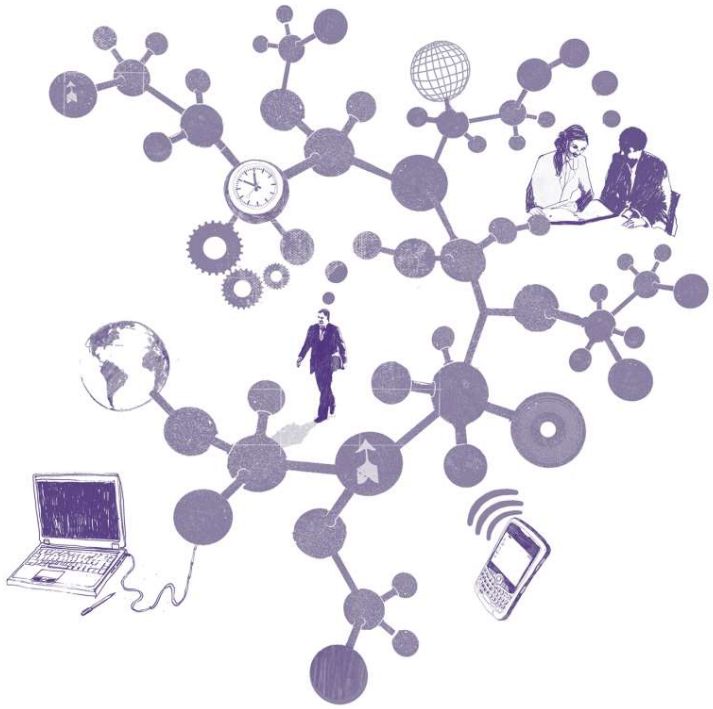
The Annual Audit Letter for Merseyside Fire and Rescue Authority

Year ended 31 March 2017

12 October 2017



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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Merseyside Fire and Rescue Authority (the Authority) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Authority and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Authority's Policy and Resources Committee (as those charged with governance) in our Audit Findings Report on 27 July 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Authority's financial statements on 29 August 2017.

Value for money conclusion

We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 29 August 2017.

Certificate

We certified that we had completed the audit of the accounts of Merseyside Fire and Rescue Authority in accordance with the requirements of the Code on 29 August 2017.

Working with the Authority

The Accounts and Audit Regulations 2015 bring forward the approval and audit of the financial statements to 31 May and 31 July respectively from the 2017/18 financial year. We have continued to work closely with your finance team during the year to bring forward work in preparation for next year. The Authority's finance team is well placed to meet the earlier closedown requirements in 2017/18.

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

Grant Thornton UK LLP
12 October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Authority's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Authority's accounts to be £1,497k which is 2% of the Authority's gross revenue expenditure. We used this benchmark, as in our view, users of the Authority's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for related parties and senior officer remuneration of £20k and £5k respectively.

We set a lower threshold of £75k above which we reported errors to the Policy and Resources Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Authority's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Authority and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

Audit opinion

We gave an unqualified opinion on the Authority's accounts on 29 August 2017, in advance of the 30 September 2017 national deadline.

The Authority made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the Authority's accounts to the Policy and Resources Committee on 27 July 2017. We identified no adjustments affecting the Authority's reported financial position. We recommended a number of minor adjustments to improve the presentation and disclosure of the financial statements which the Authority actioned.

Audit of the accounts

Annual Governance Statement and Narrative Report
We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Authority and with our knowledge of the Authority.

Controls
The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Authority.

Our audit work identified a control issue in relation to the calculation of National Insurance Contributions by the payroll system. Our audit testing identified that in specific circumstances, the payroll system understates both employer and employee NI contributions payable. This is a software weakness and Officers are working with the system provider to resolve this issue.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts.

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the 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.

Key findings

We carried out an initial risk assessment in April 2017 and did not identify any significant risks. However we noted at the time that whilst the Authority continues to face on-going financial pressures, it continues to have effective arrangements in place to manage its finances and deliver a balanced outturn position.

The Authority set a balanced budget for 2016/17 which formed the first year of its Medium Term Financial Strategy (MTFS) for the 4 year period to 2019/20.

The actual 2016/17 outturn position was an underspend of £2,349k against a revised budget of £61,507k, increasing the Authority's usable reserves to £31,858k at the year end. The Authority is keen to use any underspend to increase the firefighter recruitment reserve in light of the expected firefighter retirements over the next decade.

The Authority's Medium Term Financial Plan 2016/17 to 2019/20 requires the Authority to deliver some £11,000k in savings between 2016/17 and 2019/20. The Medium Term Financial Plan aims to achieve this through savings in technical and support services of £9,100k, and a further £1,900k from operational savings. Whilst the Authority consider these savings challenging, they believe they are achievable.

For 2017/18, the Authority approved its budget in March 2017. The Authority set a budget of £59,490k. The budget aims to deliver a year end break even position. The budget requires savings of £3,862k above those already delivered in 2016/17 and includes reductions in a number of areas including support service and management (£0.75m) and reductions in front line staffing (£1.0m).

The Authority continues to respond to meeting the challenges of Blue Light Collaboration. Consultants have undertaken a review exploring the potential synergies to be gained from a collaborative approach with Merseyside Police on integration of back office and professional services. Further to this, chief officers will now jointly undertake further work to consider practical options for a collaborative approach to the delivery of corporate services functions. The Authority has invited the Merseyside Police and Crime Commissioner to join the Fire Authority as a member. This should help develop further integration between the Fire Authority and Police.

We updated our risk assessment during the final accounts audit and did not identify any further risks where we need to perform work.

Overall VfM conclusion

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 ended 31 March 2017.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services to Merseyside Fire and Rescue Authority.

Fees 2016/17

	Proposed fee £	Final fee £
Authority audit	32,424	32,424
Total audit fees (excluding VAT)	**32,424**	**32,424**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Fees for other services

Service	Fees £
None	

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 or other audit related services have been undertaken for the Authority.

Reports issued

Report	Date issued
Audit Plan	March 2017
Audit Findings Report	July 2017
Annual Audit Letter	October 2017



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