

The Annual Audit Letter for Stoke on Trent and Staffordshire Fire and Rescue Authority

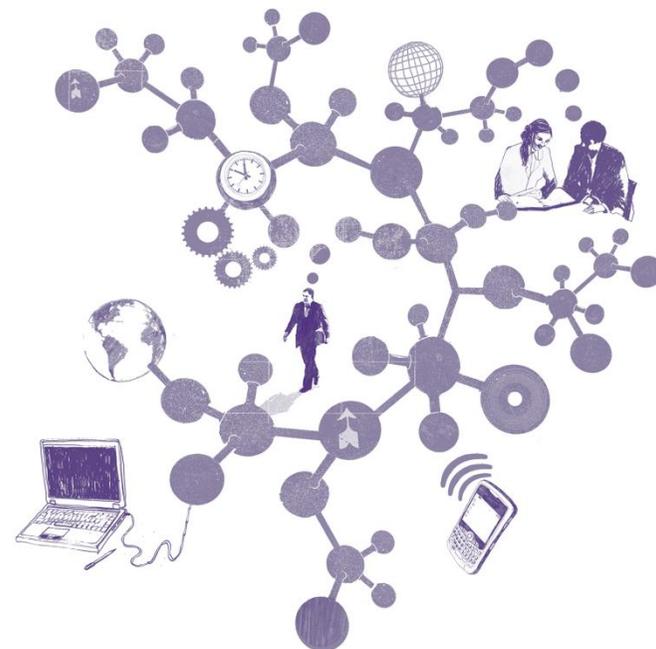
Year ended 31 March 2017

October 2017

Mark Stocks
Engagement Lead
T 0121 232 5343
E mark.c.stocks@uk.gt.com

Lorraine Noak
Manager
T +44 (0)121 232 5407
E lorraine.noak@uk.gt.com

Matthew Berrisford
In Charge Accountant
T +44 (0)121 232 5352
E mathew.j.berrisford@uk.gt.com



Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	5
3. Value for Money conclusion	11
Appendix	
A Reports issued and fees	

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at of Stoke on Trent and Staffordshire 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 Audit Committee (as those charged with governance) in our Audit Findings Report on 26 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 26 July 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 26 July 2017.

Certificate

We certified that we had completed the audit of the accounts of Stoke on Trent & Staffordshire Fire Authority in accordance with the requirements of the Code on 26 July 2017.

Our work with you in 2016/17

An efficient audit

- we delivered the accounts audit before the deadline. Our audit team are knowledgeable and experienced in your financial accounts and systems.
- the financial statements submitted for audit were , yet again, of good quality delivered by an effective closedown process and supported by comprehensive working paper.
- we met regularly with the Director of Finance, Assets and Resources. to discuss some of your major projects and to share our insight into National Fire issues

Improved financial processes – during the year we reviewed your financial systems and processes including journals processing, employee remuneration and operating expenditure.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.

Support outside of the audit

- we supported you on the Trentham Lake Workshop option appraisal.
- we provided independent external audit commentary and insight on the Authority's issues through senior attendance at every audit committee
- We provided regular, timely and transparent reports from our work and briefing notes on key sector developments.

Working with the Authority

The Fire Sector is preparing for legislative changes which will provide scope for closer working between Police and Fire Authorities.

Senior Leaders of the Authority are ensuring support and involvement in the proposals to ensure that the Authority responds well to future challenges.

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
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 £988,000 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 disclosures of officers' remuneration, salary bandings and exit packages and related party transactions. We set a lower threshold of £20,000.

We set a lower threshold of £49,000, above which we reported errors to the Audit 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 the Director of Finance Assets and Resources 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.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts -

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>Under ISA 540 (Auditing Accounting Estimates, including Fair Value Accounting Estimates and Related Disclosures), the auditor is required to make a judgement as to whether any accounting estimates with a high degree of estimation uncertainty give rise to a significant risk. Pension Liability estimation does have a high degree of estimation uncertainty and has therefore been flagged as a significant risk</p>	<ul style="list-style-type: none"> Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. Review of the competence, expertise and objectivity of the actuary who carried out the Council'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 net liability disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Authority's accounts on 26 July 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 accounts of the Authority to the Authority's Audit Committee on 26 July 2017.

In addition to the key audit risks reported above, we identified the following issues during our audit that we have asked the Authority's management to address for the next financial year:

- The Authority needs to keep the accounting and audit arrangements for its Community Interest Company under review. The level of trading to date would not have a significant impact on the Authority's accounts, but this needs to be kept under review as the company grows in size
- The Authority needs to review its PFI models to ensure that accounting entries remain appropriate.

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.

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

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

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 ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Sustainable Resource Deployment - The Authority has historically managed its finances well and has consistently achieved savings targets. The initial risk noted that the Authority was on course to achieve a balanced budget for 16/17. Final outturn confirmed a balanced budget was realised. However delivering savings year on year becomes increasingly harder. Further savings of £4m are required in the 4 years 2016/17 – 2019/20</p> <p>This links to the Authority's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We reviewed the project management and risk assurance frameworks established by the Authority to establish how it was identifying, managing and monitoring these risks.</p>	<p>The Authority has historically managed its finances well and has consistently achieved savings targets. It has achieved a balanced budget for 16/17. However delivering savings year on year becomes increasingly harder. Savings plans have been exceeded for 2016/17 the Authority still require further savings of c£4m in the three years 2017/18 to 2019/20. The October meeting of the Authority approved changes to crewing with the reduction of 40 posts. That together with the revised retained pay scheme will deliver at least half of the required savings</p> <p>The Authority has an excellent record of delivering savings, and the approach to date has been very successful. The Fire Authority exceeded their savings requirement for 16/17 and are well on track to deliver the 17/18 requirement. The task however does get more difficult as time passes, and further savings of £1.8m must be identified and delivered by 2019/20. Whilst the reduction in workforce has provided significant saving further savings options must be agreed and approved during 2017/18 if the Service is to remain on track to deliver the required level of savings.</p> <p>It is essential that management continue to formalise arrangements to detail delivery and savings assessments and a mechanism for monitoring is included within project evaluation..</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements</p>

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Partnership working with other emergency services - There is evidence that the Authority is working in partnership with the Police as the Fire workshops are now used to maintain police vehicles. There is some uncertainty over how collaboration will lead to integration. The pace of change and business plan preparation is now forcing a faster paced change.</p> <p>This links to the Authority's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review the project management and risk assurance frameworks established by the Authority in respect of the more significant projects, to establish how the Authority is identifying, managing and monitoring these risks.</p>	<p>The joint transport maintenance facility is now fully operational (from 1 April 16) and the collaboration document approved and signed by the Authority. In terms of the PCC, the Authority are managing the politics and taking a sensible approach to collaboration.</p> <p>A Business Plan has now been prepared and submitted to the Home Office with the Governance Platform being favoured. The plan has been submitted with the results of the consultation which left the plan unsupported. There is some uncertainty over how collaboration will lead to integration but the pace of change and business plan submission is now forcing a faster paced change. The Authority have embraced the role afforded to them and were actively involved in the Business Plan preparation. Despite their role being non statutory.</p> <p>The Authority are committed to working in partnership and are awaiting the decision of the Home Office in relation to the proposed plan.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements[</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Authority	30,709	30,709	30709
Total fees (excluding VAT)	30,709	30,709	30,709

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

Reports issued

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

Fees for other services

Service	Fees £
Audit related services:	
None	Nil
Non-audit services	
Trentham Lake Workshop Option Appraisal	9,200

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Authority's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.

The above non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor.



© 2017 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