

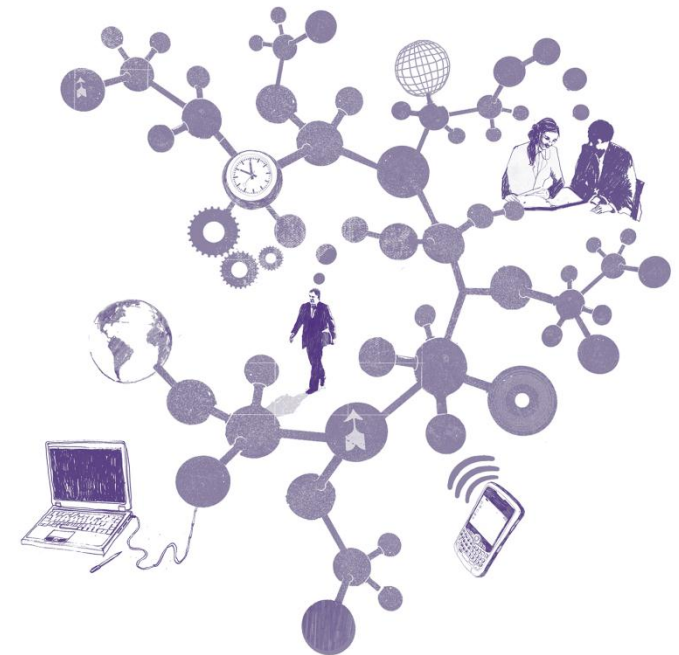
The Annual Audit Letter for Shropshire & Wrekin Fire & Rescue Authority

Year ended 31 March 2013

30 October 2013

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Section 1: Executive summary

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Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Shropshire and Wrekin Fire and Rescue Authority ('the Authority') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two), and
- assessing the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three).

The Letter is intended to communicate key messages to the Authority and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 27 September 2013.

Responsibilities of the external auditors and the Authority

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

The Authority is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 20 May 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions we have provided in relation to the financial year 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Authority's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and
- an unqualified opinion (short form assurance statement) on the Authority's Whole of Government Accounts submission.

Executive summary (continued)

Key areas for Authority attention

We summarise here the key messages arising from our audit for the Authority to consider as well as highlighting key issues facing the Authority in the future.

The Authority is facing significant challenges. It has put in place plans to prepare for these and is following through these plans. The public value review of the Authority's service commenced in 2010. It continues to look forward and meet the challenges that the Authority faces as a result of the reduced levels of grant announced in the Comprehensive Spending Review and Budget announcements. The Integrated Risk Management Plan/2020 strategy has sought, through structured discussions with staff, to strike a balance between aligning the services requirements whilst exploring cost-cutting measures.

The financial constraints facing the Authority in the period to 2019-20 require budget reductions at unprecedented levels in common with other local government bodies. By 2019/20 the Authority requires further budget reductions, amounting to £1.9million. The shortfalls in the Authority's budget emerge in 2016/17 and continue incrementally into future years. The Authority received taxation and non specific grant income in 2012/13 of £22.7million.

The Authority, through its Strategic Risk and Planning Group (SRPG), has been working through a variety of options to be able to continue to balance its budget in the coming years. In September 2013 the Authority received the summary outcomes arising from the Phase One Impact Assessment on options, gave approvals for the implementation of selected options and for members of the SRPG to move onto Phase Two. The impact findings having been scored and moderated to provide a value based upon two criteria: potential savings and overall impact, either positive or negative.

The Authority will have to ensure that these plans remain on track as the process unfolds whilst maintaining its services to its prescribed target levels.

Acknowledgements

This letter has been agreed with the Chief Fire Officer, Treasurer and the Head of Finance. It will be presented to Audit & Performance Management Committee on 14 November 2013.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

Grant Thornton UK LLP
October 2013

Section 2: *Audit of the accounts*

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Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Authority presented us with draft accounts approved by the Treasurer on 28 June 2013, in accordance with the statutory deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced 1 July 2013.

Issues arising from the audit of the accounts

The financial statements presented for audit were sound and our work has not identified any significant control weaknesses which we wish to highlight for your attention.

We and your predecessor auditors have been working with officers to ensure that the Authority's financial statements comply with the requirements of the CIPFA Code of Practice. We identified that there were a significant number of omissions, misclassifications and disclosure changes required in order to bring your financial statements into line with the CIPFA Code of Practice for 2012/13. All the omissions and disclosure changes were adjusted for in the final set of accounts. We recommended that the Authority look to strengthen its internal quality assurance arrangements which has been agreed by the Treasurer.

We identified one non-trivial adjustment of £131K in respect of depreciation that should have been charged on two fire stations. This item has not been corrected for in 2012-13 and is to be corrected for in 2013-14. The Audit & Performance Management committee approved management's treatment of this item. This item would have increased the Authority's deficit on the provision of services and be reversed out under regulations so having no impact upon the level of General Fund reserves.

Annual governance statement

The Authority's annual governance statement was approved at the Audit & Performance Management Committee on the 27 September 2013 and reported no significant internal control issues. The Authority has undertaken a review of its systems of internal control which underpin its governance framework during May and June 2013 and produced an improvement plan based on the findings from this process. Progress against the plan is monitored by officers with quarterly progress reports to the Audit & Performance Management Committee.

Conclusion

Prior to the giving of our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit & Performance Management Committee at the Authority). We presented our report to the Audit & Performance Management Committee on 27 September 2013 and summarise only the key messages in this letter.

We issued an unqualified opinion on the Authority's 2012-13 accounts on 30 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Authority's financial position and of the income and expenditure recorded by the Authority.

Whole of government accounts (WGA)

The Authority was below the audit threshold determined by the Audit Commission requiring our completion of a short form assurance statement. This statement covered the consistency in the WGA pack of two specified areas of Property, Plant & Equipment and Pension liabilities and the audited accounts. We confirmed that the bottom line totals of these areas were consistent between the WGA pack and the accounts and issued our statement on the 30 September 2013 in advance of the deadline.

Section 3: Value for Money

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Value for Money

Scope of work

The Code describes the Authority's responsibilities to put in place proper arrangements to:

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

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

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

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

Key findings

Securing financial resilience

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

- financial governance
- financial planning
- financial control.

Our work highlighted that the Authority has a medium term financial plan to 2019/20 which is aligned to its service plan. The 2012-13 financial plan was delivered with a surplus against budget of £1.5million (2011-12 £1.4million).

The underspend is being used to support expenditure in future years. The budget is prepared on a prudent basis incorporating pay and prices factors. The level of surplus in year is not at a level to indicate a weakness in financial control.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Authority has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted that the Authority has continued its public value review of its service commenced in 2010 to look forward and meet the challenges the Authority faces as a result of the reduced levels of income announced in the Spending Review. In February 2013 the Authority approved a 2020 strategic planning process to develop a strategic integrated risk management plan. The Authority is currently consulting on preferred options which may involve difficult decisions towards the end of the 2013/14 financial year.

The Authority has a memorandum of understanding in place with a neighbouring authority, Hereford & Worcester Fire & Rescue Authority for the provision of fire control. We have not identified any issues in its operation.

An Operational Performance assessment on the authority was completed in the year. There were no significant or fundamental issues identified and the Authority has prepared an action plan based on the findings of the assessment which are in the process of being delivered.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Appendix

Appendix A: Reports issued and fees

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

Fees

	Per Audit plan £	Actual fees £
Audit Fee	38,088	38,088
Total fees	38,088	38,088

In respect of the fee:

Our fees are exclusive of VAT.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	20 May 2013
Audit Findings Report - For the 5 September 2013 Audit & Performance Management Committee which was postponed - For the 27 September 2013 Audit & Performance Management committee	28 August 2013 Updated 17 September 2013
Annual Audit Letter	16 October 2013



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