

The Audit Findings for Shropshire and Wrekin Fire and Rescue Authority

Year ended 31 March 2015

September 2015

Mark Stocks

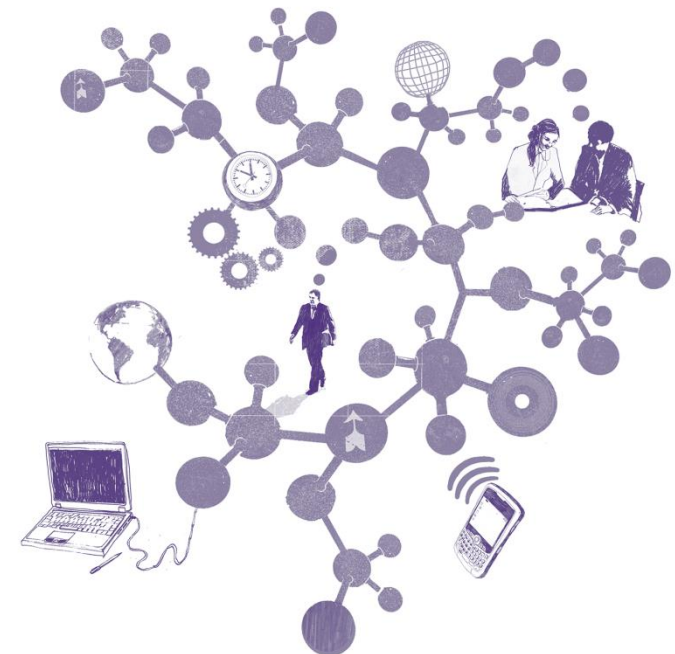
Director
T 0121 232 5437
E mark.c.stocks@uk.gt.com

Helen Edmonds

Manager
T 0121 232 5392
E helen.edmonds@uk.gt.com

Jonathan Meek

Associate
T 0121 232 5178
E jonathan.j.meek@uk.gt.com



Shropshire Fire and Rescue Service
Service Headquarters
St Michaels Street
Shrewsbury
SY1 2HJ

24 August 2015

Dear Members

Audit Findings for Shropshire and Wrekin Fire and Rescue Authority for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Shropshire and Wrekin Fire and Rescue Authority, the audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Mark Stocks

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

[T +44 121 212 4000
www.grant-thornton.co.uk

Chartered Accountants

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Shropshire and Wrekin Fire and Rescue Authority's (the Authority) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Authority's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 23 April 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- Confirmation of pension disclosures for LGPS on receipt of letter from PWC confirming the work done
- Confirmation of investment balances
- Confirmation from the Government Actuarial Department (GAD) with regard to the appropriate accounting treatment for the commutation of lumps sums paid on retirement following the recent determination by the Pensions Ombudsman
- Review of the final version of the financial statements
- Obtaining outstanding information for our VFM conclusion

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Authority's financial statements are:

- There is a potential inaccuracy in the calculations made by the pension actuaries which we have discussed in more detail in the accounting estimates section of this report.

We have not identified any adjustments affecting the Authority's reported financial position. The draft financial statements for the year ended 31 March 2015 recorded net expenditure of £18,436k the audited financial statements show net expenditure of £18,436k.

The Pensions Ombudsman has recently made a determination that a number of lump sums paid to staff on retirement were calculated incorrectly. GAD has yet to determine whether the additional costs will be charged to the Fire and Rescue Authority. Once this guidance has been issued there may be need to adjust the Authority's accounts.

Further details are set out in section two of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

Findings

We draw your attention in particular to control issues identified in relation to:

- The use of an incorrect useful economic life of an asset when calculating depreciation.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance and the Treasurer.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Finance and the Treasurer and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the audit committee on 23 April 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 23 April 2015.

Audit opinion

We propose issuing an unqualified audit opinion on the Authority's financial statements. Our proposed audit opinion is set out in Appendix B.

The accounts and working papers presented to us for audit were of a good standard. Officers were supportive of our audit team resulting in an efficient and effective audit process.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>We have considered whether the presumed risk of fraud due to improper recognition of revenue applies for the audit of Shropshire and Wrekin FRA. Due to the immaterial level of external non grant revenues received in 2014/15 we have concluded that the presumed risk can be rebutted for Authority revenues.</p> <p>Contributions to the fire-fighters pension fund have also been considered. There are reconciliation procedures in place between payroll and pension fund contribution accounts. We have concluded that the presumed risk can be rebutted for fire-fighters pension fund contributions.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition. Our conclusion remains that the presumed risk of fraud due to improper recognition of revenue can be rebutted for authority revenues and for fire-fighters pension fund contributions.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Tested a sample of operating expenses to supporting documentation • Reviewed the calculations of significant accruals • Review cut off for recognition of operating expenses at year end. 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Review of monthly trend analysis of total payroll • Review of payroll reconciliation between the accounts, payrolls system and the general ledger • Testing of a sample of employee remuneration payments made in the year 	Our audit work has not identified any significant issues in relation to the risk identified



Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Firefighters' pensions benefit payments</p>	<p>Firefighters' pensions benefit payments incorrectly calculated (Liability understated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We have documented the processes and controls in place around the accounting for Fire fighters' pensions Benefit payments and carried out walkthrough tests to confirm operation of controls. • Testing of a sample of fire fighters pensions benefit payments • Agreement of pensions disclosures in the financial statements to supporting evidence 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Activity is accounted for in the year it takes place, not simply when cash payments are made or received. Where income (which includes precept, grant and business rates income) and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. 	<p>We have considered:</p> <ul style="list-style-type: none"> Appropriateness of policy under relevant accounting framework Adequacy of disclosure of accounting policy Benchmark against industry practice <p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	 Green
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> useful life of capital equipment pension fund valuations and settlements revaluations Impairments PPE valuations. Accruals 	<p>We have considered:</p> <ul style="list-style-type: none"> Appropriateness of policy under relevant accounting framework Extent of judgement involved Potential financial statement impact of different assumptions Adequacy of disclosure of accounting policy <p>Note two has been amended to include further detail around the nature of estimation of PPE valuations and the uncertainty involved in depreciating assets.</p> <p>Note one has also been amended to provide more information on how accounting standards that have been issued but not yet adopted will affect the Authority in future years.</p> <p>We note at page 13 issues raised with regard to the estimation of pensions liabilities.</p>	 Amber

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Pension valuations</p>	<p>This is an area which is subject to a high degree of estimation uncertainty and pensions actuaries are used to provide estimates.</p>	<p>The estimation of pension assets and liabilities involves the use of a number of assumptions. We use an auditors' expert (employed under contract by the Audit Commission) to assess the accuracy of the actuaries assumptions.</p> <p>The auditors' expert through their annual review of pension actuaries have outlined that there are possible inaccuracies in the calculations made by the actuary. This is not an unusual statement but is flagged to ensure that the Authority is aware of this uncertainty.</p> <p>If the values produced by the actuary were to be only accurate to the nearest 2%-3% per year since the latest triennial valuation date then there would be the following potential impact for SWFRA;</p> <p>LGPS Liability - £1,034k Assets - £680k</p> <p>FFPS Liability - £10,228k</p> <p>It should be noted that these calculations are based on the maximum level of uncertainty and the auditors expert do emphasise that they would not necessarily expect the uncertainty to work in the same direction each year. Therefore, this possible inaccuracy is the maximum possible and is based on assumption that uncertainty has worked in the same direction each year.</p>	<p style="text-align: center;">● Amber</p>
<p>Going concern</p>	<p>The Directors have a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.</p>	<p style="text-align: center;">● Green</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies	We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	●

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, Estimates & Judgements– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Estimates and judgements - Property, Plant & Equipment</p> <p>In previous years the Authority has carried out a rolling programme of revaluations, with the date of the last full revaluation being 31 March 2011. This approach was similar to many other authorities and we were satisfied that you had satisfied yourselves that the carrying amount of Property, Plant and Equipment (based on these valuations) did not differ materially from the fair value at 31 March 2014.</p>	<p>This year there has been a full revaluation of the Authority's land and buildings. We are satisfied that this complies with the CIPFA Code's requirement for classes of assets to be re-valued simultaneously</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.


	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Authority.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from banks and other institutions to confirm the Authority's bank balances, investments and borrowing amounts. No issues were identified that we wish to bring to your attention. We requested management to send letters to those solicitors who worked with the Authority during the year, no issues that we need to bring your attention.

Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.		<ul style="list-style-type: none"> Our testing of depreciation identified that the wrong useful economic life (UEL) had been used to calculate depreciation on a fire station which is valued at open market value. This caused the depreciation amount to be calculated incorrectly. 	<ul style="list-style-type: none"> Whilst the error resulting from the wrong UEL being used was £4k and therefore trivial, the Authority should ensure that it uses the correct UEL's when calculating depreciation across its asset base.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Debtors and creditors have both been overstated by £158k. due to net movements on the collection fund entries relating to 2013/14 being double counted rather than being reversed out in 2014/15.	0	Net impact 0	0
Overall impact	£0	£0	£0

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 The Authority has an Equipment Replacement Provision which upon investigation was found to not meet the requirements of IAS37 and therefore should not be treated as a provision in the accounts.	102	112	The amount is not material to the accounts. However we recommend that in future financial statements the 'provision' is treated as a reserve.
Overall impact	£102	£112	

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	1,100	Financial Instruments- Fair value of financial liabilities	The fair value of financial liabilities disclosed in the accounts had been taken from a report produced by Capita rather than the report provided by PWLB. This was inconsistent with the information used for the disclosure in the 2013/14 accounts. The difference between the two fair value calculations was £1.1m. This has been amended in the disclosure note. The adjustment does not have an impact on the primary financial statements.
2 Disclosure	343	Related Party Transactions	The value of gross payments made to Shropshire Council was originally disclosed as £1,105,000 in the related party transaction disclosure note. We identified that the amount disclosed should have been £761,581. This has been amended in the note. The adjustments does not have an impact on the primary financial statements.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Authority's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Authority has proper arrangements in place for securing financial resilience - the Authority has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Authority's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work identified that the Authority's Medium Term Financial Plan is based on robust and appropriate assumptions. The Authority is able to adapt its annual budgets based on up to date financial information or national decisions.

The Authority has good control over its financial performance and there are good monitoring and reporting arrangements in place.

Challenging economy, efficiency and effectiveness

We have considered the Authority's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Authority is committed to achieving efficiency savings across all areas of the service and has established a number of initiatives to do this, including the 2020 and Service Transformation reviews. The Authority's financial forecasting shows that they are focusing areas of capital spend on key areas.

The Authority maintains a strong ethos of partnership working both with other bodies within the sector but also with local community groups.

Overall VfM conclusion

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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Authority's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	The Authority has achieved underspends against budgets for the past few years. The VFM profile tools provided by PSAA show that the Authority is below average for spend across Fire Authorities. The Authority's treasury management position is strong.	Green
Strategic financial planning	The medium term financial plan is aligned to the IRMP and Service Plan and the assumptions used for forecasting purposes are reasonable. Whilst the Authority has identified areas where savings can be made, a detailed review in to the exact nature of these savings and their value has not been completed.	Amber
Financial governance	Members are engaged with the activities of the Authority and understand the financial challenges that the Authority faces. Sufficient challenge is provided to management to ensure that the Authorities operations are efficient and appropriate. There are clear arrangements for financial reporting.	Green
Financial control	Financial performance is monitored through budget monitoring and reporting of prudential indicators. Our review of the IRMP has assured is that decisions made for the Authority have been based on relevant information	Green
Prioritising resources	The Authority has a history of under spending against budgets and achieving it's efficiency savings. It has been proactive in its approach to the 2020 project and Service Transformation and therefore has not been reliant on quick fixes, but instead looks for sustainable solutions.	Green
Improving efficiency & productivity	The IRMP and the Service Plan shows that the Authority is keen to look at savings and ways of being more efficient across all areas of the service and welcomes consultation on this from staff and other stakeholders.	Green

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual risk identified	Summary findings	RAG rating
Strategic financial planning	The IRMP details the areas where the Authority is planning on making efficiency savings however the reviews of these areas have not been completed. The detailed savings amounts therefore have not been identified and potential impact on service delivery not investigated. This should be an area of key focus for the Authority going forwards.	Amber

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Authority audit	38,088	38,088
Total audit fees	38,088	38,088

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Fees for other services

Service	Fees £
Non audit related services- Employment tax advice	£6,800

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Our testing of depreciation identified that the wrong useful economic life (UEL) had been used to calculate depreciation on a fire station which is valued at open market value. This caused the depreciation amount to be calculated incorrectly. Whilst the error resulting from the wrong UEL being used was £4k and therefore trivial, the Authority should ensure that it uses the correct UEL's when calculating depreciation across its asset base.</p>	Medium	<p>All sites have been revalued at 31 March 2015 and correct UELs have been applied. When future calculations of depreciation are carried out, officers will ensure that the correct UELs are used as part of this process.</p>	Completed

Appendix B: Audit opinion

We anticipate we will provide the Authority with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE AND WREKIN FIRE AND RESCUE AUTHORITY

We have audited the financial statements of Shropshire and Wrekin Fire and Rescue Authority for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 5. 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 2014/15.

This report is made solely to the members of Shropshire and Wrekin Fire and Rescue Authority, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurers Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Authority 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory

foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of Shropshire and Wrekin Fire and Rescue Authority as at 31 March 2015 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if: in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Shropshire and Wrekin Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Shropshire and Wrekin Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Stocks
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

XX September 2015



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