



LONDON FIRE BRIGADE

Decision title

External Audit Annual Audit Letter Report 2018–19

Recommendation by
Assistant Director, Finance

Decision Number
LFC-0245-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

This report presents the External Audit Annual Audit Letter 2018/19 and summarises the findings to the London Fire Commissioner (LFC) from the 2018/19 audit. The audit comprised of two elements: the audit of the financial statements; and the assessment of the LFC's arrangements to achieve value for money in the use of its resources.

Decision

The Commissioner notes the findings in the External Auditor's Annual Audit Letter.

Dany Cotton QFSM
London Fire Commissioner

Date 23.10.19

Access to Information – Contact Officer

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LONDON FIRE BRIGADE

Report title

External Audit Annual Audit Letter Report 2018-19

Report to

Corporate Services DB
Commissioner's Board

Date

17 September 2019
25 September 2019

Report by

Assistant Director Finance

Report number

LFC-0245

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Summary

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Recommended decision(s)

That the Commissioner notes the findings in the External Auditor's Annual Audit Letter.

Background

1. The LFC's external auditor, Ernst & Young, has prepared their Annual Audit Letter for the 2018/19 audit. A copy of the letter is attached at Appendix 1. The letter sets out the auditor's findings on the audit of the LFC's financial statements and an assessment of the LFC's arrangements to achieve value for money in the use of its resources.

Audit Opinion on the Financial Statements

2. An unqualified opinion has been given by Ernst & Young on the financial statements for the year ending 31 March 2019. There were no questions or objections received from local electors regarding the financial statements.

Value for Money conclusion

3. Ernst and Young has carried out its assessment of the LFC's use of its resources and has reported that on the basis of its audit work, having regard to the guidance on the specified criteria published by the former Audit Commission, that it is satisfied that, in all significant respects, the LFC put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Audit Certificate

4. Following the review of the external auditor's Annual Audit Report and signing of the LFC's audited accounts on 29 August, Ernst & Young issued their Audit certificate on 4 September 2019. This certified that they have completed their audit of the LFC's accounts and issued an assurance statement in respect of the LFC's Whole of Government Accounts submission, 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.

Annual Audit Letter

5. The Annual Audit Letter raises no issues or areas of concern with the LFC's accounts, Whole of Government accounts submission, Value for Money assessment and the Annual Governance statement. A copy of the letter is attached (Appendix 1) to this report and following consideration of the letter by Commissioner's Board will then be published on the LFC's website, as required by the Accounts and Audit Regulations 2015.
6. The auditor has made two recommendations, as follows
 - i. that further improvements should be made to the processes for ensuring that Metropolitan Fire Brigade Act income is complete and accurate; and
 - ii. that improvements already made to the evidence supporting accruals should be extended to system generated accruals.

Audit arrangements for future years

7. Ernst & Young will continue as the LFC's external auditors for a five year period covering the audit of the accounts for the years 2018/19 to 2022/23, under arrangements put in place via Public Sector Audit Appointments Ltd (PSAA).

Audit Fees

8. A summary of the audit fees is set out below.

	2017/18 Final Fee	2018/19 Planned Fee	2018/19 Proposed Final Fee	2019/20 Planned Fee
Total Audit Scale Fee	£67,482	£51,961	£51,961	£51,961
Change in audit scope – additional procedures	£6,262	-	£13,274	-
Total Audit Fees	£73,744	£51,961	£65,235	£51,961

Fees 2018/19

9. The audit scale fee for 2018/19, agreed through PSAA, is £52k. EY has proposed an additional fee of £13k resulting in a proposed final fee for 2018/19 of £65k. EY has based the additional fee on a change in audit scope requiring additional procedures in relation to additional work carried in three areas, as follows
 - i. Metropolitan Fire Brigade Act Levy Income testing, at £2k;
 - ii. Non-current assets valuation methodology which has changed since 2017/18, at £3k; and
 - iii. Pensions Liabilities - McCloud/Sargent judgement impact, at £8k.

10. The additional fees are subject to agreement by LFC management and the PSAA. LFC officers have requested further evidence to support the additional fees, and have also been in touch with PSAA to clarify any role the LFC plays in PSAA's consideration of the additional fees.

11. Any additional fees for 2018/19 will be met from existing budgets.

Fees 2019/20

12. The planned fee for the 2019/20 is maintained at the scale level in 2018/19, and this should also apply to the following three years as the fee was set for the five year contract which started on 1 April 2018.

Finance comments

13. This report is by the Assistant Director, Finance and there are no further comments.

Workforce comments

14. There are no workforce implications from the report.

Legal comments

15. The London Fire Commissioner is required to comply with the provisions of the Local Audit and Accountability Act 2014 ("2014 Act") and subsidiary legislation and guidance by virtue of Schedule 2 of the 2014 Act.

16. The 2014 Act requires that the LFC's accounts for a financial year must be audited both:

- a) in accordance with the 2014 Act and provision made under it, and
- b) by an auditor (a "local auditor") appointed in accordance with this Act or provision made under it.

17. Ernst and Young are the appointed auditor and this report and the attached letter confirms their and the London Fire Commissioner's compliance with the 2014 Act in the preceding financial year.

Sustainability implications

18. There are no sustainability implications arising from the report.

Equalities implications

19. The Public Sector Equality Duty applies to the London Fire Brigade when it makes decisions. The duty requires us to have due regard to the need to:

- a. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Equality Act 2010. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
- b. Advance equality of opportunity between people who share a protected characteristic and those who do not.
- c. Foster good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.

20. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation.
21. There are no equality implications directly resulting from this report.

List of Appendices

Appendix	Title	Protective Marking
1.	External Audit Annual Audit Letter 2018-19	No protective marking

London Fire Commissioner

Annual Audit Letter for the year
ended 31 March 2019

September 2019

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
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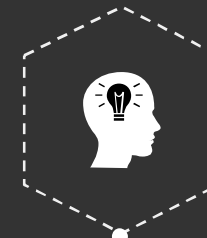
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

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

The 'Terms of Appointment (updated April 2018)' issued by PSAA set out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary



Executive Summary

We are required to issue an annual audit letter to London Fire Commissioner following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the London Fire Commissioner's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the London Fire Commissioner as at 31 March 2019 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the London Fire Commissioner's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

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

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the London Fire Commissioner's Whole of Government Accounts return (WGA).	We liaised with the National Audit Office (NAO) on the extent of procedures that they required in relation to the Whole of Government Accounts submission. We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to the London Fire Commissioner communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 26 July 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 4 September 2019.

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

Janet Dawson
Partner
For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the London Fire Commissioner as those charged with governance. We do not repeat those detailed findings in this letter, however, we provide an update concerning the impact of the McCloud/Sargent rulings. The matters reported here are the most significant for the London Fire Commissioner.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 19 December 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

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- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements including the firefighters' pension fund; and
 - ▶ On the consistency of other information published with the financial statements.
 - ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
 - ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

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

Responsibilities of the London Fire Commissioner

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

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Key Issues

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

We audited the London Fire Commissioner's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 4 September 2019.

Our detailed findings were reported to the Commissioner in our 26 July 2019 Audit Results report.

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

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition – MFB Act Income</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition.</p> <p>The only material revenue income stream which is not grant related, and which we have therefore assessed as at risk of manipulation, is income relating to the Metropolitan Fire Brigade (MFB) Act. MFB Act income recognised in each financial year is a combination of that levied in the previous and current calendar years. Recognition is therefore complex and susceptible to manipulation.</p> <p>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.</p>	<p>We confirmed that the only significant source of invoiced income in 2018/19 is Metropolitan Fire Brigade (MFB) Act income. In line with our expectations based on previous years, other invoiced income such as rental income is immaterial.</p> <p>We tested income received before and after year-end to ensure that it had been appropriately recognised. We also tested the adjustments in relation to income deferred in the prior year and recognised in the current year, and income deferred in the current year, and noted no issues.</p> <p>We made recommendations to the Authority about their processes for ensuring that MFB Act income that is levied is complete and accurate. In particular, there is an opportunity to introduce a greater level of checks in relation to the information received from insurance companies. Officers are working with Internal Audit in this area during 2019/20.</p> <p>We satisfied ourselves that the levied income for 2018/19 was materially accurate and complete based on procedures performed.</p>



Financial Statement Audit (cont'd)

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

Significant Risk	Conclusion
<p>Valuation of property, plant and equipment</p> <p>Auditing standards (ISA 620) require us to gain particular assurances when an expert has been engaged and where this influences material figures in the financial statements. The London Fire Commissioner engages a professional valuer to provide it with asset valuations. The bulk of its estate relates to fire stations. These are specialised assets, and therefore a depreciated replacement cost methodology should be used to determine the existing use value. The methodology employed by the valuer in the past in determining these valuations was a departure from the Red Book and the Code of Practice on Local Authority Accounting (the Code). There is a risk that any departure will be material, and therefore we have assessed the risk of error in property valuations as significant.</p>	<p>We tested the Authority's assessment of the level of any possible under-utilisation. This assessment was in two parts – considering the size of the station as compared to the Standard Station Design Brief.</p> <p>We noted that this assessment initially used the maximum size from the Standard Station Design Brief, and therefore the calculation was updated to reflect the size required for the number of appliance bays at the station.</p> <p>Secondly, the number of appliance bays compared to the number of appliances in use at the station was used to determine any possible underutilisation. The calculated impact was reflected as an adjustment in the draft accounts. This adjustment was not material.</p> <p>Our inquiry of officers and tests identified no material reactive spend in any fire stations that would be indicative of physical obsolescence.</p> <p>We also noted that the level of requests for change in layout and refurbishment schemes was sufficiently low to indicate no material issue regarding functional obsolescence.</p> <p>We tested that the narrative disclosure was appropriate in relation to revisions in the methodology. We note that the methodology provides overall assurance rather than on an asset by asset basis. There is an opportunity to refine this process further for 2019/20.</p>
<p>Pension liability valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Authority's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Authority's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by actuaries. As with other Local Government Bodies, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p>	<p>The Authority correctly reflected the IAS 19 entries provided by their actuaries in the financial statements. We also satisfied ourselves that the actuaries are appropriately qualified.</p> <p>A significant assumption made by the actuary for the Local Government Pension Scheme was that asset valuations would not move materially between December 2018 and March 2019. This assumption was applied to all organisations within the scheme.</p> <p>This year, there was also been a national issue which has resulted in a late change to the Authority's pension net liability. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling". Officers requested that their actuaries update their estimate of net pension scheme liability for both schemes taking into account the McCloud ruling and for the LGPS scheme any difference between actual and estimated return on pension scheme assets.</p> <p>At the time that our audit results report was issued, the actuarial assessment of the impact on the net pension liability for these issues was an increase in the liability of £259m, with an equivalent increase to past service costs. We engaged our actuaries to support our review of assumptions and noted that for the firefighter pension schemes, the assessment of the impact was based on the composition of the national scheme rather than the membership profile of the London Fire Commissioner. When assumptions were refined to be more specific to the scheme, the impact was instead an increase to the net liability in the draft financial statements of £186m with an equivalent increase to past service costs.</p> <p>The financial statements were updated to reflect this.</p>



Financial Statement Audit (cont'd)

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

Other Key Findings	Conclusion
<p>Risk of error in expenditure accruals</p> <p>We identified errors in expenditure accruals (both revenue and capital) for a number of years. We therefore considered this to be an area where there is greater risk of error.</p>	<p>Our testing in this area identified no significant errors that would require reporting to those charged with governance, however, misstatements below our reporting threshold were identified which indicates an opportunity to improve controls in this area:</p> <p>Management took steps during 2018/19 to ensure that manual accruals are appropriately supported by evidence, however, our testing found instances of limited support for system generated accruals. We therefore recommend that Management extend their documentation requirements to system accruals at year-end.</p> <p>Management also introduced a de minimis policy for accruals per supplier, which was a positive step forward. There is scope for the application of this to be expanded to maximise its benefits. This would involve setting a transaction level de minimis. We will work with officers to explore this and test that the level determined is appropriate during 2019/20.</p>
<p>Misstatements due to fraud or error</p> <p>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 prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>This is a risk that we recognise on all engagements.</p>	<p>We performed mandatory procedures including:</p> <ul style="list-style-type: none"> • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Assessing accounting estimates for evidence of management bias, and • Evaluating the business rationale for significant unusual transactions. <p>We found no issues.</p> <p>In addition to our overall response, we considered where these risk may manifest themselves and identified separate fraud risks as discussed above.</p>

Financial Statement Audit (cont'd)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £10m (2017/18: £11m), which is 1.8% of gross expenditure on the provision of services reported in the unaudited accounts.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.</p> <p>We set a materiality of £1.6m (17/18: £3.2m) for the firefighters' pension fund financial statements based on 1.8% of benefits payable, which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.</p>
Reporting threshold	We agreed with the London Fire Commissioner that we would report all audit differences in excess of £0.5m (2017/18: £0.5m).

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits.
- ▶ Related party transactions.
- ▶ We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

We identified the following misstatements greater than £7.5m which were corrected by management as a result of the estimated impact of the McCloud/Sargent ruling:

- £186 million increase to the net pension liability;
- £186 million increase to past service costs (included in cost of services); and
- A transfer from the general fund to the pension reserve of £186 million.

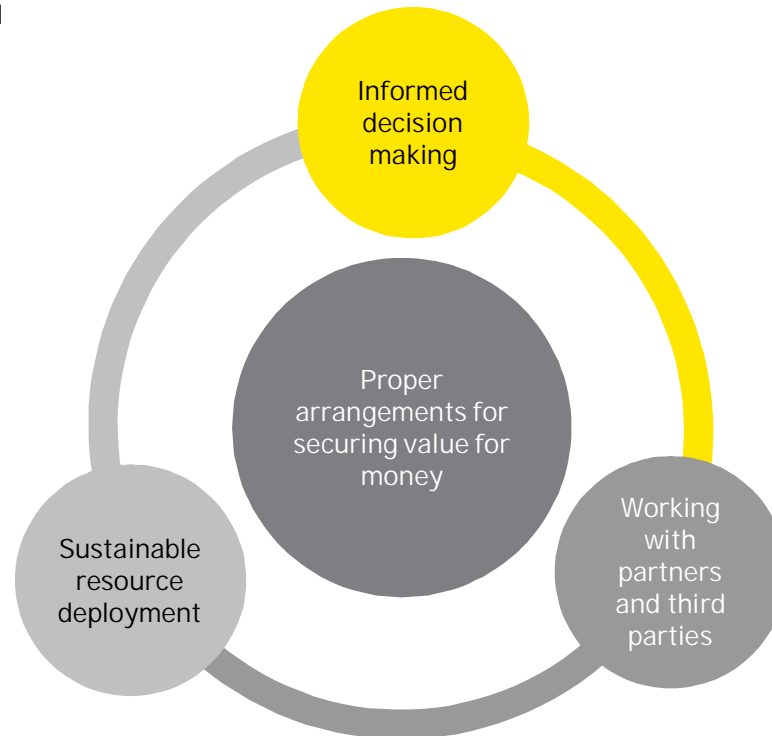


04 Value for Money

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

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

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



We did not identify any significant risks in relation to these criteria.



05 Other Reporting Issues



Other Reporting Issues

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. We have no issues to raise.

Annual Governance Statement

We are required to consider the completeness of disclosures in Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the London Fire Commissioner on 26 July 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

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

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls. We did, however, note progress made in relation to previous recommendations, as well as areas where improvements could be made to the operation or design of controls within the Authority to reduce the risk of error.



06 Focused on your future



Focused on your future

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

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the London Fire Commissioner will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The London Fire Commissioner must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



07

Audit Fees

Audit Fees

Our planned fee for 2018/19 is in line with the scale fee set by the PSAA and reported in our Audit Results Report.

We noted in our Audit Results Report that we anticipated variations to the scale fee arising from changes in scope. These are detailed below:

Description	Final Fee 2018/19 £	Planned Fee 2018/19 £	Scale Fee 2018/19 £	Final Fee 2017/18 £
Total Scale Fee	51,961	51,961	51,961	67,482
Changes in scope	13,274 - Note 1	N/A	N/A	6,262
Total Audit Fee	65,235	51,961	51,961	73,744

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Note 1:

The scale fee variation is subject to agreement with management and approval by PSAA. It relates to the following areas:

Additional work in relation to asset valuations - £3,328

Additional work in relation to pension liabilities - particularly the impact of the McCloud/Sargent ruling - £7,888

Additional work in relation to Metropolitan Fire Brigade Act income - £2,058

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