

Annual governance report

9

Shropshire & Wrekin Fire and Rescue Authority

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 6 September 2012 I expect to issue an unqualified audit opinion.

The Authority provided a sound set of financial statements for audit. There were limited changes required above triviality. Those that were made were mainly as a result of disclosure or classification to bring reporting in line with the CIPFA/LASAAC Code of Practice on Local Authority Accounting (the Code). The processes for preparing your financial statements were stronger than in previous years and the Authority has maintained sound systems and internal control processes despite changes to its staffing within Finance.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

I have completed my work in these areas and have been able to satisfy myself that the Authority has made proper arrangements in securing the 3 Es in its use of resources. In doing so, I have considered the overall financial position of the Authority which I have continued to monitor throughout the financial year, as well as performance against the Authority's Public Value Measures which has been reported to the Fire & Rescue Authority meetings.

Certificate

I expect to issue my certificate on the same date as the opinion and VFM conclusion as there is no outstanding work to be completed.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2010/12.

I ask the Audit and Performance Management Committee to:

- take note of the adjustments to the financial statements included in this report (appendices 2 and 3); and,
- approve the letter of representation (appendix 4), on behalf of the Authority before I issue my opinion and conclusion.

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Significant and specific risks and my findings

I reported to you in my February 2012 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 1 & 2 I report to you my findings against each of these risks.

Table 1: **Significant risks and findings**

Risk	Finding
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Authority is required to value PPE at fair value (with some exceptions). There is a risk that the valuation reported in the financial statements will be materially misstated due to the complex accounting transactions relating to the completion of the St Michael Street renovations.</p>	<p>I have:</p> <ul style="list-style-type: none">■ confirmed and reviewed the controls over establishing estimates, including the arrangements for instructing your valuer and controls over information provided to the valuer;■ undertaken work with a view to placing reliance on the work of the valuer; and

Risk

Finding

- ensured that the accounting transactions relating to the completion of the St Michael Street HQ and Fire Station project provide a true and fair disclosure in the financial statements and within the fixed asset register.

I have confirmed that the Authority has made financial disclosures in line with the requirements of IAS 16 and the Code. With the exception of the St Michael Street HQ and Fire Station project highlighted below my testing has not identified any significant issues to bring to your attention.

In 2008 the Service carried out a full review of how best to provide emergency cover in the Shrewsbury area. Following this review the Authority identified that the best value option was to invest approximately £3.99m in improvements to provide these facilities at the existing Shrewsbury site. The main driver for this decision was consideration of fire cover and response times. The building was specifically designed to include:

- A combined station and Headquarters building with shared areas to improve communication and understanding between employee groups
- Provision of individual study areas for firefighters to ensure competence in technical aspects of their roles
- Improved welfare facilities to support increasing staff diversity and alternative means of travel to site
- Roof alterations and provision of lifting equipment in workshops improving safety of mechanics maintaining vehicles
- A highly efficient building to reduce environmental impact and minimise future energy and maintenance costs
- A flexible building design to meet changing future needs
- A highly resilient building with fire suppression systems, water sprinklers and resilient power and heating systems.

You commissioned a targeted revaluation of key assets in 2011/12 to ensure that their values were reflected accurately in the financial statements. The initial valuation received was included within the draft financial statements. However, following questions from the Authority to the Valuer on the basis of the estimate, a revised value was received. Whilst there was no change to the overall site valuation of £2.3m, the proportion of value assigned to the land and building elements had changed. This has been reflected in the audited financial statements. I have therefore undertaken work on the revised valuation and considered the impact on the financial statements and whether there may be issues for my VFM conclusion.

The Authority incurred construction and design costs for the new Headquarters of just over £4m. Following the construction of the new buildings and the demolition of the old buildings the whole site was revalued as noted earlier. This resulted in impairments to previous valuations being required. The total impairment is now made up as summarised in Table 2:

Table 2: **Impact of impairment**

	£
Impairment on Shrewsbury land	95,000
Impairment due to demolition of the old Head Quarters	700,000 *
Impairment of other Shrewsbury existing buildings (Office block and workshops)	535,000
Impairment of the Procurement and Design Costs	274,224
Impairment on new Shrewsbury building	1,764,820
Subtotal	3,369,044
Impairment on other buildings	50,350
Total impairment as per financial statements	3,419,394

* there are also costs in addition to this for the grounds work where the old Head Quarters was based to make this into a car park, but these are within the overall price and not quantifiable from the information available.

The revised valuation has been reflected in the audited financial statements. It has reduced the gain on the land element and also reduced the size of the impairment (in this case, reduction in value from initial cost) on the building element. Given the nature of public sector capital projects, the need to maintain services during construction and the sometimes specialist nature of completed scheme it is not unusual for costs to be greater than their purely open market value. The size of the impairment is significant but the Fire Authority is clear that it has commissioned elements of the build which make the building bespoke to its business and therefore have cost more than their final value. The Authority also undertook a robust tendering process initially and has controlled costs well within the budget. The down-turn in the economy will also impact upon the value the open market will place upon assets. Taking this in the round I consider that the impairment which is now reflected within the financial statements is reasonable and does not present an issue regarding value for money.

Table 3: **Specific risks and findings**

Risk	Finding
<p>Financial reporting</p> <p>The Authority has planned for a reduction in income over the next five years, however, the plans for expenditure are not aligned with the Authority able to make savings in the current and following year which support planned overspends in later years. Overall the medium term financial plan is in balance. However, there is a risk relating to the reporting and disclosure of this.</p>	<p>I have considered the level of accruals, provisions and reserves which have been created to support the future financial plans and ensured that the in year prime statements accurately reflect the financial position of the Authority.</p> <p>There are no matters which I wish to bring to your attention.</p>
<p>Accounting for the top-up grant</p> <p>The accounting treatment for the top-up grant and the additional contribution to the Pension Fund account is specified by the Code, although this is open to interpretation.</p>	<p>I have:</p> <ul style="list-style-type: none"> ■ reviewed the accounting treatment of the top-up grant to ensure that it is in line with the Code; and, ■ undertaken tests of detail on amounts payable to the Authority. <p>There are no matters which I wish to bring to your attention.</p>
<p>Disclosure</p> <p>Last year the Authority presented financial statements which complied with IFRS for the first time. As a result of this there was a considerable level of additional (prior year) disclosure required. Reporting for 2011/12, the Authority is not required to make the same level of disclosures and has agreed to take this opportunity to streamline the financial statements into a meaningful, more readable document for the public. As a result of this there are risks around the disclosure requirements meeting the minimum standard.</p>	<p>I have worked closely with the Authority to review the financial statements to identify any areas of omission or non-compliance with the Code early and continued to monitor against any technical information released before the opinion is given. I have also undertaken a detailed review of the draft financial statements and identified areas where amendments were required to ensure that the financial statements comply with the Code.</p>

Corrected errors

There were a number of errors identified which the Authority has amended. Most of these related to minor presentational and disclosure errors. It should also be commended that the Authority has been receptive to all issues identified and aimed to make the financial statements as accurate as possible in both layout, compliance with the Code and numerical accuracy.

The main amendment to the financial statements relates to the revision to the valuation received from the Valuer in July 2012. Whilst the overall value of the St Michael Street site has not changed, the proportion of value given to the land and buildings has changed, resulting in a decrease to both the gain on the land value and the impairment on the building. The details are explained above and the Authority has also amended the note in the financial statements explaining the impairment to provide more context for the reader of the accounts. Details of the material amendments to the draft financial statements are provided in Appendix 3.

Uncorrected errors

Under auditing standards I am required to bring to the attention of the Audit and Performance Management Committee any misstatements, including omissions or other errors in presentation or disclosure, other than those that are clearly trifling, identified during the course of my normal audit work for which no adjustment has been made in the financial statements. There are two such items which I wish to bring to your attention in respect of the classification of creditors and apportionments between the revaluation reserve and capital adjustment accounts. Both of these are above triviality, but below materiality. However, after consideration, management are not proposing to adjust in 2011/12 but will review in 2012/13.

If you concur with management and decide not to adjust for this, please set out your reasons in the letter of representation.

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

My work did not identify any significant weaknesses in internal control.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

There were no issues which I identified which I considered were significant however, there are some minor qualitative issues which I have agreed with the Authority I would bring to your attention including the following.

Table 4: **Other matters**

Issue	Finding
Failure of a control relating to the Fire Pension system	Our documentation of the Fire Pension system identified that the Authority undertook a year end reconciliation between the contributions paid and the information held within the AXIS system. This reconciliation did not take place and we were required to identify alternative assurance over this part of the system. I am reporting this so that Those Charged with Governance are aware that this reconciliation is not taking place and can ensure that Management have provided the relevant assurance to them when discharging their duties.
Review of the asset register	The Authority keeps information relating to non current assets on an asset register which is maintained in Microsoft Office Excel. The spreadsheet is not that large and so currently easy to manage. As the Authority increase their asset base, undertake enhancements and embark on more complex capital projects, for example the St Michael Street renovations, the spreadsheet will become more difficult to use for future accounting calculations. We have discussed this with the Authority and they are happy to refine the data currently held to ensure that the spreadsheet remains fit for purpose.

Issue	Finding
Assets with nil value	<p>The asset register contains a number of assets which have a nil value. This suggests initially that the Authority has not reviewed its depreciation to extend asset lives where appropriate, but also presents a risk that assets have been disposed of or become obsolete and this has not been communicated to the Finance Department.</p> <p>We have undertaken testing on verification of assets and so do not consider that this provides a material risk to the financial statements, but the Authority has agreed to review assets with a low or nil value in 2012/13 to ensure that the data is complete. Going forward, we would expect to see asset lives extended where necessary in line with IAS 16.</p>
Disclosure of an exit package	<p>The Authority is required under the revised Code to report all exit packages paid, tabulated by number and value. The first banding is payments between £0 and £24,999. The Authority has paid one exit package for £900. Due to the Fire Authority's interpretation of the Code, our understanding of the spirit of the disclosure and the size of the payment made, we have not requested that the Authority include this as a separate disclosure within the financial statements. The payment is included within the overall expenditure.</p>

Whole of Government Accounts

Alongside my work on the financial statements, I have also reviewed and reported to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report were specified by the National Audit Office. I have no matters to report.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my February 2012 Audit Plan I reported that there were no significant risks facing your Authority in relation to my Value for Money conclusion. I have set out below my conclusion on the two criteria.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 5: **Value for money conclusion criteria and my findings**

Criteria	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation 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.</p>	<p>Financial Governance</p> <p>There remains appropriate capacity at a senior level to provide strong leadership to the Authority.</p> <p>The leadership team has a sound understanding of the current financial environment and undertakes robust planning for the medium and long term. The Authority has demonstrated prudence in investing early surpluses to reap savings in future, less financially certain years.</p> <p>There is a strong link between the Corporate Plan and Integrated Risk Management Plan which is communicated to all employees through visits by members of the leadership team to each fire station.</p> <p>Financial Planning</p> <p>The Authority has a detailed Medium Term Financial Plan in place which has undergone scenario planning for uncertain aspects, e.g. future grant funding and other key sources of income.</p> <p>There is a culture of recognising liabilities as soon as known to ensure that reserves are sufficient to meet future expenditure.</p>

Criteria

Findings

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2011/12:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Financial control

Budgets are generally not exceeded with expenditure being controlled well. 2011/12 saw further underspends, as planned, which the Authority has moved to reserves to either support expenditure which had slipped for various reasons or provide financial support for future spend or uncertainties, as detailed in the reserves report to the Fire Authority. This is not at a level which indicates weaknesses in financial control.

Prioritising resources

Senior team provides clear leadership on spending priorities and demonstrates a hands on approach to understanding the latest resource requirements of the job.

The Fire Authority has adopted a formal process of public value review through the Strategic Risk and Planning Group (STRaP) which is intended to deal with major changes to the way the service is delivered and whether existing services are considered a priority by the public.

Performance management is strong and appropriately challenged by the Audit and Performance Management Committee, considering a range of indicators covering financial, service delivery and performance aspects.

Appropriate cost benefit analysis has always been undertaken with many back office services being outsourced already.

There is a good track record of working in partnership, both within the local County area and also with neighbouring Fire & Rescue Authorities.

Improving efficiency and productivity

The Authority understands its unit costs and has explanations for any outliers. Efficiencies are made where possible, but some higher unit costs are accepted due to having to provide services to a rural area with a relatively low population. No station closures or reductions in services are currently planned.

The Authority are moving towards closer working relationships with Hereford & Worcester FRA to gain efficiencies where possible and improve services provided to those living at the boundaries. This process also challenges the overall service delivery and seeks to make improvements wherever possible.

Fees

I reported my planned audit fee in the February 2012 Audit Plan.

I will complete the audit within the planned fee.

Table 6: Fees

	Planned fee 2011/12	Expected fee 2011/12
Audit	£63,480	£63,480
Non-audit work	£0	£0
Total	£63,480	£63,480

The Audit Commission has paid a rebate of £5,078 (8%) to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £58,402.

Appendix 1 – Draft independent auditor’s report

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

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the firefighters’ pension fund financial statements of Shropshire & Wrekin Fire and Rescue Authority for the year ended 31 March 2012 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. The firefighters’ pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2011/12.

This report is made solely to the members of Shropshire & 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.

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 Authority’s Statement of Accounts, which includes the financial statements and the firefighters’ pension fund 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. My 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 me 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 and Pension Fund'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, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Shropshire & Wrekin Fire and Rescue Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I 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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Shropshire & 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 2012.

Grant Patterson, District Auditor

Audit Commission
1st Floor, No.1 Friarsgate
1011 Stratford Road, Shirley
Solihull, West Midlands, B90 4BN
7 September 2012

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Revaluation reserve	The Authority should move the proportion of the depreciation charged in year relating to the revaluation reserve from the revaluation reserve to the Capital Adjustment Account (CAA). This corrects the value of revaluation reserve held for individual assets to ensure that they are not overstated.			55 Revaluation Reserve	(55) Capital Adjustment Account
Short term creditors	The Authority has some debit balances within the creditors balance. These should have been moved to debtors. The impact of this is that short term creditors is understated and short term debtors is overstated.			42 Short term creditors	(42) Short term debtors

Appendix 3 – Corrected errors

I identified the following material errors during the audit which management have addressed in the revised financial statements. I have not reported those errors below triviality or which I consider are presentational or disclosure based.

		Statement of comprehensive income and expenditure		Balance sheet	
Item of account	Nature of error	Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Property, plant and equipment (impairment)	The Authority received a revised valuation from the Valuer following its submission of the draft financial statements for audit. The changes have reduced the value of the land, removing the gain and increased the value of the building, reducing the value of the impairment.	830 Cost of Services	(830) Surplus arising on the revaluation of fixed assets	830 Revaluation reserve	(830) Capital Adjustment Account
Financial Instruments	Adjustment for the disclosure of the fair value of the Authority's long term loan. This has increased from £6,166k to £7,182k in note 16 of the revised financial statements.				

Appendix 4 – Draft letter of management representation

Shropshire & Wrekin Fire and Rescue Authority - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Officers of Shropshire & Wrekin Fire and Rescue Authority, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;

- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Shropshire & Wrekin Fire and Rescue Authority

I confirm that the this letter has been discussed and agreed by the Audit & Performance Management on 6 September 2012

Signed

Name

Position

Date

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Impairment

A transaction to reduce the reported value of an asset (usually a non-current asset) that is worth less on the market than the value reported on the Balance Sheet. This results in a write-down of that asset to the stated market price.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

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- any director/member or officer in their individual capacity; or
- any third party.

