

The Annual Audit Letter for Shropshire and Wrekin Fire & Rescue Authority

Year ended 31 March 2017

12 October 2017

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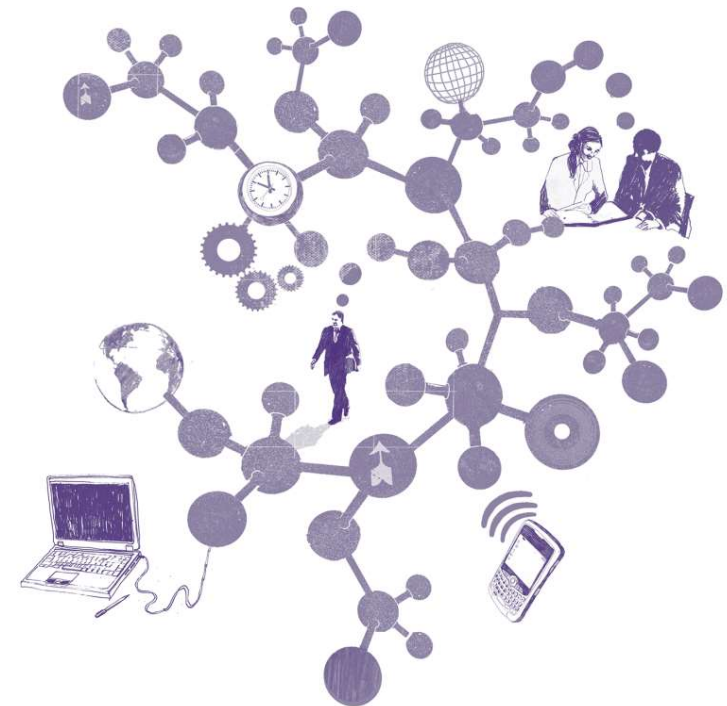
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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Shropshire and Wrekin Fire & Rescue Authority (the Authority) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Authority and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Authority's Audit and Accounts Committee (as those charged with governance) in our Audit Findings Report on 14 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Authority's financial statements on 27 September 2017.

Value for money conclusion

We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 27 September 2017.

Certificate

We certified that we had completed the audit of the accounts of the Authority in accordance with the requirements of the Code on 27 September 2017.

Working with the Authority

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Authority's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Authority's accounts to be £402,000 which is 2% of the Authority's gross revenue expenditure. We used this benchmark, as in our view, users of the Authority's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for related party transactions and senior officer remuneration at £20,000.

We set a lower threshold of £20,000, above which we reported errors to the Audit and Accounts Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Authority's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Head of Finance are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Authority and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of pension fund net liability The Authority's pension fund net liability (LGPS and FFPS), as reflected in its balance sheet, represents a significant estimate in the financial statements.	<ul style="list-style-type: none">• Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.• Review of the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation.• Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.• Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Authority's accounts on 27 September 2017, in advance of the 30 September 2017 national deadline.

The Authority made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Authority to the Authority's Audit and Accounts Committee on 14 September 2017.

In addition to the key audit risks reported earlier in this report, we identified an issue in regards to the valuation of land and buildings which we have asked the Authority's management to address for the next financial year. In the prior year we reported to those charged with governance that there was estimation uncertainty in that buildings could potentially be undervalued by a non-material amount if we took account of the increase in build costs as advised by the valuer and supported by national statistics compiled by Gerald Eve. This year, although the impairment review stated that there had been no increase in build costs, the national statistics indicated that assets may be undervalued, and that the value could be material to the 2016/17 financial statements. Therefore, it was agreed that a desktop valuation exercise would be carried out in order to provide us with reasonable assurance and appropriate audit evidence that assets were not materially misstated.

The conclusion of this exercise was that land and buildings are potentially understated by £388k. The Authority concluded that no adjustment would be made to the accounts on the grounds of materiality however this risk would be mitigated in 2017/18 by undertaking a full revaluation.

Annual Governance Statement and Narrative Report

We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Authority and with our knowledge of the Authority.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment which identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to the Audit and Performance Management Committee in our Audit Plan.

We noted the following key findings from our risk assessment:

- There is currently no separate medium term financial strategy but rather medium term reporting incorporated in to the Service Plan and Integrated Risk Management Plan; and
- The Authority reserves analysis currently shows that reserves are strong at over 60% of the revenue budget. Although this reduces over the lifetime of the medium term it remains above 40% for the next two financial years, and only drops to 20% of revenue in 2019/20.

Overall VfM conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services. No non-audit or audit related services were provided to the Authority in the period.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Authority	28,566	28,566	28,566
Total fees (excluding VAT)	28,566		28,566

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Fee variations are subject to approval by Public Sector Audit Appointments Ltd.

Reports issued

Report	Date issued
Audit Plan	April 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017



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