

# The Annual Audit Letter for Cheshire Fire Authority

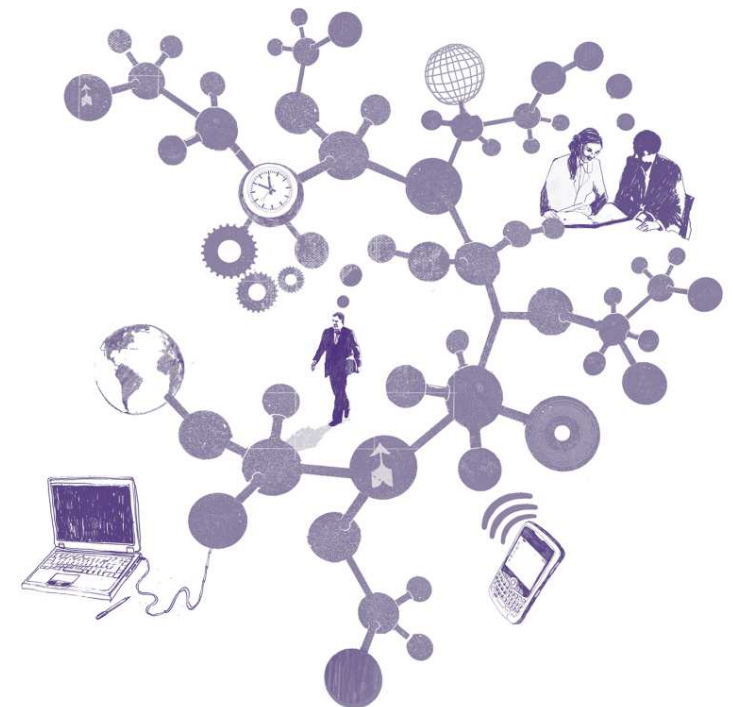
Year ended 31 March 2016

21 October 2016

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# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Cheshire Fire Authority (the Authority) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Authority and its external stakeholders, and to highlight issues that 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 full Authority as those charged with governance in our Audit Findings Report on 21 September 2016.

## **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 September 2016.

### **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 2016. We reflected this in our audit opinion on 26 September 2016.

### **Certificate**

We certified that we had completed the audit of the accounts of Cheshire Fire Authority in accordance with the requirements of the Code on 26 September 2016.

### **Working with the Authority**

The Accounts and Audit Regulations 2015 bring forward the approval and audit of the financial statements to 31 May and 31 July respectively from the 2017/18 financial year. We have continued to work closely with the Head of Finance to bring forward work to meet the earlier closedown requirements.

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**  
**21 October 2016**

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# Audit of the accounts

## **Our audit approach**

### **Materiality**

In our audit of the Authority's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating 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 £724k (being 2% of 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 set a lower threshold of £37k, above which we reported errors to the Authority 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 that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

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

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

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

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

### **Audit opinion**

We gave an unqualified opinion on the Authority's accounts on 26 September 2016, in advance of the 30 September 2016 national deadline.

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

### **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts to the full Authority meeting on 21 September 2016.

Our audit work identified no adjustments affecting the Authority's reported financial position. The draft financial statements for the year recorded net expenditure of £62,599k. We did however recommend a small number of minor adjustments to improve the presentation and disclosure in the financial statements which were implemented by management.

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# Audit of the accounts

## **Annual Governance Statement and Narrative Report**

We are also required to review the Authority's Annual Governance Statement and Narrative Report. The Authority published these on its website with the draft accounts in line with the national deadline.

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

## **Whole of Government Accounts (WGA)**

We considered the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts (WGA). Cheshire Fire Authority is below the reporting threshold, accordingly, a detailed review of the WGA Data Collection Tool (DCT) was not required.

## **Other statutory duties**

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

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

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# 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 2015 which specified the criterion for auditors to evaluate:

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

## Key findings

We carried out an initial risk assessment in February 2016 and did not identify any significant risks. However, we noted that the Authority continues to face on-going financial challenges but continues to have effective arrangements in place to manage its finances. The actual 2015/16 outturn position was an underspend of £941k against a revised budget of £42.5m, increasing the Authority's general reserves to £7.4m at the year end. During the year, the Authority also spent £6.1m on capital (non current assets), with over £5m of this spend relating to the build costs of three new fire stations as well as 'Safety Central', a dedicated safety centre.

The Service continues to work with Cheshire Police on Blue Light Collaboration with a view to integrating back-office and professional services. The arrangements for closer working are overseen by the Blue Light Collaboration Board. The Authority agreed during April 2016 to also co-locate its headquarters to the current Police headquarters, it is hoped this will foster closer working arrangements as well as generate financial efficiencies for both organisations. This transition to the Police headquarters has now commenced.

The Authority also continues to work with its partners and stakeholders and has agreed a number of new initiatives, including for example, acting as first responder for cardiac arrests, as well as, working with North West Ambulance Service to provide access to ambulance staff to patient homes.

From January 2016, the responsibility for Fire and Rescue Services moved from the Department of Communities and Local Government (DCLG) to the Home Office. At this stage, the Authority remains uncertain as to whether this change will have any financial impact on the Authority.

We updated our risk assessment during the final accounts audit and through regular meetings with senior management, continuing to review relevant documents including minutes of meetings. We did not identify any further significant risks where we needed to perform further work.

## Overall VfM conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

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# Working with the Authority

## **Our work with you in 2015/16**

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

**An efficient audit** – we delivered the accounts audit in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems.

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

**Bringing forward work** - The Accounts and Audit Regulations 2015 bring forward the approval and audit of the financial statements to 31 May and 31 July respectively from the 2017/18. We have continued to work closely with the Head of Finance during the year to bring forward work to meet the earlier closedown requirements.

**Providing training** – we provided your team with training on financial accounts and annual reporting.

# Appendix A: Reports issued and fees

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

## Fees

	Proposed fee £	Final fee £
Authority audit	29,860	29,860
<b>Total audit fees (excluding VAT)</b>	<b>29,860</b>	<b>29,860</b>

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

In addition, we have set out below our fees for the provision of other services to the Authority.

## Fees for other services

Service	Fees £
Non-audit services:	
• 2020 Vision Workshop	4,643
<b>Total</b>	<b>4,643</b>

## Reports issued

Report	Date issued
Audit Plan	February 2016
Audit Findings Report	August 2016
Annual Audit Letter	October 2016





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