



The Annual Audit Letter for Cheshire Fire Authority

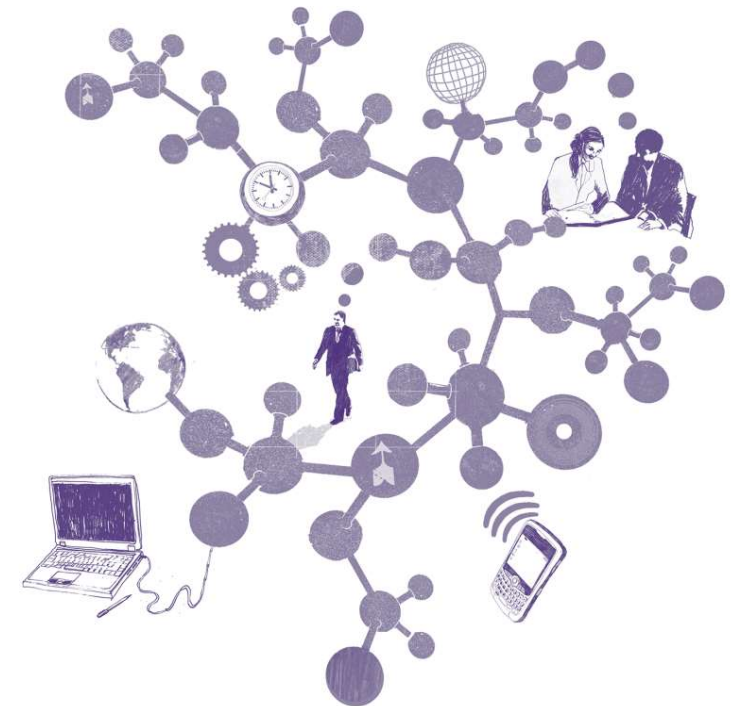
Year ended 31 March 2017

18 October 2017

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Cheshire Fire 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 (as those charged with governance) in our Audit Findings Report on 20 September 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 22 September 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 report on 22 September 2017.

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 22 September 2017.

Working with the Authority

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

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

Grant Thornton UK LLP
18 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 £847k which is 2% of the Authority's gross revenue expenditure. We used this benchmark, as in our view, users of the Authority's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for related parties and senior officer remuneration of £20k and £5k respectively. We set a lower threshold of £42k above which we reported errors to the Authority meeting in our Audit Findings Report.

The scope of our audit

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

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

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

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

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

Audit opinion

We gave an unqualified opinion on the Authority's accounts on 22 September 2017, in advance of the 30 September 2017 national deadline.

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

Issues arising from the audit of the accounts

We reported the key issues from our audit of the Authority's accounts to the Authority meeting on 20 September 2017. We identified no adjustments affecting the Authority's reported financial position. We recommended a number of minor adjustments to improve the presentation and disclosure of the financial statements which the Authority actioned.

Audit of the accounts

Issues arising from the audit of the accounts continued

Last year we raised the accounting treatment by the Authority of its 25 per cent share in North West Fire Control (NWFC), which is assessed as a joint operation. Whilst income and expenditure is included within the Authority's accounts, its share of assets and liabilities are excluded on the basis of not being material. International Financial Reporting Standard (IFRS) 11 requires all income, expenditure, assets and liabilities to be included and reflected in the Authority's accounts. In our view, the Authority's share of assets and liabilities should be reflected in the financial statements. We understand the Authority is in discussions with its partners and is considering the appropriate treatment going forward.

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.

Other statutory duties

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

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

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

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

Key findings

The Authority set a balanced budget for 2016/17 which formed the first year of its Medium Term Financial Strategy (MTFS) for the 4 year period to 2019/20. The actual 2016/17 outturn position was an underspend of £1.5m against a revised budget of £42.03m, increasing the Authority's general reserves to £7.99m at the year end. The main reasons for the underspend were lower than anticipated pay costs, unutilised contingencies and business rate income received. The Authority is keen to use any underspend to help support the changes needed to the Authority's service delivery models.

During the year, the Authority also spent £13.1m on capital (non current assets), with the main areas of spend relating to the construction of two new fire stations at Powey Lane, Mollington, and Penketh, and the on-going construction costs of Lymm Fire Station and Safety Central, fire appliances and other vehicles and operational equipment.

During 2017/18 the Authority will open the new Lymm Fire Station and Safety Central which includes interactive hi-tech learning zones designed to simulate the most common avoidable harms in the community.

For 2017/18, the Authority set a budget of £41.3m. The budget aims to deliver a year end break even position.

The Authority's Medium Term Financial Plan covering the period 2016/17 to 2019/20 incorporates the comprehensive spending review and the future financial challenges faced by the Authority. The Authority needs to deliver some £4.0m in savings between 2016/17 and 2019/20 of which £2.3m relate to 2017/18. The Authority aims to achieve these savings through changes to its service delivery models. Whilst the Authority consider these savings challenging, they believe they are achievable.

The Authority continues to develop the Blue Light Collaboration project with Cheshire Police to integrate back-office and professional services. The arrangements for closer working are overseen by the Blue Light Collaboration Board. The Authority agreed previously to co-locate its headquarters to the current Police headquarters at Clemonds Hey to foster closer working arrangements as well as generate financial efficiencies for both organisations. The transition to the Police headquarters has commenced and is expected to be completed during the autumn of 2017. The provision of joint support services to both Fire and Police has also commenced with IT services now being delivered jointly. The remaining services will transfer to joint provision during 2017/18.

The Authority has invited the Cheshire Police and Crime Commissioner to join the Fire Authority as a member. This should help develop further integration between the Fire Authority and Police.

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

Overall VfM conclusion

We are satisfied that in all significant respects, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Appendix A: Reports issued and fees

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

Fees 2016/17

	Proposed fee £	Final fee £
Authority audit	29,860	29,860
Total audit fees (excluding VAT)	29,860	29,860

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

Fees for other services

Service	Fees £
None	-

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit or other audit related services have been undertaken for the Authority.

Reports issued

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



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