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## MEETING OF THE CHESHIRE FIRE AUTHORITY

WEDNESDAY, 24 JULY 2019

Time : 10.30 am

Lecture Theatre - Sadler Road, Winsford, Cheshire

## AGENDA

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| 2 | Final Accounts 2018-19                 | (Pages 1 - 8)  |
| 3 | External Audit Findings Report 2018-19 | (Pages 9 - 38) |

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# Agenda Item 2

## CHESHIRE FIRE AUTHORITY

**MEETING OF:** CHERESHIRE FIRE AUTHORITY  
**DATE:** 24<sup>TH</sup> JULY 2019  
**REPORT OF:** TREASURER  
**AUTHOR:** ALLAN RAINFORD AND WENDY BEBBINGTON

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**SUBJECT:** FINAL ACCOUNTS 2018-19

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### Purpose of Report

1. The Authority is required to approve its audited Statement of Accounts for publication on or before 31 July. This report summaries the changes that have been made to the unaudited Statement of Accounts.
2. The Statement of Accounts includes the Annual Governance Statement which the Authority is also required to approve and publish on or before 31 July.
3. Copies of the Statement of Accounts have not been attached to this report because of their considerable length. Hard copies will be available in group rooms prior to the meeting and are available on the internet for Members to access.

### Recommended that:

- [1] The Annual Governance Statement for 2018/19 be approved;
- [2] The Statement of Accounts for 2018/19 be approved;
- [3] The movement on reserves, as shown in the accounts, be noted; and
- [4] The Letter of Representation, as detailed at Appendix 1 to this report, be approved for signature by the Chair on behalf of the Authority.

### Background

4. The unaudited Statement of Accounts for 2018/19 was reported to the Performance and Overview Committee acting as the Closure of Accounts Committee on 29 May 2019. The Annual Governance Statement for 2018/19 was also considered by the Closure of Accounts Committee. This provided an opportunity for Member scrutiny before its inclusion with the accounts.
5. The Authority at its meeting on 19 June 2019, considered an End of Year Financial Report which indicated that there had been an underspend of £0.7m compared to budget in the final quarter of the financial year. This brought the overall underspend compared to budget to £3m for the full year.

## **Statutory Requirements**

6. The Accounts and Audit Regulations 2015 (the Regulations) set out the requirements for the production and publication of the annual Statement of Accounts. To comply with the Regulations the unaudited Statement of Accounts were approved by the Treasurer before 31 May 2019 following consideration by the Closure of Accounts Committee.
7. The Regulations require the audited Statement of Accounts, including an updated “Treasurer’s Certificate”, to be approved by the Authority on or before 31 July 2019. At the time of writing this report there has been a delay to the completion of the audit, for reasons explained later in this report, but it is expected that the audit opinion will be available by the date of the meeting.
8. The Regulations stipulate that the accounts be prepared in accordance with “proper practices”. The CIPFA “Code of Practice on Local Authority Accounting” represents proper practices and is based on International Financial Reporting Standards. The Code requires that a great deal of financial information is produced including a comprehensive set of notes supporting the main financial statements, which are: a Comprehensive Income and Expenditure Statement, a Movement in Reserves Statement, a Balance Sheet, a Cash Flow Statement and a Firefighter Pension Fund Statement.
9. The Regulations also set out the requirements for the preparation and publication of the Annual Governance Statement (AGS). The AGS sets out how the Authority has reviewed the effectiveness of its system on internal controls and on the assurance provided by the Governance Framework. The inclusion of the AGS in the Statement of Accounts and approval by the Authority before 31 July 2019, provides compliance with the Regulations. The AGS can be found on page 82 of the Statement of Accounts.

## **Changes to the Statement of Accounts**

10. Changes have been made to the unaudited Statement of Accounts that were considered by the Closure of Accounts Committee. The majority of these changes are as a result of events in the past month relating to the outcome of the McCloud/Sargeant legal judgement. This was a case that had been proceeding through the legal system concerning the transitional protections given to members of the judges’ and firefighters’ pension schemes who in 2012 were within 10 years of their normal retirement age. In December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination.
11. On 27 June 2019 the Court of Appeal denied the Government permission to appeal the December 2018 judgement. Now that the finding of the Court of Appeal stands, significant changes to public sector pension schemes may be required. Although the precise implications of this decision will not be clear for some time – there will be an Employment Tribunal which could take 12 months or more to resolve the matter – it does have the potential to significantly

increase the pension liabilities for employers. In order to assess the potential scale of this increase, the Authority's actuaries were requested to re-value the "past service cost" of pension scheme liabilities.

12. The revised cost projections provided by the actuaries is above the level of "Materiality for the Financial Statements" set by the external auditors, Grant Thornton, of approximately £0.8m. The pension estimates in the accounts are at a significant level and receive an appropriate degree of audit focus. Therefore the necessary changes have been made to the accounts within a relatively short period of time to ensure that a revised Statement of Accounts can be made available to the auditors to allow the deadlines to still be met.
13. The potential increased pension changes have required adjustments to many of the notes to the accounts. In summary, the potential increased pension liabilities have required the following changes to the figures for 2018/19 in the main financial statements:

The Comprehensive Income and Expenditure Statement (page 16 of the accounts): the "Cost of Services" has increased by £22.6m (to £57.9m), the "Financing & investment income & expenditure" has increased by £0.3m (to £15.5m), the "Re-measurement of the net defined benefit asset" has reduced by £3.8m (to £4.6m) and the "Total Comprehensive Income and Expenditure" is now a deficit of £17.9m (previously a surplus of £8.8m).

The Movement in Reserves Statement (page 17 of the accounts): increase in "Pension Reserve" balance at 31 March 2019 of £26.7m.

Balance Sheet (page 25 of the accounts): increase in "Net Pension Liability" of £26.7m. The figure for "Unusable Reserves" has increased by a corresponding amount to ensure that the Balance Sheet remains in balance.

14. At the time of writing this report, discussions are ongoing with the external auditors about the changes that have been made to ensure that the auditors are able to conclude the audit as quickly as possible. It is intended that the external auditor will provide an audit opinion and Audit Findings Report in time for the meeting.
15. The additional work that has been carried out by the actuaries and the external auditors will result in additional costs to the Authority, although the final position is uncertain at this time. More importantly, there is the question of the impact on future Fire Authority revenue budgets once the details of the changes to pension scheme benefits and employer liabilities become clearer following input from the employment tribunal. There is uncertainty as to how these additional liabilities will be funded and as to whether there will be additional financial support from Government to offset these costs.

## **Outturn position and impact on Reserves**

16. The changes described above that have been made to the Statement of Accounts do not affect the revenue outturn position and they do not impact on

the level of “Usable Reserves”. As reported to the Authority at its meeting on 19 June 2019, the outturn position represents an underspend of £3m compared to the budget approved by the Authority for 2018/19. This has resulted in the level of Usable Reserves at 31 March 2019 increasing by this amount when compared to the level at 31 March 2018. The figures reported to the Authority on 19 June 2019 are therefore unchanged.

## **Letter of representation**

17. Each year, the Authority is required to sign a letter of representation to the Auditors. The letter explains the Authority's responsibilities in relation to the audit, and a copy is attached as Appendix 1 to this report. It is recommended that the Authority approves the letter and authorises the Chair to sign it.

## **Financial Implications**

18. This report deals with financial matters. Notwithstanding the significant changes to some of the figures in the statement of accounts, there are no direct budgetary implications as a result of the report.

## **Legal Implications**

19. The approval and publication of the accounts is a legal requirement.

## **Equality and Diversity Implications**

20. There are no equality and diversity implications arising from this report.

## **Environmental Implications**

21. Copies of the accounts will be made available in electronic format, but the number of hard copies published will be kept to a minimum in recognition of the environmental impact.



Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
MANCHESTER  
M3 3EB

24 July 2019

Dear Sirs

### Cheshire Fire Authority – Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Cheshire Fire Authority for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

#### Financial Statements

1. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
2. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
3. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of noncompliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

Chief Fire Officer and  
Chief Executive Mark Cashin  
Tel: 01606 868700  
[www.cheshirefire.gov.uk](http://www.cheshirefire.gov.uk)

Cheshire Fire and Rescue Headquarters  
Clemonds Hey  
Winsford, Cheshire  
CW7 2UA

6. Except as disclosed in the financial statements:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the Authority has been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
7. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
9. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
10. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
11. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
12. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
13. We believe that the Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

#### **Information Provided**

14. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the Authority financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
15. We have communicated to you all deficiencies in internal control of which management is aware.

16. All transactions have been recorded in the accounting records and are reflected in the financial statements.
17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
18. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
19. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
20. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
21. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### **Annual Governance Statement**

23. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

#### **Narrative Report**

24. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority financial statements.

#### **Approval**

The approval of this letter of representation was minuted by the Authority at its meeting on **24 July 2019**.

Signed:

Signed:

Position: Chair of Cheshire Fire Authority  
24<sup>th</sup> July 2019

Position: Treasurer  
24<sup>th</sup> July 2019

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# Agenda Item 3

## CHESHIRE FIRE AUTHORITY

**MEETING OF:** CHERESHIRE FIRE AUTHORITY  
**DATE:** 24<sup>th</sup> JULY 2019  
**REPORT OF:** GRANT THORNTON, EXTERNAL AUDITORS  
**AUTHOR:** HEAD OF FINANCE

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**SUBJECT:** EXTERNAL AUDIT FINDINGS REPORT 2018-19

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### Purpose of Report

1. To present the 2018-19 audit findings of the external auditors Grant Thornton.

### Recommended that:

- [1] the content of the Audit Findings Report 2018-19 be noted.

### Information

2. Under the International Standards of Auditing (UK) (ISAs), external audit is required to report whether, in their opinion:
  - the Authority's financial statements give a true and fair view of the Authority's financial position and of the group and Authority's expenditure and income for the year; and
  - have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
3. External Audit also reports on the value for money arrangements.
4. The Audit Findings Report 2018-19, attached as Appendix 1, sets out the processes and checks Grant Thornton have undertaken together with their findings and opinions. There are a few outstanding items to be completed and these are reflected in the attached report.
5. Representatives from Grant Thornton will attend the meeting to present the report and receive questions from Members.

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# The Audit Findings for Cheshire Fire Authority

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→  
19 July 2019



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 <p><b>Your key Grant Thornton team members are:</b></p> <p><b>Page 12</b></p>	<p><b>John Farrar</b> <b>Key Audit Partner</b> T: 07880 456200 E: John.Farrar@uk.gt.com</p> <p><b>Gerard Small</b> <b>Manager</b> T: 07880 456170 E: Ged.W.Small@uk.gt.com</p> <p><b>Stuart Richardson</b> <b>In Charge Auditor</b> T: 07918 367250 E: Stuart.J.Richardson@uk.gt.com</p>
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## Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion
- E. Management Letter of Representation

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cheshire Fire Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Authority's income and expenditure for the year; and</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and the Fire Fighter Pension Account and Net Assets Statement, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 5 to 12. We have identified 1 adjustment to the financial statements resulted in a £26m adjustment to the Authority's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B. We have raised no recommendations for management as a result of our audit work. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion as set out in Appendix D or further material changes to the financial statements, subject to the following outstanding matters:</p> <ul style="list-style-type: none"> <li>- completion of substantive testing of high risk journals, year –end cut-off and lump sum pension payments,</li> <li>- completion of our review of the work of the actuary which has been delayed due to the re-calculation necessary following the McCloud decision, see page 8</li> <li>- receipt of management representation letter – see appendix E; and</li> <li>- review of the final set of financial statements.</li> </ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified.</p>
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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cheshire Fire Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Value for Money arrangements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Cheshire Fire Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 13 and 14
<b>Statutory duties</b>	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"> <li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>• To certify the closure of the audit.</li> </ul>	We have not exercised any of our additional statutory powers or duties We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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## Acknowledgements

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.

# Summary

## Overview of the scope of our audit

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

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

## Audit approach

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

- An evaluation of the Authority's internal controls environment, including its IT systems and controls;



- Controls testing of the Authority's purchase order expenditure and creditor system and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you in January 2019, except for additional testing of the assumptions used by the actuary following the decision in the McCloud case, and review of subsequent adjustments to the draft financial statements that followed from this case, see page 8

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Authority meeting on 24 July 2019, as detailed in Appendix D. These outstanding items include:

- completion of substantive testing of high-risk journals, year –end cut-off and lump sum pension payments,
- completion of our review of the work of actuaries which has been delayed due to the re-calculation necessary following the McCloud decision,
- receipt of management representation letter, and
- review of the final set of financial statements.

## Our approach to materiality

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

Our assessment of the value of materiality has been adjusted to reflect the difference between the outturn gross expenditure and the estimate used as a basis for planning purposes. We detail in the table below our determination of materiality for Cheshire Fire Authority

	<b>Authority Amount (£)</b>	<b>Qualitative factors considered</b>
Materiality for the financial statements	£801k planned £736k final	Gross expenditure is considered an appropriate benchmark for public sector organisations because their purpose is to deploy resources to provide public services.
Performance materiality	£561k planned £515k final	This is based on 70% of financial statement materiality.
Trivial matters	£40k planned £36k final	This is based on 5% on financial statement materiality.
Materiality for Officers remuneration and related party transactions	£100k	A Lower level has been set because for these items due to public interest in these figures.

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
1 Improper revenue recognition	<b>Auditor commentary</b> There have been no changes to our assessment reported in the audit plan.
2 Management override of controls	<b>Auditor commentary</b> <ul style="list-style-type: none"><li>• We have evaluated the design effectiveness of management controls over journals.</li><li>• We have analyse the journals listing and determined the criteria for selecting high risk unusual journals</li><li>• We have tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and review corroborating documents</li><li>• We have gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.</li><li>• We have evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul> <p>Subject to completing our substantive test of journals, we have no concerns over the control or use of journals. Where management has made use of estimates it has done so on an objective and reasonable basis, for example having had due regard to the advice of its expert advisors. Accounting polices have only been changed in so far as required to comply with new accounting standards and updates to the Code.</p>

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
③ <b>Valuation of land and buildings</b>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>• We have evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.</li> <li>• We have evaluated the competence, capabilities and objectivity of the valuation expert.</li> <li>• We have written to the valuer and confirmed the basis on which the valuation was carried and that the requirements of the Code were met.</li> <li>• We have challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.</li> <li>• We have tested revaluations made during the year to see if they had been input correctly into the Authority's asset register.</li> </ul> <p>The valuations have been prepared using information provided by the authority for the scope of the valuation and the assets to be revalued. The latest and most appropriate information has been used for assets valued on a cost and market basis. The valuer has taken into consideration whether there are specific factors relevant to individual assets. Management has reviewed the output and considered its appropriateness for use in the financial statements. The resulting changes have been tracked through to the fixed asset register and the financial statements.</p>
④ <b>Valuation of pension fund net liability</b>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>• We have updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls</li> <li>• We have evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• We have assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation</li> <li>• We have assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability</li> <li>• We have tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary</li> <li>• We are undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report and</li> <li>• We are obtaining assurances from the auditor of Cheshire Pension Fund and the Firefighters Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul> <p>Subject to completing our work on the actuarial assumptions, we have not identified any issues from our work and will confirm the outcome on 24 July.</p>

# Significant findings - other issues

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

Issue	Commentary
<p><b>1 Impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but the permission to appeal was denied. The case will now be sent back to the Employment tribunal for remedy.</p> <p>The legal ruling around age discrimination has implications for other public sector schemes where transition arrangements have been put in place, such as the Local Government Pension Scheme and the Police Pension Scheme.</p>	<ul style="list-style-type: none"><li>Management requested updated estimates from the actuary of the potential impact of the McCloud ruling. These were received Hymans Robertson for both Firefighters and LGPS. These indicate an increase in past service costs of £22,610k, and an increase the net pension liability of £26,747k.</li><li>The accounts have been amended and we are completing an analysis of the work performed by the actuaries in arriving at these estimates to consider whether they are reasonable.</li></ul>

# Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment																									
<b>Net pension liability – £592m</b>	<p>The Authority's net pension liability at 31 March 2019 is £592m (PY £564m) Cheshire Local Government fund Cheshire Fire Fighters unfunded defined benefit pension scheme obligations. The Authority uses Hymans Robertson to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £4.7m net actuarial gain/loss during 2018/19.</p>	<table border="1"> <thead> <tr> <th data-bbox="860 311 1388 362">Assumption</th><th data-bbox="1410 311 1507 362">Actuary Value</th><th data-bbox="1529 311 1626 362">PwC range</th><th data-bbox="1648 311 1915 362">Provisional Assessment</th></tr> </thead> <tbody> <tr> <td data-bbox="860 398 1388 449">Discount rate</td><td data-bbox="1410 398 1507 449">2.4% and 2.5%</td><td data-bbox="1529 398 1626 449">1.25%- 2.5%</td><td data-bbox="1648 398 1915 449"><span style="color: green;">●</span></td></tr> <tr> <td data-bbox="860 485 1388 536">Pension increase rate</td><td data-bbox="1410 485 1507 536">2.4% and 2.5%</td><td data-bbox="1529 485 1626 536">2.1% - 2.6%</td><td data-bbox="1648 485 1915 536"><span style="color: green;">●</span></td></tr> <tr> <td data-bbox="860 573 1388 624">Salary growth</td><td data-bbox="1410 573 1507 624">2.7% to 3.5%</td><td data-bbox="1529 573 1626 624">1%- 4.35%</td><td data-bbox="1648 573 1915 624"><span style="color: green;">●</span></td></tr> <tr> <td data-bbox="860 660 1388 711">Life expectancy – Males currently aged 45 / 65</td><td data-bbox="1410 660 1507 711">22.3 to 27.3</td><td data-bbox="1529 660 1626 711">22.6-24.4</td><td data-bbox="1648 660 1915 711"><span style="color: green;">●</span></td></tr> <tr> <td data-bbox="860 747 1388 798">Life expectancy – Females currently aged 45 / 65</td><td data-bbox="1410 747 1507 798">24.5 to 29.4</td><td data-bbox="1529 747 1626 798">22.6- 26.9</td><td data-bbox="1648 747 1915 798"><span style="color: green;">●</span></td></tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Provisional Assessment	Discount rate	2.4% and 2.5%	1.25%- 2.5%	<span style="color: green;">●</span>	Pension increase rate	2.4% and 2.5%	2.1% - 2.6%	<span style="color: green;">●</span>	Salary growth	2.7% to 3.5%	1%- 4.35%	<span style="color: green;">●</span>	Life expectancy – Males currently aged 45 / 65	22.3 to 27.3	22.6-24.4	<span style="color: green;">●</span>	Life expectancy – Females currently aged 45 / 65	24.5 to 29.4	22.6- 26.9	<span style="color: green;">●</span>	<b>TBC</b>
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	<ul style="list-style-type: none"> <li data-bbox="822 851 1915 878">• Our assessment of actuary's roll forward approach and the assumptions used is in progress</li> <li data-bbox="822 889 1915 949">• We have obtained a report from PWC as auditors expert to assess actuary and assumptions made by actuary – the table above highlights the actuaries assumptions.</li> <li data-bbox="822 960 1915 1021">• We have reviewed the completeness and accuracy of the underlying information provided by the Authority and used to determine the estimate.</li> <li data-bbox="822 1032 1915 1059">• We are considering the impact of any changes to valuation method.</li> <li data-bbox="822 1070 1915 1097">• We are reviewing the reasonableness of the Authority's share of LGPS pension assets.</li> <li data-bbox="822 1108 1915 1184">• We have completed our review of the adequacy of disclosure of estimate in the financial statements.</li> </ul>																										
	<p>Subject to completing the review of the actuary's work, at the time of drafting this report we have not identified any matters to bring to you attention. We will update the Authority at the meeting on 24 July.</p>																										

## Assessment

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

# Significant findings - Going concern

## Our responsibility

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

## Going concern commentary

### Management's assessment process

The Authority has a reasonable expectation that the services it provides will continue for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

### Auditor commentary

- The CIPFA Code requires that local authorities, such as Cheshire Fire Authority, that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting. In the absence of proposed legislation to this effect the Authority is making a reasonable assumption.
- In fulfilling its responsibilities to plan for the safety of people in Cheshire, each year the Authority prepares an Integrated Risk Management plan that sets out the priorities for the Authority and the strategy for achieving those priorities. It is linked to and supported by the Medium Term Financial Plan MTFP.
- The Treasury has a duty to prepare a statement in support of the Council Tax precept.

### Work performed

The MTFP has been reviewed and compared to the budget for the year to 31 March 2020 and the Council Tax precept papers. The review focused on the reasonableness of assumptions used in preparing forecasts.

### Auditor commentary

- We did not identify any material uncertainty relating to going concern.
- Assumptions used in the forecasts incorporated in the 2020 Budget and the MTFP were clearly set out, appropriate to the Authority's requirements and applied consistently.

### Concluding comments

### Auditor commentary

- Our audit opinion where it relates to the application of the going concern basis of preparation will be unmodified.

# Other communication requirements

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

Issue	Commentary
1	<b>Matters in relation to fraud</b>
	▪ We have previously discussed the risk of fraud with Members of the Authority. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	<b>Matters in relation to related parties</b>
	▪ We are not aware of any related parties or related party transactions which have not been disclosed.
3	<b>Matters in relation to laws and regulations</b>
	▪ You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	<b>Written representations</b>
	▪ A letter of representation has been requested from the Authority, see appendix E.
5	<b>Confirmation requests from third parties</b>
	▪ We requested from management permission to send eight confirmation requests to the Authority's deposit holders. This permission was granted and the requests were sent. Only one of these requests was returned with a positive response so we undertook alternative procedures, including supervised access to web portals, verification through Confirmations.Com, and verification of contemporaneous bank statements.
6	<b>Disclosures</b>
	▪ Our review found no material omissions in the financial statements however we did find some areas where disclosure could be improved or clarified which management has agreed to make, these are set out in Appendix B. In addition we found a number of minor typographical, transposition and rounding and cross reference errors all of which were clearly trivial but which management have also corrected.
7	<b>Audit evidence and explanations/significant difficulties</b>
	▪ All information and explanations requested from management was provided.

# Other responsibilities under the Code

Issue	Commentary
1 Other information	<ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Fire Fighter Pension Fund Account), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> </ul> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix D</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We identified a small number of areas in which the Annual Governance Statement could be amended to improve disclosure and management agreed to make appropriate changes. We identified no inconsistencies within the Annual Governance or departures from the requirements.</p> <p>We have not exercised our statutory powers.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Authority does not exceed the threshold.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of Cheshire Fire Authority in the audit opinion, as detailed in Appendix D.</p>

# Value for Money

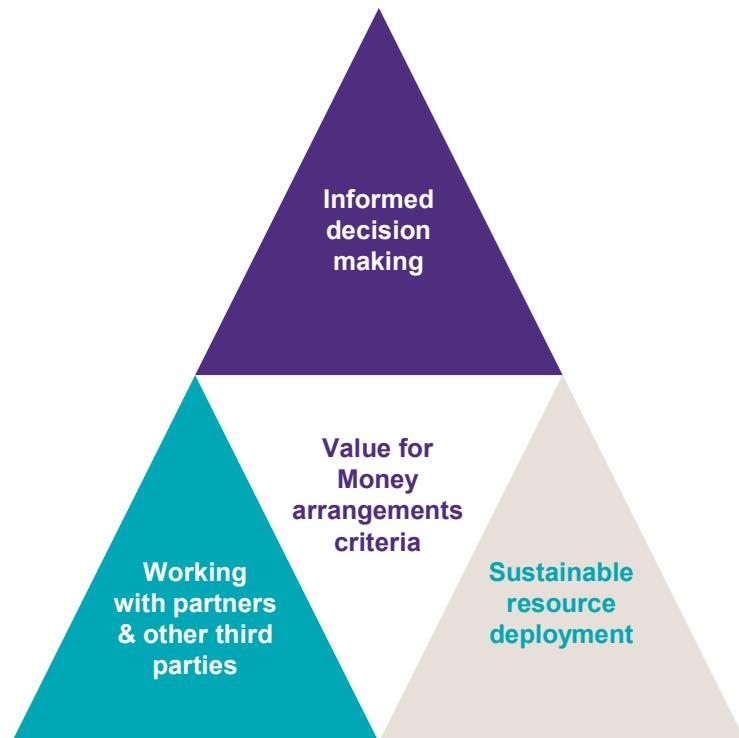
## Background to our VFM approach

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

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

In our Audit Plan dated January 2019 we identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We highlighted that we would review the Authority's arrangements for budgeting and for monitoring and reporting financial performance as part of our continuing risk assessment.

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

# Value for Money

## Our work

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

We did not identify any significant risks in relation to the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- The Authority has a good track record of delivering its budgets: In February 2018 the Authority approved a budget of £42.5m against which it has delivered an underspend of £721k.
- There is evidence that the Authority is dealing well with changes in circumstances, for example, the joining the Multi-Force Shared Service hosted by Cheshire Police was postponed without adverse impact on its ability to make savings or other areas of partnership working.
- Financial reporting throughout the year continued to demonstrate that budgets were being achieved and reasonable outturn forecasts were being prepared.
- The Medium Term Financial Plan to 2022 has been updated alongside the 2020 budget. A total savings requirement of £3.9m, of this £1.36m will be met from savings proposals for 2019/20.
- The Authority has health reserves position with a capital reserve of £14.8m earmarked to support a capital programme to March 2022 of £30m, and a Resource Centre Managers Reserve of £13.5m to meet locally identified needs.

## Overall conclusion

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

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

## Significant difficulties in undertaking our work

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

## Significant matters discussed with management

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

# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were changed from the beginning of the financial year to 19 July.

# Follow up of prior year recommendations

We identified the following issues in the audit of Cheshire Fire Authority's 2017/18 financial statements, which resulted in one recommendations being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>The Annual Governance Statement (AGS) was not published alongside the Financial Statements and Narrative at the start of the period for the exercise of electors rights.</p> <p>We believe the Authority did not fully complied with the Accounts and Audit Regulations 2015.</p>	<p>The timetable for publication of the AGS was updated and it was published on the Authority's website alongside the Financial Statements at the commencement of the statutory inspection period.</p>

**Assessment**

- ✓ Action completed
- ✗ Not yet addressed

# Audit Adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 Past service costs arising from the McCloud Decision	Dr 22,610		
2 Increase in pension interest costs arising from the McCloud Decision	Dr 303		
3 Reduction in the re-measurement of defined liability	Dr 3,834		
4 Increase in pension liability		Cr 26,747	Dr 26,747
<b>Overall impact</b>	<b>£26,747</b>	<b>£26,747</b>	<b>£26,747</b>

27

# Audit Adjustments

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

## Misclassification and disclosure changes

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

Disclosure issues	Detail	Auditor recommendations	Adjusted?
<b>Narrative report</b>	The narrative report included a brief note on the issues underpinning the McCloud case. This note became outdated during the audit once the Supreme Court refused the Government permission to appeal the original ruling and would have been inconsistent with the changes made to the financial statements.	Update the narrative report to reflect the latest position as shown in the financial statements.  <b>Management response</b> The note has been updated and expanded to explain the impacts of the McCloud decision.	✓
<b>Restated headings</b>	This year and for the first time, the Authority's share of the assets and liabilities of NW Fire Control Ltd are material in the context of the Authority's accounts and the relevant accounting policy has been fully applied. Although not material, for consistency, the comparatives in the primary statements and relevant notes were restated.	Identify those comparative figures that have been restated.  <b>Management response</b> The financial statements have been amended to include asterisks on the relevant figures linked to supporting explanation.	✓
<b>Note 4 major sources of estimation uncertainty</b>	Note 4 directed the reader to Note 18 Provisions as a major source of estimation uncertainty. The total value of provisions is only marginally more than material, therefore this figure does not appear to be a major source of uncertainty.	Consider removing provisions from Note 4  <b>Management response</b> Although not material, to determine the provision required in respect of non-collection of Business Rates and its effect on Collection fund surpluses the Authority relies on information from other local authorities which it is unable to independently verify. The note has been amended to better describe the uncertainty.	✓
<b>Notes 19, 20 and 31, 2017 comparatives</b>	These notes included comparative figures for the year ended 31 March 2017 that are not required under the Code.	Consider removing additional comparative data.  <b>Management response</b> Management agrees the figures are not required. However the figures in Notes 19 and 20 are reflected in the opening balance of the Comparative Movement on Reserves Statement and are considered helpful to the reader of the financial statements. Note 31 will be amended.	✓

# Audit Adjustments

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

## Misclassification and disclosure changes

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

Disclosure issues	Detail	Auditor recommendations	Adjusted?
Use of the term Group and Group Accounts	Note 11 and 28 used the terms, Group and Group accounts to describe the different amounts within the financial statements that relate to the Authority and the Authority together with its share of NW Fire Control Ltd assets and liabilities.	NW Fire Control Ltd has been determined to be a joint operation and therefore the use of the term Group is inappropriate. Consider other descriptions to reflect the statutory entity and the economic entity.  <b>Management Response</b> Agree notes have been amended	✓

# Audit Adjustments

## Impact of unadjusted misstatements

There were no unadjusted misstatements

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2017/18 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 The Authority has adjusted for its in-year transactions with NWFC Limited and accounted for its share of the income and expenditure for the year. The authority has not accounted separately for its share of the assets and liabilities of NWFC. The impact on the balance sheet would be as follows;				The inclusion NW Fire Control Limited on the reported balances of Cheshire Fire Authority is not material on either an aggregate or line by line basis. Qualitative aspects of materiality have been considered and are considered to be fully addressed through the existing disclosure for Related Party Transactions and separate disclosure of NWFC Limited relationship.
PPE		Dr 30		
Intangibles Assets		Dr 366		
Debtors		Cr 62		
Cash at bank		Dr 164		
Pensions liability		Cr 785		
Net Liabilities		Cr 287		
Reserves		Cr 593		
<b>Overall impact</b>	<b>nil</b>	<b>Cr 593</b>	<b>nil</b>	

**As a consequence of the change in presentation of NW Fire Control Ltd for 2018/19 the above change has been made to the comparative figures.**

# Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

## Audit Fees

	Planned fee	Final fee (proposed)
Authority Audit	22,992	24,492*
<b>Total audit fees (excluding VAT)</b>	<b>£22,992</b>	<b>£24,492</b>

\* The McCloud issue and other changes to the draft financial statements have led to additional unplanned audit work. We have discussed this with officers; we propose to raise an additional audit fee of £1,500. This additional fee is subject to approval by PSAA Ltd.

# Audit opinion

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

## Independent auditor's report to the members of Cheshire Fire Authority

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Cheshire Fire Authority (the 'Authority') for the year ended 31 March 2019 which comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Firefighter Pension Fund Account and Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Expenditure and Funding Analysis. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

#### Other information

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

# Audit opinion

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

## **Opinion on other matter required by the Code of Audit Practice**

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

## **Matters on which we are required to report by exception**

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

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

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

## **Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 13, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

# Audit opinion

## Auditor's responsibilities for the audit of the financial statements

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

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

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

## Report on other legal and regulatory requirements - Certificate

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

### Use of our report

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

[Signature]

John Farrar, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

[Date]

# Management Letter of Representation

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
MANCHESTER  
M3 3EB

Date

Dear Sirs

## **Cheshire Fire Authority**

### **Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Cheshire Fire Authority for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

#### **Financial Statements**

1. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
2. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

3. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
6. Except as disclosed in the financial statements:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the Authority has been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
3. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

# Management Letter of Representation

9. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
10. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
11. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

12.  
13.  
14.  
15.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We believe that the Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

14. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the Authority financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
15. We have communicated to you all deficiencies in internal control of which management is aware.

16. All transactions have been recorded in the accounting records and are reflected in the financial statements.
17. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
18. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
- management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
19. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
20. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
21. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
22. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Annual Governance Statement

23. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

# Management Letter of Representation

## Narrative Report

24. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority financial statements.

## Approval

The approval of this letter of representation was minuted by the Authority at its meeting on 24 July 2019

Yours faithfully

Name.....  
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Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Authority**

