



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority  
Finance and Resources Committee

# **EXTERNAL AUDIT LETTER 2019/20 AND AUDIT UPDATE 2020/21**

Report of the Chief Fire Officer

**Date:** 02 July 2021

**Purpose of Report:**

To present the external auditors' annual audit letter for 2019/20 and to provide an update on the latest external audit situation for 2020/21.

**Recommendations:**

That Members note the contents of this report.

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## **1. BACKGROUND**

The external audit of the Fire Authority's 2019/20 Statement of Accounts was undertaken by Ernst & Young LLP (EY). Both the Statement of Accounts and the External Auditors International Standard on Auditing 260 (ISA 260) report were approved at Fire Authority on 24 February 2021.

## **2. REPORT**

### **ANNUAL AUDIT LETTER 2019/20**

- 2.1 Following the completion of the Audit, EY have provided the Annual Audit Letter, which represents a summary of the ISO 260. This is attached at Appendix A and will be published on the Authority's website.
- 2.2 The audit opinion is detailed on page 5 of the letter and is shown for information below:

<b>Area of Work</b>	<b>Conclusion</b>
Financial statements and Firefighter's Pension Fund.	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year ended 31/03/2020.
Consistency of other information published with the financial statements.	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness.	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

### **2021/22 EXTERNAL AUDIT UPDATE**

- 2.3 The Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that have extended the statutory audit deadlines for 2020/21 and 2021/22.
- 2.4 The publication date for audited 2020/21 accounts will move from 31 July to 30 September 2021 for all local authority bodies, including Fire and Rescue Authorities.

- 2.5 The draft accounts must be confirmed by the Treasurer and published by 31 July 2021.
- 2.6 Since taking on the contract to provide external audit services to the Fire Authority in 2018/19, EY have struggled to adequately resource the contract. The audits for both the 2018/19 and the 2019/20 Accounts were delayed, and the Accounts were not approved by Fire Authority until December 2019 and February 2021 respectively.
- 2.7 EY have again indicated that the deadline for auditing the 2020/21 Accounts of 30 September 2021 is expected to be missed. This is due to Pension Fund Accounts and larger authorities being prioritised over smaller authorities such as Fire as the Pension Fund Accounts need to feed into other authority accounts and delays to the larger authorities being audited will delay the publishing of the Whole of Government Accounts.
- 2.8 EY have indicated that the provisional date for commencing the audit is 29 November 2021. This makes it unlikely that the audited accounts will be approved by Fire Authority before February 2022, with the possibility of delays beyond this date. If this happens it will have a detrimental impact on the Finance Team's ability to deliver other priorities such as the 2022/23 budget due to the time taken to facilitate the audit. Fire Authority approved an additional post in the team in February 21. The recruitment process has commenced but other local authorities have had difficulty recruiting of late and it may be necessary to consider alternative provision in the short term.

## **CONSULTATION ON AUDIT FEES**

- 2.9 The Audit fees for the 2020/21 were confirmed by PSAA as £23,909 in March 2020. However, the additional work that external auditors are required to undertake to comply with new regulatory standards is expected to result in a fee variation request which would increase this fee significantly. Under current legislation this cannot be done until after the audit is closed.
- 2.10 In April 2021, the Ministry of Housing, Communities and Local Government (MHCLG) consulted on proposed changes to the Local Audit (Appointing Person) Regulations 2015. The consultation document can be found [here](#).
- 2.11 The consultation consulted around changes to the regulatory deadline for which scale fees need to be set and the methodology for agreeing some fee variations including national fee variations and variations for specific elements of work such as pensions. The proposals would appear to be a sensible approach, making the process simpler and more transparent.
- 2.12 MHCLG has also consulted on the methodology for allocating an additional £15m to local authorities to assist with the additional burden of increased audit fees. The consultation document can be found [here](#).
- 2.13 The results of the consultation are yet to be released.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 The PSAA (Public Sector Audit Appointments) have set the audit fee for both 2019/20 and 2020/21 at £23,909.
- 3.2 EY have indicated that they will be requesting a fee increase for 2019/20 as their estimate of the cost of delivering the audit was £87,816 – see the Audit Fee section of Appendix A (p28). The additional fees are required to be approved by PSAA. It is not expected that PSAA will approve the fee relating to the regulatory changes for 2019/20 (£47,193), so the final fee would be in the region of £40,623.
- 3.3 Final audit fees for 2020/21 are expected to include the costs of the regulatory changes. There will be additional government grant to compensate for increased costs.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no human resources or learning and development implications arising from this report.

### **5. EQUALITIES IMPLICATIONS**

An equality impact assessment has not been undertaken because this report relates to statutory audit which is external scrutiny rather than a policy matter.

### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

### **7. LEGAL IMPLICATIONS**

The external auditors have statutory powers and responsibilities set out in the Local Audit and Accountability Act 2014.

### **8. RISK MANAGEMENT IMPLICATIONS**

The external auditors provide a key element of the assurances that are given to elected Members and members of the public with regard to the accuracy of the financial statements and the arrangements for value for money.

**9. COLLABRATION IMPLICATIONS**

There are no collaboration implications arising from this report.

**10. RECOMMENDATIONS**

That Members note the contents of this report.

**11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

John Buckley  
**CHIEF FIRE OFFICER**

# Nottinghamshire Fire and Rescue Authority

Annual Audit Letter for the year  
ended 31 March 2020

April 2021



Building a better  
working world

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)).

This 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 (updated April 2018)' 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. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, 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.





A blurred background image showing two hands shaking over a laptop, symbolizing a business deal or agreement.

## Section 1

# Executive Summary



# Executive Summary

We are required to issue an annual audit letter to Nottinghamshire Fire and Rescue Authority (the authority) following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
<b>Impact on the delivery of the audit</b>	
► Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.
<b>Impact on our risk assessment</b>	
► Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
► Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
► Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Authority.
<b>Impact on the scope of our audit</b>	
► Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk: <ul style="list-style-type: none"><li>► Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and</li><li>► Agree IPE to scanned documents or other system screenshots.</li></ul>
► Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

# Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Authority's:</b>	
► Financial statements and Firefighter's Pension Fund	Unqualified- the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended 31/03/2020.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
► Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
<b>Reports by exception:</b>	
► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

# Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	The Authority is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

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As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 12 <sup>th</sup> February 2021
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 March 2021

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

Helen Henshaw  
Associate Partner  
For and on behalf of Ernst & Young LLP

## Section 2

# Purpose and Responsibilities

# Purpose

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the 12<sup>th</sup> February 2021 meeting of the Fire Authority, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

# Responsibilities

## Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 4<sup>th</sup> April 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2019/20 financial statements including the Firefighter's Pension Fund; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Authority is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned 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.



Section 3

# Financial Statement Audit



# Financial Statement Audit

## Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31<sup>st</sup> March 2021.

Our detailed findings were reported to the 26<sup>th</sup> February 2021 Fire Authority.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<b>Misstatements due to fraud or error</b> The financial statements as a whole are not free of material misstatements whether caused by fraud or error.  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.	We have not identified any material weaknesses in controls or evidence of material management override.  We have not identified any instances of inappropriate judgements being applied.  We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Authority, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>As the Authority is more focussed on its financial position over the medium term we do not consider there to be a heightened risk for the Authority's standard income and expenditure streams except for the capitalisation of expenditure on Property, Plant and Equipment (PPE) given the extent of the Authority's capital programme.</p>	<p>We are satisfied that the expenditure recognition and capitalisation policies in place are appropriate.</p> <p>We used our data analytics tool to identify and test the appropriateness of journal entries. No issues were identified.</p> <p>We have substantively tested a sample of additions to property, plant and equipment in the year and have found no instances of expenditure being inappropriately capitalised.</p> <p>In our testing of transport related expenditure, we did identify one item where expenditure was accrued at the year end for a liability which never materialised and therefore the accrual was reversed unused in the new financial year (20/21). We extrapolated this error which resulted in an extrapolated audit difference of £1.046m overstatement of expenditure for the year ended 31 March 2020. Management have chosen not to amend the accounts for this amount as it is below the materiality level and is an estimated value.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Valuation of Firefighters Pension Scheme Liability</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Firefighters' Pension Scheme administered by Leicestershire County Authority. The Authority's Firefighter's Pension Fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the balance sheet. At 31 March 2019 this totalled £546 million. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>Following the outcome of McCloud and Sargeant in 2018/19, initial estimates suggest removing the difference in treatment of discrimination will add around £4 billion per annum to scheme liabilities across public services from 2015. The most recent valuation process set employer contribution rates until 2023 and given there are a number of factors that may impact on the valuation of the scheme before the next triennial there is uncertainty around how the additional costs will be funded.</p> <p>CIPFA is preparing further accounting guidance to support bodies with the accounting for the McCloud liability in 2019/20. However, the Authority, via their actuaries will need to ensure that they refine their estimate of the impact of McCloud and Sargeant in 2019/20 and how subsequent funding implications may impact on the triennial valuation.</p> <p>As well as a risk to the valuation of the liabilities, there is also a timetable risk arising from the above, as agreement of remedy (and potential consultations starting in the spring) may necessitate refining of liability estimates by GAD, to update the work completed in summer 2019 to remeasure the McCloud liability.</p> <p>As a result of the uncertainty associated with the above we have designated the valuation of the Firefighters Pension Scheme liability to be a significant risk.</p>	<p>We are satisfied that the amounts recorded in respect of the fire fighters pension scheme are free material misstatement.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Valuation of Land and Building</b></p> <p>The fair value of Property, Plant and Equipment (PPE) represents a significant balances in the entity's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>The Authority will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment. As the Authority's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>Many of the property valuations involve future yields within the calculation. Due to the impact of Covid-19 there is greater uncertainty around the future yields obtainable in relation to properties.</p>	<p>► Revalued Assets</p> <p>We have gained assurance that the inputs and assumptions used in the valuations are appropriate and supported by external evidence. Consequently we are satisfied that assets valued in year are not materially misstated.</p> <p>► Assets not valued in year</p> <p>Management have used the Tender Price Index to undertake an assessment of whether assets not formally revalued in year have been subject to material valuation movements since they were last revalued. We have referred to national property indices to estimate the likely valuation movements in these assets, The work performed to date indicates that the assets not revalued in the year could be understated by £86k. We have noted this on our summary of audit differences.</p> <p>Management has not made an adjustment for this within the financial statements on the basis that they consider the valuations to be materially stated in line with the requirements of the CIPFA Code.</p>

# Financial Statement Audit (cont'd)

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.326m which is 2% of gross expenditure reported in the accounts of £70.609 million.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority</p> <p>We determined the Firefighter's Pension Fund planning materiality to be £329,100 which is 2% of benefits payable reported in the accounts of £17.325 million.</p>
Reporting threshold	<p>We agreed with the Fire Authority that we would report to them all audit differences in excess of £66,300</p> <p>We agreed with the Fire Authority that we would report to them all audit differences in excess of £16,000 for the Firefighter's Pension Fund.</p>

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:

- Related party transactions. 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 year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. These were the misstatements that were uncorrected:

1. Expenditure and funding analysis should not be described as a 'core financial statement' but rather as a note to the accounts.
2. Note 6 Events After the Balance Sheet Date - Events disclosed occurred prior to the balance sheet date and is not in line with the code.



# Financial Statement Audit (cont'd)

3. Judgemental differences were noted during our work on assets not valued in year of £90k. The impact of these errors is to (net) understate PPE and the value of the revaluation reserve. There is no impact on the CIES.

4. During our testing we identified an asset amounting to £195,156 that should have been de-recognised in 2019/20 but was not. Management has indicated that they will derecognise the asset in 20/21.

5. In our sample testing of other expenditure, we identified an error resulting in an overstatement of expenditure in 2019/20. We extrapolated this error over the population subject to sample testing and concluded that in our judgement other expenditure is overstated by £1,046,000

6. Disclosure inconsistencies identified in the Narrative statement have not been adjusted for.

7. Financial instruments - Authority had incorrectly stated debts written off over the past 5 years as <1% instead of 0%, this is the same for debts over 121+ days which was quoted as 12% instead of 0%

The unadjusted differences set out above do not lead to a modification of our audit opinion in respect of the 2019/20 financial statements as we are comfortable that the cumulative effect on the CIES, the general fund and each affected financial statement line item is not material.

Section 4

# Value for Money



# Value for Money

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

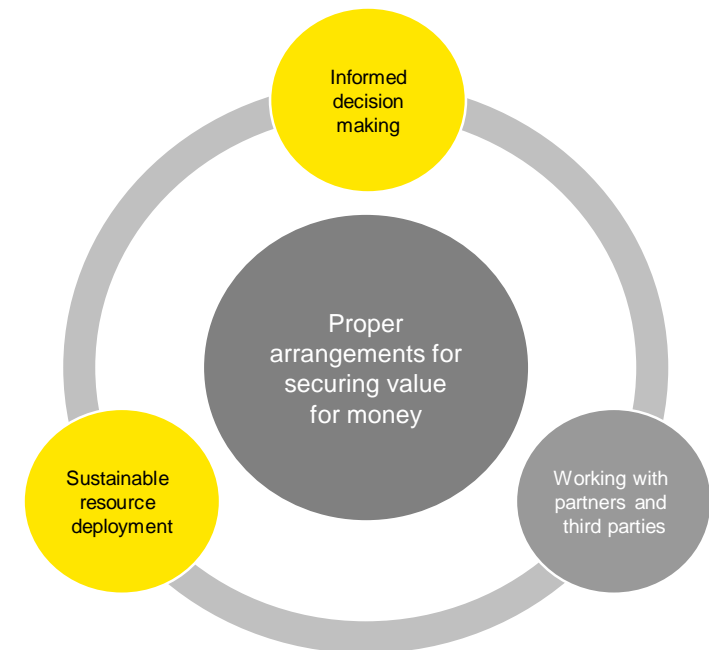
Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider NHS bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified three significant risks in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan.



# Value for Money (cont'd)

We therefore issued an unmodified value for money conclusion on 31<sup>st</sup> March 2021

Significant Risk	Conclusion
<p><b>Securing financial resilience</b></p> <p>In common with other Fire and Rescue Services, the Authority is facing significant financial pressures in the medium term.</p> <p>Whilst the Authority is predicting an underspend for 2019/20, the forecast deficits in the MTFS over the next four years are as follows (based on 0% Authority tax increase assumption):</p> <ul style="list-style-type: none"> <li>• 2020/21 - £500,000</li> <li>• 2021/22 - £1,181,000</li> <li>• 2022/23 - £1,599,000</li> <li>• 2023/24 - £2,141,000</li> </ul> <p>This decreases overall useable reserves to £4.3 million by the end of the 2023/24 period, which is marginally above the level of £3.9 million considered acceptable by the Authority going into 2020/21.</p> <p>Given the uncertainty of the funding settlement post 2020/21 and the financial pressures set out above, we have considered this to be a significant area of focus in forming our value for money conclusion.</p>	<p><u>What arrangements does the risk affect?</u></p> <p><b>Deploy resources in a sustainable manner.</b></p> <p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</p> <p><u>What are our findings?</u></p> <p>We consider the process for setting the Authority's budget is sound. We concluded that the MTFP identifies the key assumptions expected to underpin the 2020/21 budget. Management use scenario planning effectively to provide guidance to the Authority to make decisions on the level of precept to set and clearly demonstrate consideration for the uncertainty of future funding streams.</p> <p>In 2019/20, the Authority reported underspends of £0.6m against budget, meaning that the use of reserves was £0.6m compared to the budgeted £1.2m.</p> <p>We have tested the sensitivity of reserves by taking into account the Authority's history of under and overspends, past savings achieved, planned use of reserves in 2020/21 to 2022/23 and dependency on uncertain funding streams. Assuming all earmarked reserves could be used to support the budget, the Authority would have sufficient reserves to cover the budget gap above its minimum level of reserves set at £3.9 million.</p> <p>We therefore do not propose to qualify the value for money conclusion. However, the Authority needs to be vigilant in taking action to avoid overspends, recognising that the use of reserves to support the budget in previous years is unsustainable and to develop robust plans to achieve ongoing savings to address any budget gaps.</p> <p>We note that Her Majesty's Inspectorate of Constabulary and Fire and Rescue Authorities rated the Authority as requiring improvement across areas covering Effectiveness, Efficiency and People. The inspectorate also noted that the Authority should ensure it has sufficiently robust plans in place which fully consider the medium-term financial challenges beyond 2020 so it can prepare to secure the right level of savings, which we deem to have been implemented.</p>

# Value for Money (cont'd)

We therefore issued an unmodified value for money conclusion on 12<sup>th</sup> February 2021

Significant Risk	Conclusion
<b>Establishment of joint Headquarters and setup of Limited Liability Partnership</b>  In September 2018 and February 2019 , Members approved the development of a business case for a joint Fire and Police Headquarters at Sherwood Lodge, Arnold through a Limited Liability Partnership (LLP) for a joint headquarters site.  The total estimated costs for the redevelopment of Sherwood Lodge is circa £18.5m, of which the Authority is to contribute £4 million to be offset by the sale of the current Fire Headquarters.  In progressing significant projects there are risks around the arrangements for governance and coming to an informed decision.	<u>What arrangements does the risk affect?</u>  <b>Take informed decisions</b> Acting in the public interest, through demonstrating and applying the principles and values of sound governance  <u>What are our findings?</u> Our audit work has focussed on the decision-making arrangements surrounding the decisions to redevelop the site at Sherwood Lodge and progress to the delivery model through a joint ownership model. Our review of the arrangements found that the Authority has given significant consideration to: <ul style="list-style-type: none"><li>• The options available for the redevelopment of the site at Sherwood Lodge;</li><li>• The decision making arrangements and processes undertaken in relation to determination of the best model used to establish the joint headquarters; and</li><li>• Guidance provided in respect of taxation and legal positions relating to the governance delivery options.</li></ul> We have considered the reasons for the decisions undertaken and the sufficiency of arrangements in place which ensured that decisions undertaken were done so from a sufficiently informed position. We are satisfied that management: <ul style="list-style-type: none"><li>• Reviewed the financial consequences of the move</li><li>• Managed the process through the Strategic Collaboration Board supported by the Collaborative Delivery Board and working group comprising Members, Chief Officers and officers of both organisations</li><li>• Reported progress to Members of the Authority.</li></ul> We concluded that there was evidence of reasonable arrangements to inform the decision-making process.

# Value for Money (cont'd)

We therefore issued an unmodified value for money conclusion on 12<sup>th</sup> February 2021

Significant Risk	Conclusion
<b>HMICFRS Inspection Findings - 2019</b>  The HMICFRS inspection, dated June 2019, gave the Authority an overall result of 'requires improvement'. The inspection highlights a number of required improvements.  The Authority has allocated £1.4m of reserves to address the issues highlighted in the inspection.  The negative findings within the inspection and the significant funds allocated to address the issues signifies a significant risk to the value for money arrangements at the authority.	<u>What arrangements does the risk affect?</u>  <b>Deploy resources in a sustainable manner and Taking informed decisions</b> Acting in the public interest, through demonstrating and applying the principles and values of sound governance and  Managing and utilising assets effectively to support the delivery of strategic priorities  <u>What are our findings?</u> Our audit work focussed on the result of the HMICFRS inspection, the recommendations raised to the Authority and the action plan established and undertaken to address the issues identified.  We have reviewed the inspection and the findings of the report. The Authority considered the recommendations and developed comprehensive plans to address the items raised. We are satisfied that appropriate governance arrangements have been in place in order to sufficiently address the findings of the inspection and monitor the progress of the action plan in response to the findings. We have reviewed the financial impact to the Authority, in relation to the actions undertaken to deliver the remedies to the findings and we have not identified any instances where actions were undertaken which did not represent value for money.  The Authority has undertaken significant steps to address the findings of the report in a timely manner, and that all findings have either been addressed or are in the process of final arrangements being undertaken.  We conclude therefore that sound governance has been in place and that the Authority has managed and utilised assets effectively to support the delivery of strategic priorities.



A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at documents on the table. Other people's hands and arms are visible, some pointing at the papers. The scene is brightly lit, suggesting a modern office environment.

Section 5

## Other Reporting Issues

# Other Reporting Issues

## **Whole of Government Accounts**

The Authority is below the specified audit threshold of £500mn. Therefore, we were not required to perform any audit procedures on the consolidation pack

## **Annual Governance Statement**

We are required to consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern

## **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

## **Written Recommendations**

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

# Other Reporting Issues (cont'd)

## **Objections Received**

We did not receive any objections to the 2019/20 financial statements from members of the public.

## **Other Powers and Duties**

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## **Independence**

We communicated our assessment of independence in our Audit Results Report to the Fire Authority on 26<sup>th</sup> February 2021. 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 regulatory and professional requirements.

## **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

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

Section 6

## Focused on your future





# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2021/22 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20.</p>	<p>Until the revised 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p> <p>Nottinghamshire Fire and Rescue will need to ensure that all lease arrangements entered into are identified and quantified (including for the comparative period) prior to the new implementation date.</p> <p>Consider whether appropriate systems and processes are in place to embed the requirements of the new accounting standard going forward.</p>
Standard	Issue	Impact
Code of Audit Practice 2020	<p>The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21.</p>	<p>The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed.</p> <p>Further updates will be provided when possible.</p>

The background image shows a person's hand in a red sleeve placing a document into a grey filing cabinet drawer. Inside the drawer, several manila-colored folders are standing upright, each containing a stack of papers. Some of the papers have visible forms and tables. The folders are held in place by white oval-shaped dividers. A large, bright yellow rectangular overlay is positioned on the left side of the image, partially covering the filing cabinet and the hand.

Section 8

# Audit Fees



# Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees in relation to the year ended 31 March 2020. We confirm that we have not undertaken non-audit work outside the NAO Code requirements

Description	Final Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£	£	£
Total Audit Fee - Code work	23,909	23,909	23,909
Changes in work required to address professional and regulatory requirements and scope associated with risks (see note 1)	47,193	-	-
Additional specific one-off work required for Covid-19 considerations and current year risks (see note 2)	16,714	-	18,151*
Total Audit Fee	87,816	23,909	42,060
Non-audit work	Nil	Nil	Nil
Total Fees	87,816	23,909	42,060

\*Approved by Public Sector Audit Appointments Limited (PSAA)

## Note 1:

As reported in our Audit Plan (dated March 2020), we consider that a more appropriate scale fee to reflect the inputs required to complete an external audit of the Authority would be in the region of £70,000. To arrive at this figure, the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of the Fire Authority - £19,708
- Additional work to address increase in Regulatory standards - £22,248
- Client readiness and IT support for Data Analytics - £5,237

This additional fee has been discussed with Management, but has not been agreed pending a national decision on rebasing of scale fees, led by Public Sector Audit Appointments Limited (PSAA). It will ultimately be subject to review and approval by the PSAA.

# Audit Fees (cont'd)

## Note 2

The 19/20 audit has been impacted by a range of factors which correspond to our risk assessment, and the additional procedures required as a result of C-19 as follows:

	£
Going concern (additional work to review going concern assessments and assumptions, including liquidity forecasts underpinning it; internal consultation and review)	4,937
PPE Valuations - Use of specialists	5,563
Value for money - consideration of 3 significant risks	2,968
C-19 additional work (including reassessing materiality levels, revisiting risk assessments (including VFM)	3,246
Total	16,714

This additional fee has been discussed with Management and is subject to review and approval by the PSAA Ltd.

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