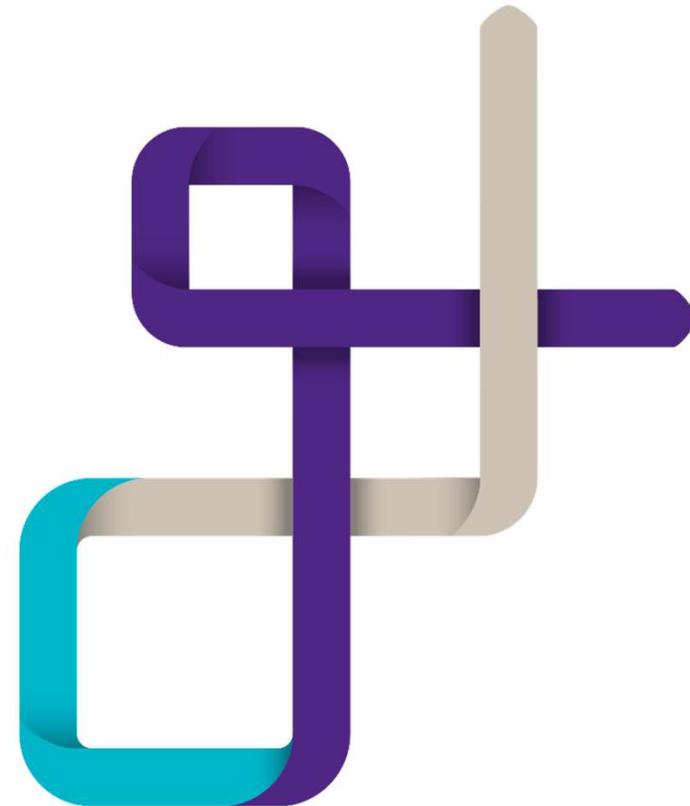


# Audit Findings

*Year ending 31 March 2018*

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Shropshire and Wrekin Fire & Rescue Authority  
19 July 2018



# Contents



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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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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# Headlines

## Introduction

This table summarises the key issues arising from the statutory audit of Shropshire and Wrekin Fire & Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2018 for those charged with governance.

|                                     |  |   |
|-------------------------------------|--|---|
| <b>Financial Statements</b>         | <p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>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 have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;</li><li>other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), are consistent with the financial statements</li></ul> | <p>Our audit work was completed on site during June. Our findings are summarised on pages 4 to 9. Management have identified one adjustment to the financial statements that has resulted in a £78k adjustment to the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to outstanding items being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Performance Management Committee meeting on 19 July 2018, as detailed in Appendix E. These outstanding items include:</p> <ul style="list-style-type: none"><li>- Confirmation of investment balance with Nationwide</li><li>- IAS 19 assurance letter from Shropshire County Pension Fund auditor</li><li>- receipt of management representation letter</li></ul> <p>We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement and Narrative Report are consistent our knowledge of your organisation and with the financial statements we have audited.</p> |
| <b>Value for Money arrangements</b> | <p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li></ul>   | <p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Shropshire and Wrekin Fire and Rescue Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on page 10.</p>  |
| <b>Statutory duties</b>             | <p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>certify the closure of the audit</li></ul>  | <p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>  |

## Acknowledgements

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.

# Summary

## Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

## Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Performance Management Committee meeting on 19 July 2018, as detailed in Appendix E. These outstanding items include:

- Confirmation of investment balance with Nationwide
- IAS 19 assurance letter from Shropshire County Pension Fund auditor
- receipt of management representation letter

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan.

|  | Authority Amount (£) | Qualitative factors considered  |
|--|----------------------|---|
| Materiality for the financial statements                       | 402,000              | 2% of gross expenditure <ul style="list-style-type: none"> <li>• Prior year measures, appropriate benchmarks, entity concept of materiality, risk level</li> </ul>                            |
| Performance materiality  | 301,000              | 75% of headline materiality <ul style="list-style-type: none"> <li>• Business activities, accounting systems, people, internal control, fraud risks</li> </ul>                                |
| Trivial matters  | 20,100               | 5% of headline materiality <ul style="list-style-type: none"> <li>• In line with International Standards on Auditing (ISAs)</li> </ul>  |
| Materiality for specific transactions, balances or disclosures | 100,000              | Materiality has been reduced for the following disclosures in view of their sensitivity and public interest. <ul style="list-style-type: none"> <li>• Senior officers remuneration</li> </ul> |

# Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management's assessment process

Management have undertaken the following process in order to determine the applicability of the going concern assumption:

- Production of medium term Service Plan to 2020
- Review and agreement of revenue budgets for the coming period 2018/19 and to 2023
- Long term cash flow forecast to August 2019

### Work performed

- Consideration of factors and events which may be indicative of a going concern issue or cast significant doubt over an entity's ability to continue as a going concern
- Review of management's supporting documents as stated above to understand whether assumptions used are reasonable
- Inquiries of key management personnel

### Concluding comments

### Auditor commentary

- We are satisfied that management have completed a comprehensive and thorough review of the best available information in order to understand whether or not the organisation will continue to operate for the foreseeable future
- Management have concluded that Shropshire and Wrekin Fire and Rescue Authority are a going concern and as such, the financial statements have been prepared on this basis.

### Auditor commentary

- There are no factors which we consider would cast significant doubt over Shropshire and Wrekin Fire and Rescue Authority's ability to continue as a going concern
- Management assumptions in relation to cash flow, which is the key driver in ensuring solvency, appear reasonable
- Management assumptions in relation to future sources of income, primary grant funding and precept income, appear reasonable. This includes increase in precept demand in order to offset reductions in other income streams. This is appropriate on the basis the demand is justifiable in line with budget requirements
- The assessment provided extends to 12 months following the date of anticipated audit sign off accordingly.

### Auditor commentary

- Overall, we are satisfied that the preparation of the financial statements using the going concern principal is reasonable
- The CIPFA Code negates the requirement to disclose the basis of preparation as this is assumed in public sector entities. No disclosure of material uncertainty is necessary for Shropshire and Wrekin Fire and Rescue Authority
- Therefore, there will be no impact on our audit opinion related to going concern

# Significant audit risks

| Risks identified in our Audit Plan  | Commentary  |
|---|---|
| <p><b>1 Improper revenue recognition</b><br/>Under ISA 240 (UK) 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><b>Auditor commentary</b></p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Shropshire and Wrekin Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Shropshire and Wrekin Fire and Rescue Authority.</p>   |
| <p><b>2 Management override of controls</b><br/>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>                                      | <p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> <li>• review of accounting policies</li> </ul> <p>Although we did not identify any significant audit findings or instances of management override of control, we have made one control recommendation in relation to segregation of duties. See appendix A for further details.</p>   |
| <p><b>3 Valuation of pension fund net liability</b><br/>The Authority's LGPS pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p> | <p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>• Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuations. We will gain an understanding of the basis on which the valuations are carried out.</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• Check the consistency of the pension fund assets and liabilities and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul> <p>Our audit work has not identified any issues in respect of the valuation of the LGPS or FFPS pension fund net liability.</p> |

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

1

### Employee remuneration

Payroll expenditure represents a significant percentage (76%) of the Authority's operating expenses.

As the payroll expenditure comes from a number of individual transactions and interaction with Shropshire Council there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

### Auditor commentary

We have undertaken the following work in relation to this risk:

- documented our understanding of processes and key controls over the transaction cycle
- undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding
- Obtained the year end payroll reconciliation and ensured amount in the accounts can be reconciled to the ledger and through to payroll reports, investigating any significant adjusting items
- Agreed payroll related accruals (e.g. unpaid leave accruals) to supporting documents and reviewed any estimates for reasonableness.

Our audit work has not identified any issues in respect of the completeness of employee remuneration expenditure.

2

### Operating expenses

Non-pay expenses on other services also represents a significant percentage (17%) of the Authority's operating expenses.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Authority's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Authority's system for accounting for non-pay expenditure and evaluated the design of the associated controls;
- Performed unrecorded liabilities testing through ensuring a sample of payments made in April 2018 have been appropriately recorded in the correct financial year
- Review of the year end creditors reconciliation and substantive testing of a sample of balances for agreement to supporting evidence and after date payment

Our audit work has not identified any issues in respect of the completeness of employee remuneration expenditure. As stated in the executive summary, management identified one omission of an accrual which has been adjusted accordingly, see appendix C for details.

3

### Firefighters pension scheme

The Authority administers the firefighters pension schemes, with the Firefighters Pension Fund Account being included in the financial statements.

We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the Authority's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls;
- Agreed a schedule of benefits payments by type for the period to scheme accounting records
- Performed an analytical review of the pension benefits paid in 2017/18
- Sample testing of new pension benefits coming into payment, agreeing the calculations to supporting information

Our audit work has not identified any issues in respect of the completeness of employee remuneration expenditure.

# Accounting policies

| Accounting area                 | Summary of policy  | Comments   | Assessment  |
|---------------------------------|--|--|---|
| <b>Revenue recognition</b>      | <p>Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:</p> <ul style="list-style-type: none"> <li>Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.</li> <li>Interest payable on borrowings and 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.</li> <li>Where income (which includes council tax and rates income) and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. 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.</li> </ul> | <ul style="list-style-type: none"> <li>The policy is appropriate under the relevant accounting framework, IFRS.</li> <li>Extent of judgement involved is low, and the range of possible outcomes and potential financial statement impact of different accounting policy choices would be minimal</li> <li>Disclosure of the accounting policy in the notes to the financial statements is adequate</li> <li>Accounting policy is reasonable when compared to peers and industry practice</li> </ul>   |    |
| <b>Judgements and estimates</b> | <ul style="list-style-type: none"> <li>Key estimates and judgements include: <ul style="list-style-type: none"> <li>Useful life of PPE and classification of fire premises as specialised or non-specialised</li> <li>Revaluations of land and buildings</li> <li>Accruals</li> <li>Valuation of pension fund net liability</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>The accounting policies for areas of key estimate and judgement are adequately disclosed and appropriate under the relevant accounting framework, IFRS.</li> <li>Testing performed in relation to depreciation expenditure and accruals has not identified any issues, we consider management procedures for calculation accruals to be appropriate and UEL of assets reasonable,</li> <li>The extent of management judgment involved in the calculation of the net defined benefit obligation associated with the LGPS and FFPS is minimal. Reliance is placed on actuarial experts of which we have corroborated and found to be reasonable</li> <li>No issues were noted in 2017/18 in relation to valuation of land and buildings, with a full valuation undertaken in the period.</li> </ul> |    |
| <b>Other critical policies</b>  |  | We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years.  |  |

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by 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 <b>Matters in relation to fraud</b>                          | <ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Performance Management 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.</li> </ul>                                   |
| ② <b>Matters in relation to related parties</b>                | <ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>   |
| ③ <b>Matters in relation to laws and regulations</b>           | <ul style="list-style-type: none"> <li>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.</li> </ul>   |
| ④ <b>Written representations</b>                               | <ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Authority, which is included in the Audit and Performance Management Committee papers</li> </ul>  |
| ⑤ <b>Confirmation requests from third parties</b>              | <ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to various financial institutions and Local Authority's in regards to bank and investment balances held. This permission was granted and the requests were sent. A response was received to all requests made.</li> </ul> |
| ⑥ <b>Disclosures</b>   | <ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>  |
| ⑦ <b>Significant difficulties</b>                              | <ul style="list-style-type: none"> <li>We experienced no significant difficulties in undertaking our audit work or obtaining the required working papers and support of the financial statements.</li> </ul>   |
| ⑧ <b>Matters on which we report by exception</b>               | <ul style="list-style-type: none"> <li>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</li> </ul>   |
| ⑨ <b>Specified procedures for Whole of Government Accounts</b> | <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"> <li>As the Authority does not exceed the threshold, no detailed procedures are required.</li> </ul>                |

# Value for Money

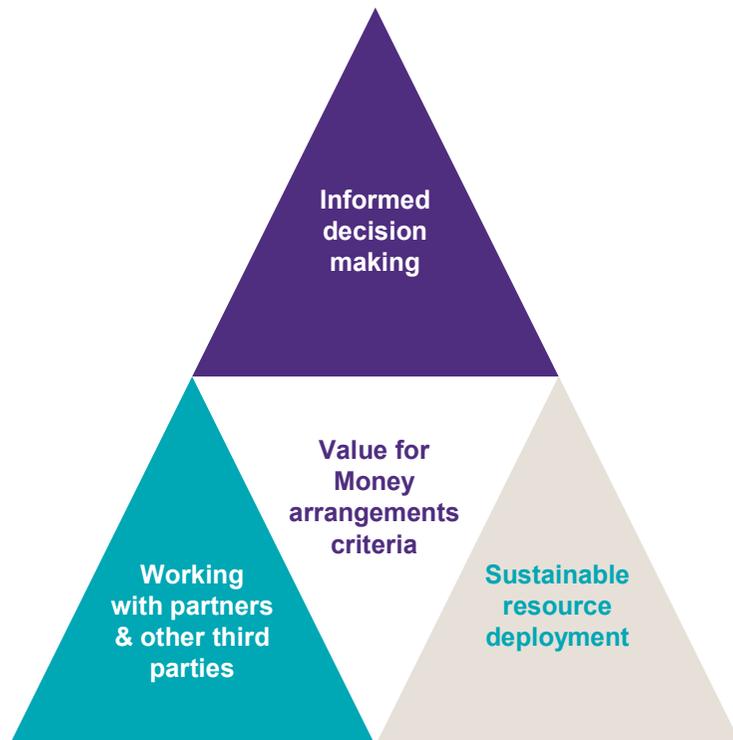
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in February 2018 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated the findings of our risk assessment to you in our Audit Plan dated April 2018.

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

## 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 E.

## 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.

# Independence and ethics

## **Independence and ethics**

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are included in Appendix D

## **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams. No non-audit services were identified.

# Action plan

We have identified one of recommendation for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk  | Recommendations   |
|------------|---|---|
| 1          | <p><b>Journals Authorisation</b></p> <p>The journal entry process is a four part system whereby journals are first prepared manually on paper, signed as authorised and then entered electronically on to the ledger system and authorised.</p> <p>As part of our detailed testing of journal entries we noted a few entries which in paper form had been prepared and authorised by the same individual. In some instances, the same individual was also involved in the upload to the ledger system.</p> <p>This level of involvement increases the risk of management override of control.</p> | <ul style="list-style-type: none"> <li>It should be noted that the journals reviewed did not indicate any instances of management override of control and were agreed to underlying supporting evidence as appropriate entries. Also, at least one other individual was involved in the four part process at some level.</li> <li>While we recognise the limited size of the finance team, as best practice we would recommend that where an individual is preparing a journal entry, they should not be involved in any authorisation stage in order to ensure appropriate segregation of duties and control.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>We will ensure that journal preparation and processing contains sufficient segregation of duties.</li> </ul> |
| 2          | <p><b>Register of Interests</b></p> <p>We noted from our related party transactions review that the register of business interests for officers had not been updated in 2017/18 and therefore this was rolled forward from 2016/17</p> <p>This increases the risk of related party transactions with entities who officers have an interest being undisclosed in the financial statements.</p>  | <ul style="list-style-type: none"> <li>We would recommend that the register of business interests is updated annually to ensure any changes in interests are documented and therefore potential transactions with these entities may be disclosed accordingly in the financial statements</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>We will ensure that the register is maintained and kept up to date.</li> </ul>  |

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Follow up of prior year recommendations

We identified the following issues in the audit of Shropshire and Wrekin Fire and Rescue Authority's 2016/17 financial statements, which resulted in one recommendations being reported in our 2016/17 Audit Findings report.

| Assessment | Issue and risk previously communicated  | Update on actions taken to address the issue  |
|------------|---|---|
| <p>① ✓</p> | <p><b>Medium Term Financial Plan</b></p> <p>We reported that there was no separate medium term financial strategy as the authority had made a conscious decision to remove this due to overlap with other documents, namely the service plan and IRMP.</p> <p>We recommended that a more detailed medium term financial plan was produced to which management responded that they would incorporate more detailed reporting in the updated service plan which was due to be taken to the Fire Authority in February 2018.</p> | <p>A more comprehensive strategy document is being prepared and will be reviewed by officers at Budget Monitoring Board in August, prior to consideration by members of the Strategy &amp; Resources Committee.</p> |

#### Assessment

- ✓ Action completed
- X Not yet addressed

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

As a result of audit procedures performed, we have not identified any non trivial errors which would require adjustment in the 2017/18 financial statements. As stated in executive summary, one adjustment has been brought to our attention by management and adjusted as detailed below.

| Detail  | Comprehensive Income and Expenditure Statement £'000 | Balance Sheet £' 000 | Impact on total net expenditure £'000 |
|---|--|----------------------|---------------------------------------|
| 1 An accrual for the cost of the FireLink radio system with the Home Office was omitted from the draft financial statements | £78,000  | (£78,000)            | £78,000                               |
| <b>Overall impact</b>   | <b>£78,000</b>                                       | <b>£78,000</b>       | <b>£78,000</b>                        |

## Impact of prior year unadjusted misstatements

One adjustment of £388k was identified during the prior year audit which had not been made within the final set of 2016/17 financial statements. This related to estimated under valuation of land and buildings which has subsequently been corrected in the financial statements as a result of the full valuation undertaken as at 31 March 2018.

# Audit Adjustments

## Misclassification 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.

| Disclosure omission                     | Detail   | Auditor recommendations   | Adjusted? |
|---|--|---|-----------|
| <b>Cash and Cash Equivalents</b>        | Misclassification of £1,000k deposit with Coventry Building Society within short term deposits with Local Authorities  | <ul style="list-style-type: none"> <li>The amount should be reclassified to short term deposits with bank therefore increasing this balance from £9,300k to £10,300k. A corresponding decrease will occur in short terms deposits with local authorities</li> </ul>                     | ✓         |
| <b>Capital Commitments</b>              | Capital commitments for appliances have been incorrectly disclosed, omitting £1,246k of commitments  | <ul style="list-style-type: none"> <li>Capital commitments for replacement of appliances should be increased from £32k to £1,278k</li> </ul>  | ✓         |
| <b>Expenditure and Funding Analysis</b> | Loss on disposal of fixed assets of £37k in relation to the transfer of the new dimension asset should be disclosed accordingly in the accounts as opposed to amalgamated within depreciation and impairment | <ul style="list-style-type: none"> <li>The face of the Comprehensive Income and Expenditure Statement and Expenditure and Funding Analysis should be updated to include £37 for loss on disposal of fixed assets and a corresponding decrease in depreciation and impairment</li> </ul> | ✓         |
| <b>Various</b>                          | A number of minor disclosure amendments were proposed as a result of our review of the draft financial statements  |   | ✓         |

# Fees

We confirm below our final fees charged for the audit.

## Audit Fees

|   | Proposed fee   | Final fee      |
|---|----------------|----------------|
| Authority Audit                         | 28,566         | 28,566         |
| <b>Total audit fees (excluding VAT)</b> | <b>£28,566</b> | <b>£28,566</b> |

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

# 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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Shropshire and Wrekin Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement] and notes to the financial statements. 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 2017/18.

In our opinion the financial statements:  
 give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;  
 have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and  
 have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:  
 the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
 the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 3 to 21, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Audit opinion

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 22, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. 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 2017/18, which give a true and fair view, and for such internal control as the Treasurer determines is necessary

to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Performance Management Committee is Those Charged with Governance.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

# Audit opinion

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### ***Phil Jones***

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

The Colmore Building  
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Date: 19 July 2018



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