



The Annual Audit Letter for Merseyside Fire and Rescue Authority

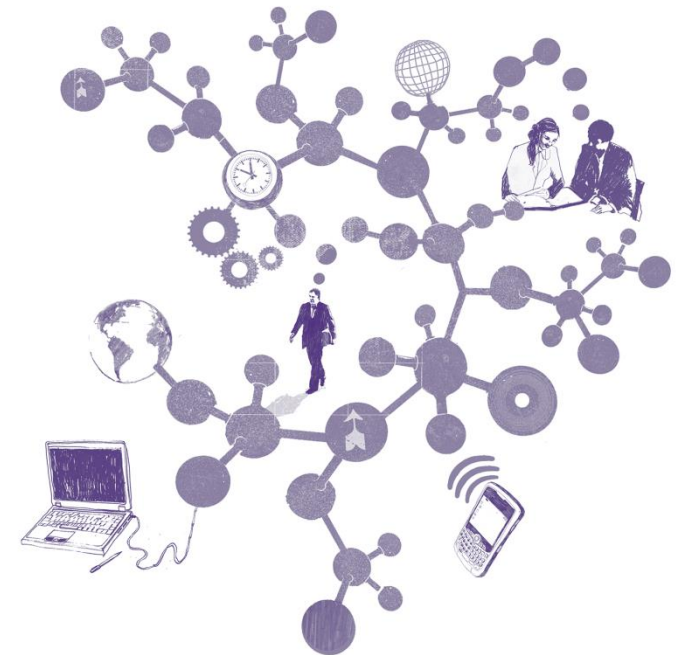
Year ended 31 March 2015

October 2015

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Merseyside Fire and Rescue Authority ('the Authority') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Authority and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 26 May 2015. The work was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report to the Audit Committee on 17 September 2015. The key messages reported were:

- We received draft financial statements and accompanying working papers on 29th June, in accordance with the timetable set by the Authority and ahead of the national deadline of 30th June 2015.
- The financial statements submitted for audit were yet again of good quality, delivered by an effective closedown process and supported by good quality working papers. Queries raised were responded to quickly.
- We identified no adjustments affecting the Authority's reported financial position.
- The Authority appropriately accounted for a contingent liability following a ruling by the Pensions Ombudsman in May that created a significant liability for Fire Authorities.

We issued an unqualified opinion on the Authority's 2014/15 financial statements on 17 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Authority's financial position and of the income and expenditure recorded by the Authority.

The deadline for the Authority to publish its statement of audited accounts is being brought forward from 30 September to 31 July, with effect from the 2017/18. We will be working closely with you over the next couple of years to help ensure this significant change is properly managed.

Key messages continued

Value for Money (VfM) conclusion

We issued an unqualified VfM conclusion for 2014/15 on 17 September 2015.

- Financial Resilience - the Authority is considered to be in a sound financial position at this time. The Authority has total usable reserves of £27.7million which is a healthy level of reserves, together with a track record of delivering financial performance in line with budgets. Most of these reserves are earmarked for specific purposes, leaving an un-earmarked General Fund balance of £2 million.
- The Authority had effective arrangements in place which enabled it to deliver its challenging savings programme in 2014/15. There are greater challenges in the future with the need to achieve further savings over the next three years. The current financial plan requires the delivery of £5m of additional approved savings to offset the reduction in Government grant funding up to 2015/16. Further savings of £7m to £14m are likely to be required when the next Comprehensive Spending Review settlement is announced covering the period 2016/17 to 2018/19. Achieving these savings is critically important as the level of planned reductions in grant funding from central government between 2016 and 2018 could exceed the level of the Authority's reserves that are not specifically earmarked.
- Financial and operational planning - The Authority has been ambitious in developing a significant capital programme of £13million to finance construction projects for the three new fire stations with specific funding identified although costs have still to be finalised.
- Joint working - the Authority is keen to work in partnership wherever possible. Despite the financial challenges and the strong opposition of some community groups, the Authority has made significant progress in developing its Fire Station Merger Strategy. This is projected to deliver a reduction of 86 whole-time equivalent (WTE) posts, reduce the Authority asset base down from 26 stations to 22 and deliver additional savings from a reduction in premises overheads.

Key messages continued

Value for Money (VfM) conclusion	<p>Overall we are satisfied that in the short-term the Authority is in a sound financial position. It is taking action to identify medium-term requirements and options. There remains significant uncertainty on the level of government funding and it will be important for the Authority to ensure that future financial plans are fully delivered.</p> <p>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 2015.</p> <p>The NAO has recently consulted on the approach to be adopted for the value for money conclusion for the 2015/16 audit. The outcome of the consultation is yet to be published. The consultation documents put forward a changed definition for the 'proper arrangements' an Authority should have in place to secure economy, efficiency and effectiveness in its use of resources. We will be working closely with officers to implement the changes and will summarise the changes in approach in our Audit Plan to be issued early in 2016.</p>
Whole of Government Accounts	<p>In line with our instructions we reported that the Authority was below the audit threshold level set by the National Audit Office. We submitted the consolidation pack on 17 September 2015 in advance of the deadline.</p>
Audit fee	<p>Our fee for 2014/15 was £43,232 excluding VAT which was in line with our planned fee for the year. This includes work for the opinion, value for money conclusion, whole of government accounts and our reporting to those charged with governance. Further detail is included within Appendix A.</p>
Additional work	<p>We have not undertaken any additional pieces of work at the Authority in 2014/15.</p>

Key messages continued

Looking forward	<p>The Government is currently consulting on a series of measures to transform the delivery of local fire and rescue and police services. Plans are now in place for the Authority to explore opportunities with Merseyside Police. Discussions are taking place on the collaboration programme which will focus on shared corporate services, joint ways of working and shared estates opportunities.</p>
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Appendix A: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Authority audit	43,232	43,232
Total audit fees	43,232	43,232

Fees for other services

Service	Fees £
Audit related services	0
Non-audit related services	0

Reports issued

Report	Date issued
Audit Plan	26 May 2015
Audit Findings Report	17 September 2015
Annual Audit Letter	October 2015



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