

The Audit Findings for Shropshire and Wrekin Fire & Rescue Authority

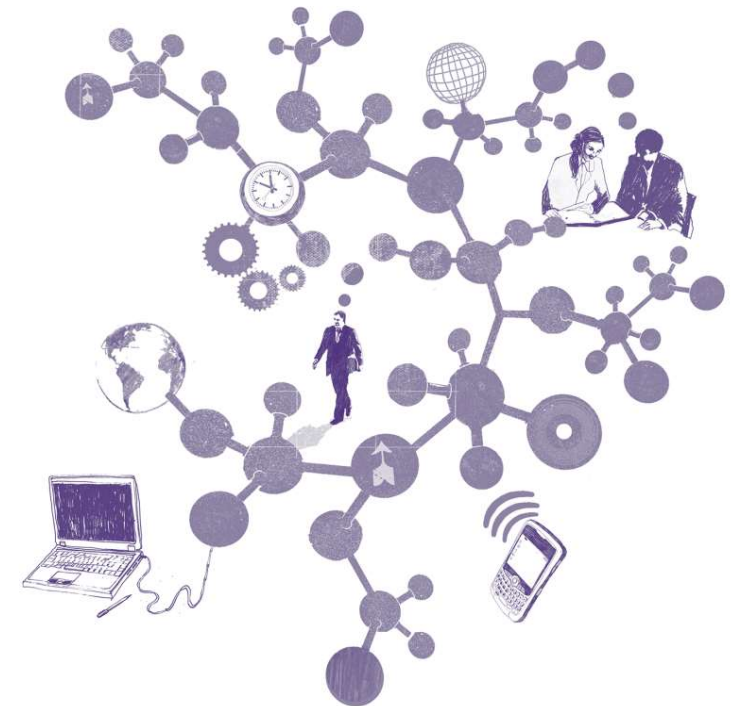
Year ended 31 March 2016

15 September 2016

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8 September 2016

Dear Members of the Audit & Performance Management Committee

Audit Findings for Shropshire and Wrekin Fire & Rescue Authority for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Shropshire and Wrekin Fire & Rescue Authority, the Audit & Performance Management Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. 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 and giving a value for money conclusion. 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

Chartered Accountants

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Section 1: Executive summary

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Purpose of this report

This report highlights the key issues affecting the results of Shropshire and Wrekin Fire & Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Authority or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Authority and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 21 April 2016.

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

- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- awaiting investment letters from third parties to confirm balances at 31 March 2016.

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

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the Authority's reported financial position. The draft financial statements for the year ended 31 March 2016 recorded net expenditure of £22,610k; the audited financial statements show net expenditure of £22,610k. We identified a non material uncertainty in the valuation of the FRAs assets. We have also recommended a number of adjustments to improve the presentation of the financial statements.

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

- The draft accounts and working papers were of good quality
- Finance staff responded efficiently to all audit queries
- The CIPFA Code adopted accounting standard IFRS 13 in 2015/16, this enhanced the disclosure requirements in relation to fair value. Various amendments to the disclosure of financial instruments have been identified to ensure that 2015/16 financial statements are presented in accordance with IFRS13.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit. No issues were identified by our audit.

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

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

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act

The way forward

Matters arising from the financial statements audit and our 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.

Acknowledgement

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 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence.

05. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £371k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have revised our overall materiality based on the 2015/16 draft financial statements to £455k being 2% of gross revenue expenditure.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £23k, as adjusted from the audit plan for the change in materiality.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the likelihood of material misstatement of cash and cash equivalents is considered low risk, all transactions made by the Authority affect the balance and it is therefore considered to be material by nature.	Any errors identified by testing in excess of 10% of materiality (£46,000) would be deemed to have implications on the users understanding of the financial statements
Disclosures of senior manager salaries and allowances in the remuneration report	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing in excess of £10,000 would be deemed to have implications on the users understanding of the financial statements
Related party transactions	Related party transactions have to be disclosed if they are material to the Authority or to the related party	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error and its potential impact on users of the financial statements. We are unable to quantify a materiality level as the concept of related party transactions takes in to account what is material to both the Authority and the related party.

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>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Shropshire and Wrekin Fire & Rescue Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Shropshire and Wrekin Fire & Rescue Authority, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> • review of entity level controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of any unusual significant transactions identified during audit procedures 	<p>Our audit work has not identified any evidence of management over-ride 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.



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Employee remuneration</p>	<p>Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<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 whether those controls were in line with our documented understanding • review of reconciliation between General Ledger and Payroll System • payroll trend analysis • substantive testing of employee remuneration transactions. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<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 whether those controls were in line with our documented understanding • cut-off testing of creditor figures disclosed at 31 March 2016 • assessment of accruals process at year end. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Firefighters Pensions Benefit Payments</p>	<p>Benefits improperly computed/ claims liability understated</p> <p>Payments to retiring officers are low in volume but high in value and the service is reliant on effective controls both within and outside the organisation to ensure that payments made are valid and accurate.</p>	<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 whether those controls were in line with our documented understanding • substantive testing of lump sum payments made during year and calculation of recurring annual pension. • Testing of the figures associated with the GAD v Milne settlement . Agreement of payments and receipts relating to the Authority. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Significant matters discussed with management

	Significant matter	Commentary
1.	<p>Brexit</p> <p>In June 2016 the UK voted to leave the European Union in the national referendum referred to as 'Brexit'. The aftermath of this has triggered significant economic activity and volatility in financial markets. In particular, this could affect the value of material assets and liabilities held by Local Government bodies for the purpose of treasury, borrowing and in association with the defined benefit pension scheme.</p>	<p>We have discussed the potential impact of Brexit on the Fire Authority with the Head of Finance and concluded that although it is difficult to quantify any affect at the current time, it is prudent to disclose a non-adjusting post balance sheet event in the financial statements. This will bring the matter to the attention of the users of the accounts.</p> <p>Management response</p> <p>The Head of Finance confirmed that the impact of Brexit on future plans is uncertain. As a response to these discussions a non-adjusting post balance sheet event was added to the 2015/16 financial statements.</p>
2.	<p>Valuation of land and buildings</p> <p>The Authority have a policy of performing a full revaluation of land and buildings every five years. In the interim an impairment review is undertaken and advice sought from the valuer that there has not been a material movement in the value of assets that would otherwise warrant a revaluation.</p>	<p>Our review of the letter provided by the valuer in 2015/16 identified that there has been an estimated 5% increase in build costs in the year. When an uplift of this percentage is applied to assets held at depreciated replacement costs this equates to a movement from the balance sheet value in excess of audit materiality.</p> <p>The valuer has since clarified their original comment and confirmed that the increase in build costs would be offset by a number of factors and the likely change in value is in the region of 2 to 3%. This is in line with our own expectations. This indicates that buildings are potentially undervalued in the region of £300k to £450k. Officers do not consider it appropriate to adjust for this difference in estimation. We have reviewed the difference in valuation. While this represents an uncertainty in the valuation of the buildings we are satisfied that it does not result in a material error.</p> <p>Management response</p> <p>Officers are satisfied that this potential under valuation does not have a material impact on the financial statements.</p>

Accounting policies, estimates and 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. • Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. • Where income (which includes council tax and rates income) has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. 	<p>We consider that:</p> <ul style="list-style-type: none"> • The accounting policy for revenue recognition is appropriate under the relevant accounting framework • The disclosure of the accounting policy is adequate and prevalent in the financial statements • Benchmarking against common industry practice has deemed the policy to be in line with similar organisations • Testing performed of revenues has not identified any issues in the policy application <p>Therefore, we have not identified any issues that we would like to bring to your attention.</p>	
Judgements and estimates	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – Useful life of PPE – Accruals – Valuation of pension fund net liability – Valuation of land and buildings 	<p>We consider that:</p> <ul style="list-style-type: none"> • The accounting policies for areas of key estimate and judgement are adequately disclosed • The extent of management judgement involved in relation to the valuation of the defined benefit pension fund is limited and therefore increases objectivity and reduced the risk of management override of controls. • As stated above, our review has identified a non material uncertainty with regard to the valuation of the FRAs assets • Testing performed in relation to accruals and depreciation has not identified any issues 	

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 and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	<p>Management at the Authority have a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. Members concur with this view.</p> <p>On this basis, the Authority continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Authority's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.</p>	●
Other accounting policies	<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice.</p>	<p>The Authority's accounting policies are appropriate and consistent with previous years.</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

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code 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 & Performance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Authority.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send a confirmation request to various institutions. This permission was granted and the requests were sent. We have received positive confirmation from some but not all and therefore we are still awaiting response from certain institutions.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. The summary of non-material disclosure adjustments identified can be found on page 21.

Other communication requirements continued

	Issue	Commentary
7.	Matters on which we report by exception	<ul style="list-style-type: none"> • We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Authority acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> • As the Authority does not exceed the threshold no detailed work is required.

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. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Fire-fighters' Pension Scheme Contributions as set out on page 11 above.

The controls we tested were found to be operating effectively and we have no matters to report to the Audit & Performance Management Committee.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
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"> Following the full revaluation undertaken during 2014/15 the UEL's of assets were revised and 2015/16 audit procedures have confirmed that appropriate UEL's have been applied in the calculation of depreciation.

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts 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 in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
<p>1 The debtors and creditors balances respectively per the balance sheet were overstated due to the reversal of a transactions through the Collection Fund Adjustment Account being incorrectly posted.</p> <p>The following adjustments were processed reducing debtors to £1,686k (£1,844k) and creditors to £2,385k (£2,543k). The net impact on the balance sheet is nil.</p>	Nil	158 (158)	Nil
Overall impact	£Nil	£Nil	£Nil

Misclassifications and 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 Reference	Impact on the financial statements
1 Disclosure	-	Note 16: Financial Instruments	The provisions of IFRS13 require appropriate disclosure of the classification of monetary and non-monetary assets and liabilities within the fair value hierarchy. This is based on the level of observable inputs used in the valuation. The Authority hold significant borrowing with PWLB and as such the financial statements have been update to classify these as level 2 financial instruments.
2 Disclosure	(£1,037)	Note 16: Financial Instruments	The Authority are required to disclose the fair value of financial instruments held at amortised costs within the financial statements in line with IFRS 13. The valuation methodology applied must meet the definition of fair value as set by the standard and as such the Authority were required to amend the disclosure. The appropriate methodology is the new loan rate which supersedes the early redemption rate. This was completed by Capita Asset Services and amended the disclosure from £8,125k to £7,088k in Note 16. It should be noted that this has no impact on the reported net cost of services and is for disclosure purposes only.
3 Disclosure	-	Note 15: Property, Plant & Equipment	An impairment review was conducted during 2015/16 for the Authority. Our audit procedures identified that details of this impairment review had not been disclosed and recommended narrative disclosure detailing impairment review.
4 Disclosure	-	Comprehensive Income and Expenditure Statement	In line with IAS19 two amendments to the wording in the CIES was recommended; <ul style="list-style-type: none"> - Replacing 'Actuarial gains (-)/losses on pension fund assets and liabilities' with 'Re-measurement of the net defined liability' - Replacing 'Pensions interest cost and return on pensions assets' with 'Net interest on the net defined liability'
5 Disclosure	-	Various notes	We have identified a small number of adjustments to notes in the accounts where casting, transposition, narrative or formatting issues have been identified. These have been adjusted and are not considered to be significant.

Section 3: Value for Money

01. Executive summary

02. Audit findings

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Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

In our Audit Plan dated 21 April 2016 we reported that, as a result of our initial risk assessment, we had not identified any significant risks to the Authority's arrangements for securing Value for Money.

However, we identified specific areas of further work in respect of measures of the proper arrangements using the guidance contained in AGN03. These are set out on page 25.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the specific areas that we identified in our Audit Plan. In arriving at our conclusion, our main considerations were:

- The Authority has a highly successful track record of delivering savings through the public value initiative and remains in a strong position to mitigate further reductions in funding in the future
- Governance arrangements are robust and information is supplied to those charged with governance in a timely and valuable manner
- Partnership working is prospering across Shropshire with organisations in both the public and private sector. The Authority are now also in a unique position to work closer with the Police and Crime Commissioner following transfer of ministerial responsibilities of the Authority to the Home Office.

We have set out more detail on the specific areas we identified, the results of the work we performed and the conclusions we drew from this work on page 25.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix A.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources..

Key findings

We set out below our key findings against the specific areas we identified through our initial risk assessment and ongoing review of documents.

Area	Work to address	Findings and conclusions
<p>Asset Strategy The fire authority have a wide spread and diverse asset base, we will gain an understanding of how the authority have configured these assets, including plant and equipment, in order to ensure the best value for money is delivered.</p>	<p>We reviewed the individual asset management strategy for all significant assets with the Head of Resources.</p>	<p>In respect of all key land and buildings and in extension, equipment and vehicles, the Authority have a comprehensive strategy in place. This incorporates comparison to the standards outlined in the Brigade Order and links to the wider strategic aims of the Authority through documentation of how assets are equipped to meet these aims.</p> <p>This also flows through to the programme of capital investment and maintenance to ensure that all assets are improved or maintained as expected.</p> <p>On this basis we concluded that any risk would be sufficiently mitigated and the Authority has proper arrangements.</p>
<p>Workforce Planning We are aware that the fire authority has contracted in size significantly in the past few years under the public value initiative and it is felt now that there is scope to expand again. We will therefore assess progress made against the workforce plan.</p>	<p>We have reviewed the workforce plan presented to the Service Management Team in March 2015 (Wholetime Recruitment paper) and other supporting information.</p>	<p>The Fire and Rescue Authority has a clear workforce strategy setting out the assessment of staffing requirements against the Integrated Risk Management Plan. This is monitored by the wholetime and retained duty performance reports presented quarterly.</p> <p>The Authority has determined that the current workforce model of 175 personnel is not sufficient due to the level of work undertaken on detached support projects and other streams. Therefore, the recruitment of 12 wholetime firefighters and permanent appointment of 10 firefighters from Hereford and Worcester FRA was approved. The retirement profile mean that this is not deemed to impact on the ability to meet savings identified in the IRMP by 2020 .</p> <p>We confirmed that the recruitment timetable had been circulated and adverts went live in April. Physicals were held in April and May, interviews in June and training will commence in September. Successful recruits are expected to join the watch from December 2016.</p> <p>On this basis we concluded that any risk would be sufficiently mitigated and the Authority has proper arrangements.</p>

Key findings

We set out below our key findings against the specific areas we identified through our initial risk assessment and ongoing review of documents.

Area	Work to address	Findings and conclusions
<p>Procurement The authority work along side bodies on an array of projects across sectors. We will obtain details of procurement statistics to ensure that processes in place to secure value for money are implemented effectively.</p>	<p>We reviewed the Authority's policies and procedures for procurement and how this is governed to ensure value for money is achieved.</p>	<p>The FRA has a clear procurement strategy consisting of 5 elements, to:</p> <ul style="list-style-type: none"> • use procurement to achieve the aims and objectives as set out in the FRAs Performance Plan and Business Plans • develop relationships and knowledge of suppliers of works, goods and services to achieve savings and efficiency gains • play an active role in national and regional procurement initiatives • raise awareness of procurement within and outside the authority • improve contract management procedures, so that they are in a better position to make informed choices over how works, goods and services are provided for the community. <p>The FRA has made good progress against its strategy. While the FRA is not leading any initiatives they are using frameworks and joint working wherever possible. With Telford and Wrekin Council, the FRA has a jointly fund procurement administrator, and this arrangement is being extended to a procurement officer. Training has been carried out with the senior management team, and part of the role of the new procurement officer is to support officers in the management of contracts.</p> <p>Procurement is conducted through a Contracts Register held on the internal portal. Each department has responsibility for detailing and maintaining the list of suppliers that it has agreements with. However, the FRA are also introducing electronic on-line ordering of low value call-off-contract items</p> <p>Tendering processes for the Authority are outlined in the Contract Standing Orders. These are reviewed on a regular basis by the Fire & Rescue Authority. Any exemptions to these orders must be approved the Chief Fire Officer and the Treasurer following consultation with the Chair and Vice-Chair of FRA. There is limited use of procurement metrics to monitor areas of non compliance with policies or to identify areas where cost savings can be made by the FRA. For example, the FRA do not monitor how much non-pay expenditure is procured via contracts, how much is via quotes, and how much is ad hoc expenditure. This is a potential area of improvement.</p> <p>On this basis we concluded that any risk would be sufficiently mitigated and the Authority has proper arrangements.</p>

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Authority audit and Value for Money opinion	28,566	28,566
Total audit fees (excluding VAT)	28,566	28,566

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

Fees for other services

Service	Fees £
Non-audit services;	
- Tax Helpline annual subscription	5,000

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

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: 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 (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members 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 Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the 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 2015/16, which 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 Narrative Report and the Annual Governance Statement 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: present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if: in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Signature – to be added

Engagement Lead name – to be added
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Date –to be added



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