

The Audit Findings for Shropshire and Wrekin Fire and Rescue Authority

Year ended 31 March 2014

September 2014

Grant Patterson

Director
T 0121 232 5296
E grant.b.patterson@uk.gt.com

Joan Hill

Audit Manager
T 0121 232 5327
E joan.hill@uk.gt.com

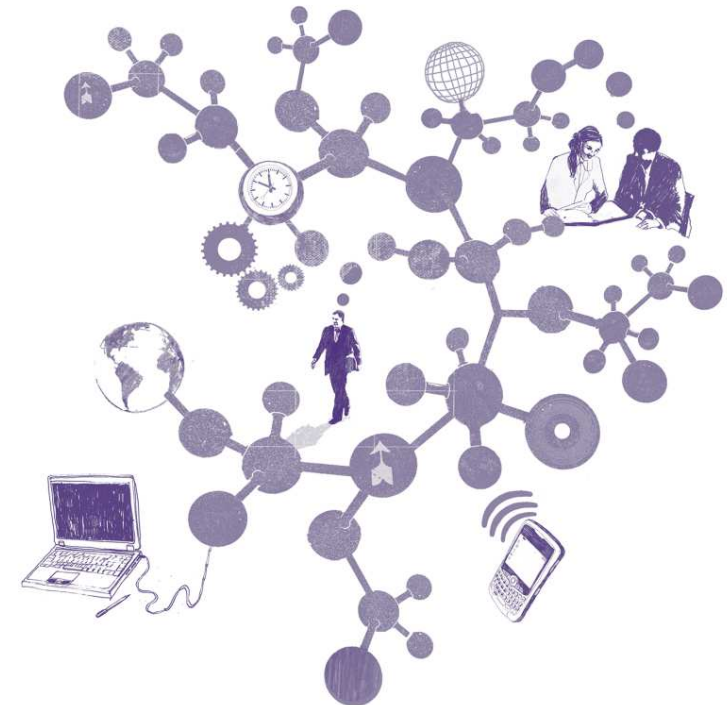
Sandeep Chonkaria

Associate
T 0121 232 5346
E sandeep.chonkaria@uk.gt.com

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.



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.

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Section 1: Executive summary

01. Executive summary

02. Audit findings

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This report is to the Audit and Performance Management Committee on 11 September 2014. This report reflects the findings from our work on the financial statements. At the time of writing the audit is substantially complete. If further matters arise during the completion stages of our audit, we will raise these at the Audit and Performance Management Committee.

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 2014. 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).

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, its 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 18 March 2014.

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

- employee remuneration – review of the reports from pension scheme actuaries and review of the assurances from the auditor for Shropshire County Pension Fund
- property, plant and equipment
- Firefighters' pension benefit payments
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of the final version of the Annual Governance Statement to be approved at the Audit & Performance Management committee meeting of the 11 September 2014

- updating our post balance sheet events review, to the date of signing the opinion, and
- review of the Authority's Whole of Government Accounts submission.

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

At 2 September 2014, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the financial statements.

In 2012/13 we:

- 1) 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 can confirm that this adjustment has been made in the 2013/14 financial statements.
- 2) highlighted that the processes for preparing and reviewing your financial statements could be stronger as set out in the action plan in Appendix A. We have found that there has been an improvement in arrangements for 2013/14 and the introduction of a peer review process in the preparation of the statements enhanced their overall presentation.

Our 2013/14 audit identified that there were still some misclassification and disclosure changes required to the financial statements. The Authority should therefore continue to develop the improved review process against the requirements of the CIPFA Code and other items incorporated within the closedown timetable for the preparation of the Authority's annual financial statements.

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

- The financial statements presented for audit were basically sound
- In July 2013 the Authority's wholly owned subsidiary company, Shropshire Fire Risk Management Services Limited, commenced trading. You have considered the value of this business in the 2013/14 year and determined that the business is 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.

Further details are set out in section 2 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 3 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

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.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

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 Treasurer and Head of Finance.

We have made a recommendation, which is set out in the action plan in Appendix B. Recommendations have been discussed and agreed with the Treasurer and Head of Finance.

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.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

01. Executive summary

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05. Communication of audit matters

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 findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Performance Management Committee on 27 March 2014. 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 27 March 2014.

Audit opinion

We anticipate that we will provide the Authority with an unmodified opinion. Our audit opinion is set out in Appendix C.

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 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 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 2013/14 we have concluded that the presumed risk can be rebutted for Authority revenues. 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 and 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 240 there is a presumed risk of management over-ride of controls</p>	<p>We have undertaken the following:</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 judgements.</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 B.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Completeness Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively substantive tested a sample of recorded items of operating expenditure reviewed records for unrecorded liabilities. 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Completeness Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively substantive tested a sample of employee remuneration 	We will update the Audit and Performance Management Committee at the meeting on our findings from our work.
Property, plant & equipment	Valuation – Gross Property Plant and Equipment activity not valid	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively substantive tested a sample of property, plant & equipment transactions including agreement of valuations to reports from the Authority's experts; undertaken our assessment of the work of the Authority's experts in accordance with the requirements of ISA 620; tested a sample of valuations to supporting documentation and compliance with the requirements of the CIPFA code of practice. 	We will update the Audit and Performance Management Committee at the meeting on our findings from our work.

Audit findings against other risks (continued)

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Firefighters' pensions benefit payments	Completeness Benefits incorrectly calculated/Liability understated	We have undertaken the following work in relation to this risk: <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 are designed effectively • substantive tested a sample of fire-fighters pensions benefit payments • agreed pension disclosures in the financial statements to supporting evidence. 	We will update the Audit and Performance Management Committee at the meeting on our findings from our work.

Audit findings – other issues and financial reporting matters

Transaction cycle	Summary	Comments
Value Added Taxes (VAT)	<p>At the 31 March 2014 the Authority has a debtor of monies due from Shropshire Council of £1.164million.</p>	<p>The debtor at the year of £1.164million due from Shropshire Council is in respect of monies due to the Authority in respect of Value Added Tax. Shropshire Council process VAT returns on behalf of the Authority, receive any refunds of VAT due from HMRC and then make payments over to the authority. Shropshire Council had processed VAT returns on a timely basis and received monies from HMRC in 2013/14.</p> <p>The balance at the year end related to six quarter VAT returns dating from October 2012 to March 2014. The value of the most recent quarter return January to March 2014 was £236K . The Authority received the majority of refunds for the previous five quarters (£926K) shortly after the year end.</p> <p>The Authority has correctly accounted for the debtor as at 31 March 2014. This item has therefore not been classified as a control issue. However, to ensure the full cash flow benefits of HMRC refunds are received by the Authority should ensure cash received on its behalf is promptly transferred.</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
<p>Revenue recognition</p>	<ul style="list-style-type: none"> • Activity is accounted for in the year it takes place, not simply when cash payments are received (Accounting Policy 4) • The Authority has adopted the standard revenue recognition for Local government as set out in the Code for the receipt of Government Grants (Accounting Policy 18) 	<ul style="list-style-type: none"> • Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	<p style="text-align: center;">● (Green)</p>
<p>Judgements and estimates</p>	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – Property valuations, useful life of property, plant and equipment , depreciation and impairments – pension fund valuations 	<ul style="list-style-type: none"> • Our review of judgments and estimates has not highlighted any issues which we wish to bring to your attention at the time of this report. • We will update the Audit and Performance Management Committee at the meeting on our findings from the conclusion of our work. 	<p style="text-align: center;">● (Green)</p>

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

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
<p>Judgements and estimates – Property Plant and Equipment (PPE)</p>	<ul style="list-style-type: none"> Accounting Policy 12 page 27 of the accounts sets out the arrangements of valuation of assets held on the balance sheet at current value - as revalued where there have been material changes in current value, but as a minimum every five years. Items within a class of PPE are revalued simultaneously. Note 16 PPE page 67 describes that the Authority carries out a rolling programme that ensures all PPE required to be measured at fair value is revalued at least every five years. The last full valuation of land and buildings was undertaken as at 31 March 2011 with valuations of 2 fire stations as at 31 March 2012. The Authority's appointed expert has reviewed a sample of DRC valuations adjusting for increases in building costs and depreciation and found no significant change in values. The Authority's expert has considered that the Shropshire property market is stagnant and would not envisage any change in values for the financial year. 	<p>The 2013/14 CIPFA Code of Practice has clarified the requirements for valuing PPE and states that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period'.</p> <p>We are completing our work in this area and our assessment as to whether the Authority's arrangements are in line with the requirements of the Code. At this time we do not believe there are material differences between the carrying value and fair value and will update the Audit and Performance Management Committee at the meeting on our findings from our work.</p>	
<p>Other accounting policies</p>	<ul style="list-style-type: none"> We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention. We will update the committee at the meeting on our findings from our work. 	

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

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all 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
NONE – to be updated on completion of audit work			
Overall impact	£NIL	£NIL	£NIL

Unadjusted misstatements

There are no identified adjustments which we request be processed but which have not been made within the final set of financial statements.

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 - Officers Remuneration (Note 8)	11	Senior Officers Emoluments - Allowances	The disclosure of allowances for four officers has been updated following our review.
2 Disclosure – Related Parties (Note 12)	N/A	Related Parties	The disclosure of the Authority's wholly owned subsidiary company, Shropshire Fire Risk Management Services Limited has been enhanced in line with the requirements of the CIPFA Code of Practice following our review.

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.

Our work has not identified any significant control weaknesses which we wish to highlight for your attention. Our work on the general IT control environment identified low priority best practice recommendations which have been brought to the attention of your officers. These matters are ones we have concluded are of insufficient importance to merit being reported to you in accordance with auditing standards.

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 and Performance Management 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"> As reported earlier, our review found misclassification and disclosure changes requiring amendment in the financial statements. These are all to be adjusted for in the final set of 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. We have suggested areas where disclosure in the financial statements in this area could be enhanced and these are all to be adjusted for in the final set of financial statements.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Authority's decision to prepare the financial statements on a going concern basis.

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.

We completed an initial risk assessment against a series of key criteria. In undertaking this initial assessment we took account of the key issues facing the fire sector, including the reductions in funding that authorities are facing following the Spending Review. We did not identify any residual risks that needed to be addressed through specific local work.

Key findings

Securing financial resilience

We have considered the Authority's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that:

- The Authority has a medium term financial plan to 2019/20 which is aligned to its service plan. Scenario modelling is used to update the plan for changes in income or expenditure.
- The 2013/14 financial plan was delivered with a surplus against budget of £1million (2012/13 £1.5million). The underspend is being used to support expenditure in future years which has slipped from the current year or to provide earmarked reserves for planned future spend or uncertainties. The budget is prepared on a prudent basis incorporating pay and prices factors. The level of surplus in year is not at a level to indicate a weakness in financial control.

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

Value for Money (continued)

Overall our work highlighted that the Authority:

- 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.
- has a memorandum of understanding with Hereford & Worcester Fire & Rescue Authority for the provision of fire control and no issues have been noted in its operation.
- is committed to seek continuous improvement and this is encompassed within its Service Transformation Program. Efficiencies identified through the Program are regularly reported.

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 2014.

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 summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of financial performance	The Authority historically underspends its budget in line with plan. The Authority has significant cash and cash equivalents at 31 March 2014 and has not taken any new debt in year.	Green
Strategic financial planning	The medium term financial plan is to 2019/20 which is reported to the authority through the Strategy and Resources Committee. The plan is aligned to the Authority's corporate plan and its integrated risk management plan. The plan is capable of demonstrating the impact of changes to funding or service requirements as they arise.	Green
Financial governance	The Authority has arrangements in place and has a clear understanding of its income and costs. Members are engaged in these arrangements. The Authority has clear budget monitoring and reporting arrangements.	Green
Financial control	The medium term financial plan is the basis for each year's budget (revenue and capital). Arrangements are in place for regular budget monitoring and reporting throughout the year. Internal audit undertake work to an approved plan and report regularly and at the end of the year to you.	Green
Prioritising resources	The use of resources is challenged and consultation is undertaken. The Authority looks to continuously improve and is proactive in its arrangements .	Green
Improving efficiency & productivity	The Authority has a Service Transformation program to identify areas of improvement in line with its 2020 plan. The program has identified efficiencies and progress is regularly reported to members.	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 any additional indicators identified by ourselves. Following completion of our work no residual risks to our VfM conclusion were identified.

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 and confirm there were no fees for the provision of non audit services.

Fees

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

Fees for other services

Service	Fees £
None	Nil

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 Auditing Practices Board'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.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other 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.

Our communication plan	Audit Plan	Audit Findings
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 2012-13 update

Priority

High - Significant effect on control system

Medium – Effect on control system

Low - Best practice

Rec No.	Recommendation 2012-13	Priority	Management response	Implementation date & responsibility	Finding
1	An improved review process of the financial statements against the requirements of the CIPFA Code and other items is incorporated within the closedown timetable for the preparation of the Authority's annual financial statements	M	We will improve our Quality Assurance arrangements for reviewing the financial statements prior to them being presented for audit. This will be undertaken in partnership with Grant Thornton and be linked to their new audit approach requirements.	Joanne Coadey, Head of Finance May 2014	The 2013/14 financial statements presented for audit were improved and the introduction of a peer review process in the preparation of the statements has enhanced the presentation of the financial statements.

Appendix B: Action plan

Priority

High - Significant effect on control system

Medium – Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Continue to develop the improved review process of the financial statements against the requirements of the CIPFA Code and other items incorporated within the closedown timetable for the preparation of the Authority's annual financial statements.	M		

Appendix C: 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

Opinion on the Authority financial statements

We have audited the financial statements of Shropshire and Wrekin Fire and Rescue Authority for the year ended 31 March 2014 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 fire-fighters' 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 2013/14.

This report is made solely to the members of Shropshire and Wrekin Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Treasurer's 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, 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 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 2014 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 2013/14 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 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any 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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, 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 2014.

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 2013, 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 2014.

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.

Grant Patterson

Director

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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

September 2014



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