

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

Year ended 31 March 2014

October 2014

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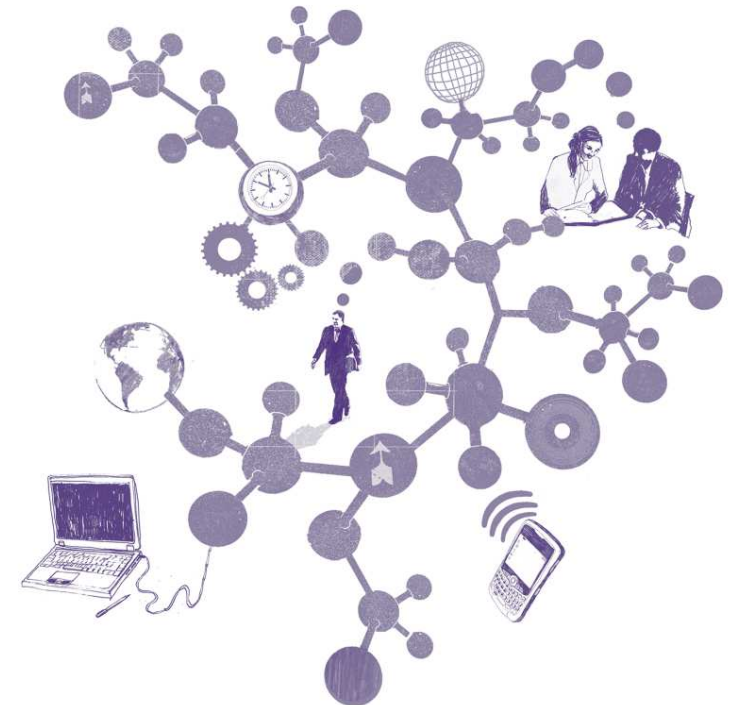
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# Contents

<b>Section</b>	<b>Page</b>
Key messages	3
<b>Appendix</b>	
A Summary of reports and audit fees	6

# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Shropshire & Wrekin Fire & Rescue Authority ('the Authority') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Authority and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed work and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 18 March 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Financial statements audit (including audit opinion)**

We issued an unqualified opinion on the Authority's 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Authority's financial position and of the income and expenditure recorded by the Authority.

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 11 September 2014 to the Audit & Performance Management Committee. The key messages reported were:

- The financial statements presented for audit were basically sound.
- We identified one non-trivial adjustment of £123K in respect of firefighters' pension benefit payments that should have been charged in the 2013/14 year. This amount has been paid to pensioners in 2014/15. This item has not been corrected for in 2013/14 and is to be corrected for in 2014/15. The Audit & Performance Management committee approved management's treatment of this item. This item would have increased the amount of top up grant receivable from the government so having no impact upon the level of the Authority's General Fund reserves.
- In July 2013 the Authority's wholly owned subsidiary company, Shropshire Fire Risk Management Services Limited, commenced trading. The value of this business in the 2013/14 year has been determined as not material to the Authority's accounts. Group accounts have not therefore been prepared. We have reviewed the accounts of the company and agree with this assessment.
- At the Audit & Performance Management committee meeting on the 11 September 2014 it was reported that the Authority is subject to a claim by the Fire Industry Association in respect of the Authority's subsidiary company. The Committee approved the disclosure of a contingent liability for this item in the Authority's financial statements.

## Key messages (continued)

<b>Financial statements audit (including audit opinion)</b>	<p>In 2012/13 we:</p> <ul style="list-style-type: none"><li>• Reported one non-trivial adjustment of £131K in respect of depreciation that should have been charged on two fire stations that the Authority determined was to be corrected in 2013/14. We confirmed that this adjustment had been made in the 2013/14 financial statements</li><li>• Highlighted that the processes for preparing and reviewing your financial statements could be stronger.</li></ul> <p>We have found that there has been an improvement in arrangements for reviewing and preparing the financial statements in 2013/14 and the introduction of a peer review process in the preparation of the statements enhanced their overall presentation. Our 2013/14 audit did identify that there were still some misclassification and disclosure changes required to the financial statements and we have recommended that the Authority should continue to develop the improved review process.</p>
<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2013/14 on 30 September 2014.</p> <p>Overall our work highlighted that the Authority:</p> <ul style="list-style-type: none"><li>• Has continued its public value review of its service, commenced in 2010 in its Service Transformation Program. The objective of the program is to look forward and meet the challenges the Authority faces as a result of the reduced levels of income announced in the Spending Review. In February 2013 the Authority approved a 2020 strategic planning process to develop a strategic integrated risk management plan. This process has progressed as planned. The Authority is currently consulting on preferred options going forwards which may involve difficult decisions towards the end of the 2014/15 financial year</li><li>• Has a memorandum of understanding with Hereford &amp; Worcester Fire &amp; Rescue Authority for the provision of fire control and no issues have been noted in its operation.</li><li>• Is committed to seek continuous improvement and this is encompassed within its Service Transformation Program. Efficiencies identified through the Program are regularly reported.</li></ul> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, 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 2014.</p>

## Key messages (continued)

<b>Whole of Government Accounts</b>	We reviewed the consolidation pack prepared by the Authority to support the production of the Government's Whole of Government Accounts. In line with our instructions we reported that the Authority was below the audit threshold level set by the National Audit Office and reviewed the worksheets specified for bodies below the audit threshold. We confirmed that the closing figures for Property, plant & equipment and Pensions liabilities in the consolidation pack were consistent with those in the Authority's financial statements. We reported other minor disclosure variances between the pack and those in the financial statements and issued our submission on the 30 September 2014 in advance of the deadline. The Authority has adjusted for these in its updated consolidation pack submission.
<b>Audit fee</b>	Our fee for 2013/14 was £38,088, excluding VAT which was unchanged from the previous year. Further detail is included within appendix A.
<b>Looking forward</b>	The Authority is facing challenges. It has put in place plans to prepare for these and is following through these plans. The public value review of the Authority's service commenced in 2010. It continues to look forward and meet the challenges that the Authority faces as a result of the reduced levels of grant announced in Comprehensive Spending Review and Budget announcements. The Integrated Risk Management Plan/2020 strategy has sought, through structured discussions with employees, to strike a balance between aligning the requirements of the service whilst exploring cost-reducing measures.

# Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	38,088	38,088
<b>Total fees</b>	<b>38,088</b>	<b>38,088</b>

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit & Performance Management committee update paper	October 2013
Informing the Audit Risk assessment	March 2014
Audit Plan	March 2014
Audit Findings Report	September 2014
Annual Audit Letter	October 2014



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