

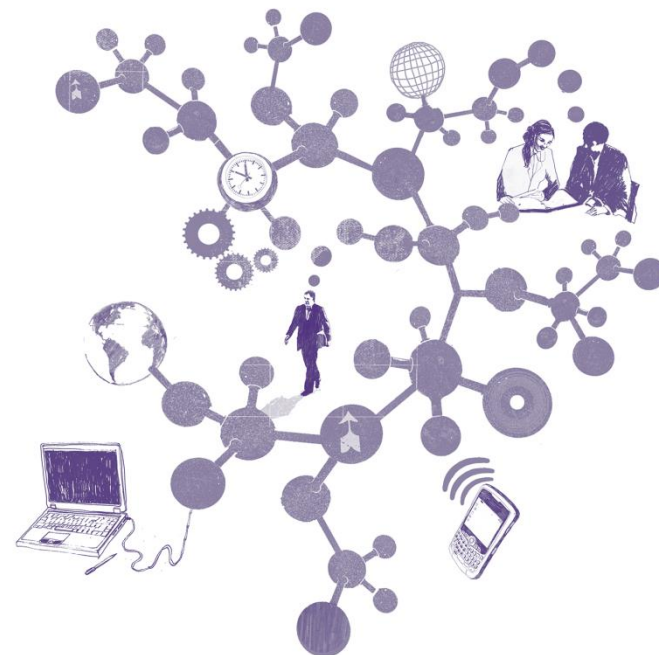
The Audit Findings for Merseyside Fire and Rescue Authority

Year ended 31 March 2016

Michael Thomas
Director
T 0161 214 6368
E mike.thomas@uk.gt.com

Paul Basnett
Audit Manager
T 0161 214 6398
E paul.s.basnett@uk.gt.com

John Padfield
Executive
T 0161 214 6378
E john.padfield@uk.gt.com



Cllr Leslie Byrom
Chair of the Policy and Resources Committee
Merseyside Fire and Rescue Authority
Fire Service HQ
Bridle Road
Bootle Merseyside

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS
T +44 (0)1512247200

www.grant-thornton.co.uk

July 2016

Dear Cllr Byrom

Audit Findings for the Merseyside Fire and Rescue Authority for the year ending 31 March 2016

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

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

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 primarily 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Michael Thomas
Engagement lead

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	22
4. Other statutory powers and duties	33
5. Fees, non-audit services and independence	35
6. Communication of audit matters	37

Appendices

Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Merseyside Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under 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 give a true and fair view of the financial position of the Authority and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Authority or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Authority and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter our audit approach, which we communicated to you in our Audit Plan dated 9 June 2016. Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements;
- review of the required assurance from the auditors of Merseyside Pension Fund over IAS 19 (pensions) related entries in the financial statements;
- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts. The NAO has delayed issuing their data collection tool and counterparty list which the Authority needs to complete and provide for audit. This does not delay our opinion on the accounts but means that we cannot certify the audit as complete until the WGA audit is complete.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Authority's reported financial position. Both the draft and audited financial statements for the year ended 31 March 2016 show net expenditure on the provision of services of £34,945k.

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

- draft financial statements were provided for audit on 15th June 2016 in advance of the national deadline and the planned start date for our year-end fieldwork;
- as last year, the draft accounts were prepared to a good standard and were supported by comprehensive working papers; and
- there are no significant amendments to the accounts as a result of our audit.

We did identify a relatively small number of minor changes to the supporting notes to improve presentation and consistency. Our audit fieldwork, now mostly complete, has been undertaken with good co-operation from your Finance team. Further details are set out in section two of this report. We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix A).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- 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 information of which we are aware from our audit.

Based on our review of the Annual Governance Statement (AGS), we are satisfied that it meets the requirements set out in the CIPFA/SOLACE guidance and is consistent with the audited financial statements.

Controls

Roles and responsibilities

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.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention. As part of our planned programme of work, we followed up our high level review of the general IT control environment. We are pleased to report that no significant issues arose from our work.

Further details are provided within section two of this report.

Value for Money

In our Audit Plan we highlighted that the Authority faced increasing financial pressure. During 2015/16 the Authority reported an under-spending against its revenue budget of £1.571m and delivered its savings target of £6.3m. However the scale of the financial challenge going forward remains significant. The Authority's financial plan for 2016/17 to 2019/20 identifies a need to make savings amounting to £11m over the period, approximately 13% of the current budget. The Authority will face considerable pressure to manage its budget within lower levels of funding in the future.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act. Further details of our work on other statutory powers and duties is set out in section four of this report.

The way forward

Matters arising from the financial statements audit and our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Treasurer.

Looking ahead, we will continue our work on the arrangements for bringing forward the accounts and audit completion period, including an earlier Audit Committee date, ahead of the changes to the national deadlines in 2017/18.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
July 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1.347m (being 2% of gross revenue expenditure). We have determined that this overall materiality remains appropriate.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £68k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	All transactions made by the Authority affect the cash balance and it is therefore considered to be material by nature.	Any errors identified by testing in excess of triviality would be deemed to have implications on the users understanding of the financial statements.
Disclosures of senior manager salaries and allowances in the remuneration report	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing in excess of £10,000 would be deemed to have implications on the users understanding of the financial statements.
Audit fees	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing would be deemed to have implications on the users understanding of the financial statements.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	Improper revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; and • opportunities to manipulate revenue recognition are very limited. <p>The culture and ethical frameworks of local authorities, including Merseyside Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable.</p> <p>We also undertook a range of substantive procedures including testing receipts in March, April and May 2016 to ensure they were recognised in the right year.</p>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Most of the Authority's revenues are from government grants or from Council Tax precepts which are predictable in timing and value. As the levels of other revenues are not significant in 2015/16, we have concluded that the presumed risk can be rebutted.</p> <p>We therefore do not consider this to be a significant risk for the Authority.</p>
2.	Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls.	<p>We have reviewed the journal control environment and not identified any significant control weaknesses.</p> <p>We have tested key journal entries and not found any items which impacted on our opinion.</p> <p>We have reviewed the accounting estimates, judgements and decisions made by management.</p> <p>We have reviewed any unusual, significant transactions and not identified anything which would impact on our opinion.</p>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment The Authority revalues its assets over a five year period, with a full valuation every fifth year. The last full valuation was in 2014/15</p> <p>The Code requires that the Authority ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate. Review of the competence, expertise and objectivity of any management experts used. Review of the instructions issued to valuation experts and the scope of their work. Discussions with the Authority's valuer about the basis on which the valuation was carried out, challenging the key assumptions. Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. Testing of revaluations made during the year to ensure they were input correctly into the asset register. Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. 	<p>Our review of property, plant and equipment has not highlighted any issues which we wish to bring to your attention.</p> <p>We undertook a detailed review of the work performed by the Valuer to provide land and building valuations for financial reporting purposes.</p> <p>We were satisfied from our review of the valuation report, that the methods and assumptions used by the Valuer in valuing the land and property assets are considered to be reasonable and in accordance with the requirements of IFRS and the Code.</p>
4.	<p>The expenditure cycle includes fraudulent transactions.</p> <p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially where the body is required to meet targets.</p>	<p>We have considered this risk and do not consider it to require additional audit procedures because of the nature of your 2015/16 budgeted expenditure:</p> <ul style="list-style-type: none"> 62% relates to employee costs which are addressed by our procedures in response to the identified risk in this area (see page 13). 33% relates to operating expenses and capital financing charges which are addressed by our procedures in response to the identified risk in this area (see above). 5% relates to pensions expenditure which are addressed by our procedures in response to the identified risk in this area.(see page 14). 	<p>Our audit work has not identified any issues in respect of expenditure recognition.</p>

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
5.	<p>Valuation of pension fund net liability</p> <p>The pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>As part of our audit work we have completed:</p> <ul style="list-style-type: none"> • Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements. • Review of the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>As at the time of preparing this report, we have not yet received and reviewed the required assurance from the auditors of Merseyside Pension Fund over IAS 19 (pensions) related entries in the financial statements. Subject to a satisfactory response, our work has provided the assurance we sought and has not highlighted any issues to bring to your attention.</p>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>For LGPS and the two firefighter pension schemes we undertook a review of the relevant actuary's (Mercer for LGPS and GAD for firefighter schemes) work to satisfy ourselves that the pension liabilities are fairly stated in the financial statements. In doing so we engaged our own independent actuary to assess the methodology and assumptions used by the schemes actuary.</p> <p>For LGPS we have confirmed with the LGPS external auditor that the controls over membership data were operating as intended. For the two firefighter schemes we have reviewed the information sent to the actuary ourselves and confirmed it was consistent with our expectations.</p> <p>For both LGPS and the firefighter pension schemes we have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by both Mercer and GAD are reasonable for the purpose of valuing the pension fund liabilities as at 31 March 2016.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	<p>Employee remuneration and benefit obligations and expenses understated</p> <p>The Authority has a large number of employees and related payroll transactions. This means the inherent risk, which includes year end accruals, is high.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding; substantive testing of payments made to employees during the 2015/16 financial year and confirmed that the pay costs agreed with the payslip and contract documentation. use of analytical techniques to compare expected payroll costs with actual; and review of payroll reconciliations including at the year end. 	Our audit work is complete. We have not identified any issues in the course of completing our work.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle and undertaken walkthrough of the key controls; we tested a sample of 12 payments, selected at random and agreed the payments to source documentation to ensure the payment was valid expenditure, and the payment was correctly accounted for in 2015/16; and we completed an additional test on a sample of 12 payments after the year end to source documentation, to ensure that if the transaction was correctly recorded and to ensure they have been accurately accounted for and in the correct period. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Firefighters ' Pensions Benefit Payments	Benefits improperly computed / claims liability understated	<p>As part of our audit work we have completed the following work in relation to this risk.</p> <ul style="list-style-type: none"> • We have documented processes and controls in place around the accounting for Fire Fighters' Pensions. • We have carried out a walkthrough test to confirm the operation of controls is in line with our understanding. • Agreement of pension disclosures in the financial statements to supporting evidence. • Testing a sample of 14 new Fire Fighters' pensions coming into payment in the period 1st April 2015 to 31 March 2016 to ensure that both lump sum and recurring elements have been accurately accounted for and in the correct period. 	Our audit work has not identified any significant issues in relation to the risk identified. Our audit work confirmed that the pension benefits paid agreed with the supporting documentation.

Significant matters discussed with management

	Significant matter	Commentary
1.	Accounting for the Pension Ombudsman's decision – Government Actuary's Department commutation factors	<p>The Pension Ombudsman determined in July 2015 that the calculation of pensioners' lump sum amounts on commutation since 1998 was not based on the right actuarial data. The Government Actuary's Department has issued guidance in respect of the Firefighters' Pension Scheme (England): 1992 Scheme. This will enable each Fire Authority to calculate the impact for their 2015/16 accounts.</p> <p>Management response</p> <p>The Authority has acknowledged that there is an IAS 19 impact in relation to the present value of the defined benefit obligation as a result in the updating of the commutation factors as the calculations of future lump sum and future pension payments would have taken into account assumptions with regards to the commutations. The Authority has incorporated the figures provided by the actuary into the disclosures for pensions and top up grant. Consequently, to address this issue in the 2015/16 financial statements, officers have made adjustments to the pension fund and confirmed that there is no liability at the 31 March 2016. Officers made accounting entries to show that the amount of the pension benefit payments will be met by pension top up grant from Government.</p>

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The Authority's policy is set out in its accounting policies (Note 1 in supporting notes to the financial statements). The Authority has two principal revenue streams:</p> <ul style="list-style-type: none"> grant income is recognised in accordance with the terms of the grant, whether specific or non-specific; and income from fees/charges in the provision of services, which is recognised when the service has been provided or when title to goods has passed. <p>The Authority's policy for recognising revenue is to recognise it when the economic benefits or service potential will flow to the Authority.</p>	<ul style="list-style-type: none"> The Authority's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). A significant quantity of the Authority's revenue is predictable meaning there is minimal judgement required from the Authority in identifying when to recognise income. The accounting policy is appropriately disclosed within the statement of accounts. Our review of accounting policies has not highlighted any issues which we wish to bring to your attention. 	
Cost recognition	<ul style="list-style-type: none"> Expenditure is recognised on an accruals basis. The cost of support services are apportioned to services in full in line with the CIPFA Service Reporting Code of Practice (SeRCoP) 2015/16. These costs are charged to relevant service lines in the CIES. 	We are satisfied that expenditure recognition policies are appropriate and result in materially accurate recognition of costs in the Authority's financial statements.	

Assessment



● Marginal accounting policy which could potentially attract attention from regulators
 © 2016 Grant Thornton UK LLP | Audit Findings Report for [Merseyside Fire and Rescue Authority 2015/16]

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> Insurance Fund – the Authority operates a self insure scheme; Useful lives and £ nil residual value of property, plant and equipment; Property valuations including revaluations, impairments and fair valuations, Government Funding and the high degree of uncertainty; Pension fund valuations and settlements; and Provisions. 	The Authority's policies on estimates and judgements are reasonable and appropriately disclosed and reliance on experts is taken where appropriate.	
Going concern	<p>Fire Service Managers' have a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. Members concur with this view. For this reason, the Authority continues to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Authority's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements. We are satisfied with managements' assessment that the going concern basis is appropriate for the 2015/16 financial statements.</p> <p>The Authority has approved a balanced budget for 2016/17 and a medium term financial plan to 2019/20. We have assessed the reasonableness of the assumptions underlying this forecast, and the sensitivity of the forecast to changes in those assumptions. We do not consider there to be a material uncertainty which could cast doubt on the entity's ability to continue as a going concern.</p> <p>The Authority holds £26.2 million of useable revenue reserves, approximately £15million of which are held in cash and short-term investments. Based on this, we are satisfied that it remains appropriate for the Authority to prepare accounts on a going concern basis as at 31 March 2016.</p>	

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
 © 2016 Grant Thornton UK LLP | Audit Findings Report for [Merseyside Fire and Rescue Authority 2015/16]

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance via the Audit Committee.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> • We have previously discussed the risk of fraud with the Audit Sub-Committee. • We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> • We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> • A standard letter of representation has been requested from the Authority.
4.	Disclosures	<ul style="list-style-type: none"> • Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> • We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> • We obtained direct confirmation for loans and requested from management permission to send confirmation requests to for bank and investment balances. The requests were sent and were returned with positive confirmation.
7.	Matters on which we report by exception	<p>We have not identified any issues we would be required to report by exception in the following areas.</p> <ul style="list-style-type: none"> • The Annual Governance Statement meets the disclosure requirements set out in the CIPFA/SOLACE guidance and is consistent with the information of which we are aware from our audit. • The information in the Narrative Report is materially consistent with the information in the audited financial statements and our knowledge of the Authority.
8.	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. This work is not started because the NAO has not yet issued the consolidation pack for Authorities to complete. We will carry out our review of the NAO consolidation once the information becomes available. This will not delay our opinion on the accounts but we will not be able to certify completion of the audit until the WGA audit is completed.</p>

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Our work has not identified any significant control weaknesses.

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

There were no adjusted or unadjusted misstatements

Misclassifications 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.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Note 22 Capital adjustment account	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing was (£1.245m) in the audited PY figures for 2014/15 but shown as £2.130m in the 2015/16 accounts. Original figures to be reinstated.
2 Disclosure	n/a	Note 22 Capital adjustment account	Application of grants to capital financing from the Capital Grants Unapplied Account was (£185k) in the audited PY figures for 2014/15 but shown as £700k in the 2015/16 accounts. Original figures to be reinstated.
3 Disclosure	68,879	Note 14 Fair value of assets and liabilities	The Finance Team have recalculated the Fair Value using an appropriate Discounted Cash Flow model, and appropriate discount rates associated with new borrowing rates. This will result in a £13m amendment to the disclosed figure.
4 Disclosure	4,672	Note 16 Debtors	Recognition of a debtor in the accounts for the impact of Business Rates Appeals
5 Disclosure	(984)	Note 20 Provisions	Recognition of a provision in the accounts for the impact of Business Rates Appeals
6 Disclosure	n/a	Note 30 Officers' Remuneration	Inclusion of members of the management team.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment which we communicated to the Audit and Scrutiny Committee on 9 June 2016 in our Audit Plan. Like other public sector bodies the Authority faces a number of significant risks including the need to:

- demonstrate achievement of financial performance;
- develop the overall vision for the service including the arrangements for the implementation of the fire station merger strategy; and
- collaborate with blue light providers to deliver the outcomes required by the Government.

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

We carried out further work only in respect of the significant risks we identified from our initial and on-going risk assessment.

Significant qualitative aspects

We are required to set out 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 has maintained its strong record in the delivery of its savings plans and its budgets. The outturn for 2015/16 showed that the Authority achieved an underspend of £1.571m against budget, as well as delivering the savings of £6.3m required so far. The Authority effectively managed financial performance during the year, demonstrated by its outturn for the year. Pressure areas were identified and monitored within department budgets and although there have been a number of budget adjustments there has been no net impact because they were self-balancing virements. The Authority is facing a significant financial challenge over the next 4 years and has identified a savings target of £11m. Consequently the Authority will have a focus on driving collaboration and improvement despite the spending cuts.
- The Authority continues to develop its strategy to transform its emergency response by merging fire stations. Significant progress has been achieved with the closure of Allerton Fire Station and obtaining planning approval for the construction of a Community Fire and Neighbourhood Police Station on Prescott Business Park. Discussions are continuing with the merger of St. Helens and Eccleston fire stations at a new site at Canal Street. However progress on the site at Saughall Massie stalled as the scheme required an ecological survey and a planning application will now be considered in October 2016.
- The Authority is focused on maintaining response times and demonstrating VfM in terms of service delivery to the public. It has identified a number of opportunities and action areas which it is actively developing. Much work has been done in developing the role of the fire-fighter by undertaking a trial with NWS on responding to cardiac arrests. The response to cardiac arrests by firefighters is relatively new and could have a real impact in saving lives if agreement can be reached on a roll-out to all stations.

The Authority has had a challenging year and faces a significant challenge of working within a substantially reducing budget whilst continuing to deliver a vital public service.

The Authority has general reserves of £2m, risk assessed earmarked reserves of £26.3m and a track record of delivering financial performance in line with budgets. The savings programme has been successful over the past three years and plans are in place which should enable the Chief Fire Officer to deliver services in line with the IRMP's objectives despite the significant cuts in funding. The Authority is committed to exploring new and innovative ways of working to achieve this. The Authority's agreed strategy is to protect operational response as much as possible, therefore in the first instance savings from technical adjustments and support services have been identified.

The required level of saving cannot be delivered from management and support staff costs alone and therefore is likely to mean further reductions in appliances, a review of fire station numbers and duty system arrangements. In response to the scale of the fiscal challenge, the Authority is preparing a plan that will lead to a reduction of up to 100 operational firefighter posts by 2020.

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 later in this section on pages 25 to 32.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

We only report by exception in our auditors' report where we give a qualified conclusion, so the form of our report is briefer than in previous years. The text of our report, which confirms this is under the 'matters on which we report by exception' section, can be found at Appendix A.

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	Work to address	Findings and conclusions
<p>Overall vision for the Service</p> <p>The Authority has made significant progress in developing its Fire Station Merger Strategy. This is projected to deliver a reduction of 86 whole-time equivalent (WTE) posts, reduce the Authority asset base down from 26 stations to 22 and deliver additional savings from a reduction in premises overheads. Following the provisional LG finance settlement it is inevitable that the Authority will need to make further changes to the number of stations or the way in which fire engines are crewed. The Authority will need to take a considered view and evaluate the change in response times arising from the options. The merger strategy may not deliver the performance outcomes required due to delays in the process.</p>	<p>We reviewed the Authority's progress in updating its fire station merger strategy. We also enquired from key officers the delivery of the merger strategy against plans. The work included a review as to whether the IRMP needs to be developed further to take into account the financial challenges and the progress in developing the Fire Station Merger Strategy</p>	<p>A key consideration for the Authority has been the move to the merge fire stations which is designed to deliver savings and provide resilience to the service. The merger strategy along with the operational plans form a key part of the IRMP.</p> <p>At a strategic level, the IRMP supplement to 2017 is well considered, with a clear understanding by all parties of the strategic direction and the overarching requirements. The plan has been prepared in the context that MFRS would face further cuts of £11m to its budget by 2020. As part of its financial plan for 2015/16 the Authority produced a number of options to change fire cover across Merseyside. The merger of stations was recognised by the Authority and the public as the best option given the circumstances; having the least impact on operational response. Despite the financial challenges and the strong opposition of community groups in Wirral, the Authority has made significant progress in developing its Fire Station Merger Strategy. This is projected to deliver a reduction of 86 whole-time equivalent (WTE) posts, reduce the Authority asset base down from 26 stations to 22 and deliver additional savings from a reduction in premises overheads.</p> <p>Significant progress has been achieved with the closure of Allerton fire Station and obtaining planning approval for the construction of a Community Fire and Neighbourhood Police Station with training facilities on the Prescott Business Park. Discussions are continuing with the merger of St. Helens and Eccleston fire stations at a new site on Canal Street. However progress on the site at Saughall Massie has been stalled as the scheme cannot proceed to planning application without an ecological survey.</p>

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	Work to address	Findings and conclusions
<p>Overall vision for the Service – (continued)</p> <p>The Authority has made significant progress in developing its Fire Station Merger Strategy. This is projected to deliver a reduction of 86 whole-time equivalent (WTE) posts, reduce the Authority asset base down from 26 stations to 22 and deliver additional savings from a reduction in premises overheads. Following the provisional LG finance settlement it is inevitable that the Authority will need to make further changes to the number of stations or the way in which fire engines are crewed. The Authority will need to take a considered view and evaluate the change in response times arising from the options. The merger strategy may not deliver the performance outcomes required due to delays in the process.</p>	<p>We reviewed the Authority's progress in updating its fire station merger strategy. We also enquired from key officers the delivery of the merger strategy against plans. The work included a review as to whether the IRMP needs to be developed further to take into account the financial challenges and the progress in developing the Fire Station Merger Strategy</p>	<p>There is scope to develop the reporting on the progress of the station mergers strategy particularly around the key deliverables. An update report was taken to the Authority in December 2015 provided a high level briefing on the discussions around the merger programme. Once projects receive planning approval the update reports could be developed further to contain information on milestone achievements and the financial impact.</p> <p>The Authority's Service Delivery plan for 2015/16 sets out the key plans and efficiencies intended for the Authority and is supported by the IRMP supplement for 2015 -17. Performance reports in 2015/16 show a decrease in the number of deaths and serious injuries from Road Traffic Collisions (RTCs) and the number of injuries and deaths from fire compared with Quarter 2 in 2014/15. The Service continues to work closely with its partners in relation to RTC's and its prevention activity is continuing to have an impact on the key deliverable of the decreasing the number of deaths, injuries, accidental dwelling fires and deliberate fires.</p> <p>The Authority also undertakes a detailed analysis of external drivers via its financial modelling economic and political considerations. The analysis highlights the potential impact on the Authority of various identified changes and the action the Authority has already taken in response to these identified issues. There is evidence of sensitivity analysis on projections. The Authority has not planned further than 4 years ahead financially as there is such uncertainty around grant funding.</p> <p>Given that the Authority has put arrangements into place to implement its merger strategy , we concluded that progress is in line with priorities. We will continue to monitor progress on this in future years.</p>

Key findings

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

Significant risk	Work to address	Findings and conclusions																																			
<p>Financial health - consideration of the arrangements in place to secure financial balance</p> <p>The Authority has historically managed its finances well, achieving financial targets and is on course to deliver its 2015/16 budget. Nevertheless the scale and pace of change for the Fire Service will effect future projections, particularly following announcements from the Comprehensive Spending Review, Autumn Statement 2015 and then more recently the provisional Local Government Finance Settlement 2016/17 published in December 2015. The Authority has approved a 4 year plan from 2016/17 to achieve savings of £11m by 2019/20. The savings are to be achieved from variety of factors including new ways of working and the retirement profile of uniformed employees. However actual spending in this period will be under pressure as costs increase.</p>	<p>We reviewed the Authority's progress in updating its financial position and forward strategy. We also review the arrangements for putting together and agreeing the medium term financial plans and the identification of savings plans. The work included a review the finance reports to the Authority, review the out-turn position for 15/16 and the financial plans going forward for 2016/17.</p>	<p>The Authority has a detailed medium-term financial strategy which sets out expected changes in income and expenditure over the period to 2019/20. The MTFP allows the Authority to model future expenditure budgets by varying assumptions about staff and officer pay inflation, non-pay inflation and other key factors. We have reviewed the expenditure assumptions in the latest version of the financial strategy. In our view the assumptions in respect of pay and non-pay inflation are reasonable and broadly in line with those used by other similar organisations. The budget and savings profile over the next four years are summarised in the table below.</p> <table><tr><th></th><th>2016/17 £million</th><th>2017/18 £million</th><th>2018/19 £million</th><th>2019/20 £million</th></tr><tr><td>Base budget</td><td>62.673</td><td>64.963</td><td>66.713</td><td>68.463</td></tr><tr><td>Savings plan</td><td>(1.497)</td><td>(4.979)</td><td>(7.929)</td><td>(9.977)</td></tr><tr><td>Savings %age cumulative</td><td>2%</td><td>9.5%</td><td>12.5%</td><td>14.5%</td></tr><tr><td>Planned use of reserves</td><td>0.331</td><td>(1.075)</td><td>(0.406)</td><td>0</td></tr><tr><td>Budget requirement</td><td>61.507</td><td>58.909</td><td>58.378</td><td>58.486</td></tr><tr><td>General balances carried forward</td><td>2.0</td><td>2.0</td><td>2.0</td><td>2.0</td></tr></table>		2016/17 £million	2017/18 £million	2018/19 £million	2019/20 £million	Base budget	62.673	64.963	66.713	68.463	Savings plan	(1.497)	(4.979)	(7.929)	(9.977)	Savings %age cumulative	2%	9.5%	12.5%	14.5%	Planned use of reserves	0.331	(1.075)	(0.406)	0	Budget requirement	61.507	58.909	58.378	58.486	General balances carried forward	2.0	2.0	2.0	2.0
	2016/17 £million	2017/18 £million	2018/19 £million	2019/20 £million																																	
Base budget	62.673	64.963	66.713	68.463																																	
Savings plan	(1.497)	(4.979)	(7.929)	(9.977)																																	
Savings %age cumulative	2%	9.5%	12.5%	14.5%																																	
Planned use of reserves	0.331	(1.075)	(0.406)	0																																	
Budget requirement	61.507	58.909	58.378	58.486																																	
General balances carried forward	2.0	2.0	2.0	2.0																																	

Key findings

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

Significant risk	Work to address	Findings and conclusions
<p>Financial health - consideration of the arrangements in place to secure financial balance (continued)</p> <p>The Authority has historically managed its finances well, achieving financial targets and is on course to deliver its 2015/16 budget. Nevertheless the scale and pace of change for the Fire Service will effect future projections, particularly following announcements from the Comprehensive Spending Review, Autumn Statement 2015 and then more recently the provisional Local Government Finance Settlement 2016/17 published in December 2015. The Authority has approved a 4 year plan from 2016/17 to achieve savings of £11m by 2019/20. The savings are to be achieved from variety of factors including new ways of working and the retirement profile of uniformed employees. However actual spending in this period will be under pressure as costs increase.</p>	<p>We reviewed the Authority's progress in updating its financial position and forward strategy. We also review the arrangements for putting together and agreeing the medium term financial plans and the identification of savings plans. The work included a review the finance reports to the Authority, review the out-turn position for 15/16 and the financial plans going forward for 2016/17.</p>	<p>The Authority has a good track record of achieving its overall savings targets and meeting its budget. The Authority has delivered over £19m of savings in the last three financial years. The Authority is reporting that it has delivered further savings of £6.3m in 2015-16 however, financial risks remain. In the period from 2016/17 to 2019/20 the target for efficiency savings is £11m. The savings target was delivered in 2015/16 and the budget included a planned contribution of £0.6m from the smoothing and severance reserves towards costs.</p> <p>The Authority has a proven track record for meeting significant financial challenges in the past. The Authority, as part of a risk based strategy, has built up reserves in recent years to provide a short term buffer whilst the Authority implements the structural changes to deliver the required savings on a permanent basis. The Authority adopts a risk-based approach to financial planning, which is used to determine the minimum level of reserves required. Compliance against this benchmark is monitored on a regular basis and reported to Members through the revenue financial review. The aims of the strategy are to (a) Ensure the Working Balance is set at a risk assessed level – this is the Authority's 'last line of defence' should unforeseen financial difficulties emerge and (b) Ensure earmarked reserves are set at an appropriate level to cover specific financial risks faced by the Authority – these may also be used on a short-term temporary basis for other purposes provided the funding is replaced in future years utilised to support the budget position over the four year planning period.</p>

Key findings

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

Significant risk	Work to address	Findings and conclusions
<p>Financial health - consideration of the arrangements in place to secure financial balance (continued)</p> <p>The Authority has historically managed its finances well, achieving financial targets and is on course to deliver its 2015/16 budget. Nevertheless the scale and pace of change for the Fire Service will effect future projections, particularly following announcements from the Comprehensive Spending Review, Autumn Statement 2015 and then more recently the provisional Local Government Finance Settlement 2016/17 published in December 2015. The Authority has approved a 4 year plan from 2016/17 to achieve savings of £15.8m by 2019/20. The savings are to be achieved from variety of factors including service transformation, new ways of working and the retirement profile of uniformed employees. However actual spending in this period will be under pressure as costs increase.</p>	<p>We reviewed the Authority's progress in updating its financial position and forward strategy. We also review the arrangements for putting together and agreeing the medium term financial plans and the identification of savings plans. The work included a review the finance reports to the Authority, review the out-turn position for 15/16 and the financial plans going forward for 2016/17.</p>	<p>The MTFP shows 16/17 a budget gap which is met by the use of reserves and efficiency savings of £1.1m. Subsequent years 2017/18 to 2019/20 show significant savings of £8.3m are required. The budget assumptions applied in the forecast includes sensible expectations that pay and non pay inflation will increase and that grant funding as a whole is likely to go down; which is consistent with those used by other fire bodies. The sensitivity analysis detailed in the MTFP considers the main sources of funds grant and precept income and pay and price rises.</p> <p>While it is clear that the Authority faces a financial challenge, the overall approach of balancing a long-term, strategic cost saving programme with a planned use of available reserves to support the budget position and invest in the capital schemes is reasonable. At around 14%, the level of savings being targeted by 2019/20 appears challenging and will require a significant long term solution. However, at present the Authority have estimated that up to £4m of the overall annual savings will come from operational response savings. There is a risk that, as the operational response changes are completed, the anticipated benefits may vary from that envisaged in medium term financial strategy. Linked to this the options will be fully evaluated over the coming months and officers will consult with the public on the response options as part of the IRMP 2017/20 pre-planning. This may mean further remodelling of the budget and savings profile will be required to deliver the savings set out above from 2017/18 onwards.</p> <p>We concluded that the Authority has proper arrangements to plan finances effectively and provide reliable financial reporting to support the delivery of its strategic priorities.</p>

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	Work to address	Findings and conclusions
<p>Corporate Governance and Devolution</p> <p>The Authority is closely monitoring the Liverpool City Region devolution agreement and the implication of the agreement will be clearer as powers and functions are devolved from central government. The Authority is positioning itself to maximise the opportunities from the devolution plans. Closer working is anticipated between Merseyside Police and Fire services. The governance arrangements and working arrangements going forward are being developed and clarity is required.</p>	<p>We updated our understanding of how governance arrangements will work with other emergency services across the wider landscape of collaboration.</p>	<p>The Government has announced a series of measures to transform the delivery of local fire and rescue and police services including the transfer of ministerial authority for the Fire Service from the Department for Communities and Local Government to the Home Office. The response to the 'Enabling Closer Working' consultation also introduces legislative proposals to introduce a high level duty to collaborate on the three emergency services to improve efficiency and effectiveness.</p> <p>The Police and Crime Bill introduces an enabling power which would allow a PCC to assume responsibility for their local fire and rescue service where it would be in the interests of economy, efficiency and effectiveness or public safety and where a local case is made.</p> <p>The Authority has created a joint committee with Merseyside Police force and discussions are taking place on the collaboration programme which will focus on shared support services, joint ways of working and procurement. All of these opportunities will be important to understanding and reducing demand for fire and police services, which will be a key ingredient to supporting the medium term financial strategy enabling the Fire Service to deliver services within the reduced resources which will be available.</p> <p>Plans are now in place for Devolution in Merseyside following the signing of the Liverpool City Region devolution agreement. There are clear opportunities for the Fire Authority to explore collaboration with the Liverpool City Region Mayor. The Service will have an important role to play in shaping its role as devolution gathers pace.</p>

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	Work to address	Findings and conclusions
<p>Corporate Governance and Devolution (continued)</p> <p>The Authority is closely monitoring the Liverpool City Region devolution agreement and the implication of the agreement will be clearer as powers and functions are devolved from central government. The Authority is positioning itself to maximise the opportunities from the devolution plans. Closer working is anticipated between Merseyside Police and Fire services. The governance arrangements and working arrangements going forward are being developed and clarity is required.</p>	<p>We updated our understanding of how governance arrangements will work with other emergency services across the wider landscape of collaboration.</p>	<p>The Service has been keen to bring together other partners and has developed several initiatives under its Prevention and Protection activity. The Service has a number of partnerships which aim to develop and enhance multi-agency approaches to the welfare of the public in respect of vulnerable people. The Service is developing the role of the fire-fighter by undertaking a trial with NWAS on responding to cardiac arrests.</p> <p>The response by firefighters is relatively new and could have a real impact by saving lives. There are some areas which may need further refinements. For example fire engines do not carry casualties and there needs to be procedures in place for dealing with the impact of critical incidents and its aftermath on firefighters. In addition the training of firefighters to respond to cardiac arrests will need to consider the approach when responding to patients with schizophrenia or dementia.</p> <p>The response to cardiac arrests by firefighters is relatively new and could have a real impact in saving lives if agreement can be reached on a roll-out to all stations.</p> <p>We concluded that the Authority has proper arrangements to work with other parties to deliver its strategic priorities for devolution.</p>

The main matters to note from our work are:

- The Authority continues to show strong financial resilience, and good financial planning and management. The challenge is however becoming increasingly difficult to meet. The Authority should continue to monitor the savings programme to maintain financial resilience and good financial planning and management.
- The Authority should continue to engage with the other emergency services to implement the blue light collaboration programme and with the Liverpool City Region to shape its role in the region as devolution gathers pace.
- The Authority should continue to progress its Fire Station Merger Strategy to deliver the financial savings required by the medium term financial plan.

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.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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

	Issue	Commentary
1.	Public interest report	We have not identified any matters that would require a public interest report to be issued.
2.	Written recommendations	We have not made any written recommendations that the Authority is required to respond to publicly.
3.	Application to the court for a declaration that an item of account is contrary to law	We have not used this duty.
4.	Issue of an advisory notice	We have not used this duty.
5.	Application for judicial review	We have not used this duty.

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Fees and independence

Fees

	£
Fire Authority audit	32,424
Total audit fees (excluding VAT)	32,424

Fees for other services

Service	Fees £
Non-audit services	0

Fees for other services

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

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services are included in this report.

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

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

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

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

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

DRAFT INDEPENDENT AUDITOR'S REPORT TO MERSEYSIDE FIRE AND RESCUE AUTHORITY

We have audited the financial statements of Merseyside Fire and Rescue Authority (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the Firefighters' Pension Fund financial statements comprising the Pension Fund Account, the Net Assets Statement and the related notes. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

Respective responsibilities of the Treasurer and Auditor

As explained more fully in the Statement of Responsibilities, the Treasurer 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by

the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and Auditor

The Authority is responsible for putting in place proper arrangements to secure 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.

We are required under Section 20(1)(c) of the Act 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.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government (WGA) Component Assurance Statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic , efficient and effective use of resources.

Michael Thomas
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool L3 1PS

Date to be confirmed



© 2016 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk