

Progress Report

Shropshire and Wrekin Fire Authority
Audit 2009/10
February 2010

Contents

Audit update	3
Fee considerations 2010-2011	4
Financial statements	5
Use of resources	6
The Audit Commission	7
Appendix 1 – Underlying assertions of Financial Statements	8

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

Audit update

Introduction

- 1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as the Authority's external auditor.
- 2 If you require any additional information regarding the issues included within this briefing, please feel free to contact your Audit Manager or District Auditor using the contact details at the end of this update.

Fee considerations 2010-2011

- 3 The Fee for the 2010/11 Audit year still has to be set, however the Audit Commission has set out the scale fee needed to cover all the work that auditors need to complete the standard audit and give a VFM conclusion. The scale fee is the expected fee for an average Fire Authority facing no additional specific risks, and that has a control environment that operates effectively. Auditors can set fees different to this expected fee, but any significant departure should be supported by explanation of the reasons and risks being covered. The Audit Commission's indicative fee document has been provided separately.
 - 4 The fee indicated by the guidance issued, based on the expenditure in your 2008/09 accounts, would be £69,900. This is based on the formula £62,500 plus 0.025 per cent of gross expenditure.
 - 5 The fee for 2009/10 was £65,300, which included the opinion and Use of Resources (UoR) work. This is an increase of £4,600, and indicative of the slightly higher than average audit work required at the final accounts stage due to impact of International Financial Reporting standards (IFRS), which will require restatement and audit of the opening balances.
 - 6 The 2010/11 fee indicated includes only the opinion work and any UoR that may be required, and no local risk factors have been considered.
 - 7 At this stage, prior to discussions with the Treasurer and confirmation of the latest projections on gross expenditure for 2010/11, I would expect the basic audit scale fee of £69,900 to be indicative of the fee for 2010/11.
 - 8 All fees noted above do not include VAT.
-

Financial statements

- 9 The 2009/10 financial statement will need to ready for the 30 June 2010, and provided for Audit. The audit visit has been provisionally set as being on site for four weeks from the 7 June 2010. The opinion deadline is 30 September 2010 as last year. Hence the Audit Committee will need to consider the timing of the meeting in June and September to ensure suitable consideration of the issues raised, if any, prior to that date.
- 10 The Audit Commission has run many presentations and workshops to assist audit committee members, to understand the role played when considering the accounts for adoptions. If desired further help can be given in this area. However, in summary, one of the key considerations is that the Audit Committee members feel they have been given sufficient support, guidance and information to understand the accounts and that the accounts reflect their understanding of the financial position of the Authority.
- 11 From the Auditor's perspective, the Audit Committee's recommendation for adoption is taken to confirm that the members are satisfied that the underlying assertions of the financial statements have been complied with. There assertions are:
- Occurrence
 - Accuracy
 - Classification
 - Rights and Obligations
 - Completeness
 - Cut-off
 - Existence
 - Valuation and Allocation
- 12 Further detail is given in appendix 1
- 13 The interim Audit is ongoing; at this stage there no issues I need to bring to your attention.

Use of resources

- 14 Use of resources is an Audit Commission assessment of how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The Authority has agreed to provide a self assessment for the 2010/11 year, as an overview of improvements and actions taken since last review.
- 15 We need to submit final scores for the UoR by 30 July 2010, with indicative scores being submitted on the 21 April. Work will be ongoing during this period to ensure feedback is given at the earliest possible stage.
- 16 As for 2008/09 the review will cover; Managing finances, Governing the business, and Managing resources.
- 17 Note that managing resources will cover a new area for Fire Authorities this year, being ' Natural resources'. The Workforce score from the last review will be rolled forward. The focus of this new review area will be how the organisation:
 - understands and can quantify its use of natural resources and can identify the main influencing factors;
 - manages performance to reduce its impact on the environment; and
 - manages the environmental risks it faces, working effectively with partners.
- 18 There will also be a review of data quality, using the two national indicators NI 49 (Number of primary fires and related fatalities and non-fatal casualties (excluding precautionary checks); and NI 33 (Number of arson incidents). We will also look at two other indicators, yet to be finalised, but most likely drawn from the areas where the fire and rescue service contribute through partnership working.

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

Appendix 1 – Underlying assertions of Financial Statements

Assertion	ISA Definition ISA (UK&I) International Standards on Auditing (United Kingdom and Ireland) 500 para 17	What does it mean?
Occurrence	"Transactions and events that have been recorded have occurred and pertain to the entity"	Starting with the statements, have the transactions actually happened and related to the audited body (Risk increases where a shared service is involved).
Completeness	"Transactions and events that should have been recorded have been recorded"	Not starting with the statements, is everything that should be in the statements in the statements.
Accuracy	"Amounts and other data relating to recorded transactions and events have been recorded appropriately"	This assertion not only covers whether items been entered at the correct amount, but also, have they been coded correctly.
Cut-off	"Transactions and events have been recorded in the correct accounting period"	This is the audited body's controls over cut-off, is it reliable.
Classification	"Transactions and events have been recorded in proper accounts"	Have transactions been disclosed under the right headings in the statements / notes.
Existence	"Assets, liabilities and equity interests exist"	Here, the focus in on whether the liability or asset exists or a liability is it still owing at the end of the year.
Rights and Obligations	"The entity holds or controls the rights to assets, and liabilities are obligations of the entity"	Short term - Relates to Occurrence in that you're looking at whether the balance is a genuine right or obligation. Long term; It may exist but does the audited body have the rights or the obligation to maintain (e.g. leases, operating, financial sale and lease back)
Valuation and Allocation	"Assets, Liabilities and equity interests are included in the financial statements at appropriate amounts and any resulting valuations or allocation adjustments are appropriately recorded"	Are the assets and liabilities shown in the wrong place or the wrong amount.