



**Bedfordshire Fire
and Rescue Authority
Audit results report**

Year ended 31 March 2017



EY

Building a better
working world

Private and Confidential

13 September 2017

Dear Audit and Standards Committee Members

We have substantially completed our audit of Bedfordshire Fire and Rescue Authority for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3, before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit and Standards Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Debbie Hanson
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

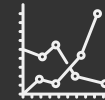
Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences



05 Value for Money

06 Other Reporting Issues

07 Assessment of Control Environment

08 Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017) 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 Audit and Standards Committee, other members of the Authority and management of Bedfordshire Fire and Rescue Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee, other members of the Authority and management of Bedfordshire Fire and Rescue 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 Audit and Standards Committee, other members of the Authority and management of Bedfordshire Fire and Rescue Authority for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

Executive Summary



Executive summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the 16th March 2017 Audit and Standards Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of:

- ▶ £587,220 for the audit of the main authority accounts. We reassessed this using the actual year-end figures, which has decreased this amount to £560,380;
- ▶ £143,500 for the firefighters' pension fund accounts. We reassessed this using the actual year-end figures and increased the amount to £157,740.

The threshold for reporting audit differences has changed as a result from £29,361 to £28,019 for the main authority accounts and increased from £7,175 to £7,887 for the firefighters' pension fund. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure and 2% of pensions payable and commutations.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- ▶ Remuneration disclosures including any severance payments, errors that would affect the banding shown by the note would be considered material or errors above £10,000 for disclosures that do not relate to banding. We would consider as material any error that would affect bandings where these are shown in remuneration notes.
- ▶ Related party transactions, the accounting standard requires us to consider the disclosure from the point of view of materiality to either side of the transaction, we therefore considered this on a case by case basis.
- ▶ Members' allowances, errors of 50% of our threshold for reporting audit differences would be considered material.



Executive Summary (continued)

Status of the audit

We have substantially completed our audit of Bedfordshire Fire and Rescue Authority's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- ▶ Receipt of bank confirmation from Barclays
- ▶ Finalisation of our work on employee costs
- ▶ Testing of the £498k debtor with the Home Office for reimbursement of injury benefit pension costs which were charged to the main authority revenue account in previous years and which should have instead been a charge to the firefighters' pension fund
- ▶ Clearance of queries on testing of firefighter pensions '18-20' refunds, information has been provided and is in the process of being reviewed.
- ▶ Testing of the revaluation of the Authority's land and buildings has been undertaken and is in the process of being reviewed
- ▶ Review of the entries in the unusable reserves related to capital accounting and financing
- ▶ Journals testing
- ▶ Review of earmarked reserves
- ▶ Review of the final version of the financial statements
- ▶ Completion of subsequent events review up to the date of the audit report.
- ▶ Receipt of the signed management representation letter.

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit work completed to date.



Executive Summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Bedfordshire Fire and Rescue Authority's financial statements. 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 the "Key Audit Issues" section of this report.

The one new area of focus since our Audit Plan was issued relates to work on the debtor included in the fire fighters' pension fund accounts for the reimbursement of costs for injury benefit pensions incorrectly charged of £498k for the years 2006/07 to 2012/13. Our work on this balance is still in progress at the time of drafting this report.

We have reviewed our risk assessment of the payment of refunds of contributions for firefighters' who qualify for the '18-20' refunds. This was shown as a significant risk in our Audit Plan however having considered the process followed to make these payments, which is similar to the process adopted in 2015/16 to process payments following the settlement of the GAD v Milne case, we have reclassified this as a higher inherent risk, and have updated our testing strategy accordingly.

We also identified two areas in our Audit Plan where we place reliance on experts; pensions and property valuations. We have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work. We have also considered the work performed by the specialist and performed audit procedures to confirm we can place reliance on these experts. We have not identified any significant issues in relation to their work, although as noted above our work in relation to valuations remains in progress.

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 Audit and Standards Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary (continued)

Other reporting issues

Statement of accounts

We delayed our audit from its original scheduled date in July to August. This was because whilst a draft statement of accounts was placed on the Authority's website in June it was evident that these were not compliant with the requirements of the Cipfa Code of Practice on Local Government Accounting; specifically the movement in reserves was incomplete, as was the fixed asset movement note. We agreed with the Treasurer to defer our audit pending production of a revised statement of accounts, which was received on 29th July. The Treasurer has indicated that the delays arose as a result of problems in accounting for the Authority's capital transactions. The Authority will need to ensure for the 2017/18 statement of accounts that there are robust arrangements in place to ensure that capital accounting entries are captured accurately and completely in the financial statements.

As a result of the above issues, we noted the need to update the notice published on the Authority's website regarding the deposit period of the accounts that had been placed in June. An explanatory statement was added to the website to draw attention to the revised statement of accounts and a revised 30 working day period for the public to exercise their rights. We also noted that the Accounts and Audit Regulations 2015 require a signed declaration from the chief financial officer that the statement of accounts is unaudited and may be subject to change. Whilst the version of the accounts put on the website included 'DRAFT' on the front cover and in the watermark it did not have a signed statement of responsibilities from the Treasurer; although we note that this was included in the hard copy version.

There were a number of changes introduced in 2016/17 as a result of changes to Cipfa's Code of Practice on Local Government Accounting following publication of their 'Telling the story' report on the presentation of local government financial statements. These included the requirement to include an Expenditure and Funding Analysis note. Although this was included in the draft statement of accounts it did not comply with the requirements to show income and expenditure using the same analysis as for internal decision making, nor did it show how this reconciled with the final general fund position. For 2017/18 the Authority needs to ensure that there are arrangements in place to ensure that all new financial reporting requirements are addressed.

In light of the issues noted above, the Authority should review its processes for the production of the accounts for 2017/18 to ensure the issues identified above are addressed and it complies fully with the requirements of the Accounts and Audit Regulations. This is particularly important in light of the compression of the timescale for the production and audit of the accounts in 2017/18, when the accounts will need to be produced by the 31 May and the audit opinion given by 31 July.

Annual Governance Statement and Whole of Government Accounts

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority and made some recommendations on how this could be updated.

The Authority falls below the National Audit Office's threshold for us to carry out detailed procedures on the Whole of Government Accounts submission



Executive Summary (continued)

Executive summary (continued)

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of key processes and the controls which are in place to detect or prevent error. Through this work, 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.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to bring to your attention.



02 Areas of Audit Focus





Areas of Audit Focus

Audit issues and approach: Management override

Management override

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do?

- ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- ▶ We reviewed the following accounting estimates for evidence of management bias: pension valuations, property valuations, provisions and creditor accruals.
- ▶ We evaluated the business rationale for any significant unusual transactions.
- ▶ We tested a sample of accruals and provisions to check whether they had been recorded at an appropriate value;
- ▶ We undertook cut off testing for income and expenditure to ensure that material amounts had not been incorrectly recognised in or omitted from the financial statements.

What are our conclusions?

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 work completed to date did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

Our work on journals is still in progress

Significant Risk



Areas of Audit Focus

Audit issues and approach: Management override



Further details on procedures / work performed

In undertaking our work on management override of controls we have considered the balances included in the Authority's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates are considered to be:

- ▶ The valuation of property, plant and equipment - due to the significance of this balance in the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.
- ▶ Valuation of pension liabilities - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.

Specifically in relation to other estimates:

- ▶ The provisions balance in the financial statements is £212,000 at 31 March 2017, the largest element being the business rates appeal provision at £202,000 which is notified to the Authority by the collection authorities. We had no issues from our audit work on provisions.
- ▶ The creditors balance in the financial statements of £2.3 million included approximately £0.5 million of general accrued amounts that were not payroll related or in respect of the collection fund. We had no issues from our work on this balance.

We evaluated the remainder of the Authority's estimates, including depreciation, as low risk of material misstatement. No issues were noted in our work in these areas.



Areas of Audit Focus

Audit issues and approach: Accounting estimates reliance on experts

Reliance on experts

Reliance on experts highlighted in the Audit Plan

We identified two areas in our Audit Plan where we place reliance on experts.

In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We have also considered the work performed by the specialist in light of our knowledge of the Authority's environment and processes and our assessment of audit risk in the particular area. As part of this work we have performed the following procedures:

- ▶ Analysed source data and made inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assessed the reasonableness of the assumptions and methods used;
- ▶ Considered the appropriateness of the timing of when the specialist carried out the work;
- ▶ Assessed whether the substance of the specialist's findings are properly reflected in the financial statements.

We set out our findings in relation to the two specialists we have relied on below

Pension disclosures

We have assessed and are satisfied with the competency and objectivity of the Authority's actuaries: Hymans Robertson LLP. EY pensions team and PwC (consulting actuary to the NAO) have reviewed the work of the actuary and we have followed up on the areas identified by both reviews as requiring work by the local audit team. We have no issues to report.

Property valuations

We have assessed and are satisfied with the competency and objectivity of the Authority's valuers, who changed this year to NPS Property Consultants.

We have undertaken appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Authority's property base, focusing in particular on specialist assets which are valued on a depreciated replacement costs basis. Our work in this area is largely concluded and, subject to Director review, we have not identified any issues that we need to report to you. We will provide an update on progress and any findings at the Audit and Standards Committee meeting.



Areas of Audit Focus

Audit issues and approach: Financial statements presentation

Expenditure and funding analysis and Comprehensive income and expenditure statement

What are our conclusions?

We found that:

- the disclosures were not originally in line with the CIPFA Code
- We have reviewed updated expenditure and funding analysis and segmental reporting notes and are satisfied that these are now correctly stated.
- the restated comparative figures agreed to the Authority's prior year totals for income and expenditure and supporting working papers.

What is the risk?

Financial statement presentation

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year, changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS). They also include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the organisation operates.

This change in the Code require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements.

What did we do?

We reviewed the draft expenditure and funding analysis, and the restated CIES. We found that the CIES had been re-stated appropriately.

The expenditure and funding analysis had been appropriately included as a note to the financial statements. However it was not in line with the requirements of the Code of Practice:

- ▶ It showed an analysis of income and expenditure on a subjective basis e.g. employee expenses, rather than a segmental basis.
- ▶ It did not reconcile the position between income and expenditure reported internally and the basis shown in the comprehensive income and expenditure account.
- ▶ The analysis of income and expenditure by nature which was disclosed in the initial version of the accounts has been re-worked.
- ▶ A segmental analysis of income was not originally included in the draft statement of accounts but details for the note have subsequently been provided and audited.



Areas of Audit Focus

Audit issues and approach: Firefighters' pension fund '18-20' refunds and claim for reimbursement of injury benefits

Firefighters' pension fund '18-20' refunds and claim for reimbursement of injury benefits

What are our conclusions?

We found that for the '18-20' refunds, one should not have been a refund.

Our audit work in respect of our testing of the refunds and the debtor for the reimbursement of prior year injury benefits is still in progress.

We will update the Audit and Standards Committee on our findings.

What is the risk?

As identified in our Audit Plan there was a requirement for the Authority to refund up to two years' pension fund contributions where officers contributing to the firefighters' pension fund met certain criteria. The value of the refunds is approximately £210,000 in the firefighters' pension fund accounts.

Subsequent to the issue of our Audit Plan we were also informed by the Treasurer that the Authority was claiming £498,000 from the Home Office in respect of injury benefits which had fallen on the general fund rather than being funded via the firefighters' pension fund in previous years. This balance is included as debtor in the Authority's balance sheet

What did we do?

- ▶ We tested a sample of nine '18-20' refunds. We identified that one of the individuals did not in fact meet the criteria and should not have been paid the refund.
- ▶ We have requested further evidence for another two refunds.
- ▶ Our testing of the injury benefits debtor is ongoing.



Areas of Audit Focus

Audit issues and approach: New integrated HR and payroll system

New integrated HR and payroll system

What are our conclusions?

We found that:

- ▶ There was evidence of detailed checking of the payroll calculations on the new system compared with the old system
- ▶ We were able to access the information that we needed for key disclosures and complete our testing as planned

What is the risk?

The Authority implemented a new integrated HR and payroll system.

We recognised in our Audit Plan that this could represent a risk to our audit if access to the original system was time limited.

What did we do?

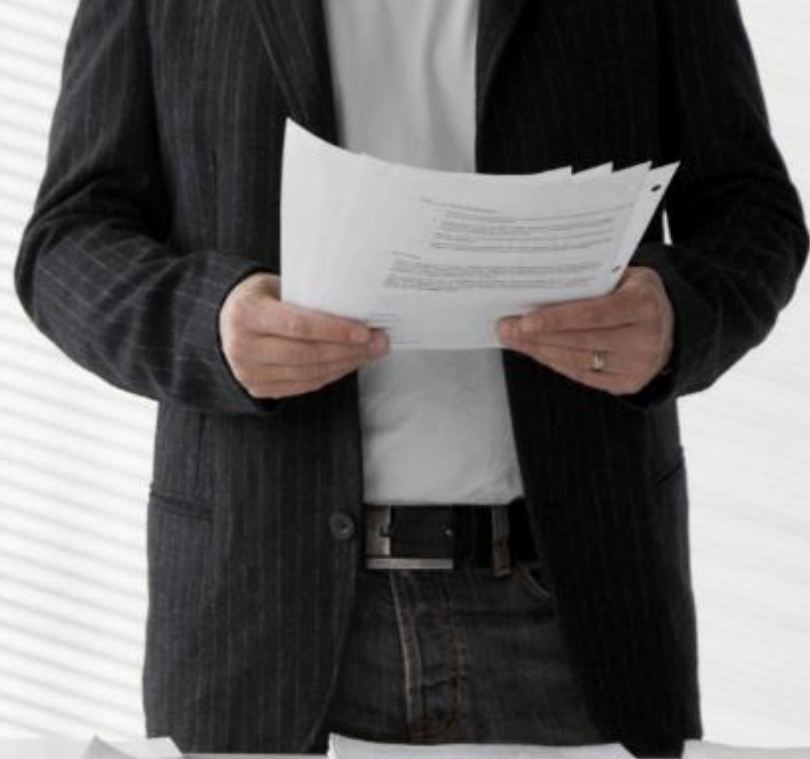
We updated our documentation for the old payroll system and walked through a transaction from that system to confirm our understanding of the system.

We documented the new system and again walked through a transaction as required by International Auditing Standards.

We reviewed the checks being undertaken by management to ensure that the new system is calculating payroll correctly.

We completed our testing on the disclosure notes on officers' remuneration and did not identify any issues

We did not experience any difficulties regarding systems access and were able to complete our testing as planned.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of Bedfordshire Fire and Rescue Authority for the year ended 31 March 2017 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 and the related notes 1 to 31; and
- include the firefighters' pension fund financial statements comprising the: Fund Account; Net Assets Statement and the related notes 1 to 9.

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 2016/17.

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



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities set out on page 12, the Treasurer is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Bedfordshire Fire and Rescue Authority as at 31 March 2017 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 2016/17.



Audit Report

Our opinion on the financial statements

Matters on which we report by exception

We report if:

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

We have nothing to report in these respects

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

Authority's responsibilities

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



Audit Report

Our opinion on the financial statements

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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 Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Bedfordshire Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.



Audit Report

Our opinion on the financial statements

Certificate

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

Debbie Hanson
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
29 September 2017

The maintenance and integrity of the Bedfordshire Fire and Rescue Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences





Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and 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 adjusted differences

There were no uncorrected misstatements, based on our work completed to date.

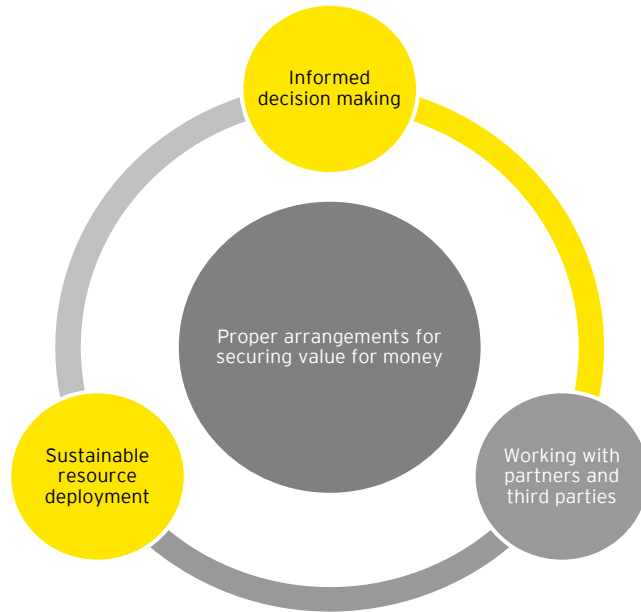
Differences could arise from the completion of the remaining areas of our audit and we will update the Committee if any such issues arise



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

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

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We did not identify any significant risks around these criteria

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as: *“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We did not identify any significant risks in our risk assessment.

Other matters to bring to your attention

We noted the following issues as part of our value for money conclusion assessment

Bedfordshire Fire and Rescue Authority has continued to respond well to the financial challenges that it faces, along with other public sector bodies. The size of that challenge however remains significant.

The Authority continues to challenge ways of working to improve effectiveness and efficiency working collaboratively with other fire authorities and other blue light services.

There is a track record of controlling the budget and this has continued in 2016/17 with an underspend in year of £1.4 million which is being used to set up a collaboration earmarked reserve to make further progress on this area.

The medium term financial strategy to 2020/21 sees only a small balance remaining on the transformational reserve which the Authority holds to help manage the changes required to its base budget over the medium term. The balance at 31 March 2017 on this reserve is £5 million.



06

Other reporting issues



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 Statement of Accounts 2016/17 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 Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. The Authority falls below the National Audit Office's threshold for us to carry out detailed procedures on the submission.

We therefore have no issues to report.



Other reporting issues

Other reporting issues

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.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

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;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations.

As reported in the Executive Summary we identified a number of issues with the initial draft accounts which the Authority will need to address for 2017/18:

- The accounts did not meet the requirements of the Cipfa Code both in terms of primary statements (the movement in reserves was incomplete) and required disclosures (the expenditure and funding analysis, segmental disclosures and fixed asset movement note were either not present or incomplete). We recognise that the Authority faced a number of challenges in the preparation of the financial statements this year, particularly in the key area of resourcing the capital accounting role.
- The requirements of the Accounts and Audit Regulations 2015 were not fully met in terms of the notice of audit and the absence of a signed statement of responsibilities from the Treasurer.



07

Assessment of Control Environment



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 you significant deficiencies in internal control.

Other than the comments made in the preceding section re financial reporting processes 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.







08 Appendices



Appendix A




Required communications with the Audit and Standards Committee

There are certain communications that we must provide to the Audit and Standards Committees of UK clients. We have done this by:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit and Standards Committee 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.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	17 February 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view of the 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 (delete if not an initial audit) 	September 2017 Audit Results Report
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 ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Bedfordshire Fire and Resecue Authority's ability to continue for the 12 months from the date of our report
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 ▶ Significant corrected misstatements, in writing 	September 2017 Audit Results Report







Appendix A

		 Our Reporting to you
Required communications	What is reported?	  When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit and Standards Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit and Standards Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where 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/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit and Standards Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	September 2017 Audit Results Report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	September 2017 Audit Results Report
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the Audit and Standards Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit and Standards Committee. 	We have asked management and those charged with governance. 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. 	September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating 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 on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	17 February 2017 Audit Plan September 2017 Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	17 February 2017 Audit Plan September 2017 Audit Results Report



Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 17 February 2017.

We complied with the APB 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 and your Audit and Standards Committee 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 at the meeting of the Audit and Standards Committee on 28 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

Description	Final Fee 2016/17	Planned Fee 2016/17	Scale Fee 2016/17	Final Fee 2015/16
Total Audit Fee - code work	*TBC	£30,222	£30,222	£30,222

*TBC. We incurred additional time due to the Statement of Accounts 2016/17 not being fully compliant with the requirements of the Cipfa Code of Practice on Local Government Audit in respect of the new requirement to produce an Expenditure and Funding Analysis. In addition we had to undertake work on the injury benefit debtor of £498,000 being reclaimed from the Home Office. There was also some limited time incurred as a result of the deferral of the audit for example agreeing revised notice advertising the availability of the financial statements. We will discuss with the Treasurer the impact on our fees, any increase in fee has to be approved by our regulator Public Sector Audit Appointments Limited. We will communicate to Members the outturn fee once this has been agreed. We recognise that the Authority faced a number of challenges in the preparation of the financial statements this year particularly in the key area of resourcing the capital accounting role.





Appendix C

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit and Standards Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:


Name	Summary of key measures 	Impact on Authority 
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>



Appendix C

Accounting update (continued)

Since the date of our last report to the Audit and Standards Committee, there have been regulatory developments. The following table provides a high level summary of those that have the most significant impact on you:


Name	Summary of key measures	Impact on Authority 
Earlier deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	<p>The Authority experienced resourcing difficulties in covering capital accounting which affected its ability to produce the financial statements by the existing reporting deadline of 30 June this year.</p> <p>The change to the deadlines provide challenges for both the preparers and the auditors of the financial statements.</p> <p>The Authority clearly needs to consider how it ensures that the key requirements of capital accounting are addressed and any changes to financial reporting requirements for the sector generally. Given the pressure on auditors to complete audits within a more compressed timescale the co-operation from authorities in preparing clear working papers and prompt responses to queries will be vital. There will need to be a 'step change' in the quality of working papers with the provision of a full set from day 1 of the audit with suitable supporting evidence.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> ▶ Issued a thought piece on early closedown ▶ As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales ▶ Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 <p>Locally we have:</p> <ul style="list-style-type: none"> ▶ Set up a forum in October for chief accountants to meet with us to share ideas on how procedures can be streamlined. <p>Through working together, and reflecting on this year, there are a number of areas where the closedown and audit processes can be further improved going forward. These changes provide challenges for both the preparers and the auditors of the financial statements.</p>



Appendix C

Regulatory update

Since the date of our last report to the Audit and Standards Committee, there have been regulatory developments. The following table provides a high level summary of those that have the most significant impact on you:

Name	Summary of key measures 	Impact on Authority
<i>Policing and Crime Act 2017</i>	The key measures summarised here are those that are likely to have implications for the audit of the financial statements and the VFM conclusion: <ul style="list-style-type: none">▶ Increase in emergency services collaboration between police bodies, ambulance and fire and rescue services▶ Provision for Police and Crime Commissioner (PCC) to act as the Fire and Rescue Authority	<ul style="list-style-type: none">▶ Powers introduced to allow increased collaboration between emergency services▶ Powers that allow the PCC to act as Fire and Rescue Authority with a variety of governance and accounting structures resulting.



Appendix D

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
400 Capability Green
Luton
LU1 3LU

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Bedfordshire Fire and Rescue Authority ("the Authority") for the year ended 31 March 2017. 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 Authority financial position of Bedfordshire Fire and Rescue Authority as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

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



Appendix D

A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

1. 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 2016/17. We have approved the financial statements.
2. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
3. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
4. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

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

C. Compliance with Laws and Regulations

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



Appendix D

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority and committees (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:
 - Authority 19 July 2017
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 26 to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events



Appendix D

1. Other than as described in Note 31 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

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

I. Property Valuation and Business Rates Appeals Estimates

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 2016/17.
2. We confirm that the significant assumptions used in making the valuation of Property estimate appropriately reflects our intent and ability to utilize these assets on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

J. 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.

K. Expenditure Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17),



Appendix D

in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.

2. We confirm that the financial statements reflect the operating segments reported internally to the Authority.

Yours faithfully,

Treasurer

Chair of the Audit and Standards Committee



Appendix D



EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com