



# The Audit Findings for Hereford and Worcester Fire and Rescue Authority

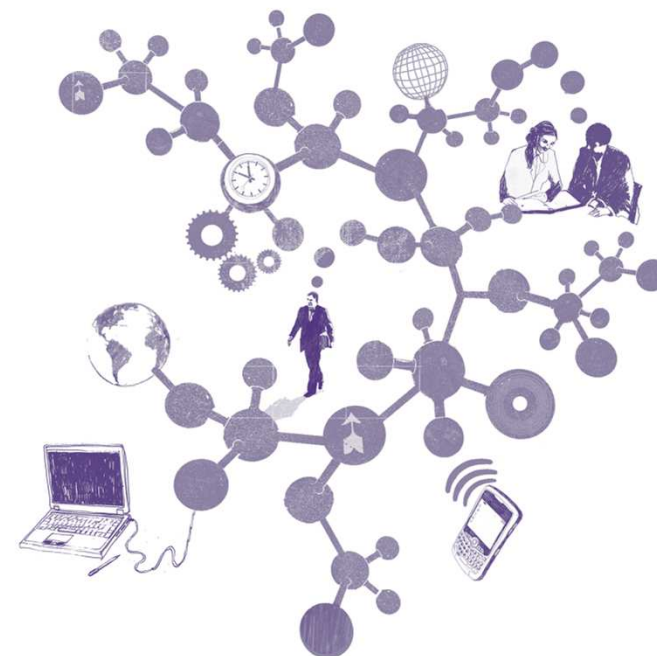
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**Year ended 31 March 2013**

18 September 2013

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Section 1: Executive summary

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# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Hereford and Worcester Fire and Rescue Authority's ('the Authority') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Authority's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 9 April 2013.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable. Our audit is substantially complete and we are finalising our work in the following areas:

- employee remuneration
- property plant and equipment
- firefighters pension fund
- receipt of the bank confirmation letter
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement to be approved at the Audit Committee meeting of the 26 September 2013

- subsequent events and our post balance sheet events review, to the date of signing the opinion, and
- review of the Authority's Whole of Government Accounts submission

## Key issues arising from our audit

### Financial statements opinion

As at 18 September 2013, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the Authority's financial statements.

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

- The financial statements presented for audit were sound.
- We identified no adjustments affecting the Authority's reported deficit on the provision of services of £13,335k, comprehensive net expenditure of £48,844k or General Fund Balance of £1,485k.
- We and your predecessor auditors have been working with officers to ensure that the Authority's financial statements comply with the requirements of the CIPFA Code of Practice and best practice. This year we identified that there were a significant number of omissions, misclassifications and disclosure changes required in order to bring your financial statements into line with the CIPFA Code of Practice for 2012/13.
- All the omissions and disclosure changes are to be adjusted for in the updated set of accounts. The large number, combined with supporting information requirements as part of the change in the audit approach, has impacted upon the efficiency of our audit. We have highlighted that the processes for preparing and reviewing your financial statements could be stronger and will be working in partnership with your officers to make improvements for next year.

Further details of all of the above matters are set out in section 2 of this report.

**Value for money conclusion**

We are pleased to report that, based on our review of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

**Whole of Government Accounts (WGA)**

The Authority submitted its WGA pack subject to audit on the 4 September 2013 which was later than the announced Government's deadline of 28 August 2013. The Authority had informed the relevant department in good time of the planned submission date of the pack. The Audit Commission issued their instructions for our work on the 19 August 2013. We will complete our work in respect of the Authority's Whole of Government Accounts in accordance with the national timetable.

**Controls**

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

**The way forward**

Matters arising from the financial statements audit and review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Treasurer (Director of Finance and Assets) and Chief Accountant.

We have made a recommendation, which is set out in the action plan in Appendix A. The recommendation has been discussed and agreed with the Treasurer (Director of Finance and Assets) and Chief Accountant.

**Acknowledgment**

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

**Grant Thornton UK LLP**  
**September 2013**

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## Section 2:    Audit findings

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# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan date 9 April 2013 and presented to the Audit Committee on 17 April 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you dated 9 April 2013.

## **Audit opinion**

We anticipate that we will provide the Authority with an unqualified opinion. Our draft audit opinion is set out in Appendix B.



## Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards. We did not identify any significant risks other than these.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<b>Improper revenue recognition</b> Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	We have considered whether the presumed risk of fraud due to improper recognition of revenue applies for the audit of Hereford and Worcester Fire and Rescue Authority.  Due to the immaterial level of external non grant revenues received in 2012/13 we have concluded that the presumed risk can be rebutted.	Our audit work has not identified any issues in respect of revenue recognition and our conclusion remains that the presumed risk is rebutted.
2.	<b>Management override of controls</b> Under ISA 240 there is a presumed risk of management over-ride of controls	We have undertaken the following: <ul style="list-style-type: none"> <li>• review of accounting estimates, judgments and decisions made by management</li> <li>• testing of journals entries, and</li> <li>• review of unusual significant transactions.</li> </ul>	Our audit work has not identified any evidence of management override of controls. In particular, the findings of our review of journal controls and testing of journal entries has not identified any significant issues.  We set out later in this section of the report our work and findings on key accounting estimates and judgments.

## Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Operating expenses understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls over the transaction cycle.</li> <li>• Undertaken walkthrough of the key controls to assess whether those controls are designed effectively.</li> <li>• Substantive testing of a sample of recorded items of operating expenditure.</li> <li>• Review for unrecorded liabilities.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls over the transaction cycle.</li> <li>• Undertaken walkthrough of the key controls to assess whether those controls are designed effectively.</li> <li>• Substantive testing of a sample of year end creditor balances.</li> <li>• Cut-off testing of the expenditure stream.</li> <li>• Review for unrecorded liabilities.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	Employee remuneration expenditure not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documentation of our understanding of processes and key controls over the transaction cycle.</li> <li>• Walkthrough of the key controls to assess the whether those controls are designed effectively.</li> <li>• Substantive testing of employee remuneration including tracing remuneration payments to HR and payroll records .</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Employee remuneration</b>	Employee remuneration accruals understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documentation of our understanding of processes and key controls over the transaction cycle.</li> <li>• Walkthrough of the key controls to assess the whether those controls are designed effectively.</li> <li>• Substantive testing of accruals.</li> <li>• Review for unrecorded liabilities.</li> <li>• Review of payments after the year end.</li> <li>• Review of the reconciliation between payroll and the general ledger.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Property, Plant and Equipment (PPE)</b>	PPE activity not valid	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documentation and identification of processes and key controls in the PPE cycle.</li> <li>• Walked through a sample item to confirm our understanding.</li> <li>• Sample testing of PPE movements in year including additions, disposals and depreciation calculations.</li> <li>• Agreement of PPE disclosures to supporting evidence.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Property, Plant and Equipment (PPE)</b>	Revaluation measurement not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documentation and identification of processes and key controls in the PPE cycle.</li> <li>• Walked through a sample item to confirm our understanding.</li> <li>• Placed reliance upon the work and qualifications of the valuation expert.</li> <li>• Sample testing on in year PPE valuations .</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<b>Property, Plant and Equipment (PPE)</b>	PPE improperly expensed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documentation and identification of processes and key controls in the PPE cycle.</li> <li>• Walked through a sample item to confirm our understanding.</li> <li>• Sample testing of PPE additions.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Our testing of a sample of PPE additions identified a trivial misclassification of expenditure in the Assets not yet Operational category.</p>
<b>Firefighters' pension scheme contributions</b>	Recorded contributions not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documentation and identification of processes and key controls in the Firefighters' pensions scheme contribution cycle.</li> <li>• Walked through a sample item to confirm our understanding.</li> <li>• Sample testing of the accuracy of Firefighters' pensions scheme contributions.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

## Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Firefighters' pensions member data</b>	Member data not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documentation and identification of processes and key controls in the Firefighters' pension member data.</li> <li>• Walked through a sample item to confirm our understanding.</li> <li>• Review of arrangements for data submitted to the actuary by the Authority.</li> <li>• Review of the actuarial report, actuarial assumptions and reliance on the use of an expert.</li> <li>• Agreement of pension disclosures in the financial statements to supporting evidence.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Firefighters' pensions benefit payments</b>	Benefit payments to pensioners incorrectly calculated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documentation and identification of processes and key controls in the Firefighters' pension benefit payments cycle.</li> <li>• Walked through a sample item to confirm our understanding.</li> <li>• Sample testing of the accuracy and propriety of continuing and new pensions in payment (including lump sum values).</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## Misstatements, misclassifications and significant disclosure changes

We are required to report to you any non-trivial unadjusted misstatements or material adjustments of such a size and nature that, in our view, we need to bring to your attention to help you discharge your responsibilities as those charged with governance. We are pleased to report that there are no such matters we wish to bring to your attention.




However, our review found a significant number of omissions and items requiring amendment in the financial statements that has impacted on the efficiency of our audit. These issues (other than those of a trivial nature) were discussed with officers during the course of the audit and they are all to be adjusted for in the final set of financial statements. The majority of the changes are of such a size and nature that, in our view, we are not required to bring them to your attention in this report to help you discharge your responsibilities. We have highlighted those that we believe will assist you in your role below. The large number of omissions and items highlights that the processes for preparing and reviewing your financial statements could be stronger and we have made one recommendation which, together with the management response, is attached at Appendix A. To assist the Authority going forward the smaller items will be summarised in a memorandum addressed to the Treasurer and the Chair of the Audit Committee.

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Disclosure and presentation	520	Various in Cost of Services	The Authority has restated the Comprehensive Income and Expenditure (CIES) statement in the prior year for a revision to the accounting treatment of the Council Tax Freeze Grant. The result of this change is to reduce both the Gross income and expenditure within the CIES, however there is no impact on the net cost of service and no impact on the Balance Sheet. Our audit identified that additional disclosure was required for the prior period adjustment to detail the movement from the prior year financial statements figures. These disclosures have now been made.

## Audit findings

# Accounting policies, estimates & judgments

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

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>The Authority has adopted the policy: Debtors are included in the Balance Sheet and CIES where services have been provided but not reimbursed at the year end (Accounting policy 2).</li> <li>The Authority has adopted the policy: Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution has been satisfied. (Accounting policy 35)</li> </ul>	<ul style="list-style-type: none"> <li>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</li> </ul>	 (Green)
<b>Judgments and estimates</b>	<ul style="list-style-type: none"> <li>Key judgments and estimates include:               <ul style="list-style-type: none"> <li>pension fund valuations and settlements</li> <li>property valuations, useful life of property, plant and equipment, depreciation and impairments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Our review of judgments and estimates has not highlighted any issues which we wish to bring to your attention</li> </ul>	 (Green)
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>Our review of other accounting policies has not highlighted any issues which we wish to bring to your attention</li> </ul>	 (Green)

## Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

## Internal controls

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

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

Our work has not identified any significant control weaknesses which we wish to highlight for your attention.

Our review of the controls of the authority's general IT control environment has identified three low priority best practice recommendations. These have been actioned by officers.

We have identified minor matters which we have brought to the attention of the Treasurer (Director of Finance and Assets) and the Chief Accountant.



## Other communication requirements

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

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>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</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any incidences of non-compliance with relevant laws and regulations</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Authority.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>As reported earlier, our review found a significant number of omissions and items requiring amendment in the financial statements. These are all to be adjusted for in the final set of financial statements.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed. We identified that the Treasurer has been nominated as the Authority's representative on a company limited by guarantee (amount of £1). The company undertakes the grounds maintenance services for the Kings Court site. The updated financial statements have been amended to disclose this related party.</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Authority's decision to prepare the financial statements on a going concern basis.</li> </ul>

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## Section 3: Value for Money

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# Value for Money

## Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Authority's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission:

- **The Authority has proper arrangements in place for securing financial resilience.** The Authority has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Our audit approach involves the completion of an initial risk assessment against a series of key criteria. In undertaking this initial assessment we took account of the key issues facing the fire sector, including the reductions in funding that authorities are facing following the Spending Review. We did not identify any residual risks that needed to be addressed through specific local work.

## Key findings

Overall our work highlighted generally sound arrangements in all areas. In particular:

- The Authority has a medium term financial plan to 2016-17 which is aligned with its corporate plans.

- The 2012-13 financial plan was delivered with a surplus against budget of £2.2million (2011-12 £1.129million). The underspend is being used to support expenditure in future years to provide earmarked reserves for planned future spend or uncertainties. The budget is prepared on a prudent basis incorporating pay and prices factors. The level of surplus in year is not at a level to indicate a weakness in financial control.
- The Authority has reviewed its services and presented options to members to address the budget shortfalls in the coming years. Members will decide in October 2013 on the options on which to consult, with decisions being taken in early 2014. These options will involve difficult decisions and choices to be made on the resources allocated at the front line delivery of services.
- The Authority has a memorandum of understanding with Shropshire & Wrekin Fire & Rescue Authority for the provision of the fire control and no issues have been noted in its operation.
- An Operational Performance assessment was completed in the year. There were no significant or fundamental issues identified. The Authority has prepared an action plan based on its findings which is in the process of being delivered.
- The Authority has restructured its management team and appointed an in-house legal officer to further strengthen its arrangements.

## Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, 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 2013.

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## Section 4: Fees, non audit services and independence

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## Fees, non audit services and independence

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

### Fees

	Per Audit plan £	Actual fees £
Authority audit	43,829	43,829
<b>Total audit fees</b>	<b>43,829</b>	<b>43,829</b>

### In respect of the fee:

- Our fees are exclusive of VAT.

### Fees for other services

Service	Fees £
None	Nil

### Independence and ethics

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

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

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## Section 5: Communication of audit matters

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# Communication of audit matters to those charged with governance

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

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

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Authority's key risks when reaching our conclusions under the Code.

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

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

# Appendices



## Appendix A: Action plan

### Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	An improved review process of the financial statements against the requirements of the CIPFA Code and other items is incorporated within the closedown timetable for the preparation of the Authority's financial statements.	M	We will improve our Quality Assurance arrangements for reviewing the financial statements prior to them being presented for audit. This will be undertaken in partnership with Grant Thornton and be linked to their new audit approach requirements. We would endeavour to use our relationship with Shropshire & Wrekin Fire & Rescue Authority to provide mutual support in this process.	May 2014 Deb Randall – Chief Accountant

## Appendix B: Audit opinion

**We anticipate we will provide the Authority with an unqualified audit report**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEREFORD AND WORCESTER FIRE AND RESCUE AUTHORITY**

#### **Opinion on the Authority financial statements**

We have audited the financial statements of Hereford and Worcester Fire and Rescue Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 5. 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 2012/13.

This report is made solely to the members of Hereford and Worcester Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Treasurer and auditor**

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

#### **Scope of the audit of the financial statements**

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

In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Hereford and Worcester Fire and Rescue Authority as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

#### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

#### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Respective responsibilities of the Authority and the auditor***

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

## Appendices

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2013.

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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Hereford and Worcester Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

**Certificate**

We certify that we have completed the audit of the financial statements of Hereford and Worcester Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson  
Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza  
20 Colmore Circus  
Birmingham  
B4 6AT

September 2013

## Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit.

### Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 17 April 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Employee remuneration expenditure not correct	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
Interest payable and similar charges	Borrowings	None		No	None
Interest and investment income	Investments	None		No	None
Pension Interest cost	Employee remuneration	None		No	None

## Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Return on Pension assets	Employee remuneration	None		No	None
Income from Council tax	Revenue	None		No	None
NNDR Distribution	Grant Income	None		No	None
Revenue Support grant & other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None
(Surplus)/Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
(Gain)/Loss on disposal of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (Gain)/ Loss on pension fund assets & liabilities – Local Government	Employee remuneration	None		No	None
Actuarial (Gain)/ Loss on pension fund assets & liabilities – Fire Fighters	Fire Fighters' pension	None		No	None

## Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Property, Plant & Equipment	Property, Plant & Equipment	Other	<ul style="list-style-type: none"> <li>PPE activity not valid</li> <li>Revaluation measurements not correct</li> <li>PPE improperly expensed</li> </ul>	No	None
Intangible assets	Intangible assets	None		No	None
Inventories	Inventories	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Cash and cash equivalents	Bank & Cash	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & short term)	Operating Expenses Employee remuneration	Other	<ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period</li> <li>Employee remuneration accruals understated</li> </ul>	No	None
Provisions (long & short term)	Provisions	None		No	None
Pension liability Local Government	Employee remuneration	None		No	None
Pension liability Fire Fighters	Firefighters' pension	Other	Firefighters' pension fund member data not correct.	No	None
Reserves	Equity	None		No	None

## Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
<b>Firefighters' Pension Fund account</b>					
Income to the firefighters' pension fund – Contributions receivable	Scheme contributions	Other	Recorded contributions not correct.	No	None
Firefighters' Pension benefits payable	Pension scheme benefit payments	Other	Benefit payments to pensioners incorrectly calculated.	No	None
Transfers in/out	Firefighters' pension	None		No	None
Firefighter's pension top up grant receivable	Grant income	None		No	None
<b>Firefighters' Pension Fund Statement of Net Assets</b>					
Pension Fund Net current assets and liabilities	Firefighters' pension	None		No	None



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