



Buckinghamshire & Milton Keynes Fire Authority

Meeting and date: Overview and Audit Committee, 8 November 2023

Report title: Audit Results Report 2021/22

Lead Member: Councillor Matthew Walsh

Report sponsor: Mark Hemming, Director of Finance & Assets

Author and contact: Marcus Hussey mhussey@bucksfire.gov.uk

Action: Noting.

Recommendations: That the content of the report be noted.

Executive summary:

This report summarises the findings from the 2021/22 audit. It includes messages arising from the audit of the Authority's financial statements and the results of the work on how the Authority secures value for money in its use of resources.

Financial implications:

No direct impact.

Risk management:

The results of the audit give reassurance regarding entries in the accounts and value for money arrangements.

Legal implications:

The audit of the financial statements is a statutory requirement.

Privacy and security implications:

No direct impact.

Duty to collaborate:

No direct impact.

Health and safety implications:

No direct impact.

Environmental implications:

No direct impact.

Equality, diversity, and inclusion implications:

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No direct impact.

Consultation and communication:

No direct impact.

Background papers:

None

Appendix	Title	Protective Marking
1	BMKFA – Audit Results Report 2021-22	
2	BMKFA – Auditor’s Annual Report 2021-22	

Buckinghamshire and
Milton Keynes Fire
Authority

Audit results report
Year ended 31 March 2022

November 2023

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

Building a better
working world



Private and Confidential

11 October 2023

Overview and Audit Committee
Buckinghamshire & Milton Keynes Fire Authority
Brigade Headquarters
Stocklake
Aylesbury
Buckinghamshire
HP20 1BD

Dear Overview and Audit Committee Members

2022 Audit results report

We are pleased to attach our final audit results report, summarising the completion of the 21/22 audit for the forthcoming meeting of the Audit Committee. We will present the report at the Overview and Audit Committee at its meeting scheduled for 8 November 2023.

Note that updates to previous draft of the report shared with the committee are highlighted in green text for ease of review.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Buckinghamshire & Milton Keynes Fire Authority's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Overview and Audit Committee meeting on 8 November 2023.

Yours sincerely

Andrew Brittain

Partner

For and on behalf of Ernst & Young LLP

Encl

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

The “Terms of Appointment and further guidance (updated July 2021)” 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 Overview and Audit Committee and management of Buckinghamshire & Milton Keynes Fire Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Overview and Audit Committee and management of Buckinghamshire & Milton Keynes Fire Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Overview and Audit Committee and management of Buckinghamshire & Milton Keynes Fire Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Scope update

In our audit planning report presented at the 20 July 22 Overview and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of profit before tax adjusted for pre-tax exceptional items, we have updated our overall materiality assessment to £920k (Audit Planning Report —£748k). This results in updated performance materiality, at 75% of overall materiality, of £690k, and an updated threshold for reporting misstatements of £46k.

Additional audit procedures as a result of Covid-19

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

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

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

Triennial Valuation

- When the accounts were prepared, the 2019 triennial valuation informed key judgements and estimates in the 2021/22 financial statements, including the defined benefit liability derived from a roll-forward of the 2019 valuation. In March 2023 the triennial valuation as at March 2022 for Buckinghamshire Pension Fund was finalised. This counts as new information available for any statements of accounts where the audit opinion has not been issued, and therefore following the receipt of the final triennial valuation for 2022, account preparers need to consider whether there is a material difference to the information used in the roll-forward and whether amendments needed to be made to the 21/22 accounts under Section 3.8 of the CIPFA Code of Practice. Audit teams are also be required to consider this information when reviewing their testing of those judgments and estimates. We provided an update of our work at the Overview and Audit Committee on 19 July. We have concluded our work in this area, management have updated the accounts for the 2022 Triennial Valuation and the update to the statements can be seen on page 22 of this report.



Executive Summary

Status of the audit

Our audit work in respect of the Authority opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Review of the final statements
- Receipt of signed management representation letter.
- Completion of subsequent event review.

Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

Executive Summary

Status of the audit – Value for Money

In the Audit Plan and subsequent update to the Audit Committee, we reported that we had completed our value for money (VFM) risk assessment and not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness. As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 3). Subject to completion of the financial statements audit areas listed above we plan to issue the VFM commentary by the end of March 23 as part of issuing the Auditor's Annual Report.

Audit differences

- There were some adjusted audit difference identified as part of our audit, for more details please see Section 4 of this report.
 - Restatement of capital adjustment account and revaluation reserve for both the current year and prior year.
 - Restatement of the financial instruments disclosure for both the current year and prior year.
- **At the time of writing we have identified four uncorrected misstatements. Two relate to the judgemental differences identified in the valuation of land, one relates to the projected difference over the untested land valuations, the final difference relates to the turnaround impact of an error identified in the prior year. Please see section 4 of this report for the impact of these differences.**
- There were also some small amendments made to the disclosure notes.

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.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. We plan to issue the group return on the same date as the signing date. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Overview and Audit Committee.



Executive Summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Buckinghamshire and Milton Keynes Fire Authority. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Audit findings and conclusions: Significant risk - Misstatements due to fraud or error – Management override

We have completed our work in this area and we have not identified any material misstatements.

Audit findings and conclusions: Significant risk - Misstatements due to fraud or error - Inappropriate capitalisation of revenue expenditure

We have not identified any material misstatements arising from fraud in revenue and expenditure recognition and the inappropriate capitalisation of revenue.

Audit findings and conclusions : Significant risk - Valuation of Blue Light Hub

We have completed our work in this area and we have not identified any material misstatements.

Audit findings and conclusions : Area of audit focus - Valuation of land and buildings

We have completed our work in this area, we have identified three uncorrected differences, two are judgmental in nature and the third is projected. For more detail please see page 15 of this report.

Audit findings and conclusions : Area of audit focus - Pension liability valuation & actuarial assumptions

We have completed our work in this area. We have identified one reclassification entry as part of our work in this area in the current and prior year. There is also an update to the accounts due to the impact of the March 22 Triennial Valuation, these adjustments are shown on page 22 of this report.

Other Findings

Through our work on financial instruments it was identified that there were some balances included in the financial instruments did not meet the criteria of financial instruments under IFRS 9, as a result amendments were made to the current year disclosure and the prior year figures have been restated in the accounts.

There is a £24k discrepancy between the NBV of the Joint Control Room disclosed in the Authority's accounts compared to the Royal Berkshire Fire Authority's unaudited accounts. This has not been corrected, it is not material to the accounts but has been reported to you due to the sensitive nature of related party disclosures.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Overview and Audit Committee or Management.

Executive Summary

Independence

Please refer to Section 9 for our update on Independence.

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of the key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements apart from the following controls:

- Revaluation reserve was not reconciled to the amounts disclosed in the financial statements, for more detail on this issue please see section 4.
- The criteria for classifications of financial instruments under the CIPFA code was not applied to disclosure for financial instruments.
- The required presentation of revaluations in the property, plant and equipment disclosure under the CIPFA code was not applied to disclosure of property, plant and equipment.
- The required presentation of remeasurement of pensions assets was not disclosed in the correct section of the comprehensive, income and expenditure statement and therefore the disclosure under the CIPFA code was not applied correctly to the presentation of the pensions liability.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of misstatements due to fraud or error – Management override

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do and what judgements did we focused on?

We:

- ▶ Identified fraud risks during the planning stages.
- ▶ Enquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Tested journals at year-end to ensure that there were no unexpected or unusual postings.
- ▶ Reviewed accounting estimates for evidence of management bias.
- ▶ Looked for and investigated any unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale. We specifically reviewed any elements where judgement could influence the financial position or performance of the Authority in a more positive or more favourable way.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We have not identified any other transactions during our audit which appeared unusual or outside the normal course of business.

Significant risk

Misstatements due to fraud or error
- Inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240, management is in a unique position to perpetrate fraud through the override of controls. We have considered the main areas where management may have the incentive and opportunity to do this.

From our risk assessment, we have assessed that the risk could manifest itself through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

What judgements are we focused on?

We focus on whether expenditure is properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.

For 2021/22, property, plant and equipment additions totalled £1,331k. We will consider whether this figure is complete, the asset is in existence and whether the asset has been valued correctly in the statement of accounts.

What did we do?

We have:

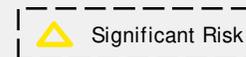
- ▶ Tested additions to property, plant and equipment to ensure that the expenditure incurred and capitalised is clearly capital in nature; and
- ▶ Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

As there was no expenditure classified as revenue financed from capital under statue (REFCUS in the 2021/22 financial statements, we did not undertake any testing in this area.

We have utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries more generally for evidence of management bias and evaluated them for business rationale.

What are our conclusions?

Our testing has not identified any material misstatements from inappropriate capitalisation of revenue expenditure.



Significant risk

Valuation of Blue Light Hub

What is the risk?

The Blue Light Hub has now been completed and is being valued 2021/22 financial statements, the valuation of the Blue Light Hub is significant in comparison to our calculated materiality.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances for it to be recorded in the balance sheet.

Therefore there is a risk that the Blue Light Hub could be materially mis-stated in the financial statements.

What judgements are we focused on?

The value of the Blue Light Hub is £13m in 2021/22.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- ▶ Considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Reviewed key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Tested accounting entries to ensure they have been correctly processed in the financial statements; and
- ▶ We have engaged EY Real Estates, valuation specialists to assist the audit team to gain assurance that the valuation of the Blue Light Hub is materially correct.

What are our conclusions?

We have concluded our work in this area and have not identified any material misstatements.



Other areas of audit focus

Valuation of land and buildings (Inherent risk)

What is the risk?

We identified the valuation of land and buildings as an other area of audit focus in our Audit Planning Report discussed at the Overview and Audit Committee on June 22. The fair value of Property, Plant and Equipment (PPE) and represent a significant balance in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What judgements are we focused on?

The value of property, plant and equipment was £39m in 2020/21 and is now being reported at £42m for 2021/22.

As this is one of the largest accounting estimates on the balance sheet and one subject to a high degree of subjectivity we deem the valuation of property, plant and equipment to represent an inherent risk of material misstatement.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- Considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered if there were any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested that accounting entries had been correctly processed in the financial statements.



Areas of Audit Focus

Other areas of audit focus

What are our findings?

I. Leased Land and Buildings

- We identified one group of assets included in property, plant and equipment which had not been revalued in line with the CIPFA Code. Management subsequently arranged for the assets to be valued and the audit team have engaged with EY Real Estates to support with the asset valuation. **We have now completed our testing on this valuation, and conclude that management have appropriately updated the asset valuation in the accounts for this group of assets.**

II. Asset Held for Sale Valuation

- We have engaged with EY Real Estates to review the valuation of an asset included in Assets Held for Sale. **We have now concluded on the valuation of this asset and have determined that the asset is materially correctly stated under the requirements of IFRS 5.**

III. Accounting for Valuations

- Our testing of the valuation journals identified issues in the processing of accounting entries for the valuations for the current year and prior years.
 - The revaluation reserve balance did not reconcile to Authority records.
 - Per the Authority's records there were assets with both an revaluation reserve balance and an historic loss balance
 - The revaluation loss entries for the Blue Light Hub has incorrectly been charged to the revaluation reserve in the prior year.
 - Management have restated the balances for the revaluation reserve and capital adjustment account in both current and prior years. As a result of the restatement entries management have updated the workings for the revaluation entries for property, plant and equipment and updated the accounts accordingly (see pages 22 and 24).
 - Through testing of the PPE disclosure in note 11 it was identified that the disclosure of both the cost and the accumulated depreciation was overstated in both the current year and the prior year. Under the CIPFA Code all accumulated depreciation should be written out on revaluation. The adjustment to the accounts results in a prior period adjustment and an adjustment to the current year draft accounts to reset the accumulated depreciation balance. There is no impact on the net book value of the property, plant and equipment.

IV. Valuation Sample testing

- **We selected a sample of assets and verified the valuation inputs to supporting information. In relation to the buildings no material issues were identified. In respect of land valuation sample the Authority's external valuer was unable to support the inputs used to determine the land valuations for the sample selected, due to a key member of staff leaving; as a result the external valuers re-valued the entire portfolio of land. Due to a change in valuation methodology, the audit team requested our specialists to review a sample of the revised valuations. The outcome of the review was that out of the six samples reviewed two were deemed out of range, these were discussed with management and are to be reported as uncorrected judgmental audit differences in section 4 of this report. As a result of the identified judgemental differences, the difference rate has been extrapolated across the remaining untested population and this has resulted in an uncorrected projected difference which is reported in section 4 of the report.**

What are our conclusions?

- The adjustments identified throughout the course of the audit are set out in section 4 of this report.

Other areas of audit focus

Pension liability valuation (inherent risk)

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 its membership of the Local Government Pension Scheme administered by Buckinghamshire Council.

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2022 this totalled £349 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to Buckinghamshire Council and also the Firefighters Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- Liaised with the auditors of Buckinghamshire Council, to obtain assurances over the information supplied to the actuary in relation to Buckinghamshire and Milton Keynes Fire Authority;
- Assessed the work of the LGPS pension fund actuary and the Firefighters pension fund actuary (Barnet Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

In addition:

- In response to the revised requirements of ISA540, the auditing standard on accounting estimates, we amended our audit approach based on procedures to evaluate management's process. The revised standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we modified our planned approach and undertook alternate procedures to create an auditor's estimate, to provide a different method of gaining assurance. We employed the services of an EY Pensions specialist to review the Authority's IAS19 reports and run a parallel actuarial model which was compared to that produced by Barnett Waddingham (BW).

What are our conclusions?

We have completed our work on the IAS 19 valuations including the updated LGPS IAS 19 report following on from the March 22 Triennial Valuation.

Through our testing we identified one material IAS 19 reclassification entry impacting the prior year and current year. Management have adjusted for this entry and the entries can be seen on page 22 and 24 of this report.

Management have also updated the accounts for the impact of LGPS Triennial Valuation this can be seen on page 22 of this report.

No other material issues were identified as apart of our work on the Pension Liability.



03 Audit Report



Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Buckinghamshire and Milton Keynes Fire Authority ('the Authority') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement
- the related notes from the Statement of Accounting Policies to note 31.
- and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement, and the related notes 1 to 6.

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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Buckinghamshire and Milton Keynes Fire Authority as at 31 March 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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. 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 AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Assets & Chief Finance Officer's (Chief Finance Officer) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period 12 months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the Narrative Statement, other than the financial statements and our auditor's report thereon. The Chief Finance 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.

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

We have nothing to report in this regard.



Audit Report

Our opinion on the financial statements

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 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer Responsibilities set out on pages [...], the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer 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 intends to cease operations, or has 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.

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

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



Audit Report

Our opinion on the financial statements

We understood how Buckinghamshire and Milton Keynes Fire Authority is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Buckinghamshire and Milton Keynes Fire Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Buckinghamshire and Milton Keynes Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

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

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

Certificate

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Buckinghamshire and Milton Keynes Fire Authority. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

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

[Signature]

*Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading*

[Date]



04 Audit Differences



Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £690k which have been corrected by management that were identified during the course of our audit.

Corrected misstatements current year 31 March 2022 (£'000)	Effect on the current period:		Net assets (Decrease)/ Increase				Equity Components Debit/ (Credit)
	OCI Debit/ (Credit)	Comprehensiv e Income and Expenditure Statement Debit/ (Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	
Adjusted Misstatements							
Factual differences:							
<ul style="list-style-type: none"> Restatement of the capital adjustment account (CAA) and revaluation reserve (RR) 							RR-3,706 CAA-(3,706)
<ul style="list-style-type: none"> Updated accounting entries for revaluation of PPE as a result of the restatement of the Capital Adjustment Account and Revaluation Reserve 	2,544	(2,544)					
<ul style="list-style-type: none"> Updated LGPS entries as a result of the Triennial Valuation 	(1,640)					1,640	
<ul style="list-style-type: none"> Reclassification of IAS 19 LGPS Entries- return on assets 	(1,615)	1,615					
<ul style="list-style-type: none"> Update of revised valuations 	(3,037)	411		2,626			
Total	(3,748)	(518)		2,626		1,640	0

We also identified misstatements in disclosures in relation to Note 11 Property, Plant and Equipment and Note 29 Financial Instruments, management have agreed to correct for both the prior period and current period impact of these misstatements.

Audit Differences

During the course of the audit we identified misstatements relating to the capital adjustment account and revaluation reserve, these misstatements had a prior year impact which has been corrected by management. In impact of the adjustments is shown below.

Summary of adjusted differences impacting the prior year

We highlight the following misstatements greater than £690k which have been corrected by management that were identified during the course of our audit

Corrected misstatements prior year 31 March 2022 (£'000)	Effect on the Prior year:		Net assets (Decrease)/ Increase				Equity Components Debit/ (Credit)
	 OCI Debit/ (Credit)	 Comprehensive Income and Expenditure Statement Debit/ (Credit)	 Assets current Debit/ (Credit)	 Assets non current Debit/ (Credit)	 Liabilities current Debit/ (Credit)	 Liabilities non-current Debit/ (Credit)	
Adjusted Misstatements							
Known differences:							
<ul style="list-style-type: none"> Restatement of the capital adjustment account (CAA) and revaluation reserve (RR) 							RR-3,352 CAA-(3,352)
<ul style="list-style-type: none"> Updated accounting entries for revaluation of PPE as a result of the restatement of the Capital Adjustment Account and Revaluation Reserve 	(6,426)	6,426					
<ul style="list-style-type: none"> Reclassification of IAS 19 LGPS Entries- return on assets 	(5,494)	5,494					
Total	(6,426)	6,426					0

Audit Differences

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

Summary of unadjusted differences

We highlight the following misstatements greater than £46k which have been identified through the course of our audit that remain uncorrected at year end:

Unadjusted differences

Our prior year creditor testing identified an error of creditors being overstated by £347 in our representative sample, which when extrapolated across the population was calculated as an error of £51,536. This extrapolated error was not corrected in the prior year and therefore has turned around in the current year.

Uncorrected misstatements current year 31 March 2022 (£'000)	Effect on the current period:		Net assets (Decrease)/ Increase				Equity Components Debit/ (Credit)
	OCI Debit/ (Credit)	Comprehensive Income and Expenditure Statement Debit/ (Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	
Adjusted Misstatements							
Judgemental differences:							
• Judgmental differences arising from professional opinion over the valuation of land for two assets	256	(81)	(175)				
Projected difference:							
• Projected misstatement of judgemental differences extrapolated over untested land valuations	81		(81)				
Total before turnaround impact	337	(81)	(256)				
• Turnaround impact	51						
Total after turnaround impact	388	(81)	(256)				



05 Value for Money



Value for money

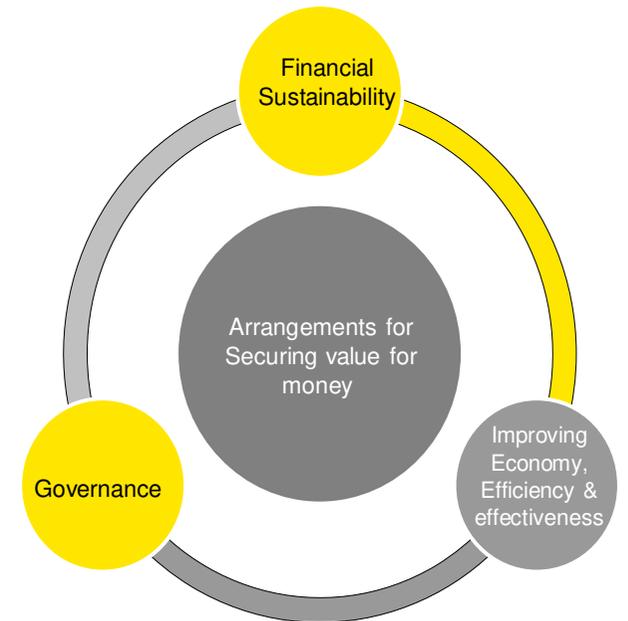
The Authority's responsibilities for value for money (VFM)

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

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

Conclusion

We have completed our work on your value for money arrangements but have not identified any significant weaknesses. We will report the outcome of our work on the Authority's arrangements in our VFM commentary on those arrangements within the Auditor's Annual Report.





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 2021/22 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 2021/22 and published with the financial statements was consistent with the audited financial statements

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

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return, we plan to return the assurance statement to the NAO on the date of signing the opinion. The extent of our review, and the nature of our report, is specified by the National Audit Office.

Other reporting issues

Other powers and duties

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

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 nothing to comment in respect of these.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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.

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, except for the following

- Revaluation reserve was not reconciled to the amounts disclosed in the financial statements.
- The criteria for classifications of financial instruments under the CIPFA code was not applied to disclosure for financial instruments.
- The required presentation of revaluations in the property, plant and equipment disclosure under the CIPFA code was not applied to disclosure of property plant and equipment.
- The IAS 19 pension liability adjustments were not in line with the CIPFA code.

We recommend that management should include a reconciliation between the revaluation reserve included in the accounts and the fixed asset register. We recommend that management should ensure that the disclosures included in the accounts are prepared in line with the CIPFA Code. We recommend in future years that management review the code to ensure the presentation of pension adjustments are consistent with the requirements of the code.

Reliance on internal audit

We have reviewed Internal Audit reports issued to management during the period to 31 March 2022 to ensure that any financial statement risks identified are considered in determining the extent of our audit procedures.



08

Data Analytics



Data Analytics - Journal Entry Testing

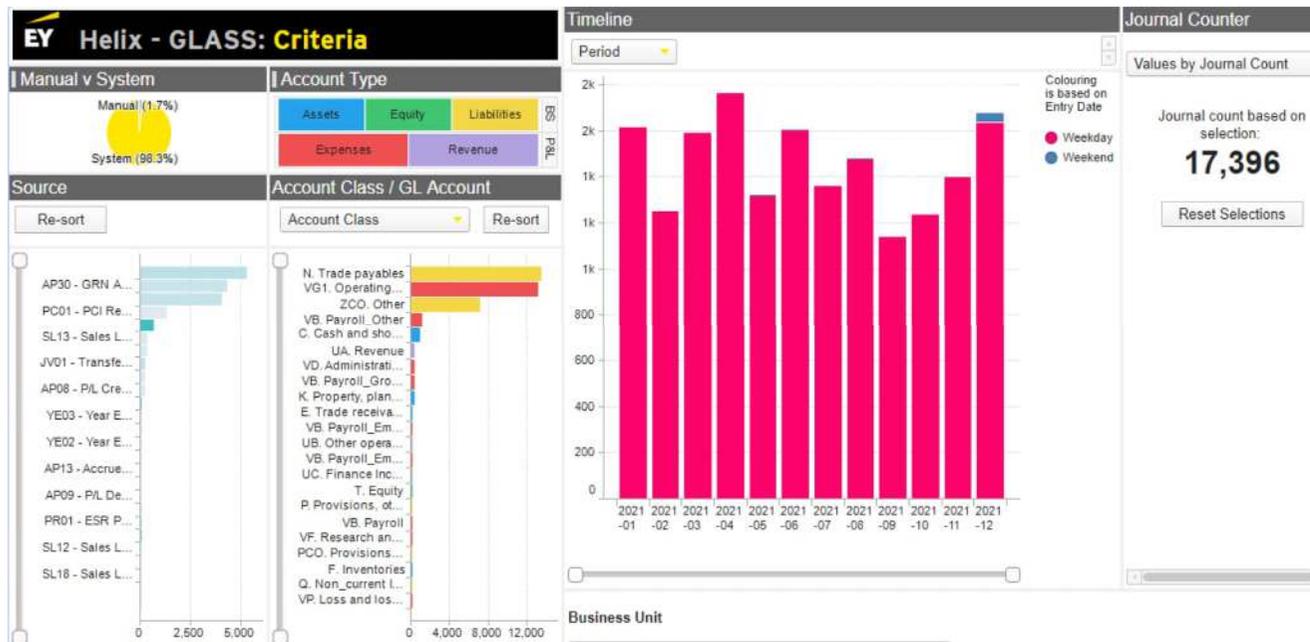
What is the risk?

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.

What judgements are we focused on?

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

Journal entry data criteria —31 March 2022



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, we have concluded on our selected sample and identified no issues in relation to management override.



09

Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 01 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute.

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

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

EY Transparency Report 2022

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end June 2022:

[EY UK Transparency Report 2022 | EYUK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Scale Fee for audit	£24,162	£24,162	£24,162
Recurring variation to the scale fee	£27,745 (Note 1)	£27,745	
Total variation to the scale fee			£17,931
Additional Fees (Note 2):			
Property, plant and equipment valuations	£11,000-£13,000	TBC	
Pension liability	£5,000-£7,000	TBC	
Value for Money	c.£6,000	TBC	
Prior Period Adjustments	£12,000-14,000	TBC	
Other	TBC	TBC	
Total audit services	TBC	TBC	£42,093

Note 1 - As indicated in previous years the baseline scale fee is proposed to increase to reflect the increased risk and complexity facing all public sector bodies, adjusted for our knowledge and risk assessment for this Authority as well as the changes and incremental increase in regulatory standards.

Note 2- The scale fee variation will reflect the additional work required by the audit team to conclude on the prior period adjustments identified through the course of the audit, the additional procedures required over property, plant and equipment valuations, including using engaging with internal specialists and the updated requirements to ISA 540, the additional work required on IAS 19 pension liability as a result of ISA 540 and response to the updated 2022 Triennial valuation and additional procedures required on value for money arrangements under the NAO 2020 Code update.

On both points, we will continue to discuss and share with the Chief Financial Officer our assessment of the audit fees required to safeguard audit quality and our professional standards. We will also report our proposed final position in the Auditor's Annual Report to the Overview and Audit Committee. We intend to report to PSAA at this stage our assessment of the changes required to the baseline fee to include the impacts set out in Note 1 and Note 2. In doing so, we will notify PSAA whether the Authority agree, partially agree or do not agree with our assessment. PSAA are ultimately responsible for determining the scale fee and any variations



10

Appendices

Required communications with the Overview and Audit Committee

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

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Overview and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report, presented at the Overview and Audit Committee in July 2022.
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit planning report, presented at the Overview and Audit Committee in July 2022.
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report- November 2023

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • 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 • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	Final Audit results report- November 2023
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Draft Audit results report- March 2023 and Final Audit results report- November 2023
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Final Audit results report- November 2023

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> Management; Employees who have significant roles in internal control; or Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to the Overview and Audit Committee responsibility. 	Draft Audit results report- March 2023 and Final Audit results report- November 2023
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity 	Draft Audit results report- March 2023 and Final Audit results report- November 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence 	Audit planning report – July 2022 Draft Audit results report- March 2023 and Final Audit results report- November 2023

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<p>Communications whenever significant judgements 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 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	Draft Audit results report- March 2023 and Final Audit results report- November 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Draft Audit results report- March 2023 and Final Audit results report- November 2023

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Draft Audit results report- March 2023 and Final Audit results report- November 2023
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Draft Audit results report- March 2023 and Final Audit results report- November 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Draft Audit results report- March 2023 and Final Audit results report- November 2023
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Draft Audit results report- March 2023 and Final Audit results report- November 2023

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young LLP
R+ Building
2 Blagrove Street
Reading
Berkshire, RG1 1AZ

This letter of representations is provided in connection with your audits of the financial statements of Buckinghamshire and Milton Keynes Fire Authority ("the Authority") for the years ended 31 March 2021 and 31 March 2022. 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 present fairly, in all material respects (or 'give a true and fair view of') the financial position of Buckinghamshire and Milton Keynes Fire Authority as of 31 March 2021 and 31 March 2022 and of its income and expenditure and its cash flows for each of the two years in the period ended 31 March 2022 in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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 2021/22.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, 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.

Management representation letter

Management Rep Letter

1. 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 2021/22, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
2. . We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. **We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].**

We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.

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

1. **We acknowledge that we are responsible 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 improprieties;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
- 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.

Management representation letter

Management Rep Letter

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements , including those related to the COVID-19 pandemic
3. We have made available to you all minutes of the meetings of the Authority, the Executive Committee and the Overview and Audit Committee held through the year to the most recent meeting on the following date: 15 March 2023.
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 31 March 2022 end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 21 March 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

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

E. Going Concern

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

F. Subsequent Events

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



Management representation letter

Management Rep Letter

G. Other information

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

H. Comparative information

In connection with your audit of the comparative financial statements for the year ended 31 March 2021 we represent, to the best of our knowledge and belief, the following:

During the audit it was identified n error in how the historic revaluation reserve values and the current revaluation reserve values were being calculated within the fixed asset register. This has resulted in several presentational errors within the financial statements, however does not impact the closing balances for the Movement in Reserves Statement (MIRS), Comprehensive Income and Expenditure Statement (CIES), Balance Sheet and Note 11 Non-Current Assets for 2021/22.

In addition, it was note 11 it was identified that the disclosure of both the cost and the accumulated depreciation was overstated in both the current year and the prior year. Under the CIPFA Code all accumulated depreciation should be written out on revaluation. The adjustment to the accounts results in a prior period adjustment and an adjustment to the current year draft accounts to reset the accumulated depreciation balance. There is no impact on the net book value of the property, plant and equipment for 20/21.

The comparative amounts have been correctly restated to reflect the above matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's financial statements.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority] has satisfactory title to all assets appearing in the balance sheet(s), 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(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

J. Reserves

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

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except for those matters of routine, normal, recurring nature none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Management representation letter

Management Rep Letter

L. Use of the Work of a Specialist

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

M. Estimates

PPE Valuations and Pension Liability Valuation

1. We confirm that the significant judgments made in making the valuation of the pension liability and the valuation of property plant and equipment have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of the pension liability and the valuation of property plant .
3. We confirm that the significant assumptions used in making the valuation of the pension liability and the valuation of property plant appropriately reflect our intent and ability to carry out *valuations* on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 .
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of the pension liability and the valuation of property plant and equipment .

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements , including due to the COVID-19 pandemic.

N. Retirement benefits

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

Yours faithfully,

_____ Mark Hemming

Director of Finance and Chief Financial Officer

_____ Cllr David Carroll

Chairman of the Overview and Audit Committee

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ED None

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

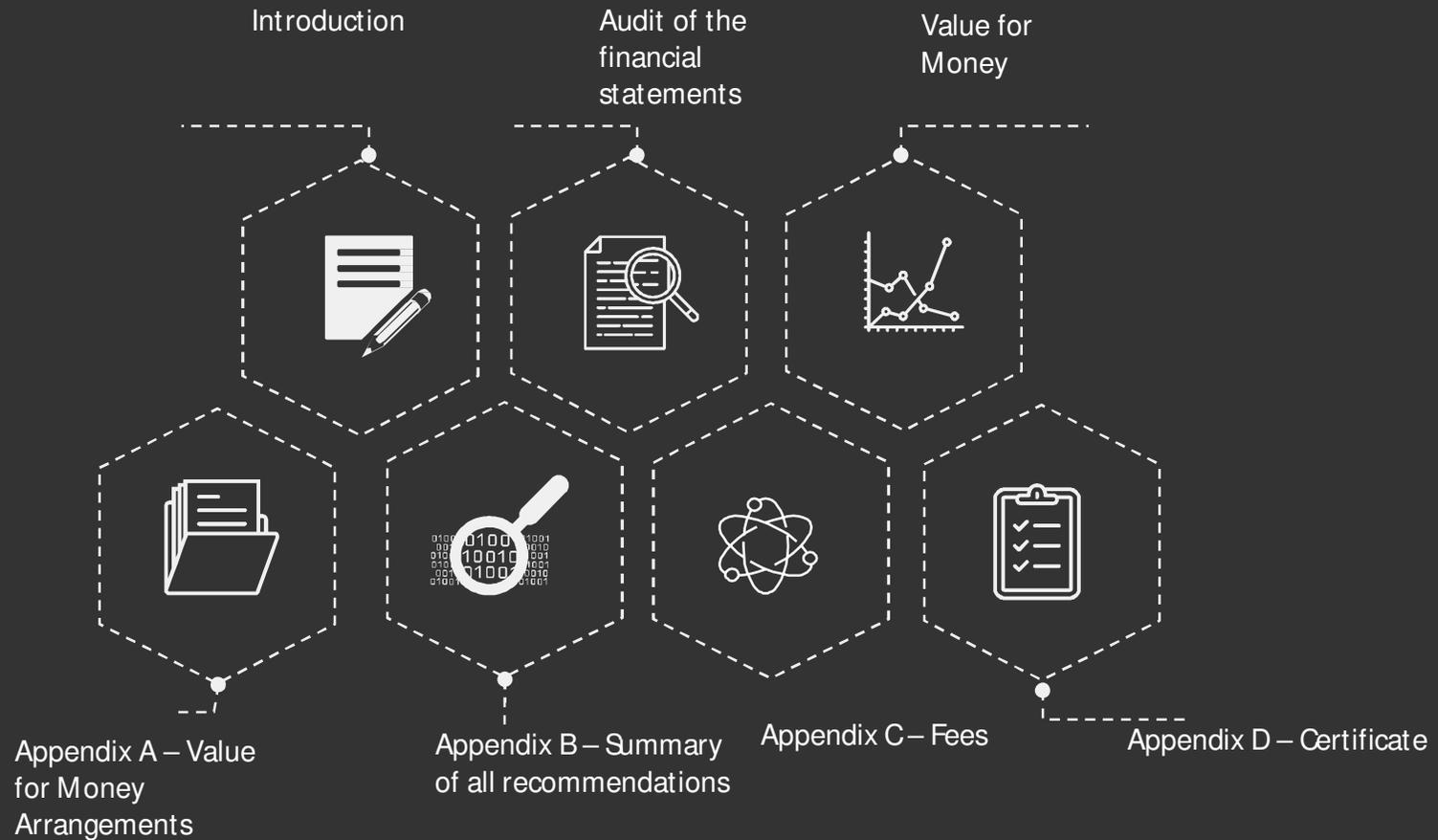
ey.com

A photograph of a modern, glass-walled interior space, likely a lobby or atrium. The floor is highly reflective, showing the ceiling lights and the surrounding environment. The ceiling is white with recessed lighting. The glass walls are framed with dark metal. The overall atmosphere is clean, bright, and professional.

Buckinghamshire and
Milton Keynes Fire
Authority
Draft Auditor's Annual
Report

Year ended 31 March 2022

Contents



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

The “Terms of Appointment and further guidance (updated July 2021)” 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 Overview and Audit Committee and management Buckinghamshire and Milton Keynes Fire Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Overview and Audit Committee and management of Buckinghamshire and Milton Keynes Fire Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Overview and Audit Committee and management of Buckinghamshire and Milton Keynes Fire Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the course of the audit. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Fire Authority, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued in July 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Fire Authority;
- If we identify a significant weakness in the Fire Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Fire Authority

The Fire Authority is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2012/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Fire Authority as at 31 March 2022 and of its expenditure and income for the year then ended. We intend to issue our auditor’s report on 8 November 2023.
Going concern	We have concluded that the Director of Finance and Asset's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Fire Authority’s VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Fire Authority .
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	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.
Certificate	We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Buckinghamshire and Milton Keynes Fire Authority. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.



Audit of the financial statements

Key findings

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

We intend to issue an unqualified opinion on the financial statements, on 8 November 2023. We will report our detailed findings to the 8 November 2023 Overview and Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported 3 internal control recommendations in the Audit Results Report related to the prior period adjustments identified in, PPE valuations, Pensions and financial instruments disclosures.

Significant risk

Conclusion

Risk of misstatements due to fraud or error – Management override

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business.

Misstatements due to fraud or error - Inappropriate capitalisation of revenue expenditure

Our work did not identify any material weaknesses in the design or operation of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.

Valuation of Blue Light Hub

Through our audit procedures we have concluded that the value of the Blue Light Hub is materially stated in the accounts.

Inherent risk

Conclusion

Valuation of land and buildings

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business.

I. Leased Land and Buildings

- We identified one group of assets included in property, plant and equipment which had not been revalued in line with the CIPFA Code. Management subsequently arranged for the assets to be valued and the audit team have engaged with EY Real Estates to support with the asset valuation. We have not completed our testing on this valuation, and conclude that management have appropriately updated the asset valuation in the accounts for this group of assets.

II. Asset Held for Sale Valuation

- We have engaged with EY Real Estates to review the valuation of an asset included in Assets Held for Sale. We have now concluded on the valuation of this asset and have determined that the asset is materially correctly stated under the requirements of IFRS 5.

Audit of the financial statements (continued)

Inherent risk

Conclusion

Valuation of land and buildings

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We did not identify any other transactions during our audit which appeared unusual or outside the normal course of business.

III. Accounting for Valuations

- Our testing of the valuation journals identified issues in the processing of accounting entries for the valuations for the current year and prior years.
 - The revaluation reserve balance did not reconcile to Authority records.
 - Per the Authority's records there were assets with both an revaluation reserve balance and an historic loss balance
 - The revaluation loss entries for the Blue Light Hub has incorrectly been charged to the revaluation reserve in the prior year.
 - Management have restated the balances for the revaluation reserve and capital adjustment account in both current and prior years. As a result of the restatement entries management have updated the workings for the revaluation entries for property, plant and equipment and updated the accounts accordingly (see pages 22 and 24).
 - Through testing of the PPE disclosure in note 11 it was identified that the disclosure of both the cost and the accumulated depreciation was over stated in both the current year and the prior year. Under the CIPFA Code all accumulated depreciation should be written out on revaluation. The adjustment to the accounts results in a prior period adjustment and an adjustment to the current year draft accounts to reset the accumulated depreciation balance. There is no impact on the net book value of the property, plant and equipment.

IV. Valuation Sample testing

- We selected a sample of assets and verified the valuation inputs to supporting information. In relation to the buildings no material issues were identified. In respect of land valuation sample the Authority's external valuer were unable to support the inputs used to determined the land valuations for the sample selected, this was due to a key member of staff leaving; as a result the external valuers re-valued the entire portfolio of land. Due to the change in valuation methodology, the audit team request our internal valuation team to review a sample of the revised valuations. The outcome of the review was that out of the six samples sent to EYRE for review two were deemed out of range, these were discussed with management and are to be reported as judgmental audit differences in section 4 of this report. As a result of the identified judgemental differences, the difference rate has been extrapolated across the remaining untested population, this has resulted in an uncorrected projected difference, this is reported in section 4 of the report.

Pension liability valuation & actuarial assumptions

Through our testing we identified one material IAS 19 reclassification entry impacting the prior year and current year. Management have adjusted for this entry and the entries can be seen on page 22 and 24 of this report.

Management have also updated the accounts for the impact of LGPS Triennial Valuation this can be seen on page 22 of this report.

No other material issues were identified as apart of our work on the Pension Liability.



Audit of the financial statements (continued)

Other Findings

Conclusion

Control Recommendations

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, except for the following

- Revaluation reserve was not reconciled to the amounts disclosed in the financial statements.
- The criteria for classifications of financial instruments under the CIPFA Code was not applied to disclosure for financial instruments.
- The required presentation of revaluations in the property, plant and equipment disclosure under the CIPFA Code was not applied to disclosure of property plant and equipment.
- The IAS 19 pension liability adjustments were not in line with the CIPFA Code.

We recommend that management should include a reconciliation between the revaluation reserve included in the accounts and the fixed asset register. We recommend that management should ensure that the disclosures included in the accounts are prepared in line with the CIPFA Code. We recommend in future years that management review the code to ensure the presentation of pension adjustments are consistent with the requirements of the Code.

We did not identify any risks of significant weaknesses in the Fire Authority's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Fire Authority and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Fire Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 8 November 2023 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Fire Authority committee reports, meetings and enquiries with the Director of Finance and Assets and Deputy Director and evaluation of associated documentation through our regular engagement with Fire Authority management and the finance team Reporting.

We completed our risk assessment procedures prior to the 15 March 2023 Overview and Audit Committee meeting and we reported in the draft audit result report that we had not identified any weaknesses in the Fire Authority's VFM arrangements. We have also not identified any new significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements. We include within the VFM commentary below the associated recommendation(s) we have agreed with the Fire Authority.

Our commentary for 2021/22 is set out over pages 9 to 11. The commentary on these pages summarises our conclusions over the arrangements at the Fire Authority in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Fire Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Fire Authority uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



Value for Money (continued)

Financial Sustainability: How the Fire Authority plans and manages its resources to ensure it can continue to deliver its services

The Fire Authority annually produces the medium term financial plan (MTFP), the MTFP covers a rolling four year plan. The plan is a link between the Authority's long term service objective and its financial capacity. We have confirmed that the Authority has review processes in place and the development of the MTFP is an iterative process, involving budgets being presented to Senior Officers and Lead Members prior to it being presented to the Fire Authority for approval.

The Authority implements a zero-based budgeting approach which has allowed them the Authority to identified substantial savings in the budget and allow for realignment of budgets to where there is most need. The Authority is able to make sure of its usable reserves should there be a requirement to do so.

We have confirmed through enquiry that the authority has an effective risk management framework in place to identify and mitigate the risk of the body not delivering its strategic and service objectives. The body carries out scenario planning to ensure that it's prepared for the possible outcome and any potential actions that may need to be take. The risk register is reviewed at each Overview and Audit Committee meeting to ensure that the risk are updated in a timely manner and to ensure that the impact and likelihood of each risk has been suitably assessed.

Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

Governance: How the Fire Authority ensures that it makes informed decisions and properly manages its risks

The Fire Authority has processes in place to gain assurance over the operation of internal controls, the Overview and Audit committee receives updates from Internal Audit at each committee meeting detailing the outcome of audits that have been undertaken during the year. In addition, senior officers meet on a regular basis and provide quarterly performance updates to the Joint Committee.

The Authority has a defined process in place for setting the annual budget, this is a interactive process whereby the draft budgets are presented to Senior Officers and Lead Members twice before being presented at the Fire Authority meeting for approval. Budget are monitored on a quarterly basis via presentation of the monitoring reports at the Executive Committee. This enables decisions to be made based on up to date information .

In addition to budget monitoring the Authority prepares a corporate risk register which is presented at each Overview and Audit Committee, this enables those charged with governance to have sight of the risk affecting the Authority and to be able to challenge the mitigating factors that are in place.

The Authority has staff in place to monitor the meeting of legislative and regulatory requirements, as well as a Code of Conduct Policy which is shared with all staff.

Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2021/ 22 to enable it to make informed decisions and properly manage its risks.



Value for Money (continued)

Improving economy, efficiency and effectiveness: How the Fire Authority uses information about its costs and performance to improve the way it manages and delivers its services

Since the HMICFRS Inspection in 20/21, the Authority has implemented a Zero based budget approach, which has continued from 20/21 into 21/22, the update also included a new Public Safety Plan, a revised medium term financial plan and new financial strategy. As a result of these measures the Authority have increased their whole time firefighter by up to 20, increase Protection team by 4 and Prevention team by 2. Following on from the inspection findings, the Authority also produced an action plan to address the points of concern raised by the HMICFRS Inspection. In January 2022, the Authority received a letter detailing the assessment of progress against the action plan from HMICFR. The letter stated that the Authority had submitted the action plan before the deadline of 30 September 2021 and submitted updates on the 19th November 2021. The letter concluded that the Authority has shown a strong commitment to carry out the action plan and that appropriate governance structures have been put in place to monitor the completion of the plan. This demonstrates how the Authority has taken on board the findings of the report and has built the action plan into improving the way the Authority manages and delivers its services.

The Authority has updated its standing orders relating to contracts document in June 2022, this was presented at the audit committee. This demonstrates that the body is regularly refreshing the procedures in place to ensure that the procurement policy is in line with relevant legislation, professional standards and internal policies.

Conclusion: Based on the work performed, the Fire Authority had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices



Building a better
working world

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Findings

The Authority reviews its budgetary position annually and produces a rolling four-year plan, known as the Medium-Term Financial Strategy (MTFP). The MTFP is closely linked to the Financial Strategy which is the link between the organisation's long-term service objectives and its financial capacity. The MTFP details the resources available to facilitate these plans. As part of the Fire Authority's Terms of Reference and MTFP, the Authority reviews and sets a balanced budget each year in line with corporate priorities. The MTFP is expressed as a detailed annual budget for the first year, with outline indicative budgets for the following four years. The budget for 2021/22 was approved by the Executive Committee in February 2021 and the council tax requirement (which is the net budget met by council tax) for 2021/22 was set at £21m.

As part of the financial strategy, the Authority carries out scenario planning to consider all possible outcomes from the financial settlements. Annual budget setting will identify significant pressures that have come to light which will be reflected in the budget that is being presented to Members for approval.

The budget is prepared and approved annually, ahead of the financial year. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds. The budget will be approved by the Executive Committee on advice of the Director of Finance and Assets of the Combined Fire Authority.

We note that the Authority has a good record of delivering against its financial strategies and budgets. The success of the strategies indicates that the Authority are focused on identifying any potential risks and implementing a strategy to work against these risks for them not to be a financial burden in the future. The Authority is considered to have adequate General Fund and Earmarked Reserves. The Director of Finance and Assets confirmed the adequacy of reserves in his Section 25 report issued in February 2022.

How the body plans to bridge its funding gaps and identifies achievable savings

Over the past few years, the Authority have implemented a zero-based budgeting approach which allowed the body to identify substantial savings in order to realign its budgets to where there is the most need. The Authority has the option to borrow to fund the capital programme to reduce the burden on the revenue budget and the general fund. Currently, all the capital financing requirement is met through capital receipts or voluntary contributions from revenue. Current projections presented to Members in February 2022 (over the MTFP) show that we the Authority can produce a balanced budget without the need to borrow additional sum.

As part of the MTFP process the Finance team will review 3 year spend analysis on all cost centres and cost elements. This process will highlight any potential savings. With any identified potential savings, the finance team would firstly see if these need realigning to fund another resource before they can be offered up as a potential saving. These challenges are done with the budget holder before 2 sets of officer and member challenges. All savings a factored into the budgets for future years and variances reported as part of the normal budget monitoring process. The authority has noted that services are delivering savings against the target but there have been additional pressures due to utilities costs.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget is set according to the Authority's Corporate and Public Safety plans. Any requests for additional funding need to justify how the Authority's meet our strategic and statutory priorities to be considered for approval. A key component of the Authority's forward planning as part of the annual refresh of the MTFP is the forward projection of Usable Reserves. As at 31 March 2022 the Fire Authority held the following Usable Reserves: General Fund Balances of £1.5m (as determined by the S151) and Earmarked Reserves of £5.8m. The Authority's MTFP agreed at Executive in February 2022 estimated that during the next 4-year cycle that the use of earmarked reserves would not be required to set a balanced budget across the MTFP (2022/23 to 2026/27).

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Findings

All these plans feed into the financial plan and are interlinked. For example, workforce planning has an agreed establishment and any changes to this need to be highlighted as part of budget setting and relevant growth bids need to be submitted. Similarly, the same process is followed with capital and other investment.'

The capital budget is presented annually, alongside the revenue budget, this ensures consistency of plans with regards to capital projects and any investment strategies.

The budget monitoring report which goes to the Executive Committee on a quarterly basis, explains the figures bringing in workforce numbers, funding the Authority is expected to receive and the capital programme and funding, with explanations of changes.

TVCR is a joint control room between Royal Berkshire, Oxfordshire and Bucks. Royal Berkshire cover all costs and then recharge costs quarterly to Bucks and Oxfordshire. The control room is a key asset in mobilising operational appliances to incidents. Any changes to the TVCR budget are approved at the Joint Committee and factored into the MTFP process. The arrangement has, and continues to deliver, significant savings to all parties compared to running three separate control rooms.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Throughout the preparation of the budget and MTFP, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be. Reserves are used not only to help implement the MTFP but also to provide mitigation against financial risks and wider flexibility in dealing with unplanned changes.

The Authority also carries out scenario planning and report this in its financial strategy to ensure it has considered all possible outcomes and identify how it will mitigate the impact they have on the service.

The Authority has an effective risk management framework in place to identify, mitigate and monitor the risks to the body in delivering strategic and service objectives. This includes both financial and non-financial risks. The risk register is reviewed throughout the year by the Overview and Audit Committee.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Overview and Audit Committee receives quarterly updates from Internal Audit on the audits they have carried out annually. One example is the core financial controls audit which reviews how effective the controls are in relation to the Authority's financial processes.' IA will present all outstanding recommendations at Overview and Audit Committee for noting. Members will there have the opportunity to challenge why they are still outstanding. High-level progress is reported quarterly to the Executive Committee as part of the newly introduced KPIs.

Senior Officers meet on a regular basis and provide quarterly performance report to the Joint Committee. This report captures financial and non-financial information and highlights any future action that would be necessary.

How the body approaches and carries out its annual budget setting process

The annual budget is approved by the Fire Authority following an iterative process. The process involves budgets being presented to Senior Officers and Lead Members on two occasions prior to it being presented to the Fire Authority to approve. This involves Members approving/rejecting any growth/savings bids prior to the full budget being presented to the Fire Authority and Executive Committee.'

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Executive Committee are presented with a budget monitoring report on a quarterly basis which provides a forecast of annual spend and highlights any corrective action that may be needed. Furthermore, the Overview and Audit (O&A) are presented with the Annual Statement of Accounts and an Annual Performance Report (non-financial). All high-level risks are also highlighted in our Corporate Risk Register and monitored quarterly by the O&A Committee. Other reports presented but not limited to are Annual Governance Statement, Statement of Assurance etc.'

The minute review confirms the Executive Committee's quarterly monitoring of the budgets. We attend the overview and audit committee meetings and see them review the annual accounts, annual performance report and corporate risk register.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

As above, the relevant Financial/Performance reports as well as Internal/External Audit reports are presented to the Executive/O&A Committee which allows them to challenge the information they are provided with.'

Attending the overview and audit committees we see the officers report to TCWG, ensuring they are properly informed and TCWG challenge officers where appropriate.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Authority has appointed a Monitoring Officer and a Data Protection Officer. The Monitoring Officer has discretion to commission an investigation and/or refer matters to the relevant authorities to investigate. In terms of gifts/hospitality, this is covered within our Code of Conduct and individuals are required to complete a "Declaration of hospitality or gifts" form.

This confirms what we have found out as part of our entity controls form investigations and related party transactions work.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>Following the first HMICFRS Inspection, BMKFA adopted a zero-based budget approach when developing the budget proposal for 2020/21, this has continued into 21/22. This approach was taken alongside a new Public Safety Plan, revised medium term financial plan and a new financial strategy. This resulted in increasing their wholtime firefighter establishment by up to 20 firefighters in 2020/21, increase Protection team by 4 and Prevention team by 2. In addition to this the Authority produce monthly monitoring reports that are reported to Heads of Service and a quarterly report submitted to the Executive Committee.</p> <p>The key assumptions are benchmarked against other fire services as part of an annual survey, assumptions used within Government policy statements and settlement figures (including OBR inflationary forecasts), latest information on pay offers, and latest available figures and forecasts from the billing authorities in relation to council tax and business rates.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The HMICFRS inspection findings are used to assess their performance and an action plan is put in place to identify how they will respond to the recommendations. Similarly, the same approach is taken with any Internal audits that take place. Furthermore, they are working with Proving Services and utilising the VFM toolkit they have produced that will allow them to benchmark their performance with other FRS. This is unique to the Fire sector which will allow them to use comparative benchmarks to better understand and improve their performance in various areas.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Authority regularly has meetings with significant partnerships to ensure they deliver the service to expected standards. An example of this is the Thames Valley Control which is a joint control room between three FRS. Senior Officers meet on a regular basis and provide quarterly performance report to the Joint Committee. This report captures financial and non-financial information and highlights any future action that would be necessary. They would follow this same approach with any significant partnerships to ensure they engage with relevant stakeholders and performance is monitored regularly.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>All procurements are subject to Standing Orders Relating to Contracts. The Standing Orders Relating to Contracts is set out on the Authorities website, it was last updated in 2020 and is due to be refreshed in 22/23. Progress on the updated Procurement Strategy and Standing Orders Relating to Contracts documentation is presented at audit committee, setting out the work that has been completed so far. The finance system has controls in place to ensure that no expenditure can take place without proper authorisation, including where relevant, a paper being presented to Senior Managers/Members setting out all of these considerations.</p>

Appendix B – Fees

Fees

We carried out our audit of the Fire Authority’s financial statements in line with PSAA Ltd’s “Statement of Responsibilities of auditors and audited bodies” and “Terms of Appointment and further guidance (updated July 2021)”. The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Levelling-Up, Housing and Communities.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors’ work.

We were required to carry out additional audit procedures to address audit risks in relation to a number of areas outlined below.

Description	Proposed Fee 2021/22 £	Planned Scale Fee 2021/22 £	Final Fee 2020/21 £
Audit Scale Fee – Code work	£24,162	£24,162	£24,162
Scale fee variation determined by PSAA	-	N/A	£17,931
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	£27,745	£27,745	N/A
Revised Scale Fee	£51,907	£51,907	£42,093
Scale Fee Variation – new VFM arrangements (Note 2)	£5,949	£6,000	N/A
Scale Fee Variation – revised ISA 540 (Note 2)	£2,056	£2,000	N/A
Scale Fee Variation due to one-off issues impacting the 2021/22 audit (see Note 3)	£26,830	N/A	N/A
Total Audit Fee	£86,742	£59,907	£42,093

Appendix B – Fees

Fees

Note 1

As indicated in previous years the baseline scale fee is proposed to increase to reflect the increased risk and complexity facing all public sector bodies, adjusted for our knowledge and risk assessment for this Authority as well as the changes and incremental increase in regulatory standards.

Note 2

The new VFM arrangements and revised ISA 540 (estimates) result in a scale fee variation (applicable from 20/21 onwards). PSAA have published guidance on these matters and advise for minimum additional fees, for a fire authority. We have kept these proposed fees at the lower end of the ranges indicated in the guidance.

Note 3

We have quantified the additional work we undertook in the completion of the 2021/22 audit, that related to in year issues as follows:

- Additional work required as a result of the triennial valuation being available prior to the end of the audit - £1,900
- Engaging our internal pensions specialists with respect to our work over the valuation of the pension fund liability - £2,255
- Additional work required in relation to the valuation of Great Holm Fire Station, the Blue Light Hub and the revised land values - £6,306
- Engaging our internal asset valuation specialists with respect to our work over asset valuations - £2,935
- Work in relation to the multiple prior year adjustments within PPE, Reserves, Financial Instruments and Pensions - £12,224
- Technical accounting issues identified regarding the valuation of a finance lease - £1,210

We discuss with the Chief Financial Officer our assessment of the audit fees required to safeguard audit quality and our professional standards. We intend to report to PSAA at this stage our assessment of the changes required to the fee to include the impacts set out in Note 1 to 3. In doing so, we will notify PSAA whether the Authority agree, partially agree or do not agree with our assessment. PSAA are ultimately responsible for determining the scale fee and any variations.

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