

# The Audit Plan for Merseyside Fire and Rescue Authority

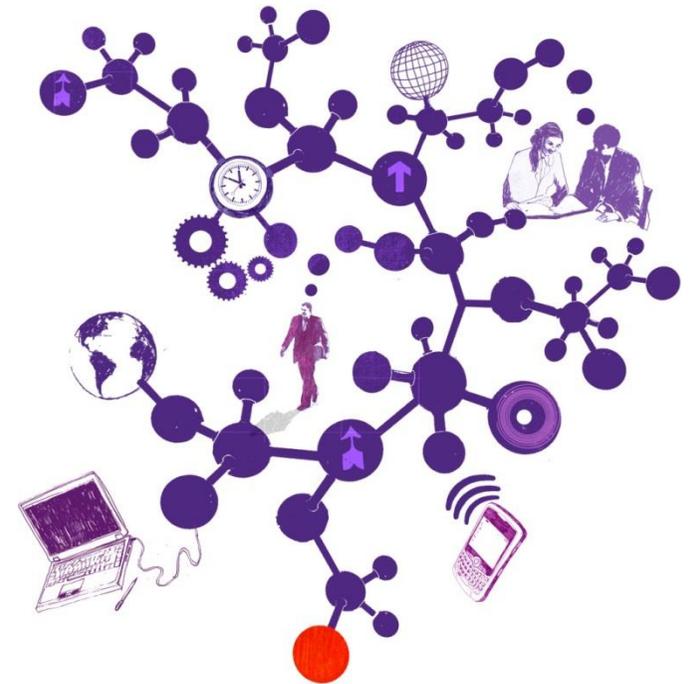
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**Year ending 31 March 2016**

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3 May 2016

Dear Denise

### **Audit Plan for Merseyside Fire and Rescue Authority for the year ending 31 March 2016**

This Audit Plan sets out for the benefit of those charged with governance (in the case of Merseyside Fire and Rescue Authority, the members of the Authority), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This plan is designed to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Authority and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Controller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Authority's financial statements
- satisfy ourselves the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Authority is facing. We set out a summary of our understanding below.

## Challenges/opportunities

### 1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging going forward.
- The provisional LG finance settlement to 2019/20 indicates that the percentage reduction in RSG funding may be less than expected but actual spending in this period will be under pressure as costs increase.

### 2. Delivering the service

- The Authority has made significant progress in developing its Fire Station Merger Strategy.
- This is projected to deliver a reduction of 86 whole-time equivalent (WTE) posts, reduce the Authority asset base down from 26 stations to 22 and deliver additional savings from a reduction in premises overheads.
- The savings are to be achieved from a variety of factors including service transformation, new ways of working and the retirement profile of uniformed employees.

### 3. Devolution

- Plans are in place for the devolvement of power to the Liverpool City Region.
- The Authority is aware that there is the opportunity to influence the wider prevention, protection and response agenda within Merseyside which may result in the further development of the services provided.

### 4. Blue light collaboration

- Following the consultation on closer working between emergency services the Government moved ministerial responsibility for Fire & Rescue to the Home Office from January 2016, with a view to supporting closer working.
- At the same time it was announced that the Home Office was determined to introduce greater efficiency into the sector. The plans include the introduction of an independent inspectorate.
- This change has taken place against a greater backdrop of joint working, including ambulance and other services.
- The Authority is developing an approach in providing operational response to cardiac arrests, on behalf of NWAS.

### 5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require local authorities to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

## Our response

- We will consider the Authority's financial performance for 2015/16 through discussions with management and comparison with the budgeted return to inform our going concern assessment.
- We will consider the Authority's plans going forward for addressing its financial position as part of our work to reach our VFM conclusion.
- Our value for money work will further consider how the Authority has balanced the requirements of delivering services against continued resource constraints.
- We will share our knowledge of how other parts of the sector are responding to these challenges.

- We recognise that the Authority has been innovative in overcoming barriers to change and delivering its strategic objectives.
- We will continue to hold discussions with management and assess the impact of changes to the staffing model on both finances and service delivery as part of the work to enable us to reach our value for money conclusion.

- We will update our understanding of the devolution model for the Liverpool City Region as part of our value for money work.
- We will also consider your plans and role in the local devolution agenda and provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will review arrangements going forward under the Home Office in order to understand how this affects the fire service in respect of funding and additional or shared responsibilities.
- We will consider the collaborative arrangements as they develop as part of our work in reaching our value for money conclusion.
- We will discuss with management issues which could be barriers to successful collaboration eg cultural change and governance arrangements.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 July 2016 as a 'dry run'.

# Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

## Developments and other requirements

### 1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS13.

### 2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

### 3. Pensions

- Changes to the Fire Fighters' Pension with the introduction of a new scheme effective from April 2015.
- This will require additional accounting disclosures in the financial statements.
- We are aware that scheme members will not only include new starters, but also the transfer of staff from the 1992 and 2006 schemes.

### 4. Other requirements

- The Authority is required to submit a Whole of Government Accounts (WGA) consolidation pack which summarises the group accounts.

## Our response

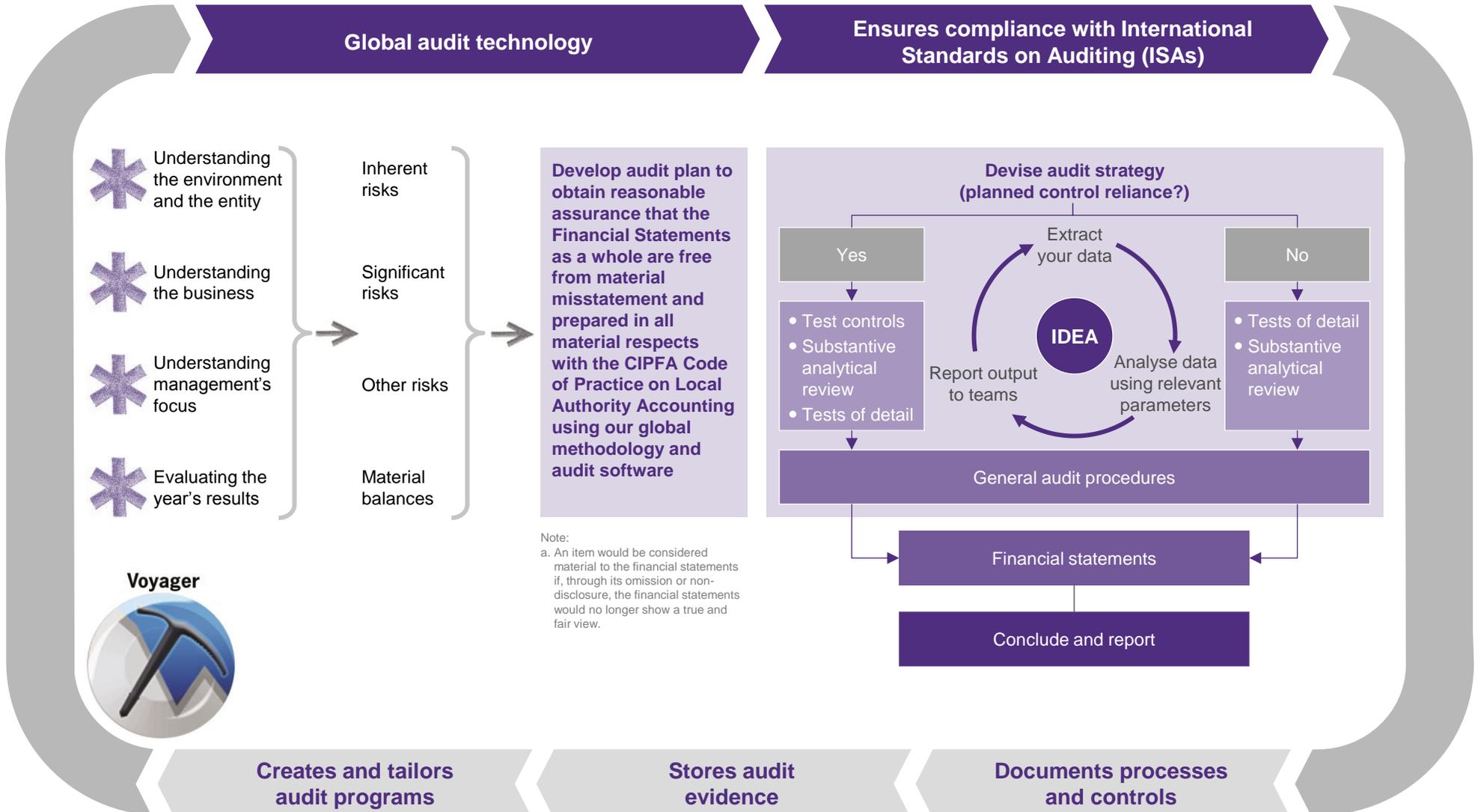
- We will keep the Authority informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Authority and the requirements of CIPFA guidance.

- We will review accounting disclosures for these arrangements against the requirements of the CIPFA Code of Practice.
- We will review your proposals for accounting for any new arrangements against the requirements of the CIPFA Code of Practice.

- We will carry out specified audit procedures on the Authority's WGA consolidation pack in line with the statutory requirements and to the agreed national deadline on behalf of the National Audit Office.

# Our audit approach



# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Authority. For purposes of planning the audit we have determined overall materiality to be £1,374k (being 2% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £68,700.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Authority affect the balance and it is therefore considered to be material by nature.	Any errors identified by testing in excess of triviality would be deemed to have implications on the users' understanding of the financial statements.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing in excess of £10,000 would be deemed to have implications on the users' understanding of the financial statements.
Audit fees	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing would be deemed to have implications on the users' understanding of the financial statements.

# Significant risks identified

"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 outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p><b>Work completed to date:</b></p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fire Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition.</li> <li>• opportunities to manipulate revenue recognition are very limited.</li> <li>• the culture and ethical frameworks of local authorities, including Merseyside Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management override of controls	Under ISA 240 it is presumed that the risk of management override of controls is present in all entities.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of prior year accounting estimates, judgments and decisions made by management.</li> <li>• Review of journal control environment.</li> <li>• Testing of journal entries in accounting periods 1 - 10</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of current year accounting estimates, judgments and decisions made by management.</li> <li>• Testing of journal entries in accounting periods 11 – 12</li> <li>• Review of unusual significant transactions.</li> </ul>

## Significant risks (continued)

"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 outline the significant risks of material misstatement which we have identified.

Significant risk	Description	Substantive audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially where the body is required to meet targets.	<p>We have considered this risk and do not consider it to require additional audit procedures because, of your 2015/16 budgeted expenditure:</p> <ul style="list-style-type: none"> <li>• 62% relates to employee costs which are addressed by our procedures in response to the identified risk in this area (see page 12).</li> <li>• 33% relates to operating expenses and capital financing charges which are addressed by our procedures in response to the identified risk in this area (see page 11).</li> <li>• 5% relates to pensions expenditure which are addressed by our procedures in response to the identified risk in this area.(see page 13).</li> </ul>
Valuation of property, plant and equipment	<p>The Authority revalues its assets on a rolling basis over a five year period, with a full valuation every fifth year. The last full valuation was in 2014/15</p> <p>The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p>	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of management's processes and assumptions for the calculation of the estimate.</li> <li>• Review of the competence, expertise and objectivity of any management experts used.</li> <li>• Review of the instructions issued to valuation experts and the scope of their work.</li> <li>• Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>• Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Testing of revaluations made during the year to ensure they are input correctly into the asset register.</li> <li>• Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>

## Significant risks (continued)

"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 outline the significant risks of material misstatement which we have identified.

Significant risk	Description	Substantive audit procedures
Valuation of pension fund net liability	The pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p><b>Work planned:</b></p> <ul style="list-style-type: none"><li>• We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li><li>• We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out.</li><li>• We will undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li><li>• We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li></ul>

# Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures" (ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p> <p>There is an element of estimation uncertainty for accruals which require estimate techniques and management judgment. There is an inherent risk that payables may not be posted in the correct financial year.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>We have documented the processes and controls in place around the accounting for operating expenses.</li> <li>We have carried out a walkthrough test to confirm the operation of controls is in line with our understanding.</li> <li>We have undertaken early substantive testing on a sample of operating expenses up to February 2016.</li> </ul> <p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>Testing of the completeness of the accounts payable system interfaces with the ledger.</li> <li>Substantive testing of a sample of creditor balances including accruals.</li> <li>Documentation of the processes in place for month and year end accruals.</li> <li>Review of post year end payments made to identify unrecorded liabilities.</li> <li>If significant in value, testing of a sample of goods received that have not yet been invoiced, to identify any items which have not been accrued correctly.</li> <li>Completion of sample testing of operating expenses to ensure they have been accurately accounted for and in the correct period.</li> </ul>

## Other risks identified (continued)

Other risks	Description	Audit approach
Employee remuneration	<p>Employee remuneration and benefit obligations and expenses understated</p> <p>The Authority has a large number of employees and related payroll transactions. This means the inherent risk, which includes year end accruals, is high.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• We have documented the processes and controls in place around accounting for Employee Remuneration.</li> <li>• We have carried out a walkthrough test to confirm the operation of controls is in line with our understanding.</li> <li>• We have undertaken early substantive testing on a sample of payments to employees covering the period April 2015 to February 2016.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Trend analysis of payroll expenditure to identify any usual or irregular movements for investigation.</li> <li>• Review of the monthly payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and the financial statements.</li> <li>• Completion of our substantive testing of payments to employees for accuracy.</li> <li>• Review of year end employee remuneration accruals and agreement to supporting documentation where significant.</li> <li>• Review of employee remuneration disclosures including senior officers remuneration and pensions to ensure they are in compliance with the CIPFA Code of Practice.</li> </ul>

## Other risks identified (continued)

Other risks	Description	Audit approach
Firefighters Pensions Benefit Payments	<p>Benefits improperly computed / claims liability understated</p> <p>Payments to retiring officers are low in volume but high in value and the service is reliant on effective controls both within and outside the organisation to ensure that payments made are valid and accurate.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• We have documented processes and controls in place around the accounting for Fire Fighters' Pensions.</li> <li>• We have carried out a walkthrough test to confirm the operation of controls is in line with our understanding.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Agreement of pension disclosures in the financial statements to supporting evidence.</li> <li>• Testing a sample of new Fire Fighters' pensions coming into payment in the period 1<sup>st</sup> April 2015 to 31 March 2016 to ensure that both lump sum and recurring elements have been accurately accounted for and in the correct period.</li> </ul>

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# Other risks identified (continued)

## **Other material balances and transactions**

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Grant revenue
- Other revenues
- Cash and cash equivalents
- Financial Instruments
- Debt
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Provisions

## **Other audit responsibilities**

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the authority.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

# Value for Money

## Background

The Code requires us to consider whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria as set out here.

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"><li>• Acting in the public interest, through demonstrating and applying the principles and values of good governance</li><li>• Understanding and using appropriate cost and performance information to support informed decision making and performance management</li><li>• Reliable and timely financial reporting that supports the delivery of strategic priorities</li><li>• Managing risks effectively and maintaining a sound system of internal control</li></ul>
Sustainable resource deployment	<ul style="list-style-type: none"><li>• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li><li>• Managing assets effectively to support the delivery of strategic priorities</li><li>• Planning, organising and developing the workforce effectively to deliver strategic priorities.</li></ul>
Working with partners and other third parties	<ul style="list-style-type: none"><li>• Working with third parties effectively to deliver strategic priorities</li><li>• Commissioning services effectively to support the delivery of strategic priorities</li><li>• Procuring supplies and services effectively to support the delivery of strategic priorities.</li></ul>

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# Value for Money (continued)

## **Risk assessment**

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

*A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

# Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p><b>1. Overall Vision for the service</b></p> <p>The Authority has made significant progress in developing its Fire Station Merger Strategy. This is projected to deliver a reduction of 86 whole-time equivalent (WTE) posts, reduce the Authority asset base down from 26 stations to 22 and deliver additional savings from a reduction in premises overheads. Following the provisional LG finance settlement it is inevitable that the Authority will need to make further changes to the number of stations or the way in which fire engines are crewed. The Authority will need to take a considered view and evaluate the change in response times arising from the options.</p> <p><b>Risk</b>  <i>The merger strategy may not deliver the performance outcomes required due to delays in the process.</i></p>	<p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>	<ul style="list-style-type: none"> <li>• Enquire from key officers the delivery of the merger strategy against plans.</li> <li>• Understand whether the IRMP needs to be developed further to take into account the financial challenges and the progress in developing the Fire Station Merger Strategy</li> </ul>
<p><b>2. Financial Strategy</b></p> <p>The current financial plan for 2015/16 to 2019/20 forecasts a potential gap of £14m due to reductions in RSG and baseline funding. The provisional LG finance settlement to 2019/20 indicates that the reduction in funding will be £3m lower than expected. However the overall funding reduction will mean that the Authority will need to achieve savings of £11m .</p> <p><b>Risk</b>  <i>Whilst the latest financial forecast shows the Authority is meeting its revised budget there are still considerable budget pressures. Failure to deliver savings will undermine the overall success of the Authority .</i></p>	<p>Understanding and using appropriate cost and performance information to support informed decision making and performance management.</p> <p>Reliable and timely financial reporting that supports the delivery of strategic priorities.</p>	<ul style="list-style-type: none"> <li>• Review the Authority's progress in updating its financial position. Review the finance reports to the Authority, review the out-turn position for 2015/16 and the financial plans to 2019/20.</li> <li>• Confirm that progress has been made by the Authority in analysing areas of spend to identify savings.</li> <li>• Review the Authority's updated medium term financial plan and monthly financial monitoring reports and assess the assumptions used.</li> </ul>

# Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p><b>3. Corporate Governance and Devolution</b></p> <p>The Authority is also closely monitoring the Liverpool City Region devolution agreement and the implication of the agreement will be clearer as powers and functions are devolved from central government.</p> <p>The Authority is positioning itself to maximise the opportunities from the devolution plans. Closer working is anticipated between Merseyside Police and Fire services.</p> <p><b>Risk</b></p> <p><i>The governance arrangements and working arrangements going forward are being developed and clarity is required .</i></p>	<p>Acting in the public interest, through demonstrating and applying the principles and values of good governance.</p> <p>Working with third parties effectively to deliver strategic priorities</p>	<ul style="list-style-type: none"> <li>• Meet with key officers to discuss challenges and the Authority's response to the Liverpool City Region devolution.</li> </ul>

## Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter. We will include our conclusion as part of our report on your financial statements which we will give by 31 July 2016.

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

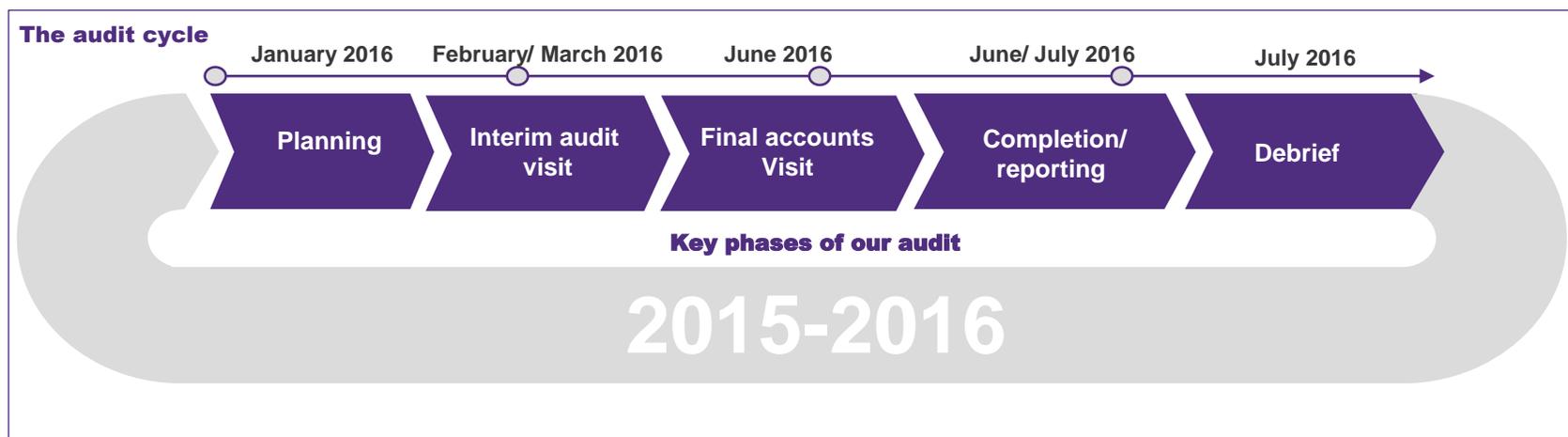
	Work performed	Conclusion
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements .</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Authority's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Authority in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Authority's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.</p> <p>We have tested journal entries posted in accounting periods 1-10, without issue arising.</p>	<p>We are satisfied that the journals control environment is robust and have determined our strategy for detailed testing of large or unusual entries at period end.</p>

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
<b>Employee Remuneration</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>Documented the processes and controls within the employee remuneration cycle</li> <li>Completed a walkthrough of controls to confirm our understanding</li> <li>Undertaken substantive testing of payments made to employees to date during the 2015-16 financial year for periods April 2015 to February 2016.</li> </ul>	<p>Contract Details were obtained for a sample of 10 employees. For each employee included in the sample we have checked that the monthly payments agree to the contract and the NI and pension Contributions are correct .</p>
<b>Operating Expenses</b>	<p>We have:</p> <ul style="list-style-type: none"> <li>Documented the processes and controls within the operating expenses cycle</li> <li>Completed a walkthrough of controls to confirm our understanding</li> <li>Undertaken substantive testing of operating expenses for period April 2015 to February 2016</li> </ul>	<p>We have completed the walkthrough of controls and no issues have been identified.</p> <p>We have tested a sample of 10 payments and examined supporting documentation to determine whether the item is a valid expense.</p> <p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Other Revenue</b>	<p>We have undertaken substantive testing of revenues received for period April 2015 to February 2016</p>	<p>Our testing to date has not identified any issues that we need to bring to your attention.</p>
<b>Property Plant and equipment</b>	<p>We have undertaken substantive testing of additions to property plant and equipment for period April 2015 to February 2016</p>	<p>For each capital payment in our sample of 10 items we have checked that the payments agree with supporting documentation.</p>

# Key dates



<b>Date</b>	<b>Activity</b>
January 2016	Planning
February / March 2016	Interim site visit
9 June	Presentation of audit plan to the Audit Committee
June/July 2016	Year end fieldwork
July 2016	Audit findings clearance meeting with the Treasurer
28 July 2016	Report audit findings to the Policy and Resources Committee
By 31 July 2016	Sign financial statements opinion
By 31 July 2016	Submission of the consolidated schedules for Whole of Government Accounts
November 2016	Annual Audit Letter

# Fees and independence

## Fees

	£
Fire Authority audit	32,424
<b>Total audit fees (excluding VAT)</b>	<b>32,424</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Authority and its activities, have not changed significantly.
- The Authority will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

## Fees for other services

Service	Fees £
Non-audit services	0

## Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

## 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.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

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

# Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (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.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. 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 NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council 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 Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
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		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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