



LONDON FIRE BRIGADE

Decision title

## Statement of Accounts 2018/19 and Audit Results Report

Recommendation by

Assistant Director for Finance

Decision Number

LFC-0219-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

### Summary

Report LFC-0219 presents the London Fire Commissioner's external auditors, Ernst and Young's (EY), draft Audit Results Report (Appendix A), the London Fire Commissioner Statement of Accounts including the Annual Governance Statement (Appendix B) and a draft Letter of Representation (Appendix C) for formal approval and adoption by the LFC.

At the time of drafting the report, the external auditors have indicated that they expect to be able to issue an unqualified opinion on the Accounts. However, whilst the impact of the McCloud/Sargent judgement, which has been a national issue and affected the calculation of Authority's net pension liability, has been adjusted in the Statement of Accounts, the external auditor's review of these changes is ongoing.

Currently the Accounts and Audit regulations require the Commissioner to approve and publish the accounts by 31 July 2019. The accounts will be published with an accompanying note that the audit is not yet completed.

### Decision

The London Fire Commissioner:

- i. notes Ernst and Young's draft Audit Results Report attached at Appendix A;
- ii. approves the 2018/2019 Statement of Accounts, as amended to date, attached at Appendix B;
- iii. approves the content of the proposed letter of representation (Appendix C), which provides LFC assurances to the auditor;
- iv. approves the Annual Governance Statement for 2018/19 included as part of Appendix B.

**Dany Cotton QFSM**

London Fire Commissioner

Date 31.07.19

#### Access to Information – Contact Officer

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LONDON FIRE BRIGADE

Report title

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## Statement of Accounts 2018/19 and Audit Results Report

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Report to

Commissioner's Board  
London Fire Commissioner

Date

31 July 2019

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Report by

Assistant Director for Finance

Report number

LFC-0219

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### Summary

This report presents the London Fire Commissioner's (LFC) external auditors, Ernst and Young's (EY), draft Audit Results Report (Appendix A), the London Fire Commissioner audited Statement of Accounts including the Annual Governance Statement (Appendix B) and a draft Letter of Representation (Appendix C) for formal approval and adoption by the LFC.

At the time of drafting this report, the external auditors have indicated that they expect to be able to issue an unqualified opinion on the Accounts, however, whilst the impact of the McCloud/Sargent judgement which has been a national issue and affected the calculation of Authority's net pension liability has been adjusted in the Statement of Accounts, the external auditor's review of these changes is ongoing.

Currently the Accounts and Audit regulations require the Commissioner to approve and publish the accounts by 31 July 2019. The accounts will be published with an accompanying note that the audit is not yet completed.

### Recommended decisions

1. That the London Fire Commissioner:
  - i. notes Ernst and Young's draft Audit Results Report attached at Appendix A;
  - ii. approves the 2018/2019 Statement of Accounts, as amended to date, attached at Appendix B;
  - iii. approves the content of the proposed letter of representation (Appendix C), which provides LFC assurances to the auditor;
  - iv. approves the Annual Governance Statement for 2018/19 included as part of Appendix B.

### Background

2. The Accounts and Audit Regulations require the LFC to approve the accounts once the Audit of accounts has been completed and in any case prior to the 31 July. The regulations do require that

the Statement of Accounts is certified by the statutory Chief Financial Officer by the 31 May. The accounts were certified by the Authority's Chief Finance Officer on 29 May 2019 and handed to the Authority's external auditor, Ernst and Young, to commence their audit on 10 June 2019.

3. The accounts include a copy of the Authority's Annual Governance Statement, which does not form part of the statutory accounts, however it is published with the final accounts and also requires approval from the LFC.

### **Statutory Accounting Framework**

4. All local authority accounts are required to adopt 'proper accounting practice' based on either statutory requirements or the Code of Practice on Local Authority Accounting in the UK (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These specify the principles and practices of accounting required to prepare a Statement of Accounts that 'present a true and fair view'.
5. The statutory provisions and the Code determine how the accounts are to be compiled. If there is any conflict between the two then it is the statutory provisions that prevail. Whilst every effort is made to achieve consistency of presentation and inclusion there is scope for differing professional interpretations. It is also important that the costs of individual services are defined in accordance with the CIPFA Service Reporting Code of Practice for Local Authorities (SERCOP) to ensure consistency of treatment when items such as unit costs are compared between authorities. The statement of accounts is presented in a prescribed format that complies with SERCOP.

### **Statement of accounting policies**

6. The accounting policies form part of the Audit Opinion. The policies are the principles, bases, conventions, rules and practices applied by the Authority that specify how the effects of transactions and other events are to be reflected in its financial statements. The use of such policies effectively secures consistency in the financial figures being reported year on year.

### **Audit Results Report**

7. The Authority's external auditor has produced an Audit Results Report (ARR), attached as Appendix A, that shows audit findings following their audit of accounts to date. During the course of the audit the Director of Corporate Services considers the accounting and material nature of each issue raised under the audit and provides a management response to the matters arising. The responses have been formally discussed with the external auditor based on professional judgement, materiality and significance. It should be noted that for an item to be of material accounting significance it should be at Authority level in excess of £10m.
8. The Director of Corporate Services has agreed amendments and/or future actions with the external auditor on all matters arising from the audit to date. This included the recognition of a contingent liability for £11.8 million due to the requirement to repay a Greater London Authority grant subject to certain circumstances relating to the sale of the former headquarters.
9. At the time of writing this report, there is a corrected audit adjustment included within the Statement of Accounts relating to the inclusion of updated assumptions concerning the McCloud/Sargent ruling. The Auditor's review of this correction is still ongoing, but the current impact is an increase to pension liabilities of £259m with a corresponding increase to the past service cost of £259m.
10. The ARR indicates that the auditor expects to be able to issue an unqualified opinion subject to the conclusion of the audit and the receipt of the LFC's letter of representation. It also indicates

that the auditor has no matters to report in respect of the Authority's Value for Money arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

11. It should be noted that at the time of writing this report the audit is ongoing and the opinion can only be issued when the audit is concluded. At this point in time the opinion is therefore excluded from the Statement of Accounts attached at Appendix B to this report.
12. The scale audit fee for the 2018/19 audit is £51,961. The external auditors have also identified additional work at an estimated cost of £10,000, details of which are set out in the ARR at Appendix A. This additional fee is subject to agreement with Management and approval by Public Sector Audit Appointments (PSAA).

### **Schedule of Uncorrected Misstatements**

13. Where the Authority declines to make changes to the accounts recommended by the external auditor, the auditor is required to report this in a schedule of uncorrected misstatements. There are no unadjusted audit differences in the financial statements.

### **Audit and Public Inspection**

14. Ernst and Young commenced their audit on 10 June 2019 and the Authority's accounts were open to public inspection from 3 June 2019 to 12 July 2019. This means that any person interested may inspect and make copies of the accounts of the Authority, and any related books, deeds, contracts, bills, vouchers and receipts. An opportunity for electors to raise any objections to the accounts was available during this inspection period. No person or elector raised any objection to the Authority's accounts during the inspection period.
15. Should there be any event that results in a change to the accounts, this is to be discussed with the auditor and any subsequent amendments with the LFC in consultation with the Director of Corporate Services.

### **Letter of Representation**

12. As part of the standard closing of accounts process a letter of representation has to be formally approved by the LFC and sent to Ernst and Young. The proposed letter is attached as Appendix C. It is a formal statement sent to the external auditors, the intention of which is to provide assurances as to the robustness of the LFC's approach to the preparation and audit of its accounts.

### **Annual Governance Statement (AGS)**

13. The Annual Governance Statement for 2018/19 is included in the Statement of Accounts Appendix B. The statement provides an overview of the governance arrangements that were in place during the year 2018/19.

### **Finance comments**

14. This report is prepared by the Assistant Director - Finance and finance comments have been incorporated into the report.

### **Workforce comments**

15. No workforce implications have been identified therefore no formal consultation has been undertaken.

### **Legal comments**

16. The report seeks the London Fire Commissioner's (LFC's) to approve the stated position of the financial accounting records prior to publication, as required by legislation and guidance, referred to in more detail in the body of this report.
17. Under section 127 of the Greater London Authority Act 1999 the LFC is required to make arrangements for the proper administration of its financial affairs. The Director of Corporate Services, as the statutory Chief Finance Officer, under the same legislative section is the officer who has responsibility for the administration of those affairs.
18. The LFC has discretion when making arrangements for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. This includes the professional advice of its Chief Financial Officer and the advice and stated expectations of government and appropriate professional and regulatory bodies as set out in the report.
19. Regulation 7 of the Accounts and Audit Regulations 2015 (SI 2015/234) provides that a functional body, such as the LFC, is a body required to prepare an annual statement of accounts each year. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) require the LFC to make a minimum revenue provision for that financial year.
20. Paragraph 10 of Part 6 (Financial Regulations) of the LFC's Scheme of Governance sets out the how the Director of Corporate Services, as the s127 Chief Financial Officer, will discharge responsibilities in relation to all accounting records. This report together with the enclosed appendices presented for approval will ensure all the statutory obligations referred to above and in the body of the report can be discharged in a timely manner.

### **Sustainability implications**

21. There are no direct sustainability implications arising from this report.

### **Equalities implications**

22. The Public Sector Equality Duty applies to the London Fire Brigade when it makes decisions. The duty requires us to have regard to the need to:
  - a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. 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.
23. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
24. There are no specific equalities implications arising from this report.

**List of Appendices**

<b>Appendix</b>	<b>Title</b>	<b>Protective Marking</b>
A	Audit Results Report	No protective marking
B	Statement of Accounts including the Annual Governance Statement	No protective marking
C	Draft Letter of Representation	No protective marking



London Fire Commissioner  
Audit results report

Year ended 31 March 2019

July 2019



**EY**

Building a better  
working world

Private and Confidential

July 2019

Dear Commissioner,

We are pleased to attach our audit results report. This report summarises our preliminary audit conclusion in relation to the audit of the London Fire Commissioner for 2018/19.

We have substantially completed our audit of London Fire Commissioner for the year ended 31 March 2019..

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 accounts publication date of 31 July 2019. 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 Commissioner, Deputy Commissioners, 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 welcome the opportunity to discuss the contents of this report with you.

Yours faithfully

Janet Dawson

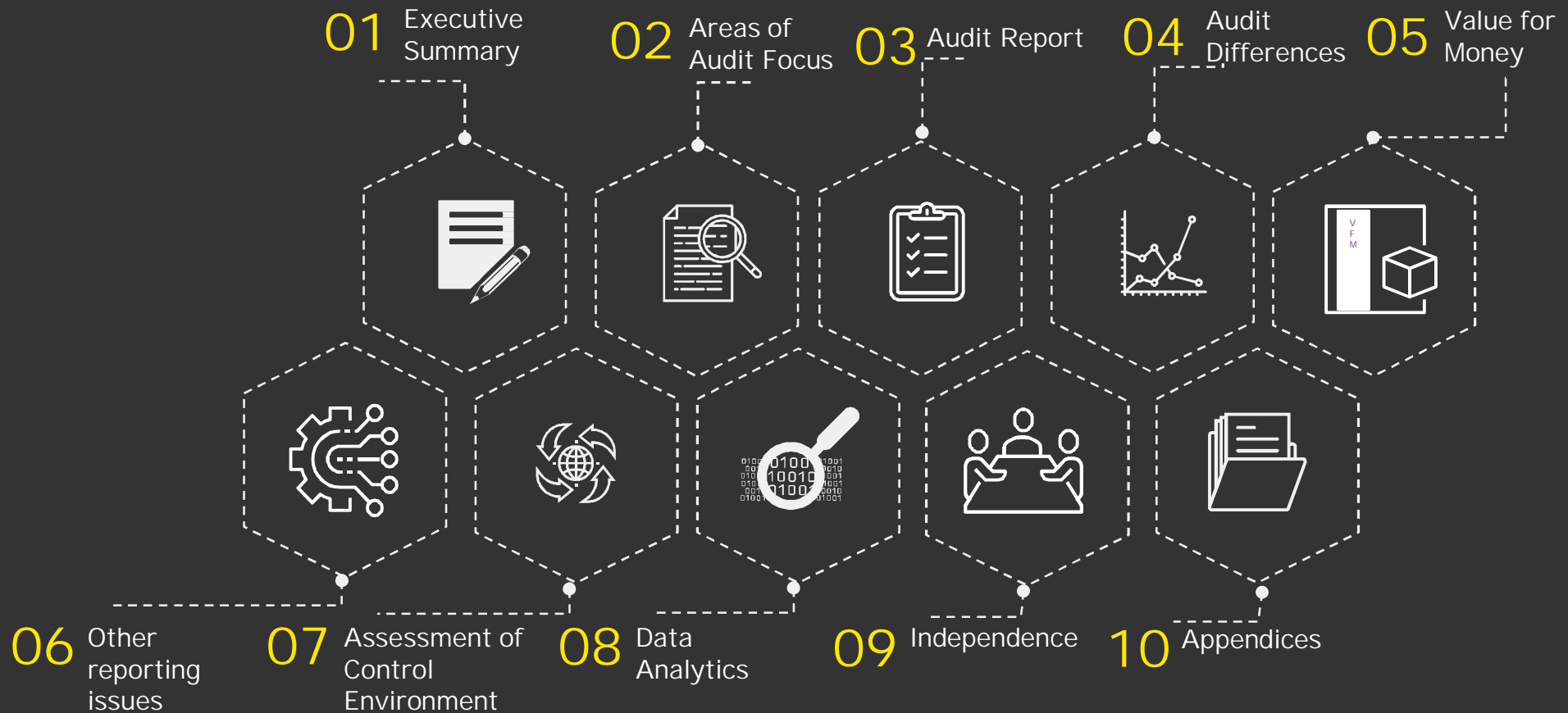
Partner

For and on behalf of Ernst & Young LLP

Encl



# Contents



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](http://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 April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Commissioner and management of the London Fire Commissioner in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Commissioner and management of the London Fire Commissioner 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 Commissioner and management of the London Fire Commissioner for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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

## Scope update

In our audit planning report tabled at the 19<sup>th</sup> December 2018 Commissioner's Board meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

We communicated in the plan that our value for money risk assessment was ongoing. We have not identified any significant risks to the value for money conclusion.

### Materiality:

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £10m (Audit Planning Report – £9m). This results in updated performance materiality, at 75% of overall materiality, of £7.5m, and an updated threshold for reporting misstatements of £0.5m.

Specific materiality – We set a materiality of £1.6m (Audit Planning Report - £2.9m) for the firefighters' pension fund financial statements 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.

We also audited the officer remuneration disclosures to a lower level of materiality.

As noted at Appendix A, our approach to the audit of the balance sheet has been fully substantive.

## Status of the audit

We have substantially completed our audit of the London Fire Commissioner's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the outstanding items in Appendix D 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.

## Audit differences

To date, there are no unadjusted audit differences arising from our audit.

There was one corrected audit adjustment that was sufficiently significant to bring to the attention of the Commissioner, relating to the inclusion of updated assumptions concerning the McCloud/Sargent ruling. Our review of this correction is ongoing at the time of writing, but the current impact is an increase to pension liabilities of £259m with a corresponding increase to the past service cost of £259m.

We also identified disclosure errors that have been amended. The only one sufficiently significant to bring the attention of the Commissioner is the inclusion of a contingent liability for £11.8m.

Please see section 3 for further details.

# Executive Summary

## Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of the London Fire Commissioner'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.

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 Commissioner.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

In section 7 we have provided an update on our recommendations from the 2017/18 audit, and our observations from the 2018/19 audit.

## 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 not identified any significant risks and have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

## Independence

Please refer to Section 9 for our update on Independence.



## 02 Areas of Audit Focus



# Areas of Audit Focus

## Significant risk

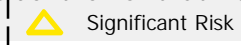
### Risk of fraud in revenue and expenditure recognition – MFB Act Income

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition.

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.

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.



#### What judgements are we focused on?

As noted in our audit plan, we focused on MFB Act Income, as an income stream that could be susceptible to manipulation.

We noted that the Authority is heavily reliant on levied insurance companies providing accurate data returns.

The financial year that the income relates to is more complex for this revenue stream because of the wording of the MFB Act.

#### What did we do?

- We reviewed and tested the Authority's MFB revenue recognition policy and ensured that it is consistent with the Act and with accounting standards.
- We tested a sample of MFB revenue transactions to ensure that they had been recognised at the appropriate amount and in the correct accounting period, including the correct receipts in advance split.
- We tested significant unpaid MFB invoices to identify indicators that the debt should be impaired or written off.
- We also assessed completeness of revenue by performing a test of insurers to identify whether those levied matched our expectations.
- We noted that the variance between expected and outturn income was not material.

#### What are our conclusions?

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.

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.

We have made some recommendations to the Authority about their processes for ensuring that MFB Act income that is levied is complete and accurate. See section 7 for our comments.

We satisfied ourselves that the levied income for 2018/19 was materially accurate and complete based on procedures performed.



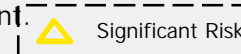
# Areas of Audit Focus

## Significant risk

### Valuation of property, plant and equipment

#### What is the risk?

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.



#### What judgements are we focused on?

We focused on aspects of the financial statements where management make judgements regarding:

- significant changes in the asset base; and
- the assumptions and estimates used to calculate the valuation.

The bulk of the Authority's 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.

We also note that the valuer has acted for the Authority over a period of 20 years, with the Authority's fees representing a significant proportion of total fee income of the firm. We considered whether or not this gives rise to an independence issue. We have asked the valuer how they ensure that they maintain independence. Their control is to ensure peer review. We have ensured that this risk and the mitigation is disclosed in note 9 to the financial statements.

#### What did we do?

- Reviewed the valuation instructions provided to the valuer against the requirements of the Code of Accounting Practice for Local Government;
- Engaged our internal expert to support our assessment of the appropriateness of the methodology applied by the valuer in valuing specialised assets;
- We challenged the current methodology applied in relation to the appropriate reflection of any under-utilisation, physical or functional obsolescence.
- We met with Authority officers and obtained evidence to understand the level of reactive and ongoing works performed, to support our assessment of physical obsolescence.
- We confirmed that the information provided by the valuer as the management's expert had been appropriately reflected in the financial statements; and
- We reviewed and tested the accounting entries and disclosures made within the financial statements.

#### What are our conclusions?

We have 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. 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.

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.

Our inquiry of officers and tests identified no material reactive spend in any fire stations that would be indicative of physical obsolescence.

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.

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 and we have made recommendations in section 7.

## Areas of Audit Focus

### Other Areas of Audit Focus

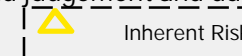
#### Pension liability valuation

##### What is the risk?

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.

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.

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.



##### What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- significant changes in assumptions made by the actuary; and
- the assessments of the actuary undertaken by PWC and the EY actuarial team.
- This year a key issue was the McCloud/Sargent judgement. We also considered whether or not further adjustments were required for Guaranteed Minimum Pension.

##### What did we do?

- Liaised with the auditors of the London Pension Fund Authority, to obtain assurances over the information supplied to the actuary in relation to London Fire Commissioner;
- Assessed the work of the funds' actuaries Barnett Waddingham and the Government Actuaries Department (GAD) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Engaged our expert to assess the appropriateness of the adjustments made to the local government and fire fighter pension scheme liabilities in relation to McCloud; and
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.
- We tested the treatment of adjustments for GMP and noted that no further adjustment had been made following an adjustment in 2017/18. We concluded based on the value and our experience of the likely impact from other funds, that it was unlikely to be material.

##### What are our conclusions?

We are satisfied that the Authority have correctly reflected the IAS 19 entries provided by their actuaries in the financial statements. We are also satisfied that the actuaries are appropriately qualified. Our assessment of the assumptions used is ongoing in relation to the following 2 areas:

A significant assumption made by the actuary for LGPS was that asset valuations would not move materially between December 2018 and March 2019. This assumption was applied to all organisations within the scheme.

This year, there has also been an ongoing 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". Since the year-end there have been increasing indications that entities may need to incorporate this matter into the assessment of the scheme liabilities at the balance sheet date, depending on the materiality of the issue. Officers have requested 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.

At the time of writing, our review of this is ongoing, as is our assurance from the pension fund auditor.





# Areas of Audit Focus



## Other matters

### Risk of error in expenditure accruals

We have 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. 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. We have made recommendations concerning this in section 7.

### Misstatements due to fraud or error

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.

This is a risk that we recognise on all engagements. Our overall response to this for the London Fire Commissioner was:

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes for safeguarding against fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- 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.

In addition to our overall response, we considered where these risk may manifest themselves and identified separate fraud risks as discussed above.

Our journal testing procedures for the London Fire Commissioner are complete and we have not identified any issues. We also found no matters for concern in our testing of unusual transactions.



# Areas of Audit Focus



## Other matters

### IFRS 16 - Leases

IFRS 16 leaves accounting requirements for lessors largely unchanged with two exceptions: the classification of sub leases and sale and leaseback accounting. For lessees there will be a substantial change in accounting requirements. The current distinction between operating and finance leases will be removed. Instead it requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value. The changes will have a substantial impact for any local authority with material operating finance leases and will also impact capital financing arrangements.

Although the changes are not applicable for the 2018/19 financial year, local government clients are still expected to perform a number of IFRS 16 preparation steps in advance of the changes.

The Authority holds material operating leases, with total value of minimum lease payments over the life of the leases per the financial statements of £65m. This standard will therefore have a material impact on the financial statements when implemented.

Due to the deferral of the changes to 2020/21, the Authority has not yet undertaken substantive work in relation to the implementation of IFRS 16.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below.

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (19/20 Code Cpt 2.1 refers):
  - 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 measurement bases
- Guidance in the treatment of the Apprenticeship Levy (19/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (19/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (19/20 Code Cpt 9 refers)



# 03 Audit Report

# Audit Report

## Draft audit report

The audit report is addressed to the London Fire Commissioner as corporation sole.

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE LONDON FIRE COMMISSIONER

##### Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of the London Fire Commissioner for the year ended 31 March 2019 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,
- the related notes 1 to 34
- and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related note 1.

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 2018/19.

In our opinion 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; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# Audit Report

## Our opinion on the financial statements (cont.)

### Other information

The other information comprises the information included in the Statement of accounts, other than the financial statements and our auditor's report thereon. The Director of Corporate Resources and Chief Financial Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, London Fire Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the 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



# Audit Report

## Our opinion on the financial statements (cont.)

### Responsibility of the Director of Corporate Services

As explained more fully in the Statement of the Director of Corporate Service's Responsibilities set out on page 2, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which [includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the London Fire Commissioner 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 London Fire Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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



# Audit Report

## Our opinion on the financial statements (cont.)

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.

### Certificate

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

### Use of our report

This report is made solely to the London Fire Commissioner, 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 London Fire Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
London  
Xx July 2019

The maintenance and integrity of the London Fire Commissioner web site is the responsibility of the Commissioner, Assistant Commissioner and 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

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

### Summary of adjusted differences

We highlight the following misstatements greater than £7.5m which have been corrected by management that were identified during the course of our audit:

As noted in section 03, an adjustment in relation to McCloud/Sargent judgement is required. Our work in assessment the accuracy of the proposed amendment is ongoing, but at the time of writing we anticipate the following amendment:

An increase to pension liabilities of £259m with a corresponding increase to the past service cost of £259m. This will also increase the deficit on the pension reserve by £259m.

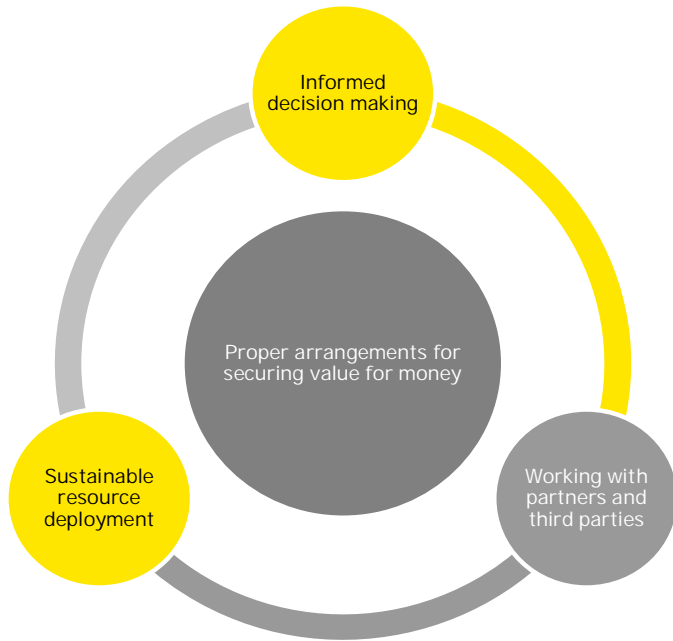
Additionally, an adjustment was made in relation to grant received from the Greater London Authority following the disposal of the former fire station at Southwark. An earmarked reserve of £11.7m had been set aside in relation to this, however, due to the requirement to repay the grant (subject to certain circumstances surrounding disposal of the former headquarters), a contingent liability is required to be recognised for this amount.

There were no uncorrected misstatements.



05

## Value for Money Risks



## Background

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

For 2018/19 this is based on the overall evaluation criterion:

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

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 will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

## Overall conclusion

We did not identify any significant risks around these criteria.

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



## 06 Other reporting issues

## Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of accounts 2018-2019 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 2018-019 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

In addition to 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.

### 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 reporting 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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.



07

## Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

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

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

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We do, however, wish to update you on progress made in relation to previous recommendations, as well as report on areas where improvements could be made to the operation or design of controls within the Authority to reduce the risk of error.

### 1. Contract Register

A contract register is maintained by the Authority, which is intended to capture all of the brigade contracts. The register is updated via an online form. The expectation is that the register is complete and accurate. Although the register is held within the procurement team, where contracts do not involve procurement the expectation is that other departments will provide the necessary information to ensure that the register is complete and accurate.

Last year we identified two instances where the process had not operated as designed and recommended that all departments be reminded of the process that needs to be followed so that the contract register can be relied upon by the Authority as a complete record.

In 2018/19, we did not note any issues from the work that we performed, however, we note that the contract register will be a key tool for the Authority as they prepare for the implementation of IFRS 16 – leases. This will therefore need to continue to be an area of focus for the Authority.

### 2. Evidence supporting expenditure

Last year, our testing identified instances where expenditure could not be easily verified. Although we noted improvements in working papers, this continued to be an issue this year. As well as resulting in inefficiencies in the audit process, this limits the ability of finance staff to check that anticipated expenditure has been incurred, that it is recognised at the correct value, and reflected in the appropriate financial year. 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.

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.

### 3. Metropolitan Fire Brigade Act income

We have discussed with officers the opportunity to introduce a greater level of checks in relation to the information received from insurance companies to ensure that income recognised is complete and accurate. Officers are working with Internal Audit in this area during 2019/20.



## Financial controls (cont.)

### 4. Accounts preparation and Closedown Process

Officers critically assessed the closedown process in preparation for 2018/19 to achieve greater efficiencies and a smoother process. We noted an improvement in some key working papers and a greater degree of secondary checking and review of transactions posted than in previous years. We also welcome the revised format of the accounts and additional graphics in making the accounts more user-friendly.

### 5. Asset valuations

Officers have worked with their valuer to refine the methodology currently applied to determine asset valuations for specialised assets. We will work with officers in 2019/20 to ensure that this is further improved.



# 08 Data Analytics



# Use of Data Analytics in the Audit

## Analytics Driven Audit

### Data analytics

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

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

In 2018/19, our use of these analysers in the authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

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

#### Journal Entry Analysis

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

#### Payroll Analysis

We also use our analysers in our payroll testing, by analysing payroll transactions posted in the year to the General ledger and analysing the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

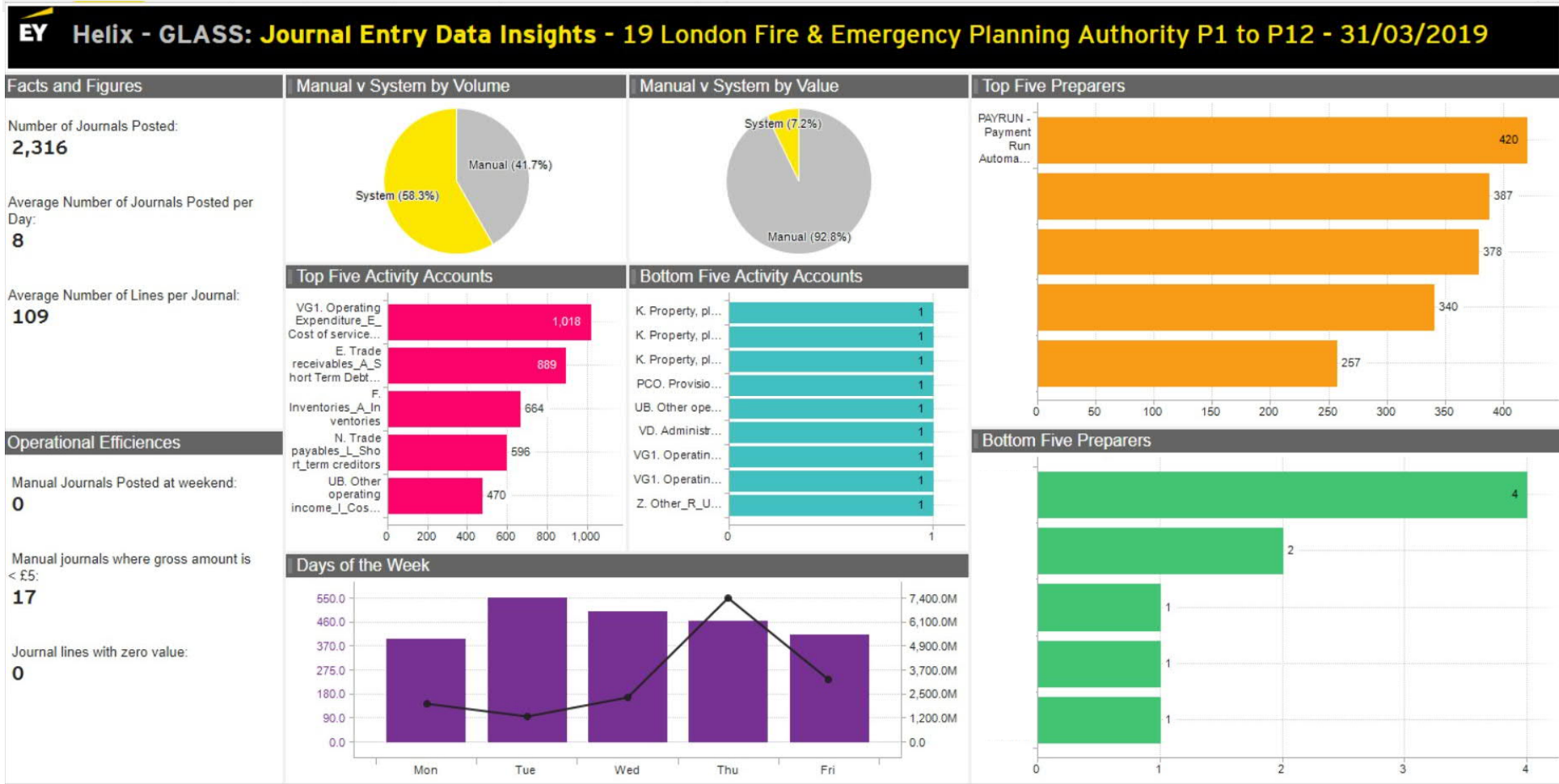


# Data Analytics

## Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

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





## Journal Entry Testing

### What is the risk?

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

Journal entry data criteria – 31 March 2019

### What judgements are we focused on?

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



### What did we do?

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

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

### What are our conclusions?

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



09

# Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated December 2018.

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

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

We confirm we have undertaken no non-audit work outside the NAO Code requirements.

## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees due for the year ended 31 March 2019.

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

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Scale Fee	51,961	51,961	51,961	67,482
Change in scope – Additional procedures to address misstatements identified during the course of the audit	Note 1	-	-	6,262
Total non-audit services	TBC	51,961	51,961	73,744

### Note 1:

We anticipate a fee variation in relation to changes in scope referenced earlier in the report. Below we show our current fee estimates

- Additional work in relation to asset valuations – Approx. £3,000
- Additional work in relation to pension liabilities, particularly the McCloud/Sargent judgement – Approx. £5,000
- Additional work in relation to Metropolitan Fire Brigade Act – Approx. £2,000

This fee is subject to agreement with Management and approval by Public Sector Audit Appointments.





# 10 Appendices

## Audit approach update




We confirm that our approach to the audit of the balance sheet has been fully substantive, which is the same as the approach adopted in the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

## Appendix B

# Summary of communications





Date 	Nature 	Summary 
11/12/2018	Report	The audit planning report, including confirmation of independence, was issued to the Directorate Board before being taken to the Commissioner's Board..
19/12/2018	Meeting	The partner in charge of the engagement, accompanied by audit manager, met with the Commissioner and her Board members and presented the audit planning report and discuss focus areas of the audit.
22/05/2019	Meeting	The manager of the engagement, met with the Commissioner's Board to discuss the 2019/20 fee letter as well as progress to date on the 2018/19 audit.
18/07/2019	Meeting	The partner in charge of the engagement, accompanied by audit manager, met with the London Fire Commissioner, Director of Corporate Services and senior members of the finance team to discuss the audit results.
22/7/2019	Report	The audit results report, including confirmation of independence, was issued to the London Fire Commissioner.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

## Appendix C

# Required communications with the London Fire Commissioner




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

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the London Fire Commissioner of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - December 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - December 2018
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit planning report - December 2018

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> <li>• A declaration of independence</li> <li>• The identity of each key audit partner</li> <li>• The use of non-member firms or external specialists and confirmation of their independence</li> <li>• The nature and frequency of communications</li> <li>• A description of the scope and timing of the audit</li> <li>• Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits</li> <li>• Materiality</li> <li>• Any going concern issues identified</li> <li>• Any significant deficiencies in internal control identified and whether they have been resolved by management</li> <li>• Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee</li> <li>• Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>• The valuation methods used and any changes to these including first year audits</li> <li>• The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>• The identification of any non-EY component teams used in the group audit</li> <li>• The completeness of documentation and explanations received</li> <li>• Any significant difficulties encountered in the course of the audit</li> <li>• Any significant matters discussed with management</li> <li>• Any other matters considered significant</li> </ul>	<p>Audit planning report – December 2018 and Audit results report – July 2019</p>




## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about London Fire Commissioner’s ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report – July 2019
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the London Fire Commissioner where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Letter of representation – July 2019
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the London Fire Commissioner to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to London Fire Commissioner responsibility</li> </ul>	Letter of representation – July 2019

# Appendix C




		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit results report – July 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	Audit planning report – December 2018 and Audit results report – July 2019

## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> <li>• Details of any inconsistencies between the Ethical Standard and Authority's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Details of any contingent fee arrangements for non-audit services</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The London Fire Commissioner should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the London Fire Commissioner into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the London Fire Commissioner may be aware of</li> </ul>	We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report – July 2019






## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report – July 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report – July 2019
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit Results Report – July 2019
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Planning Report – December 2018 Audit Results Report – July 2019

## Appendix D

# Outstanding matters

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

Item 	Actions to resolve 	Responsibility 
Review of actuarial assumptions	EY Pensions consideration of the application of appropriate assumptions in the revised firefighter pension fund IAS 19 report in relation to the McCloud/Sargent judgement	EY
Review of revised pension journals	Review the correcting pension journal and ensure it is appropriately reflected in the financial statements, including revisiting the reserves transactions and disclosures	EY
Statement of Accounts and Annual Governance Statement	Review of the final version of the Statement of Accounts and Annual Governance Statement	EY
Management representation letter	Receipt of signed management representation letter	Management and London Fire Commissioner
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Final review	Final review by Engagement Partner and quality reviewer	EY
Whole of Government Accounts	Assurance statement to be sent to the National Audit Office	EY and management

# Management representation letter

## Management Representation Letter

[To be prepared on the entity's letterhead]  
Xx July 2019

Ernst & Young  
Janet Dawson  
1 More London Place,  
London,  
SE1 2AF

This letter of representations is provided in connection with your audit of the financial statements of the London Fire Commissioner ("the Authority") for the year ended 31st March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the London Fire Commissioner as of 31st March 2019 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 2018/19. 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), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

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

### A. Financial Statements and Financial Records

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

2. We acknowledge, as the London Fire Commissioner and as a member 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 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority 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 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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

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

# Management representation letter

## Management Representation Letter (cont.)

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Commission's Board (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 1 April 2018 to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period 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.

### D. Liabilities and Contingencies

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

### E. Subsequent Events

1. As disclosed in Note 5 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.

### F. Other information

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

# Management representation letter

## Management Representation Letter (cont.)

### G. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

### H. Reserves

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

### I. Asset Valuation and Pension Liability 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 2018/19.
2. 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.
3. We agree with the findings of the specialists that we engaged to evaluate the asset valuations and net 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.

4. 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 2018/19
5. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Yours faithfully,

\_\_\_\_\_  
Sue Budden – Director of Corporate Services

\_\_\_\_\_  
Dany Cotton – London Fire Commissioner

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LONDON FIRE BRIGADE

Report title

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## Statement of Accounts 2018/19 and Audit Results Report

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Report to

Commissioner's Board  
London Fire Commissioner

Date

31 July 2019

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Report by

Assistant Director for Finance

Report number

LFC-0219x

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Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

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### Summary

This report presents the London Fire Commissioner's (LFC) external auditors, Ernst and Young's (EY), draft Audit Results Report (Appendix A), the London Fire Commissioner Statement of Accounts including the Annual Governance Statement (Appendix B) and a draft Letter of Representation (Appendix C) for formal approval and adoption by the LFC.

At the time of drafting this report, the external auditors have indicated that they expect to be able to issue an unqualified opinion on the Accounts, however, whilst the impact of the McCloud/Sargent judgement which has been a national issue and affected the calculation of Authority's net pension liability has been adjusted in the Statement of Accounts, the external auditor's review of these changes is ongoing.

Currently the Accounts and Audit regulations require the Commissioner to approve and publish the accounts by 31 July 2019. The accounts will be published with an accompanying note that the audit is not yet completed.

### Recommended decisions

1. That the London Fire Commissioner:
  - i. notes Ernst and Young's draft Audit Results Report attached at Appendix A;
  - ii. approves the 2018/2019 Statement of Accounts, as amended to date, attached at Appendix B;
  - iii. approves the content of the proposed letter of representation (Appendix C), which provides LFC assurances to the auditor;
  - iv. approves the Annual Governance Statement for 2018/19 included as part of Appendix B.

### Background

2. The Accounts and Audit Regulations require the LFC to approve the accounts once the Audit of accounts has been completed and in any case prior to the 31 July. The regulations do require that

the Statement of Accounts is certified by the statutory Chief Financial Officer by the 31 May. The accounts were certified by the Authority's Chief Finance Officer on 29 May 2019 and handed to the Authority's external auditor, Ernst and Young, to commence their audit on 10 June 2019.

3. The accounts include a copy of the Authority's Annual Governance Statement, which does not form part of the statutory accounts, however it is published with the final accounts and also requires approval from the LFC.

### **Statutory Accounting Framework**

4. All local authority accounts are required to adopt 'proper accounting practice' based on either statutory requirements or the Code of Practice on Local Authority Accounting in the UK (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These specify the principles and practices of accounting required to prepare a Statement of Accounts that 'present a true and fair view'.
5. The statutory provisions and the Code determine how the accounts are to be compiled. If there is any conflict between the two then it is the statutory provisions that prevail. Whilst every effort is made to achieve consistency of presentation and inclusion there is scope for differing professional interpretations. It is also important that the costs of individual services are defined in accordance with the CIPFA Service Reporting Code of Practice for Local Authorities (SERCOP) to ensure consistency of treatment when items such as unit costs are compared between authorities. The statement of accounts is presented in a prescribed format that complies with SERCOP.

### **Statement of accounting policies**

6. The accounting policies form part of the Audit Opinion. The policies are the principles, bases, conventions, rules and practices applied by the Authority that specify how the effects of transactions and other events are to be reflected in its financial statements. The use of such policies effectively secures consistency in the financial figures being reported year on year.

### **Audit Results Report**

7. The Authority's external auditor has produced an Audit Results Report (ARR), attached as Appendix A, that shows audit findings following their audit of accounts to date. During the course of the audit the Director of Corporate Services considers the accounting and material nature of each issue raised under the audit and provides a management response to the matters arising. The responses have been formally discussed with the external auditor based on professional judgement, materiality and significance. It should be noted that for an item to be of material accounting significance it should be at Authority level in excess of £10m.
8. The Director of Corporate Services has agreed amendments and/or future actions with the external auditor on all matters arising from the audit to date. This included the recognition of a contingent liability for £11.8 million due to the requirement to repay a Greater London Authority grant subject to certain circumstances relating to the sale of the former headquarters.
9. At the time of writing this report, there is a corrected audit adjustment included within the Statement of Accounts relating to the inclusion of updated assumptions concerning the McCloud/Sargent ruling. The Auditor's review of this correction is still ongoing, but the current impact is an increase to pension liabilities of £259m with a corresponding increase to the past service cost of £259m.
10. The ARR indicates that the auditor expects to be able to issue an unqualified opinion subject to the conclusion of the audit and the receipt of the LFC's letter of representation. It also indicates



that the auditor has no matters to report in respect of the Authority's Value for Money arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

11. It should be noted that at the time of writing this report the audit is ongoing and the opinion can only be issued when the audit is concluded. At this point in time the opinion is therefore excluded from the Statement of Accounts attached at Appendix B to this report.
12. The scale audit fee for the 2018/19 audit is £51,961. The external auditors have also identified additional work at an estimated cost of £10,000, details of which are set out in the ARR at Appendix A. This additional fee is subject to agreement with Management and approval by Public Sector Audit Appointments (PSAA).

### **Schedule of Uncorrected Misstatements**

13. Where the Authority declines to make changes to the accounts recommended by the external auditor, the auditor is required to report this in a schedule of uncorrected misstatements. There are no unadjusted audit differences in the financial statements.

### **Audit and Public Inspection**

14. Ernst and Young commenced their audit on 10 June 2019 and the Authority's accounts were open to public inspection from 3 June 2019 to 12 July 2019. This means that any person interested may inspect and make copies of the accounts of the Authority, and any related books, deeds, contracts, bills, vouchers and receipts. An opportunity for electors to raise any objections to the accounts was available during this inspection period. No person or elector raised any objection to the Authority's accounts during the inspection period.
15. Should there be any event that results in a change to the accounts, this is to be discussed with the auditor and any subsequent amendments with the LFC in consultation with the Director of Corporate Services.

### **Letter of Representation**

12. As part of the standard closing of accounts process a letter of representation has to be formally approved by the LFC and sent to Ernst and Young. The proposed letter is attached as Appendix C. It is a formal statement sent to the external auditors, the intention of which is to provide assurances as to the robustness of the LFC's approach to the preparation and audit of its accounts.

### **Annual Governance Statement (AGS)**

13. The Annual Governance Statement for 2018/19 is included in the Statement of Accounts Appendix B. The statement provides an overview of the governance arrangements that were in place during the year 2018/19.

### **Finance comments**

14. This report is prepared by the Assistant Director - Finance and finance comments have been incorporated into the report.

### **Workforce comments**

15. No workforce implications have been identified therefore no formal consultation has been undertaken.

## **Legal comments**

16. The report seeks the London Fire Commissioner's (LFC's) to approve the stated position of the financial accounting records prior to publication, as required by legislation and guidance, referred to in more detail in the body of this report.
17. Under section 127 of the Greater London Authority Act 1999 the LFC is required to make arrangements for the proper administration of its financial affairs. The Director of Corporate Services, as the statutory Chief Finance Officer, under the same legislative section is the officer who has responsibility for the administration of those affairs.
18. The LFC has discretion when making arrangements for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. This includes the professional advice of its Chief Financial Officer and the advice and stated expectations of government and appropriate professional and regulatory bodies as set out in the report.
19. Regulation 7 of the Accounts and Audit Regulations 2015 (SI 2015/234) provides that a functional body, such as the LFC, is a body required to prepare an annual statement of accounts each year. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) require the LFC to make a minimum revenue provision for that financial year.
20. Paragraph 10 of Part 6 (Financial Regulations) of the LFC's Scheme of Governance sets out the how the Director of Corporate Services, as the s127 Chief Financial Officer, will discharge responsibilities in relation to all accounting records. This report together with the enclosed appendices presented for approval will ensure all the statutory obligations referred to above and in the body of the report can be discharged in a timely manner.

## **Sustainability implications**

21. There are no direct sustainability implications arising from this report.

## **Equalities implications**

22. The Public Sector Equality Duty applies to the London Fire Brigade when it makes decisions. The duty requires us to have regard to the need to:
  - a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. 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.
23. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
24. There are no specific equalities implications arising from this report.

**List of Appendices**

<b>Appendix</b>	<b>Title</b>	<b>Protective Marking</b>
A	Audit Results Report	No protective marking
B	Statement of Accounts including the Annual Governance Statement	No protective marking
C	Draft Letter of Representation	No protective marking



LONDON FIRE BRIGADE

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169 Union Street London SE1 0LL  
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Ernst & Young  
Janet Dawson  
1 More London Place,  
London,  
SE1 2AF  
United Kingdom

The London Fire Commissioner is the  
fire and rescue authority for London

Date 31 July 2019

Dear Ms Dawson,

### **London Fire Commissioner - Audit for the year ended 31 March 2019**

This letter of representations is provided in connection with your audit of the financial statements of the London Fire Commissioner ("the Authority") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the London Fire Commissioner as of 31 March 2019 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 2018/19.

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), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

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

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as the London Fire Commissioner and as a member 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 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As the London Fire Commissioner and as a member 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 2018/19, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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

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

## **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Commission's Board (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 1 April 2018 to the most recent meeting on the following date: 3 July 2019.

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 period 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.

#### **D. Liabilities and Contingencies**

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

#### **E. Subsequent Events**

1. As disclosed in Note 5 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.

#### **F. Other information**

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

#### **G. Ownership of Assets**

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

#### **H. Reserves**

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

## **I. Asset Valuation and Pension Liability 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 2018/19.
2. 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.
3. We agree with the findings of the specialists that we engaged to evaluate the asset valuations and net 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.
4. 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 2018/19
5. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

Yours faithfully,

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Sue Budden – Director of Corporate Services

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Dany Cotton – London Fire Commissioner