



The Audit Findings for Merseyside Fire & Rescue Authority

Year ended 31 March 2020

26 November 2020



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Merseyside Fire & Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Authority .</p> <p>The Authority implemented the Service's pandemic business continuity plan from 18th March 2020 which ensured that the delivery of the Fire and Rescue Service has been maintained throughout the period. This has included the safe return to work during August of all staff who were shielding and working from home.</p> <p>Authorities were still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan on 4 June 2020. In that plan we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Authority and audit staff have had to adapt to the challenges of the new working arrangements i.e.. remote accessing financial systems, video calling, physical verification of assets and completeness accuracy of information produced by the Authority. The draft financial statements were provided to the team on the 10 July 2020, and the finance team successfully provided all the working papers and responses to our audit queries using our Info Software.</p>
Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Authority's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July-November. Our findings are summarised on pages 5 to 17. We have identified a small number of adjustments to the financial statements that have resulted in a £5.9m adjustment to the Authority's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion in Appendix D or material changes to the financial statements, subject to the outstanding matters listed on page 5.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. The financial statements we have audited is up until 31 March 2020 which was prior to the outbreak of the Covid-19 coronavirus pandemic.</p> <p>Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting property plant and equipment and pension fund property valuation material uncertainties.</p>

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Merseyside Fire & Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').	<p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Merseyside Fire and Rescue Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 18 to 20.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 November 2020, as detailed in Appendix D. These outstanding items include:

- Receipt of assurances from the auditor of the pension fund
- Review and consideration of post balance sheet events
- Review of the final set of financial statements and other audit completion procedures; and
- receipt of management representation letter.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels have been updated from those we reported in our audit plan due to the increase in gross expenditure reported in the draft financial statements from the prior year (excluding the prior year McCloud adjustment).

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1.794m	We have determined materiality as 2% of gross operating expenditure for the year. This is in line with the standard approach and reflects the risks associated with the Authority's financial performance.
Performance materiality	£1.345m	Assessed as 75% of financial statement materiality and based on our knowledge of the Authority and consideration of previous audit findings and adjustments
Trivial matters	£89,684	Assessed as 5% financial statement materiality
Materiality for senior manager salaries and allowances	£20,000	The senior officer remuneration disclosure has been identified as an area requiring specific materiality of £20,000. This is due to the sensitivity of disclosures in this area.

Significant audit risks

Risks identified in our Audit Plan

Impact of Covid-19 pandemic

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We have:

- worked with management to understand the implications the response to the Covid-19 pandemic has had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose
- evaluated the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic.
- evaluated whether sufficient audit evidence using alternative approaches had been obtained for the purposes of our audit whilst working remotely
- evaluated whether sufficient audit evidence had been obtained to corroborate significant management estimates such as recovery of receivable balances
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment
- discussed with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence

Results:

Based on our work to date, we obtained sufficient audit assurance to conclude that:

- Financial forecasts and the cashflow analysis of the Authority supports the ability for the Authority to prepare the accounts on a going concern basis
- The Authority has appropriately disclosed the material uncertainty regarding the valuation of the Authority's property, plant and equipment and its share of the Local Government Pension Scheme's property and infrastructure assets. Our audit report will also contain an emphasis of matter paragraph relating to these material uncertainties.

Significant audit risks

Risks identified in our Audit Plan

The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Merseyside Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable.

Therefore and as reported in our Audit Plan, we do not consider this to be a significant risk. Whilst not a significant risk, we have performed audit procedures and testing of material revenue items. Our work did not identify any matters that would lead to a change in our risk assessment.

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- Analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

Our audit work has not identified any evidence of management over-ride of controls.

Significant audit risks

Risks identified in our Audit Plan Auditor commentary

Valuation of land and buildings

The Authority values land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. Additionally, whilst we acknowledge that the Authority's whole property portfolio was revalued in 2018/19, management need to ensure the carrying value in the Authority's financial statements is not materially different from the current value at the financial statements date.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code were met
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register
- evaluated 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 at year end.

Audit Findings:

- The Authority use an external Valuer to value its Land and Buildings. The Valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using their existing knowledge of the Authority's property portfolio. A sample of 20% (seven assets) were revalued as at the 31 March 2020 with the Valuer undertaking site visits in order to carry out their valuations. For the remainder of the assets a desktop valuation was performed, using knowledge of the market conditions both nationally and locally during the period up to 31 March 2020.
- We have considered the movements in valuation and carried out the procedures set out above, including comparison of movements since the previous valuation with appropriate Market Movement indices. This provided assurance that valuation movements are in line with expectations and based on reasonable assumptions.
- In accounting for valuation movements, the Authority made adjustments to the asset register and revaluation reserve that were inconsistent with Code guidance. The annual depreciation charge was applied after the valuations had been adjusted instead of before. Whilst the overall impact is not material, management have adjusted the financial statements to correct for this matter. This has resulted in the Net Book Value of land and buildings increasing by £1,352k with a corresponding increase in the revaluation reserve. The depreciation charge disclosed for the year in note 10 has been written back to the revaluation reserve as part of this adjustment. There is no impact on general fund.

Disclosures regarding material valuation uncertainty

The outbreak of Covid 19 has caused uncertainty in property markets. As a result, the valuers have included reference to a material uncertainty in their valuation report.

The estimation uncertainty has been disclosed in note 4 to the financial statements.

We consider the disclosure is sufficiently detailed to meet the requirements of the accounting standards and that it is important to a readers understanding of the financial statements. As such, we plan to draw attention to the uncertainty through the inclusion of an Emphasis of Matter within the audit report.

We are satisfied that the value of Property, Plant and Equipment is not materially misstated within the financial statements.

Significant audit risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Authority's pension fund net liabilities, as reflected in its balance sheet as the pension liability, represents a significant estimate in the financial statements.

The pension fund net liabilities are considered significant estimates due to the size of the numbers involved and the sensitivity of the estimates to the changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liabilities as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Auditor commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the information provided by the Authority to the actuary to estimate the liability
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability.
- tested the consistency of the pension fund asset liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Audit Findings

At the time of drafting this report, we are yet to receive the information and assurances requested from the auditor of Merseyside Pension Fund that will enable us to conclude our procedures in this area.

We are aware that there is a possibility that the Pension Fund Auditor will include an emphasis of matter in the audit report drawing attention to a material valuation uncertainty relating to the Fund's property portfolio. Where this is the case, we will need to consider the impact on our own report and the need for associated disclosure within the financial statements.

Subsequent to the publication of the draft financial statements, the proposed remedy to the McCloud judgement was published for consultation. Pension fund actuaries notified management that this could have an impact on the calculated net pension fund liability and that the liability was likely to be overstated. Management therefore obtained a revised IAS19 report which quantifies the potential impact as a £4.5m reduction in Pension Liability. This represents a non-adjusting post balance sheet event but management have adjusted the financial statements to reflect the revised valuation. We have discussed this with management and considered their rationale for adjusting. We conclude that the basis for adjusting is reasonable and that proposed disclosures within the financial statements are appropriate. We have included the impact of this matter within the adjusted misstatements on page 23. Management have also amended the accounts to reflect a £70k movement in the pension assets of the LGPS scheme, being the difference in between the estimated and actual year-end position.


Other than the matters identified above, our work in this area has progressed and to date we have not identified any significant issues.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>IFRS 16 implementation has been delayed by one year</p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases</p>	<p>The Authority has carried out a review of its leases in preparation for the implementation of IFRS 16. As a result of the review it has been able to estimate the impact of the implementation of the new standard.</p>	<p>We have reviewed the Authority's workings on the impact of the implementation of IFRS 16 and are satisfied with it's assumption that the implementation of IFRS 16 would have no material impact to the Authority's Accounts.</p> <p>The disclosures within Note 2. Accounting Standards that have been Issued but Not Yet Adopted contain the appropriate information in order to comply with the requirement of IAS 8 para .31</p>

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £72m	<p>Other land and buildings comprises £56m of Fire Stations which are classified as specialised assets. These assets are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£16m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged Hardie Brock to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. 20% of total assets were revalued during 2019/20.</p> <p>For the remaining assets the valuer undertook a desktop valuation to provide management with an estimation of the valuation of the properties as at 31 March 2020.</p> <p>In line with RICS guidance, the Authority's valuer disclosed a material uncertainty in the valuation of the Authority's land and buildings at 31 March 2020 as a result of Covid-19. The Authority has included disclosures on this issue in Note 4.</p> <p>The valuation of properties valued by the Valuer, including those for which a desktop valuation only was performed, has resulted in a net increase/ of £3m. The total year end valuation of Other land and buildings was £71.991m, a net increase/decrease of £1.968m from 2018/19 (£70.023m).</p>	<p>We have reviewed and assessed the details supporting the estimates and judgements in this area, considering:</p> <ul style="list-style-type: none"> the assessment of management's expert, your external valuer; the completeness and accuracy of the underlying information used to determine the estimate; the reasonableness of the overall increase in valuation as a result of the estimate; and the adequacy of the disclosure of the estimate in the financial statements. <p>Based on the procedures performed, we have no concerns over the competence, capabilities and objectivity of your valuation expert.</p> <p>We identified no issues with the completeness and accuracy of the underlying information used to determine the estimate.</p> <p>Disclosures within the financial statements are sufficient and appropriate and we have gained assurance that asset values are materially correct.</p>	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious


Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
Net pension liability – £1,093m	<p>The Authority's total net pension liability at 31 March 2020 is £1,093m (PY £1.188m) comprising the Firefighters and Local Government Pension Scheme (Merseyside Pension Fund). The Authority uses Mercers and GAD to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The Authority actuary disclosed a material uncertainty in the valuation of the Authority's pension fund liability at 31 March 2020 as a result of Covid-19. The Authority has included disclosures on this issue in Note 4.</p> <p>The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £105.630m net actuarial gain during 2019/20.</p>	<ul style="list-style-type: none"> We have no material concerns over the competence, capabilities and objectivity of the actuary used by the Authority. We have used the work of PwC, as our auditors' expert, to assess your actuary, and assumptions made by your actuary. See below for consideration of key assumptions in your pension fund valuation: 	<table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>Mercer 2.4% GAD 2.25%</td><td>2.4-2.3% 2.25%</td><td></td></tr> <tr> <td>Pension increase rate</td><td>Mercer 2.1% GAD 2%</td><td>2.1% 2%</td><td></td></tr> <tr> <td>Salary growth</td><td>Mercer 3.6% GAD 4%</td><td>1.25 – 1.5% above CPI 2% above CPI</td><td></td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>Mercer 45/65: 22.5/20.9 GAD 45/65: 23/21.3</td><td>Mercer 45/65: 22.5- 24.7/20.9- 23.2 GAD 45/65: 22.6- 23.6/20.8- 21.9</td><td></td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>Mercer 45/65: 25.9/24 GAD: 23/21.3</td><td>Mercer 45/65: 22.5- 24.7/25.9- 27.7 GAD: 23- 25.2/21.2- 23.6</td><td></td></tr> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	Mercer 2.4% GAD 2.25%	2.4-2.3% 2.25%		Pension increase rate	Mercer 2.1% GAD 2%	2.1% 2%		Salary growth	Mercer 3.6% GAD 4%	1.25 – 1.5% above CPI 2% above CPI		Life expectancy – Males currently aged 45 / 65	Mercer 45/65: 22.5/20.9 GAD 45/65: 23/21.3	Mercer 45/65: 22.5- 24.7/20.9- 23.2 GAD 45/65: 22.6- 23.6/20.8- 21.9		Life expectancy – Females currently aged 45 / 65	Mercer 45/65: 25.9/24 GAD: 23/21.3	Mercer 45/65: 22.5- 24.7/25.9- 27.7 GAD: 23- 25.2/21.2- 23.6	
Assumption	Actuary Value	PwC range	Assessment																								
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Life expectancy – Males currently aged 45 / 65	Mercer 45/65: 22.5/20.9 GAD 45/65: 23/21.3	Mercer 45/65: 22.5- 24.7/20.9- 23.2 GAD 45/65: 22.6- 23.6/20.8- 21.9																									
Life expectancy – Females currently aged 45 / 65	Mercer 45/65: 25.9/24 GAD: 23/21.3	Mercer 45/65: 22.5- 24.7/25.9- 27.7 GAD: 23- 25.2/21.2- 23.6																									

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Other accruals and estimates	<p>You continue to apply estimates and judgements in a number of areas, including:</p> <ul style="list-style-type: none"> • accruals of income and expenditure; and • depreciation 	<ul style="list-style-type: none"> • The policies for these items are in line with accounting standards and the requirements of the Code of Practice on Local Authority Accounting. • Disclosure of the estimates in the financial statements is considered adequate. • As part of our testing, we have reviewed the judgements applied by the Authority relating to these items, and significant balances within these have been discussed with management in detail. • We have found no material misstatements in the financial statements relating to these balances from procedures performed during the audit. 	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
The most significant event that occurred during the year was the Covid-19 pandemic.	During the audit we have considered that the Authority's response to addressing the challenges arising from Covid-19. We are satisfied that management responded swiftly and appropriately to the challenges of Covid-19 particularly in the lead role they have taken nationally for the response.
Business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement.	<p>The Authority's external valuation expert, Hardie Brack has raised uncertainty regarding how the impact of Covid-19 on market conditions may affect land and buildings valuations during 2020/21.</p> <p>The Local Government Pension Scheme Merseyside Pension Fund has reported a material uncertainty around the valuation of the Pension Fund's property and infrastructure assets. The Pension Fund auditor intends to include an emphasis of matter in their auditor's report in respect of the effects of Covid-19 on the valuation of its property and infrastructure holdings.</p>
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.	No disagreements with management occurred during the audit.
Other matters that are significant to the oversight of the financial reporting process.	None to report

Significant findings – going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

The Authority has continued to prepare its Medium Term Financial Plan on a five year basis with annual approvals and has set a balanced budget for 2020/21. Management has prepared the budget on the basis that the Authority remains a going concern and has taken into consideration relevant and appropriate assumptions with regards to future funding and levels of expenditure.

Work performed

We evaluated management's assessment of the Authority's ability to continue as a going concern and determine whether or not a material uncertainty exists

Concluding comments

Auditor commentary

- Management have concluded that the use of the going concern basis is appropriate. In addition, management did not identify any material uncertainties related to events or conditions which may cast significant doubt about the going concern assumption.
- We are satisfied with the adequacy of management's processes for the preparation of the 2020/21 Medium Term Financial Plan.
- Management have included an assessment of the expected impact of Covid-19 on the Authority's finances and that the Government support is forecast to meet the loss of income and additional costs up to the end of 2020/21.
- Based on our review, we concur with management's assessment of the Authority's ability to continue as a going concern. We also agree that no material uncertainties related to events or conditions which may cast significant doubt about the going concern assumption exist.
- We anticipate no modification of our audit report in relation to going concern.
- We have not identified in the work completed any events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which is appended
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banking and investment institutions that the Authority holds deposits or loans with. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	Our review identified a small number of changes to the disclosures in the financial statements. Management have made the required changes.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix D</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>This work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of Merseyside Fire and Rescue Authority in the audit report, as detailed in Appendix D.</p>

Value for Money

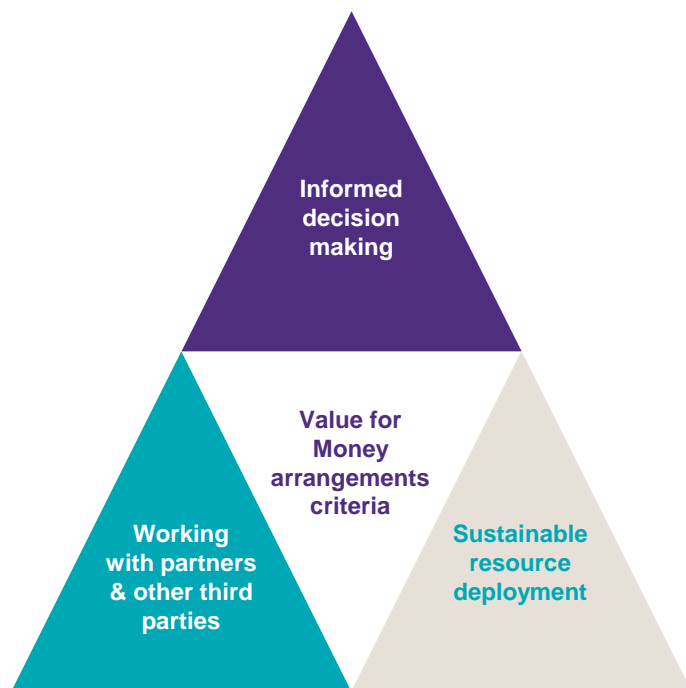
Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 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 below:



Risk assessment

We carried out an initial risk assessment in February 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated May 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VfM risks in relation to Covid-19 and do not consider Covid-19 to be a significant risk given the date of the pandemic.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- The Authority's outturn position against budget for 2019/20
- The reasonableness of the assumptions on which the Medium Term Financial Plan is based.
- The appropriateness of the arrangements for monitoring and reporting financial performance with a particular focus on the capital programme and links to the levels of reserves.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Findings

Arrangements to secure medium and long term financial sustainability including delivery of the reserves and estates strategies

2019/20 outturn

The Authority has a robust approach to its medium term financial planning and budgeting and has delivered a balanced budget as forecast after an additional contribution of £0.650m from reserves to cover planned 2019/20 expenditure. The Authority has continued with its policy to utilise any revenue savings generated during the year to fund additional MRP payments in order to free up future debt servicing budget to re-invest in front line services.

The Authority is operating under a current climate of funding reductions, changes in legislation and policy requirements, and changes to the regulatory bodies and frameworks.

The capital outturn for 2019/20 was £8.9m against a budget of £12.8m. The capital spend carried out during the year was in line with the planned capital strategy and programme for 2019/20 to 2023/24 totalling £41.2m. The Authority re-phased £3.7m of the original budget from 2019/20 to 2020/21 which due to the fact that most of the re-phasing was being funded via borrowing, the level of borrowing in the year was significantly lower than budgeted for. This demonstrates effective monitoring of the budget in year.

Medium Term Financial Strategy

The Authority approved its updated Medium Term Financial Plan (MTFP) in February 2020 covering the five years from 2019/20 to 2023/24 and approved a balance budget for 2020/21 with the expected income and expenditure of £61.7m. The budget was based on a number of assumptions around future income and costs including the proposed Council Tax increase of 1.98% and 2% per annum annual pay awards and general price inflation. The Authority has not planned to take out any further long term borrowing in the medium term.

Capital expenditure continues to be split across maintaining Fire Stations and other buildings, investing in IT and spending on operational equipment to ensure Firefighter safety. The construction of the new community stations, Saughall Massie and St Helens as part of the station merger programme (from 24 fire stations to 22 stations) accounts for £7.2m of the capital programme. The Authority members received detailed finance monitoring reports from management throughout the year which provided awareness of progress and the impact on the budget.

The level of general fund reserves is to be maintained at £3m, having increased this from £2m in the previous MTFP. The reserve represents 5% of the revenue forecast net operating expenditure which is deemed an appropriate level of reserves to have in place.

Impact of the Covid-19 pandemic on financial plans

As a result of the Covid-19 pandemic, the Authority updated its corporate risk register and implemented its Business Continuity Plan to ensure that the safety of fire fighters and other staff was paramount to the continuing delivery of services. The anticipated financial impact for 2020/21 is expected to be limited with additional expenditure identified for protective equipment, cleaning and ICT. The Authority has received £1.49m in grants to cover the initial impact of the pandemic which is expected to cover the costs to date.

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 Financial Reporting Authority's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.


Details of fees charged are detailed in Appendix C

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were charged from the beginning of the financial year to November 2020 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Action plan

We have identified 1 recommendation for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Medium	Accounting for the Authority's Fixed Assets Our audit has identified that the Authority has not followed Code requirements in respect of processing transactions to reflect the revaluation of land and buildings. This has impacted how revaluation movements have been reported in the financial statements along with the treatment of depreciation charges.	The Authority should ensure that the requirements of the Code are followed when performing adjustments to reflect the impact of asset revaluations within the asset register, general ledger and financial statements. Management response We accept the code must be adhered to when making such adjustments.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Revised actuarial valuation for McCloud ruling resulting in reduction in net pension liability			
- Impact of McCloud remedy (Firefighters) – Net cost of services	(4,500)	4,500	(4,500)
- Impact of updating pension assets to year-end actual (LGPS) – Other comprehensive income	(70)	70	-
Increase in the revaluation reserve and Net Book Value of Land & Buildings for the movement in the valuations			
Increase in value of land and buildings	(1,352)	1,352	-
Increase in revaluation reserve	-	(1,352)	-
Overall impact	(5,922)	4,570	(4,500)

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	The Authority has updated the note to disclose for the Pension Fund property assets material valuation uncertainty	The Note has been amended as a result of Merseyside Pension Fund updating their assumptions disclosures.	✓
Note 6 Events after the Reporting Period	The Authority amended the accounts for the updated pensions actuarial valuation following the McCloud Pension remedy update in July 2020.	The note has been amended to disclose that it is post balance sheet event adjustment.	✓
Note 12 Property Plant and Equipment	The movement in the revaluations of the Authority's Land and Buildings was not correctly disclosed in the note and did not show the depreciation charge for the revaluation assets being written back to the revaluation reserve.	The note has been amended to disclose the correct net book value for the land and buildings and revaluation movements.	✓
Note 30 Officers' Remuneration	The incorrect figures for salary, fees and allowances were disclosed in the draft financial statements for two officers	The Note has been amended for the correct information	✓
Note 31 External Audit Costs	The draft financial statements included a disclosure for a refund from Grant Thornton. This refund is a rebate from the Public Sector Auditor Appointments (PSAA)	The Note has been amended to disclose the correct information	✓

Fees

We confirm below our final fees charged for the audit and that no non-audit or audited related services have been undertaken for the Authority.

Audit fees	Proposed fee	Final fee
Authority Audit	£29,966	£29,966
Remote working has taken additional time to explain the audit trail of transactions rather than discussing processes and procedures in person. In addition to the increased level of work and challenge undertaken in response to the Covid-19 pandemic, there has also been additional work undertaken in response to the McCloud remedy and associated updated IAS 19 valuations and adjustments to the financial statements. We have also identified issues relating to accounting for PPE. We estimate that the impact of these matters has extended the audit process by seven days.		£3,800
Total audit fees (excluding VAT)	£29,966	£33,766

The fees reconcile to the financial statements.

• fees per financial statements (rounded)	£33,000
• Public Sector Audit Appointments (PSAA) refund	(£3,000)
• Remote working and additional work as disclosed above	£3,800
• total fees per above (rounded)	£33,800

Audit opinion - Draft

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

Independent auditor's report to the members of Merseyside Fire & Rescue Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Merseyside Fire & Rescue Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the pension fund financial statements. 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion - draft

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Director of Finance conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings as at 31 March 2020. As, disclosed in Note 4 to the financial statements, the valuations of the assets provided by the valuers have been subject to material valuation uncertainty clauses as per the Royal Institute of Chartered Surveyors (RICS) Red Book guidance. Consequently, a higher degree of caution should be attached to the valuation. For the Authority's share of the Pension Fund assets, due to Covid 19, property assets, have been reported on the basis of material valuation uncertainty as per the Royal Institute of Chartered Surveyors (RICS) Red Book. Our opinion is not modified in respect of this matter.

Audit opinion - draft

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts the Narrative Report and the Annual Governance Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, [the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Audit opinion - draft

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 95, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Policy and Resources Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Audit opinion - draft

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Merseyside Fire & Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Michael Green, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

[Date]

Management letter of representation

Grant Thornton UK LLP

Manchester

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

Merseyside Fire & Rescue Authority

Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Merseyside Fire & Rescue Authority for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and we acknowledge the material uncertainty the valuer has noted in the Authority's valuation report. This is on the basis of uncertainties in markets caused by Covid-19 and we are satisfied that there have been not impairment of asset values as assessed by the valuer.

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We have considered the impact of HM Treasury consultation on a proposed remedy in the McCloud/Sergeant case and are satisfied that the assessed net liability is materially correct and based on the best available data and assumptions. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Management letter of representation - continued

- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvi. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority, and involves:
- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS. The final version of the AGS will be provided to you when available and before publication.

Narrative Report

- xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the financial statements. The final version of the Narrative Report will be provided to you when available and before publication.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 26 November 2020.

Yours faithfully

Name.....

Position.....

Date



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