



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

EXTERNAL AUDITORS' REPORT TO THOSE CHARGED WITH GOVERNANCE 2020/21

Joint Report of the Chief Fire Officer and the Treasurer
to the Fire Authority

Date: 27 May 2022

Purpose of Report:

To present the External Auditors' draft ISA 260 Report to Members, and to seek approval of the management representation letter to the External Auditors.

Recommendations:

- That Members note the contents of the draft External Auditors' ISA 260 report, attached at Appendix A.

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1. BACKGROUND

- 1.1 The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements to those charged with governance. This communication is in the form of a written report, which is attached as Appendix A.
- 1.2 This covering report sets out the key points within the ISA 260 report. The principal purposes of the Auditors' report are:
- To present key issues identified during the audit of the financial statements for the year ended 31 March 2021 and any material misstatements in the accounts;
 - To report on any key issues for governance;
 - To report on the Auditors' Value for Money conclusion;
 - To give an "audit opinion" on the financial statements;
 - To report on the implementation of any recommendations in the previous year's ISA 260 report;
 - To seek approval to the management representation letter, which confirms the Authority's responsibilities and actions in relation to the financial statements.
- 1.3 The Ernst Young manager of the Authority's audit will be attending the meeting to present the report and answer any questions arising and will also provide Members with an update on the audit work completed since this report was written.

2. REPORT

- 2.1 The annual audit is in the completion stage and the ISA 260 report sets out the key issues to be considered by Members prior to the audit opinion being issued.
- 2.2 The ISA 260 report confirms that the Auditors expect to issue an opinion stating that the "financial statements give a true and fair view of the financial position of NFRS and have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21".
- 2.3 The Value for Money conclusion will be issued at a later date.

- 2.4 The audit has identified a small number of amendments to be made to the accounts. These mostly related to the notes to the accounts and are detailed on Page 24 of the ISA260 report.

3. FINANCIAL IMPLICATIONS

The proposed Annual Audit Fee in the contract for 2019/20 was £23,909. The PSAA (Public Sector Audit Appointments) approved an increase to this fee of £21,763, giving a total of 45,672. The fee for 2020/21 was set by PSAA at £23,909 but the auditors are requesting a substantial increase in the fee which could exceed £80k (see Page 37). The increase mostly relates to the increase in work required by amendments to the audit regulatory framework, which came into force for the 2018/19 audit. The final figure will be subject to negotiation and will be determined by PSAA.

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 carried out because this is a report about the External Audit of the financial statements and not a new policy.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The work of the External Auditors in their audit of the Authority's financial statements provides an independent view of the adequacy of internal controls, the accuracy of the final accounts and an assessment of the Authority's arrangements for achieving value for money. This provides Members with some assurance about the quality of financial management and financial reporting within the Authority.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

That Members note the contents of the draft External Auditors' ISA 260 report, attached as Appendix A.

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

None.

Craig Parkin
CHIEF FIRE OFFICER

Becky Smeathers CPFA
TREASURER TO THE FIRE AUTHORITY

**Nottinghamshire & City of
Nottingham Fire Authority**

Audit results report

Year ended 31 March 2021

27 May 2022



Building a better
working world



Private and Confidential

27 May 2022

Nottinghamshire and City of Nottingham Fire Authority
Headquarters
Bestwood Lodge Drive
Arnold
Nottingham
NG5 8PD

Dear Members of the Nottinghamshire and City of Nottingham Fire Authority

2020/21 Audit results report

We are pleased to attach our preliminary audit results report, summarising the status of our audit for the forthcoming meeting of Fire Authority. We will update the Fire Authority at its meeting scheduled for 27 May 2022 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views Nottinghamshire & City of Nottingham Fire Authority accounting policies and judgements and material internal control findings.

We would support a recommendation where the Fire Authority delegates approval to the Treasurer to finalise the 2020/21 financial statements in consultation with the Chair of Fire Authority provided no other matters that arise from the date of the Fire Authority meeting are material in nature.

Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the members of the Authority and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Fire Authority meeting on 27 May 2022.

Yours faithfully

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Fire Authority and management of the Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Fire Authority and management of management of the Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Fire Authority and management of the management of the Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 6 January 2022 Finance and Resources Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan with no exceptions.

Materiality:

In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.34m, with performance materiality, at 50% of overall materiality, of £0.67m, and a threshold for reporting misstatements of £67k. We remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

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:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Executive Summary

Status of the audit

We have substantially completed our audit of the Nottinghamshire & City of Nottingham Fire Authority financial statements for the year ended 31 March 2021, and have performed the procedures outlined in our Audit Planning Report. Details of each outstanding item, actions required to resolve, and responsibility is included in Appendix B.

We will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 3.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the 'Authority have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Executive Summary

Status of the audit – Value for Money

Our work on the value for money is still in progress, refer to outstanding matters disclosed in Appendix B.

At the date of this report and based on the planned procedures that has already been performed, no significant weakness in arrangements were identified for the Authority. We will report the outcome of our work on the Authority's arrangements in our VFM commentary on those arrangements within the Auditor's Annual Report. We have communicated to you formally that the NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts. We will then also be able to certify completion of the audit at that time.

Audit differences

To date, we have only identified:

- disclosure misstatements in the draft financial statements and;
- the misstatement from prior year audit with a turnaround effect in current year. These are detailed in section 4.

At the finalisation of our audit procedures, should there be any unadjusted audit differences, we will ask that they be corrected or a rationale as to why they are not corrected be approved by the Fire Authority meeting and included in the Letter of Representation.

Other reporting issues

We are yet to review the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, we do expect, based on prior year guidance, that to the audit of Nottinghamshire & City of Nottingham Fire Authority would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.

We have no other matters to report.

Control observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements, and which is unknown to you. However, we have set out followed up observations raised in the prior year and current year in section 7 of this report.

Independence

Please refer to Section 9 for our update on Independence.

Executive Summary

Areas of audit focus

This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in section 2 of this report.

Area of Audit Focus	Findings & Conclusions
Fraud risk: Misstatements due to fraud or error	Subject to our final quality assurance procedures, we have completed our work in this area and have no matters to report
Fraud risk: Risk of fraud in expenditure recognition - Inappropriate capitalisation of expenditure	Subject to our final quality assurance procedures, we have completed our work in this area and have no matters to report
Higher inherent risk: Valuation of Fire Fighter Pension Scheme Liability	Subject to our final quality assurance procedures, we have completed our work in this area and have no matters to report
Higher inherent risk: Pension Liability valuation - Local government pension scheme (LGPS)	Subject to our final quality assurance procedures, we have completed our work in this area and have no matters to report
Higher inherent risk: Valuation of Property, Plant and Equipment	We are finalizing our procedures to ensure that we are satisfied that there are no misstatements due to fraud or error.
Other matters: Going Concern Disclosures	We are finalizing our procedures on management's going concern assessment. This needs to consider assumptions associated with cashflow and budget for the Authority for the period of 12 months from the date the accounts are authorized for issue (through to 30 June 2023).

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Fire Authority.



02

Areas of Audit Focus



Areas of Audit Focus – Significant risks

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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 did not identify any specific fraud risks in our planning. We continued to update our risk assessment throughout our audit. We have no additional specific fraud risks to report.

What judgements are we focused on?

The risk manifests specifically in whether year-end adjustment journals are appropriate and supported, the application of estimates and judgements, and whether significant or unusual transactions are identified and accounted for appropriately.

We focus on judgements made which effect the recording of transactions within the general ledger, particularly around journal entries.

The most significant estimates in the financial statements relate to the valuation of defined benefit pension schemes (Fire fighter and LGPS) and the valuation of certain types of Property, Plant and Equipment (being land and buildings). These estimates have been identified as separate risks within section 2 of this report.

What did we do?

We:

- Identified fraud risks during the planning stages;
- Inquired of management about risks of fraud and the controls put in place to address those risks;
- Gained an understanding of the oversight given by those charged with governance of management process over fraud;
- Considered effectiveness of management's controls designed to address the risk of fraud
- Reviewed and discussed with management any changes to the methodologies of existing and new accounting estimates to identify any evidence of bias;
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- Considered and evaluated the existence, nature and business rationale for significant unusual transactions; and

What are our conclusions?

Subject to final quality review processes:

- 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.
- Our testing of journals found the items in our risk based sample to be appropriately supported and correctly entered into the general ledger.
- Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates.
- We did not identify any transactions during our audit which appeared unusual or outside the normal course of business.



Areas of Audit Focus – Significant risks

Risk of fraud in expenditure recognition - Inappropriate capitalisation of expenditure

What is the risk?

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 Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We consider that this risk is more prevalent over the medium term and is likely to occur through the capitalisation of expenditure that should be accounted for in the CIES given the extent of the Authority's capital programme. We consider this to impact on the valuation of PPE balances.

What judgements are we focused on?

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Authority has a number of capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.

What did we do?

We have:

- ▶ Reviewed and discussed with management any accounting estimates on capital expenditure recognition for evidence of bias;
- ▶ Used our data analytics tool to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statement, specifically those that moved expenditure to PPE balance sheet general ledger codes; and
- ▶ Performed sample testing on additions to PPE to ensure that they had been correctly classified as capital and included at the correct value to identify any expenditure items that had been inappropriately capitalised.

What are our conclusions?

Subject to final quality review processes, our testing has not identified any material misstatements from revenue and expenditure recognition.



Areas of Audit Focus - Higher inherent risks and other areas of audit focus

Valuation of the Pension Liabilities

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require extensive disclosures within the financial statements regarding membership of the Local Government Pension Scheme administered by Nottinghamshire County Council.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuaries to the County Council and also the Fire Fighter Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. 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.

What judgements are we focused on?

We have focused on the following areas, which are consistent with those of management:

- ▶ The reasonableness of the underlying assumptions used by the Authority's expert, Barnett Waddingham and Mercer Limited
- ▶ Ensuring the information supplied to the actuary in relation to the Authority

was complete and accurate.

- ▶ Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from the actuary.
- ▶ The valuation of the scheme assets.

What did we do?

Subject to our final review processes, we have performed the following procedures:

Local Government and Fire Fighter Pension Scheme

Updated our documentation of management's processes and controls over pension expenditure and deduction of employer and employee contributions;

- ▶ Liaised with the auditors of Nottinghamshire Pension Fund, to obtain assurances over the information supplied to the actuary;
- ▶ Reviewed the work of the Local Government actuary (Barrett Waddingham) and the Fire Fighter actuary (Mercers) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considered relevant reviews by the EY actuarial team to ensure they are in our expected range; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the financial statements to ensure consistency with the IAS 19 entries in both actuarial reports.
- ▶ ISA 540- Estimates: During the audit period we were notified of an issue across all Local Government audits within the sector. This is in relation to the impact of the new auditing standard on accounting estimates (ISA540) on planned procedures. We planned to take an audit approach to this estimate based on

procedures to evaluate Management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PwC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor estimate, in order to gain sufficient appropriate assurance. Our EY Pensions team were able to create a point estimate range based on their experience and understanding of defined benefit pension schemes. They collected key data for the admitted body, such as contributions, age profiles, membership data, from which they have created what they would expect an IAS19 liability to be. The outcome from this analysis was a difference between the actuary and EY Pensions Consulting of less than 0.5% and 1% for Fire Fighter pension and LGPS respectively, which was within our acceptable range. This provided us with corroborative assurance that the input control for the actuarial model was working appropriately.



Areas of Audit Focus - Higher inherent risks and other areas of audit focus

Valuation of the Pension Liabilities

What did we do?

Fire Fighter Pension Scheme (only)

- ▶ Tested a sample of lump sums and pension payments for new Fire Fighter pensioners; and
- ▶ Completed a predictive analytical review for both the pensions payroll and employees and employers pension contributions.
- ▶ Assessed management's arrangements to reconcile the active and pensioner membership numbers.

Our Conclusions

From the various procedures performed, we found no evidence of material misstatement of either the Local Government Pension Scheme or the Fire Fighter Pension Scheme.

Conclusion

From the various procedures performed, we found no evidence of material misstatement of either the Local Government Pension Scheme or the Fire Fighter Pension Scheme.



Areas of Audit Focus - Higher inherent risks and other areas of audit focus

Valuation of Land and Buildings

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the entity's accounts and are 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.

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.

What judgements are we focused on?

We have focused on the following judgements:

- ▶ The appropriateness of the valuation method applied and of key inputs into the valuation calculations performed in the year.
- ▶ The consideration of whether assets not formally revalued at the balance sheet date remain free from material misstatement.
- ▶ The useful economic lives assigned to individual land and building assets.

What did we do?

We have:

- ▶ Considered the work performed by the external valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

At the time of writing this report ,our work is currently under progress as disclosed in Appendix B and we are currently awaiting the valuer response on their working of valuation amounts and support of the underlying market data used by valuer. We have already raised the point with management that valuer has not been providing EY with required information that would assist us in finalisation of the work around this area.

We will update the Fire Authority on the outcome of this work and any matters arising.



Other areas of Audit Focus

What is the risk/area of focus?

Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Finance and Resource Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

What we did

To meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Authority's going concern assessment and its disclosure in the accounts, we have:

- ▶ Challenged management's identification of events or conditions impacting going concern;
- ▶ Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias);
- ▶ Reviewed the Authority's cashflow forecast covering the going concern period, to ensure that it has sufficient liquidity to continue to operate as a going concern;
- ▶ Undertaken a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory;
- ▶ Challenged the disclosure made in the accounts in respect of going concern.

At the time of writing this report we are in the process of concluding our work in this area, ensuring we have obtained management's assessment, disclosures and cashflow forecasts for the 12 month period to the end of June 2023. To date, our risk assessment work has not identified a significant risk of material uncertainties in the continuity of service provision.



03 Audit Report



Audit Report

Draft Audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE & CITY OF NOTTINGHAM FIRE AUTHORITY

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of the Nottinghamshire & City of Nottingham Fire Authority for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- Statement of Accounting Policies
- Accounting Standards Issued but Not Yet Adopted
- the related notes 1 to 42.
- and the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related note 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements: give a true and fair view of the financial position of the Nottinghamshire & City of Nottingham Fire Authority as at 31 March 2021 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Nottinghamshire & City of Nottingham Fire Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period up to the 30 June 2023.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the of the Nottinghamshire & City of Nottingham Fire Authority's ability to continue as a going concern.



Audit Report

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. The Treasurer (S151 Officer) is responsible for the other information contained within the Statement of Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.



Audit Report

Draft audit report

Our opinion on the financial statements

Responsibility of the Treasurer

As explained more fully in the Statement of the Statement of the Treasurer's Responsibilities set out on pages 16, the Treasurer is responsible for the preparation of the Statement of Accounts, which the financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the body either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Nottinghamshire & City of Nottingham Fire Authority and determined that the most significant are:
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
 - The Local Audit and Accountability Act 2014, and
 - The Accounts and Audit Regulations 2015
 - Fire Services Act 1947
 - Local Government Act 1972,
 - Local Government Act 2003,



Audit Report

Draft audit report

Our opinion on the financial statements

In addition, the Nottinghamshire & City of Nottingham Fire Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

- We understood how the Nottinghamshire & City of Nottingham Fire Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and the monitoring officer, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this throughout reading of the Authority's' board minutes, through enquiry of employees to confirm policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Nottinghamshire & City of Nottingham Fire Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Nottinghamshire & City of Nottingham Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Nottinghamshire & City of Nottingham Fire Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Nottinghamshire & City of Nottingham Fire Authority's for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Audit Report

Draft audit report

Our opinion on the financial statements

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of Nottinghamshire & City of Nottingham Fire Authority 's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed our procedures on the Nottinghamshire & City of Nottingham Fire Authority's value for money arrangements for the year ended 31 March 2021. We are satisfied that this work does not have a material effect on the financial statements. We will report the outcome of our work on the Nottinghamshire & City of Nottingham Fire Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of unadjusted differences

We highlight the misstatements to the financial statements which were not corrected by management on the next page. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Fire Authority and provided within the Letter of Representation.

These misstatements were identified in our testing are of :

- Disclosure misstatements identified in our testing;
- Prior year uncorrected misstatements that have the turnaround effect in current year.

There are no other amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2021.

We are still in the process of concluding our audit procedures on the 2020/2021 engagement. If further material audit adjustments are identified we will ensure that these are brought to the attention of the Fire Authority.



Audit Differences

Uncorrected misstatements 31 March 2021		Effect on the current period:		Net assets (Decrease)/Increase		
		OCI Debit/ (Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)
Errors						
Turnaround effect. See Note 1 below.			1,046,416			
Cumulative effect of uncorrected misstatements, after turnaround effect			1,046,416			

Note 1: turnaround effect is the impact of uncorrected misstatements identified in prior period, on results of the current period. In our sample testing of other expenditure last year, 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.

Uncorrected disclosure misstatements

The below disclosure misstatements are uncorrected :

- We have identified the difference in the disaggregation of the total operating lease amount in Operating leases disclosure in Note 37. Within 1 year should be £65k not £43k (variance 22k). Within 2 to 5 years should be £131k not £59k (variance £73k). Over 5 years should be £0 not £121k (variance £121k).
- In Note 41 there is a missing paragraph detailing the lifetime expected credit losses.
- In Note 15, the accumulated depreciations section, the values for Derecognition - Other and Derecognition - Disposals are the wrong way around i.e. values should be showing the other line.
- In note 33 Audit Fees the prior year amount was £24k in the 2019/20 audited accounts. However, in the 2020/21 draft accounts the amount for 2019/20 has increased to £42k. Have notified NFRA that a disclosure is required for this re-stated balance.
- No conclusion has been added to the annual governance statement, however this is required by CIPFA.

We have communicated the aforementioned disclosure misstatements to the management. Management intends to update the same in the next version of the draft financial statements until corrected these will be included in the uncorrected misstatements.



05

Value for Money



Value for money

The Authority's responsibilities for value for money (VFM)

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

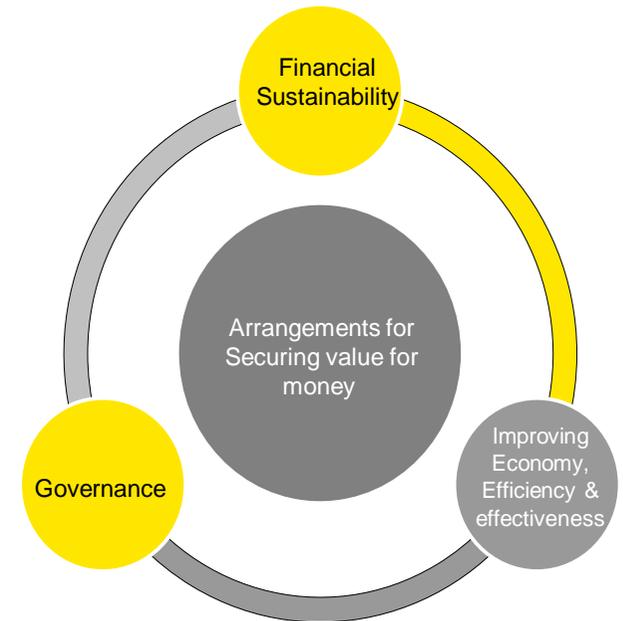
As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Status

Our work on the value for money is still in progress , refer to a outstanding matters disclosed in Appendix B.

In our Audit Planning Report, we set out that our value for money (VFM) risk assessment had not yet been completed and value for money (VFM) risk assessment and that we would inform the Fire Authority if we identify any risks of significant weaknesses in the Authority's arrangements. Through our attendance at subsequent Fire Authority meetings we have confirmed that we had no identified any risks but that our work was still in progress. We confirm that we have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment throughout the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. We are finalising our documentation and review process but anticipate having no matters to report by exception in the auditor's report (see Section 3).

We will report the outcome of our work on the Authority's arrangements in our VFM commentary on those arrangements within the Auditor's Annual Report. The NAO has allowed for the Auditor's Annual Report to be provided up to three months after signing the accounts. We will then also able to certify completion of the audit at that time.





06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements.

We are yet to review the Annual Governance Statement.

Whole of Government Accounts

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 extent of our review, and the nature of our report, is specified by the NAO.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors.

We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Fire Authority meeting.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to your significant deficiencies in internal control.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. However, we wish to report the following areas where improvements could be made to the operation or design of controls.

Prior year recommendations

Description	Update
<p>Quality Control Review of the Financial Statements</p> <p>The Authority would benefit from more rigorous quality control of the financial statements and supporting working papers before publication of the accounts. The finance team is relatively small, each with defined functions which limits sharing of knowledge, responsibilities and oversight. This is exacerbated in a remote environment. The impact for the Authority is that if a member of the team is absent, the extent to which others can progress that individual's area of responsibility is limited. The impact for the audit is that audit queries can only be responded to by certain individuals meaning if they are absent, then work is slow to progress.</p>	<p>We can confirm that the quality control review of the financial statements has been improved from prior year but still there is a need for improvement as number of disclosure misstatements has been identified that has been disclosed in the section 4 of this report.</p> <p>Furthermore, other quality comments on the financial statements have already been shared with management ,in which we have identified quality issues consistent from last year.</p>
<p><u>Review of all disclosure notes to ensure accuracy and completeness and consistency across the financial statements;</u></p> <p>During the audit there were a number of disclosure misstatements identified. Management would benefit from implementing stringent disclosure and specific checks to both the code and the rest of the financial statements. This will also result in better quality working papers and will facilitate a more efficient audit process.</p>	<p>Although the management has improved the process considerably , we have still identified the disclosure misstatements in the financial statements which is set out in section 4 of this report.</p>

Assessment of Control Environment

Financial controls

Prior year recommendations

Description	Update
<p>Enhancement of impairment procedures across property, plant and equipment Management's processes around the identification of impairments is light. Management will benefit from enhancing this process to early identify assets that need to be written out of the accounts timeously.</p>	No such issues has been noted in the current year audit.
<p>Lender Option, Borrow Option (LOBO) As part of our audit we determine whether the Authority has considered the repayment terms within LOBOs. The LOBO is material to the Authority's financial statements at £8.6 million, as valued using PWLB premature repayment rates. However, the Authority did not have copies of the key agreement to evidence break clauses and potential interest rate rises and the authority had to contact the investment house to provide this. The Authority should ensure that all entries within the financial statements are supported by the key agreements and formal documents.</p>	No such issues has been noted in the current year audit.
<p>Reconciliation between Payroll and Agresso Discrepancies were identified between these systems. Monthly reconciliations will enhance managements internal controls and ensure that financial records are consistent, supportable and accurate.</p>	No such issues has been noted in the current year audit.

Current year recommendations

Description	Management's response
<p>We have noted that the Bank Reconciliation provided to us was not dated and signed by the individuals who prepared /authorise .</p> <p>Recommendation: We recommend that management should incorporate the name of the prepared and reviewer.</p>	



08 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2020/21, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

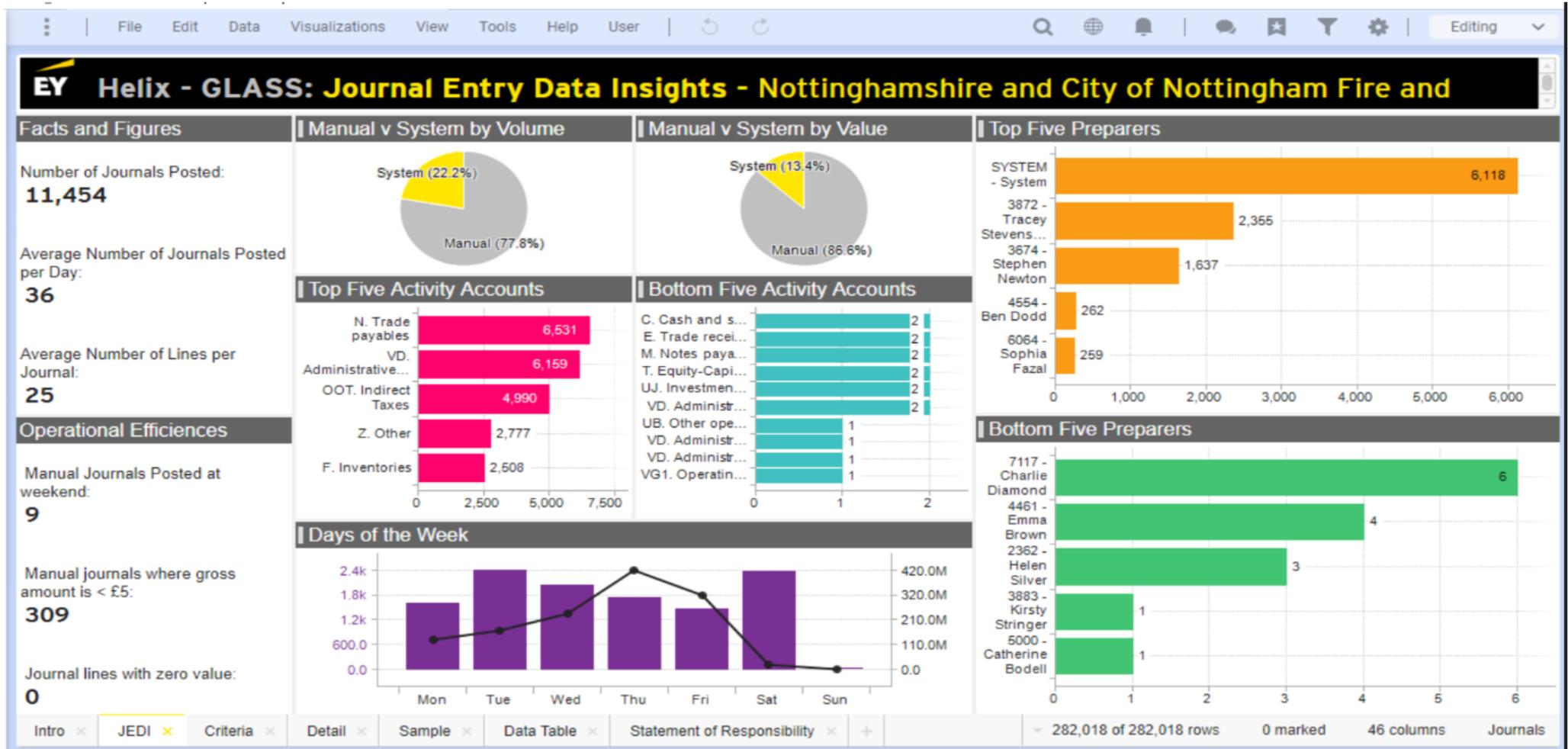


Data Analytics

Journal Entry Testing

The graphic outlined below summarises the journal population for 2020/21. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





Data Analytics

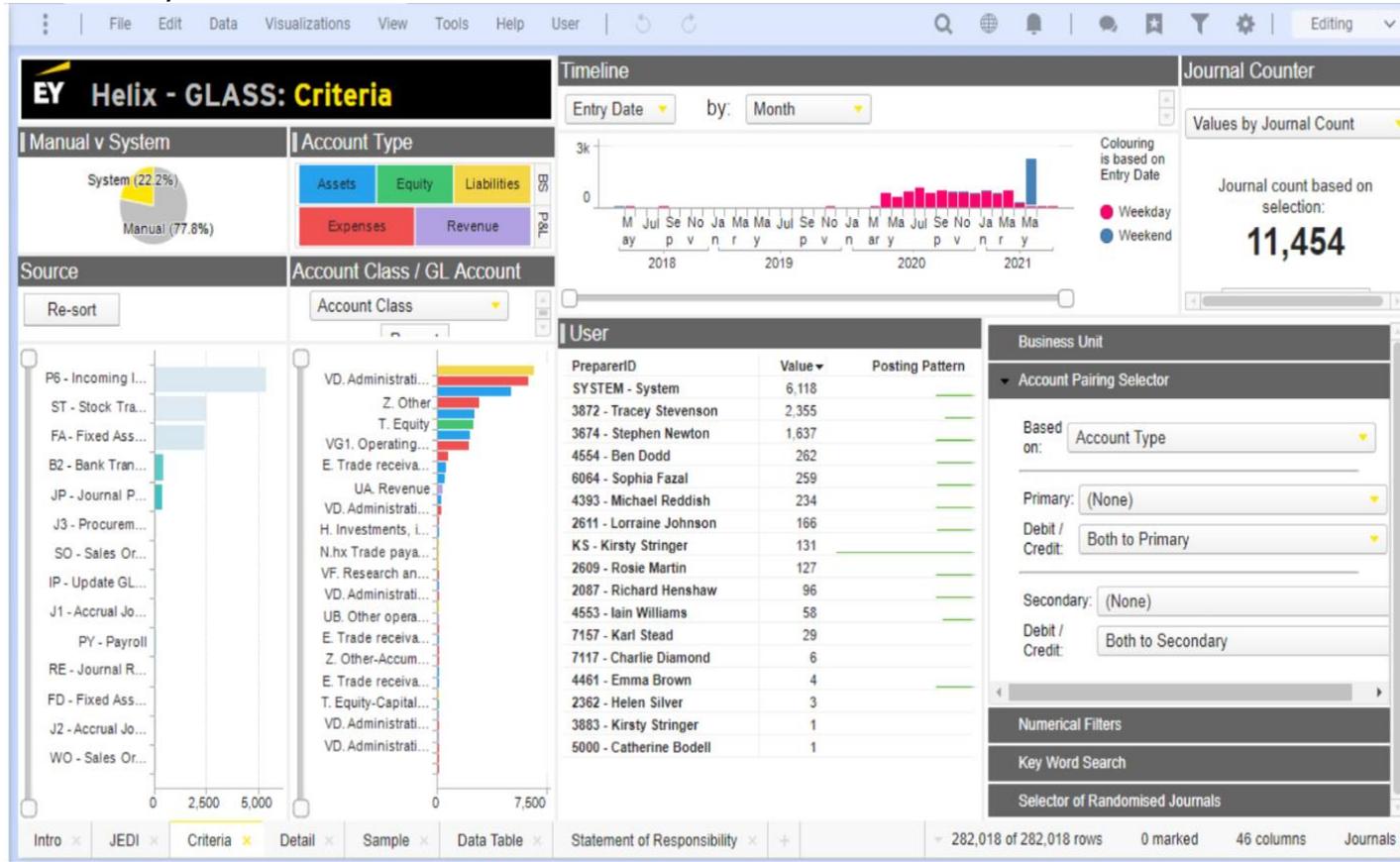
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

Journal entry data criteria – 31 March 2021



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 1 July 2021.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent, and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this with you.

Services provided by Ernst & Young

This page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work.

Audit fees

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2021.

We confirm that we have not undertaken any non-audit work.

Description	Final Fee 2019/20 £	Fee 2020/21 £
Audit Fee - Code work	23,909	23,909
Audit Fee - Code work - Scale fee variation	21,763 (note 1)	TBC (note 2&3)
Total Audit Fee	45,672	TBC
Total non-audit services	Nil	Nil

Note 1 - In our Audit Planning Report, we communicated to Authority, that the scale fee was impacted by a range of factors which resulted in additional work in 2019-20. We communicated our proposed fee variation to PSAA, who determined a fee variation of £21,763.

All fees exclude VAT.

Note 2 - As mentioned in the Audit Planning Report, we do not believe the existing scale fees provide a clear link with both a public sector organization's risk and complexity. For an organisation such as the Fire Authority the extent of audit

procedures now required mean it will take substantially more hours to complete a quality audit. Based on our own modelling of the inputs required to complete an external audit of the Authority concludes that a more appropriate scale fee for the delivery of an external audit to the Authority would be in the region of £70,000. The scale fee is set by PSAA Limited.

Note 3 - The 2020/21 work will also include a scale fee variation for the additional work required in the following areas:

- New requirements of the NAO Code of Audit Practice on Value for Money arrangements, which PSAA have set out minimum fee range of between £6,000-£11,000
- Additional audit work to respond to ISA540 which PSAA have set out a minimum fee range of £2,500.
- Additional audit work required to address significant audit risks and audit differences, agreed amendments set out in this report.
- Additional audit work required to address the significant audit risk around the pension liabilities estimates.
- Additional audit work required to address enhanced requirements from professional and regulatory standards and expectations.

We will set out to management our proposed fee variation at the conclusion of the audit and submit this to PSAA for approval.

Other communications

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is available here: [EY UK 2021 Transparency Report | EY UK](#)

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, orange, blue, white) and sizes, each containing stacks of papers. The background shows the perforated metal of the cabinet shelves.

10 Appendices

Appendix A

Required communications with the Fire Authority meeting

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Fire Authority of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report dated 6 January 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report dated 6 January 2022
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report May 2022

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit results report May 2022
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report May 2022
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Fire Authority meeting where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report May 2022
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Fire Authority meeting to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Fire Authority responsibility. 	Audit results report May 2022

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report May 2022
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report dated 6 January 2022 and Audit results report May 2022
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Fire Authority meeting into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Fire Authority meeting may be aware of 	We have not identified any material instances or non-compliance with laws and regulations.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report May 2022
Written representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report May 2022
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report May 2022
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report May 2022
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report dated 6 January 2022 and Audit results report May 2022

Appendix B

Outstanding matters

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

Item 	Actions to resolve 	Responsibility 
Closure of audit work and internal review procedures, with the most significant areas being in relation to:	<ul style="list-style-type: none"> • PPE (existence samples) • PPE (valuation queries and supports outstanding with valuers) • Starters and leavers samples • Annual Governance Statement (client to provide with the revised version) 	EY and management
Procedures in respect of Going Concern and VFM	<ul style="list-style-type: none"> • EY to complete remaining audit enquiries and review processes 	EY and management
Final quality review processes	<ul style="list-style-type: none"> • Remaining completion of documentation on the audit file and conclusion of EY Manager and EY Partner-in-Charge quality review processes 	EY
Final Statement of Accounts	<ul style="list-style-type: none"> • Incorporation of EY review comments on disclosure notes • EY Review of the changes made to the Statement of Accounts 	EY and management
Review of final version of Annual Report and accounts	<ul style="list-style-type: none"> • EY to review final set of accounts for consistency and agree adjustments identified during the course of the audit have been appropriately reflected in the revised accounts. 	EY and management
Management representation letter	<ul style="list-style-type: none"> • Receipt of signed management representation letter 	Management and Fire Authority
Subsequent events review	<ul style="list-style-type: none"> • Completion of subsequent events procedures to the date of signing the audit report 	EY and management
Whole of Government Accounts	<ul style="list-style-type: none"> • Completion of procedures required by the National Audit Office regarding the Whole of Government Accounts 	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that the areas identified above remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in section 3.

Management representation letter

Management Rep Letter



[To be prepared on the entity's letterhead]
[Date]

Mr. Neil Harris
Ernst & Young
400 Capability Green
LU1 3LU

Dear Neil

This letter of representations is provided in connection with your audit of the Authority financial statements of Nottinghamshire & City of Nottingham Fire Authority ("the Authority") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Nottinghamshire & City of Nottingham Fire Authority as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the financial statements.

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3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. **We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement].**
6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;

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Management representation letter (continued)

Management Rep Letter



- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Authority, and the Finance and Resources Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the 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.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter (31 March 2021) through the date of this letter we have disclosed to you any unauthorized access

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to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

D. Liabilities and Contingencies

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

E. Subsequent Events

1. There have been no events, including events related to the COVID-19 pandemic and events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus subsequent to year end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. Note X to the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Ownership of Assets

1. Except for assets capitalised under finance lease, the Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the

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Draft Management representation letter (continued)

Management Rep Letter



balance sheets.

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the value of property, plant and equipment and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Estimates

Pension Liability and PPE Valuations Estimate

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the significant judgments made in making these estimates have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
3. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the accounting estimates.
4. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. We confirm that appropriate specialized skills or expertise has been applied in making the accounting estimates.

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6. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete including the effects of the COVID-19 pandemic on the estimates and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

7. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

L. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours sincerely,

Becky Smeathers, Treasurer

Chairman of the Fire Authority

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Appendix D

Implementation of IFRS 16 Leases

In previous reports to the Fire Authority meeting, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for authority until 1 April 2023 at the earliest. However, officers should be acting now to assess authority's leasing positions and secure the required information to ensure the authority will be fully compliant with the Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	Management should: <ul style="list-style-type: none"> ▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	Authority needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> ▶ Whether to adopt a portfolio approach ▶ What low value threshold to set and agree with auditors ▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▶ What is management's policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where authority is lessee; and potentially for sub-leases, where authority is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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