



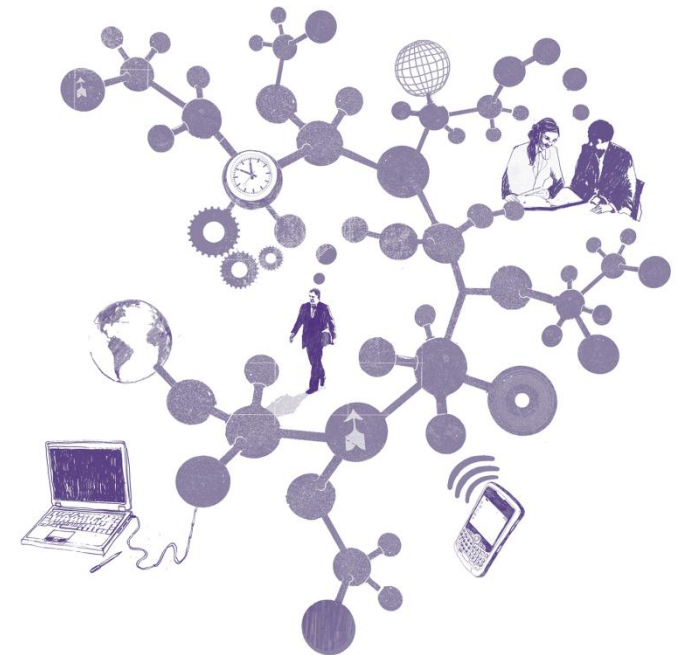
The Annual Audit Letter for Merseyside Fire and Rescue Authority

Year ended 31 March 2013

23 October 2013

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Section 1: Executive summary

01. Executive summary

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This Letter is intended to communicate key messages to the Authority and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 10 September 2013.

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Merseyside Fire and Rescue Authority ('the Authority') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three).

The Letter is intended to communicate key messages to the Authority and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 10 September at the Audit Sub-Committee.

Responsibilities of the external auditors and the Authority

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

The Authority is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Authority's financial position as at 31 March 2013 and its income and expenditure for the year;
- an unqualified conclusion in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- an unqualified short form assurance statement on the Authority's Whole of Government Accounts submission.

Executive summary

Key areas for Authority attention

We summarise here the key messages arising from our audit for the Authority to consider as well as highlighting key issues facing the Authority in the future.

Along with other public sector organisations, the Authority is operating in a period of significant financial challenges. In his Autumn Statement in December 2012, the Chancellor reinforced austerity measures announcing a further £6.6 billion of savings during 2013/14 to 2014/15. The spending review, announced by the Chancellor in June 2013, confirmed the Authority will face a further grant reduction of £3.4 million (8.4%) from the revised 2014/15 figures. The challenge for the Authority is to deliver a significant efficiency programme in each of the next 3 financial years (2013/14 to 2015/16), whilst maintaining strategic and operational objectives.

The Authority has a good track record of delivering planned savings. In 2012/13 the Authority delivered savings of £8.6 million which were close to the £9.2million agreed savings target for the period to 31 March 2014. These savings were achieved as part of the Authority's measures for the reduction in back-office and support service costs and the on-going review of fire cover by the Chief Fire Officer.

But the scale of future savings requirements, on top of what has already been achieved, increases the challenge significantly. As a result of the fire cover review the Authority has started to implement savings options of £10m for the next two years. The Authority recognises that this level of saving can only be achieved by reducing the number of fire appliances from 42 to 28, reviewing back-office cost structures and revising operational shift patterns. The Authority is currently engaged in discussions with other key stakeholders to deliver these plans.

The Authority has responded to the challenges created by the reduction in central government funding and has continued to ensure that arrangements are in place to secure the effective delivery of operational fire services. The Authority has a significant capital programme and it is clear the level of associated finance charges will increase over the next few years. It is important the Authority continues to monitor the affordability of its borrowing and assesses whether the overall asset base is sustainable.

We issued an unqualified audit opinion on the 25 September. The accounts presented for audit were of good quality and required relatively few changes and there were none which affected the financial position. We also issued an unqualified value for money conclusion on 25 September, confirming the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Acknowledgements

This Letter has been agreed with the Chief Fire Officer and Deputy Chief Executive and the report will be presented to the Authority.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

The accounts were prepared to a high standard, supported by clear and comprehensive working papers. We did not identify any adjustments affecting the Authority's reported financial position, and issued an unqualified audit opinion on 25 September 2013.

Audit of the accounts

Audit of the accounts

Before giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance'. We presented our report to the Audit Sub-Committee on 10 September 2013, and we summarise only the key messages in this Letter. The key findings of our audit of the accounts are summarised below.

Preparation of the accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the national deadline. The accounts were prepared to a high standard, supported by clear and comprehensive working papers, and officers provided prompt and helpful responses to our requests for additional information.

Issues arising from the audit of the accounts

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

- we did not identify any adjustments affecting the Authority's income and expenditure position;
- we identified one amendment in the disclosure notes to reflect the accounting classification of the Toxteth Fire Fit Hub as a finance lease;
- we recommended a small number of minor adjustments to improve the presentation of the accounts; and
- we received good co-operation from officers and we would like to offer our thanks for their professional approach to the audit and to our requests for additional information.

The Deputy Chief Executive adjusted the financial statements for the amendments identified in page 18 of our Audit Findings Report.

Annual governance statement

We have also reviewed the Authority's Annual Governance Statement (AGS) against the requirements set out within CIPFA guidelines, and concluded that the AGS was consistent with our knowledge of the Authority and that no additional disclosures were required.

Conclusion

We issued an unqualified opinion on the Authority's 2012/13 accounts on 25 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Authority's financial position and of the income and expenditure recorded by the Authority.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

Based on our review of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources, we issued an unqualified VFM conclusion on 25 September 2013.

Value for Money

Scope of work

The Code describes the Authority's responsibilities to put in place proper arrangements to:

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

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Authority has proper arrangements in place for securing financial resilience. The Authority has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have reviewed whether the Authority proper arrangements in place to secure financial resilience. From the beginning of Comprehensive Spending Review in 2010, the Authority has regularly reviewed and modelled what the overall financial position may look like, taking into account both the likely longer term funding reductions and the changes to how local government will be financed.

The Authority has a good track record of delivering financial performance in line with budget and achieving required savings. Faced with a funding gap of £9.2m for the period to 2013/14, the Authority made early progress and succeeded in identifying and agreeing £8.6m of budget savings by the end of March 2013. The remaining savings plans have been developed by officers and will come before members for approval in 2013/14.

The most significant matter arising from our audit related to the Authority's assets and its long term commitments. It is important that the Authority continues to assess the size of its asset base and monitors the affordability of its borrowing in the light of the overall financial challenge.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Authority has prioritised its resources to take account of the tighter financial constraints, and whether it has achieved cost reductions and improved productivity and efficiencies. Our work highlighted that the Authority is responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively. The Authority does not underestimate the scale of the challenge it faces, and acknowledges that further significant transformation is called for. Progress is being made in starting to implement savings options of £10m for the 2014/15 budget following a review of fire cover undertaken by the Chief Fire Officer. The review has reduced the number of fire appliances from 42 to 28 and seeks to preserve service outputs by introducing revised duty patterns and work routines.

Overall VFM conclusion

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

Appendix

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	43,232	43,232
Total fees	43,232	43,232

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	May 2013
Audit Findings Report	September 2013
Annual Audit Letter	October 2013



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