently with management
- Completion of audit testing in respect of:
  - Property, plant and equipment
  - Pensions
  - Useable reserves
  - Unusable reserves
  - IFRS 15 implementation
  - CIES NCOS expenditure (excluding payroll) – cut off testing
  - Payroll expenditure disclosure notes
  - Financial statement preparation
  - Other disclosures
  - Going concern
  - Contingencies and commitments
  - Related party transactions
  - Cash flow statement
  - Minute review
  - Narrative report and Annual Governance Statement
  - Laws and regulations
- Receipt of bank confirmation letter from Lloyds
- Final Manager and Partner review and clearance of review points within our file
- Final review and approval by you of the Statement of Accounts
- Subsequent events review up to the date of signing
- Management letter of representation, as attached on page 37 to be approved and signed

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Letter of representation

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[Client name and Letter headed paper]

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
IP3 9SJ

Dear Sirs

Financial statements of Cambridgeshire and Peterborough Fire Authority for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Fire Authority's financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Fire Authority.

The Deputy Chief Executive has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Fire Authority as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Fire Authority, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Fire Authority's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Fire Authority have been made available to you for the purpose of your audit and all the transactions undertaken by the Fire Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Fire Authority's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Fire Authority is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Fire Authority's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Fire Authority's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

There were no loans, transactions or arrangements between the Fire Authority and the members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

a) assumptions used by the actuary in the calculation of the pension fund liability

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) and Firefighters schemes liabilities, as applied by the schemes' actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

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	LGPS	Firefighter's schemes
Rate of inflation (CPI)	2.5%	2.5%
Rate of increase in salaries	2.8%	3.5%
Rate of increase in pensions	2.5%	2.5%
Rate of discounting scheme liabilities	2.7%	2.4%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) assumptions used for land and buildings valuations.

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation of land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director or member of the Fire Authority in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Matthew Warren

Deputy Chief Executive

[date]

[Name]

Chair of the Policy and Resources Committee

[date]

FOR MORE INFORMATION:

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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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