

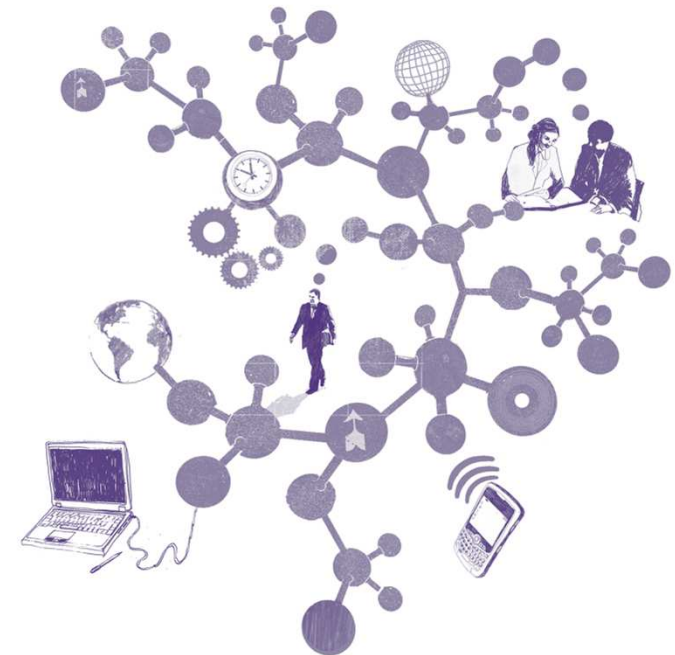
The Audit Findings for Shropshire and Wrekin Fire and Rescue Authority

Year ended 31 March 2013

18 September 2013

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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 primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

01. Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Shropshire and Wrekin Fire and Rescue Authority's ('the Authority') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA). This document has been updated to reflect further work completed since the issue of the document on the 28 August 2013 for the original date of the Audit and Performance Management Committee meeting on the 5 September 2013.

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 20 May 2013.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable. Our audit is substantially complete and we are finalising our work in the following areas:

- employee remuneration and obtaining assurances from the auditor for Shropshire Council Pension Fund
- updating our post balance sheet events review, to the date of signing the opinion
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement to be approved at the Audit & Performance Committee meeting of the 27 September 2013
- review of the Authority's Whole of Government Accounts submission

Key issues arising from our audit

Financial statements opinion

As at 18 September 2013, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the Authority's financial statements.

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

- The financial statements presented for audit were sound.
- 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 and best practice. This year 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 are to be adjusted for in the updated set of accounts. The large number, combined with new supporting information requirements as part of the change in the audit approach, has impacted upon the efficiency of our audit. We have highlighted that the processes for preparing and reviewing your financial statements could be stronger and will be working in partnership with your officers to make improvements for next year.

We have identified one non-trivial adjustment of £131k in respect of depreciation that should have been charged on two fire stations that, having given consideration to, officers are not proposing to amend in 2012/13 but will correct in 2013/14. If an amendment were made it would increase the Authority's reported financial position of a deficit on the provision of services of £2,659k but, as the entries would be reversed out under regulations, it would have no impact upon the level of General Fund Resources of £1,048k available.

The Audit and Performance Management Committee is asked to approve management's proposed treatment and recognition of this and the associated disclosure within the Letter of Representation (further details are on page 12).

Further details of all of the above matters are set out in section 2 of this report.

Value for money conclusion

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

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

The Authority submitted its WGA pack subject to audit by the Government's deadline of 14 August, 2013. Audit Commission issued their instructions for our work on the 19 August 2013. We will complete our work in respect of the Authority's Whole of Government Accounts in accordance with the national timetable.

Controls

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

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

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

Further details are provided within section 2 of this report.

The way forward

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

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

Acknowledgment

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

Grant Thornton UK LLP
September 2013

Section 2: *Audit findings*

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Performance Management Committee on 6 June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you dated 20 May 2013.

Audit opinion

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

Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards. We did not identify any significant risks other than these.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>We have considered whether the presumed risk of fraud due to improper recognition of revenue applies for the audit of Shropshire and Wrekin Fire and Rescue Authority.</p> <p>Due to the immaterial level of external non grant revenues received in 2012/13 we have concluded that the presumed risk can be rebutted.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition and our conclusion remains that the presumed risk is rebutted.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<p>We have undertaken the following:</p> <ul style="list-style-type: none"> • review of accounting estimates, judgments and decisions made by management • testing of journals entries, and • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular, the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle • Undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of a sample of recorded items of operating expenditure • Review for unrecorded liabilities 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle • Undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of a sample of year end creditor balances • Cut-off testing of the expenditure stream • Review for unrecorded liabilities 	Our audit work has not identified any significant issues in relation to the risks identified

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration expenditure not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of employee remuneration including tracing remuneration payments to HR and payroll records 	Our audit work has not identified any significant issues in relation to the risks identified
Employee remuneration	Employee remuneration accruals understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation of our understanding of processes and key controls over the transaction cycle • Walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing of accruals • Review of payments after the year end • Review of the reconciliation between payroll and the general ledger. 	Our audit work has not identified any significant issues in relation to the risk identified.
Firefighters' pensions	Benefit payments to pensioners incorrectly calculated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation and identification of processes and key controls in the pension benefit payments cycle • Walked through a sample item to confirm our understanding • Sample testing of the accuracy and propriety of continuing and new pensions in payment (including lump sum values). 	Our audit work has not identified any significant issues in relation to the risk identified.

Misstatements

We are required to report to you any non-trivial unadjusted misstatements or material adjustments of such a size and nature that, in our view, we need to bring to your attention to help you discharge your responsibilities as those charged with governance. We are pleased to report that there are no material misstatements we wish to bring to your attention.

There is one non-trivial misstatement that was identified during the audit which has not been adjusted for within the final set of financial statements. This is recorded in the table below. The Audit and Performance Management Committee is required to approve management's proposed treatment and recognition of this and the associated disclosure within the Letter of Representation.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting in 2012/13
<p>1 Most FRA's consider fire stations to be specialised properties as there are not considered to be many alternative uses for them. As a result they are generally valued on a depreciated replacement cost basis and depreciated. Depreciated replacement cost being used as an estimate of fair value. The Authority has adopted this treatment for its fire stations other than for Shrewsbury and Telford Central stations.</p> <p>Due to the nature and design of the Shrewsbury and Telford Central stations the Authority considers these properties might have alternative uses, such as office accommodation. These properties are then valued on an open market value. We are satisfied that this a reasonable valuation basis.</p> <p>The Authority's accounting policies stated these two properties would not be depreciated (for Shrewsbury this has been since 1 April 2012 and Telford Central since 1 April 2010). The CIPFA Code provides limited exceptions for not depreciating operational assets and in our view these were not met. The Authority has accepted this. The policy has been changed and the assets will be depreciated from 2013/14 with adjustments for prior years as appropriate.</p>	<p>Increase Cost of Services – Continuing Operations £131</p> <p>Increase Adjustment between accounting basis & funding basis under regulations £131</p>	<p>PPE Net Book Value of Land & Buildings (-£131)</p> <p>Capital Adjustment Account (+£131)</p>	<p>The sums are not material and will be reversed out within Note 4 – Adjustment Between Accounting Basis and Funding Basis Under Regulation.</p> <p>There is therefore no impact upon the General Fund balance available for use of £1,048k.</p> <p>The changes required impact upon a number of primary statements and disclosure notes. As the sums are not material and will not mislead readers of the accounts the adjustments will be made in 2013/14.</p>
Overall impact on useable resources	£0	£0	

Misclassifications and significant disclosure changes




We are required to report to you any non-trivial unadjusted misstatements or material adjustments of such a size and nature that, in our view, we need to bring to your attention to help you discharge your responsibilities as those charged with governance. We are pleased to report that there are no such matters we wish to bring to your attention.

However, our review found a significant number of omissions and items requiring amendment in the financial statements that has impacted on the efficiency of our audit. These issues (other than those of a trivial nature) were discussed with officers during the course of the audit and they are all to be adjusted for in the final set of financial statements. The majority of the changes are of such a size and nature that, in our view, we are not required to bring them to your attention in this report to help you discharge your responsibilities. We have highlighted those that we believe will assist you in your role below. The large number of omissions and items highlights that the processes for preparing and reviewing your financial statements could be stronger and we have made one recommendation which, together with the management response, is attached at Appendix A. To assist the Authority going forward the smaller items will be summarised in a memorandum addressed to the Treasurer and the Chair of the Audit and Performance Management Committee.



Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure and presentation	£405	Balance Sheet	The Authority had identified that grants received in the prior year had been incorrectly treated as receipts in advance rather than income and a Prior Period Adjustment (PPA) has been included in the accounts. We provided early views to your officers on the accounting for this amendment. Our audit has identified that additional disclosures are required for the PPA including a requirement of the CIPFA Code for a third balance sheet at the start of the earliest comparative period.
2 Disclosure and presentation	Various	Note 9 – Amounts Reported for Resource Allocation Decisions	The amounts in the CIES not reported to management in the analysis required amending from £22,340k to £16,893 k and the amounts in the analysis not included in the CIES from £357k to £354k to ensure that the totals agreed to the deficit on the provision of services in the CIES of £2,659k. Disclosure note only with no impact on other elements of the financial statements. Prior year figures not required to be restated.

Accounting policies, estimates & judgments

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, key estimates and judgments made 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 received (Accounting policy 2) The Authority has adopted the standard revenue recognition for Local government as set out in the Code for the receipt of Government Grants (Accounting policy 18) 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 (Green)
Judgments and estimates	<ul style="list-style-type: none"> Key estimates and judgments include: <ul style="list-style-type: none"> Property valuations, useful life of property, plant and equipment, depreciation and impairments pension fund valuations and settlements 	<ul style="list-style-type: none"> Our review of judgments and estimates has not highlighted any issues which we wish to bring to your attention 	 (Green)
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> As highlighted in the misstatements findings on page 12 the Authority's accounting policies stated that two operational properties were not be depreciated. The CIPFA Code only provides limited exceptions for not depreciating operational assets and in our view these were not met. The Authority has accepted this. The policy has been changed and the assets will be depreciated. 	 (Amber)

Assessment

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

-  Accounting policy appropriate but scope for improved disclosure

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.

In our audit plan we reported that in three areas of the general IT control environment low priority best practice recommendations had been made and these have been actioned by officers.

Our work has not identified any significant control weaknesses which we wish to highlight for your attention. We have identified minor matters which we have brought to the attention of the Treasurer and the Head of Finance.

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Authority. This includes a reference to the item that officers are not proposing to amend in the 2012/13 financial statements on the basis that it is not material.
4.	Disclosures	<ul style="list-style-type: none"> As reported earlier, our review found a significant number of omissions and items requiring amendment in the financial statements. These are all to be adjusted for in the final set of financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Authority's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for Money conclusion

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

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

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission:

- **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.

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

Key findings

The key findings from our review are:

- The Authority has a medium term financial plan to 2019-20 which is aligned to its service plan. Scenario modelling is used to update the plan for changes in income or expenditure.

- The 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 which has slipped from the current year or to provide earmarked reserves for planned future spend or uncertainties. The budget is prepared on a prudent basis incorporating pay and prices factors. The level of surplus in year is not at a level to indicate a weakness in financial control.
- 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. This process has progressed as planned. The Authority is currently consulting on preferred options which may involve difficult decisions towards the end of the 2013-14 financial year including ones about station closures and fire appliance removals.
- The Authority has a memorandum of understanding with Hereford & Worcester Fire & Rescue Authority for the provision of the fire control and no issues have been noted in its operation.
- An Operational Performance assessment was completed in the year. There were no significant or fundamental issues identified. The Authority is committed to seek continuous improvement and has prepared an action plan based on its findings which is 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.

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

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

Fees

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

In respect of the fee:

- Our fees are exclusive of VAT.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	An improved review process of the financial statements against the requirements of the CIPFA Code and other items is incorporated within the closedown timetable for the preparation of the Authority's financial statements.	M	We will improve our Quality Assurance arrangements for reviewing the financial statements prior to them being presented for audit. This will be undertaken in partnership with Grant Thornton and be linked to their new audit approach requirements.	Joanne Coadey May 2014

Appendix B: Audit opinion

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

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

Opinion on the Authority financial statements

We have audited the financial statements of Shropshire and Wrekin Fire and Rescue Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 5. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Shropshire and Wrekin Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Shropshire and Wrekin Fire and Rescue Authority as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Shropshire and Wrekin Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

Grant Patterson
Director

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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

September 2013

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 6 June 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Employee remuneration expenditure not correct	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
Interest payable and similar charges	Borrowings	None		No	None
Interest and investment income	Investments	None		No	None
Pension Interest cost	Employee remuneration	None		No	None

Audit findings

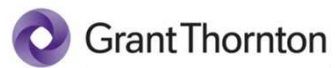
Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Return on Pension assets	Employee remuneration	None		No	None
Income from Council tax	Revenue	None		No	None
NNDR Distribution	Grant Income	None		No	None
Revenue Support grant & other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None
(Surplus)/Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
(Gain)/Loss on disposal of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gain)/ Loss on pension fund assets & liabilities – Local Government	Employee remuneration	None		No	None
Actuarial (gain)/ Loss on pension fund assets & liabilities – Fire Fighters	Fire Fighters' pension	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Cash and cash equivalents	Bank & Cash	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & short term)	Operating Expenses Employee remuneration	Other	<ul style="list-style-type: none"> • Creditors understated or not recorded in the correct period • Employee remuneration accruals understated 	No	None
Provisions (long & short term)	Provisions	None		No	None
Pension liability Local Government	Employee remuneration	None		No	None
Pension liability Fire Fighters	Fire fighters' pension	None		No	None
Reserves	Equity	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Fire fighters' Pension Fund account					
Income to the firefighters' pension fund – Contributions receivable	Scheme contributions	None		No	None
Pension benefits payable	Pension scheme benefit payments	Other	Benefit payments to pensioners incorrectly calculated.	No	None
Transfers in/out	Fire fighters' pension	None		No	None
Pension top up grant receivable	Grant income	None		No	None
Fire fighters' Pension Fund Statement of Net Assets					
Pension Fund Net current assets and liabilities	Scheme contributions, benefit payments	None		No	None



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