

The Audit Findings for Staffordshire Commissioner Fire and Rescue Authority

Year ended 31 March 2022

Staffordshire Commissioner Fire
and Rescue Authority

31 October 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. 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.

This Audit Findings 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. Its contents have been discussed with management and the Ethics, Transparency and Audit Panel.

Mark Stocks

Name : Mark Stocks
For Grant Thornton UK LLP
Date : 31 October 2022

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Staffordshire Commissioner Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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 give a true and fair view of the financial position of the Authority and its income and expenditure 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.

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 Pension Fund Account, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed during July – October. Our findings are summarised on pages 5 to 9.

We have identified 2 adjustments to the financial statements that have resulted in a £0.6m adjustment to the Authority's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix D) or material changes to the financial statements, subject to the following outstanding matters;

- finalisation of procedures on employee benefits;
- finalisation of procedures on benefits payable through the Pension Fund Account;
- receipt of management representation letter (Appendix E);
- review of the final set of financial statements; and
- completion of responses to review points raised from the engagement lead file review.

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.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was sent to the Chair of the Panel on 17 October and is attached in Appendix F to this report. We expect to issue our Auditor's Annual Report by the end of January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of the Authority's arrangements to secure financial sustainability, based on ongoing delays in delivery of the capital programme. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Annual Auditor's report in January 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

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 and the Ethics, Transparency and Audit Panel (ETAP).

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 is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding work being resolved, we anticipate issuing an unqualified audit opinion following the ETAP meeting on 31 October 2022, as detailed in Appendix D. These outstanding items include:

- finalisation of procedures on employee benefits;
- finalisation of procedures on benefits payable through the Pension Fund Account;
- receipt of management representation letter (Appendix E);
- review of the final set of financial statements; and
- completion of responses to review points raised from the engagement lead file review.

Acknowledgements

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

2. 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.

Materiality levels remain the same as reported in our audit plan dated 25 May 2022.

We detail in the table below our determination of materiality for the Authority.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1m	Financial performance of the Authority focused on the cost of service provision
Performance materiality	£0.75m	Quality of working papers and Authority response to audit processes in prior years
Trivial matters	£0.05m	The amount below which matter would be considered trivial to the readers of the accounts
Materiality for senior staff disclosures	£0.016m	Materiality has been reduced for remuneration disclosures due to their sensitive nature and public interest



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Presumed risk of fraud in revenue recognition

ISA (UK) 240

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to improper recognition.

In our audit plan, we assessed that the risk of misstatement due to fraud relating to improper recognition of revenue.

We have reconsidered our assessment in light of our audit findings, and concluded that there is no change to our assessment of this risk.

Risk of fraud related to expenditure recognition

PAF Practice Note 10

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.

In our audit plan, we assessed that the risk of misstatement due to fraud relating to improper recognition of expenditure.

We have reconsidered our assessment in light of our audit findings, and concluded that there is no change to our assessment of this risk.

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgments applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions
- reviewed and tested transfers between the General Fund and the Pension Fund Account

We did not identify any changes in accounting policies or estimation processes, and our audit work has not identified any issues in respect of management override of controls.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the pension liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£510m in the Authority's balance sheet at 31 March 2022) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in either of these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liabilities are not materially misstated, and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management experts (the actuaries) for this estimate and the scope of the actuaries' work;
- assessed the competence, capabilities, and objectivity of the actuaries who carried out the Authority's pension fund valuations;
- assessed the accuracy and completeness of the information provided by the Authority to the actuaries to estimate the liabilities;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consultancy actuary (as auditor's expert) and performing any additional procedures suggested within the report;
- obtained assurances from the auditor of Staffordshire 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 (LGPS only); and
- tested the data provided to the actuary of the FFPS.

Pages 10-11 provide a detailed assessment of the estimation process for the valuation of the pension fund net liabilities.

We are satisfied that management's process for producing this estimate is sufficiently robust.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Authority revalues its land and buildings annually, to ensure that the carrying value is not materially different from the current value at the financial statements date.

Management have engaged the services of a valuer to estimate the current values of these assets as at 31 March 2022, using a mix of desktop and on-site valuations.

These valuations represent a significant estimate by management in the financial statements due to the size of the values involved (£131m in the Authority's balance sheet as at 31 March 2022, and judgement required to estimate values based on source data (such as floor areas and costing of in-year improvements) and subjective inputs (such as obsolescence factors and selection of build costs indices).

We have therefore identified valuation of land and buildings as a significant risk.

We have:

- evaluated management's processes and assumptions for calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation experts;
- discussed with the valuers the basis on which the valuation was carried out to ensure that the requirements of the Code are met;
- challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; and
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register.

Page 12 provides a detailed assessment of the estimation process for the valuation of land and buildings.

We are satisfied that management's process for producing this estimate is sufficiently robust.

Administrator access to Integra

During our planning procedures, we identified that members of the finance team also act as administrators for the Integra financial system.

This means that there is an increased opportunity for management override of controls.

We have:

- reviewed the audit log for the Integra finance system; and
- tested all journals which had been posted by an administrator using the "sysadmin" usernames.

Our audit work has not identified any issues in respect of management override of controls relating to administrator access to the Integra finance system.

2. Financial Statements - key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment																		
Net pension liability – Fire Fighter Pension Schemes - £500m	<p>The Authority’s total net pension liability for the Fire Fighter Pension Schemes at 31 March 2022 is £500m (PY £497m), comprising the 1992 Scheme, 2006 Scheme, 2015 Scheme and the Compensation Scheme. The Authority uses the Government Actuary’s Department (GAD) to provide actuarial valuations of the Authority’s liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2020. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £1.4m net actuarial gain during 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none">assessed management’s expert for competence, capability and objectivityassessed the actuary’s approach taken, to confirm reasonableness of approachused PwC as an auditors expert to assess the actuary and assumptions made by the actuary <table><tr><th>Assumption</th><th>Actuary Value</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>2.65%</td><td>●</td></tr><tr><td>Pension increase rate</td><td>3%</td><td>●</td></tr><tr><td>Salary growth</td><td>4.75%</td><td>●</td></tr><tr><td>Life expectancy – Males currently aged 45 / 65</td><td>23.2 – 23.8 / 21.5 – 22.1</td><td>●</td></tr><tr><td>Life expectancy – Females currently aged 45 / 65</td><td>25.4 – 26.0 / 23.6 – 24.2</td><td>●</td></tr></table> <ul style="list-style-type: none">tested the completeness and accuracy of the underlying information used to determine the estimateconsidered any changes to valuation method and their impactassessed the reasonableness of the movements of the estimated liabilities based on all available evidence; andconsidered the adequacy of disclosure of estimate in the financial statements. <p>We are satisfied that management’s process for producing this estimate is robust.</p>	Assumption	Actuary Value	Assessment	Discount rate	2.65%	●	Pension increase rate	3%	●	Salary growth	4.75%	●	Life expectancy – Males currently aged 45 / 65	23.2 – 23.8 / 21.5 – 22.1	●	Life expectancy – Females currently aged 45 / 65	25.4 – 26.0 / 23.6 – 24.2	●	<p>We consider management’s process is appropriate and key assumptions are neither overly optimistic or cautious</p>
Assumption	Actuary Value	Assessment																			
Discount rate	2.65%	●																			
Pension increase rate	3%	●																			
Salary growth	4.75%	●																			
Life expectancy – Males currently aged 45 / 65	23.2 – 23.8 / 21.5 – 22.1	●																			
Life expectancy – Females currently aged 45 / 65	25.4 – 26.0 / 23.6 – 24.2	●																			

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																		
Net pension liability – Local Government Pension Schemes - £11m	<p>The Authority's total net pension liability for the Local Government Pension Scheme at 31 March 2022 is £11m (PY £18m), comprising the Staffordshire Pension Fund Local Government Pension Scheme obligations.</p> <p>The Authority uses Hymans Robertson to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £9m net actuarial gain during 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none">assessed management's expert for competence, capability ad objectivityassessed the actuary's approach taken, to confirm reasonableness of approachused PwC as an auditors expert to assess the actuary and assumptions made by the actuary <table><tr><th>Assumption</th><th>Actuary Value</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>2.7%</td><td>●</td></tr><tr><td>Pension increase rate</td><td>3.2%</td><td>●</td></tr><tr><td>Salary growth</td><td>3.6%</td><td>●</td></tr><tr><td>Life expectancy – Males currently aged 45 / 65</td><td>21.4 – 24.3 / 20.1 – 22.7</td><td>●</td></tr><tr><td>Life expectancy – Females currently aged 45 / 65</td><td>24.8 – 26.7 / 22.9 – 24.9</td><td>●</td></tr></table> <ul style="list-style-type: none">tested the completeness and accuracy of the underlying information used to determine the estimateconsidered any changes to valuation method and their impactassessed the reasonableness of the movements of the estimated liabilities based on all available evidence; andconsidered the adequacy of disclosure of estimate in the financial statements. <p>We are satisfied that management's process for producing this estimate is robust.</p>	Assumption	Actuary Value	Assessment	Discount rate	2.7%	●	Pension increase rate	3.2%	●	Salary growth	3.6%	●	Life expectancy – Males currently aged 45 / 65	21.4 – 24.3 / 20.1 – 22.7	●	Life expectancy – Females currently aged 45 / 65	24.8 – 26.7 / 22.9 – 24.9	●	<p>We consider management's process is appropriate and key assumptions are neither overly optimistic or cautious</p>
Assumption	Actuary Value	Assessment																			
Discount rate	2.7%	●																			
Pension increase rate	3.2%	●																			
Salary growth	3.6%	●																			
Life expectancy – Males currently aged 45 / 65	21.4 – 24.3 / 20.1 – 22.7	●																			
Life expectancy – Females currently aged 45 / 65	24.8 – 26.7 / 22.9 – 24.9	●																			

Assessment

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

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £124m	<p>Other land and buildings comprises £124m of specialised assets such as fire stations and the fire service headquarters, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£0.7m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Authority has engaged Cameron Butler of FHP Property Consultants to complete the valuation of properties as at 31 March 2022. All assets were revalued during 2021/22, with 11 assets physically inspected and the remaining 25 revalued using a desktop valuation approach.</p> <p>Following some minor amendments, management have disclosed the critical judgements made in estimating the valuation of land and buildings, and the related estimation uncertainties.</p> <p>The total year end valuation of land and buildings was £124m, a net increase of £3m from 2020/21 (£121m).</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed the competence, capability and objectivity of management's expert; tested the completeness and accuracy of the underlying information used to determine the estimate; assessed the consistency of estimates against data from our Gerald Eve report; challenged the information and assumptions used by the valuer, to assess completeness and consistency with our understanding; considered the reasonableness of changes in valuation basis for the asset designated as non-specialist for the first time in 2021/22; considered the reasonableness of changes in estimated values based on all available evidence and our wider sector knowledge; and considered the adequacy of the disclosure of the estimate in the financial statements. <p>We are satisfied that management's process for producing this estimate is robust.</p>	<p>We consider management's process is appropriate and key assumptions are neither overly optimistic or cautious</p>

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Minimum Revenue Provision - £3.6m

The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.

The year end MRP charge was £3.6m, a net increase of £0.1m from 2020/21.

We have:

- considered whether the MRP has been calculated in line with the statutory guidance;
- considered whether the Authority's policy on MRP complies with statutory guidance;
- assessed whether there have been any changes to the Authority's policy on MRP; and
- assessed the reasonableness of the increase in MRP charge.

Government have consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course.

We are satisfied that management's process for producing this estimate is robust.

We consider management's process is appropriate and key assumptions are neither overly optimistic or cautious

Assessment

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

2. Financial Statements - 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Ethics, Transparency and Audit Panel. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures].
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Authority, which is appended at Appendix E. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for the valuation of pension fund net liabilities and the valuation of land and buildings.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send bank and investment confirmation requests. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



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).

Issue	Commentary
Going concern	<p data-bbox="871 464 2056 608">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Authority recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 620 2016 675">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2078 986" style="list-style-type: none"> • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p data-bbox="871 999 2072 1142">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1155 1989 1300" style="list-style-type: none"> • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. <p data-bbox="871 1313 2051 1339">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1351 2056 1447" style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>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 Pension Fund Account), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix D.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
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>Group audit instructions have not been issued for 2021/22 but in the case of the Authority, we do not expect that any work will be required as the Authority is below the audit threshold determined by the NAO.</p>
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of the Authority in the audit report, as detailed in Appendix D, due to further time being needed to complete our VFM work.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix F to this report. We expect to issue our Auditor's Annual Report by the end of January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In our Audit Plan, we identified one risk of significant weakness, as shown in the table below. Our work on this risk is underway and an update is set out below. We

As we have not yet completed our VFM work in respect of this risk, we are not yet able to conclude on whether a significant weakness exists.

Risk of significant weakness	Work performed to date
We identified a risk of significant weakness in the Authority's arrangements to secure financial sustainability, based on ongoing delays in delivery of the capital programme.	<p>We have reviewed the capital reporting in the monthly Resource Control Reports.</p> <p>These reports show that for 2021/22, the outturn for the capital programme was expenditure of £0.5m compared to an approved programme of £6m for the year. The outturn was also less than the revised programme of £0.6m (which takes into account £0.5m of projects brought forward from 2020/21, savings identified of £0.1m and £5.7m of programme spend deferred into 2022/23).</p> <p>As at the end of September 2022 the forecast outturn for the capital programme for 2022/23 was expenditure of £7m compared to the budgeted capital programme of £9.7m. In the first six months of 2022/23, £2.4m of the capital programme had been spent or committed, leaving £4.6m forecast to be spent in the final part of the year. This indicates that the delivery of the capital programme remains below budgeted levels so far in 2022/23, and that delivery is skewed towards the latter part of 2022/23.</p> <p>Management have stated that the delays in delivering the capital programme have stemmed from the continued impact of the Covid-19 pandemic during the year, as well issues with product availability in a challenging market place. We understand that for some projects, delivery plans have been revised in light of concerns over escalating costs as the Authority seeks to control costs.</p> <p>After the completion of the financial statements audit, we will:</p> <ul style="list-style-type: none"> • meet with members of the Capital Review Group ('CRG') and review minutes of the CRG, to understand the role of the group and how the Authority intends to deliver its capital spending plans • discuss how the Authority plans to deliver the capital programme with the s151 Officer • conduct interviews to understand what impact the delays to the capital programme may have/had on service delivery.

4. 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 Authority'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 Authority'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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

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. We have not identified any provision of non-audit services.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 2 recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	<p>Assets with nil Net Book Value</p> <p>The Authority has 178 assets in its Fixed Asset Register, which have a nil net book value. The gross book value of these assets is £10.4m. Management performs an annual asset verification exercise which confirms that these assets are still in use by the Authority.</p> <p>It is likely that the fully depreciated assets have some residual value, and therefore the value of the assets in the balance sheet as at 31 March 2022 is likely to be understated.</p> <p>Although it has not been possible to estimate the size of the understatement, we do not consider that it is likely to have a material impact on the balance sheet overall considering that many of these assets having been in use for a long period of time (81% by value and 66% by number have been in use by the Authority between 10 and 22 years).</p>	<p>The Authority needs to be satisfied that useful economic lives set for depreciation purposes are in line with expected use, and that asset lives are updated where appropriate to the circumstances.</p> <p>We would encourage the Authority to repeat the review of nil net book value assets it undertook in 2020/21 to include both assets nearing the end of their useful lives as specified in the fixed asset register, and those which have already been fully depreciated.</p> <p>Management response</p> <p>The Authority will perform a detailed review of nil NBV assets in preparation for the 2022/23 year end.</p>
	<p>Administrator access to the Integra financial system</p> <p>Members of the Authority's finance team acted as system administrators in the Integra financial system during 2021/22. Although we have performed procedures to confirm that there has been no management override linked to this, it is best practice for system administrators to be separate from the finance team (for example, the role of administrator is often fulfilled by IT team members).</p>	<p>We recommend that the Integra system administrator roles are reallocated outside of the finance team. We understand that the Authority has now recruited to this role.</p> <p>Management response</p> <p>The Authority now has a part-time Integra Systems Administrator. Once the officer is fully trained the system administration access will be removed from the finance staff; only in exceptional circumstances or annual leave will the current system administrator accounts be activated, but this will be recorded for audit purposes.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. 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 2022.

Detail	Comprehensive Income & Expenditure Statement £'000	Balance Sheet £' 000	Impact on Total Comprehensive Income & Expenditure £'000
Taxation and non-specific grant income and expenditure	(1,498)		(1,498)
Short term debtors		440	
Short term creditors		1,058	
<i>For the accounting for Collection Fund adjustments based on final data from billing authorities received after the financial statements were prepared</i>			
Cost of services	18		925
Remeasurement of the net defined benefit liability	907		
Pension liability		(925)	
<i>For adjustments arising from revised LGPS IAS19 values</i>			
Overall impact	(£573)	£573	(£573)

B. Audit Adjustments



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.

In addition, a small number of minor changes have been agreed with the Council in relation to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and understandability. The final set of accounts remains subject to review ahead of closure of the audit.

Disclosure issue	Auditor recommendation	Adjusted?
Note 41 Private Finance Initiatives (PFI) The split of future PFI repayments between long term and short term is outside of the estimated range in our GT models, by £52k for PF1 and £56k for PF12. However, the total future unitary payments are within the range of our estimate.	This is an historic issue we have also identified in prior years. Management response Management are satisfied that the discrepancy between the two models results in a difference which is not material, and no action needs to be taken.	x
Note 41 Private Finance Initiatives (PFI) Contingent rental is included within the total for fair value of services for PFI 2, not shown on the separate line in the note.	PFI transactions should be reported according to the appropriate headings.	✓
Note 42 Contingent Liabilities Following the conclusion of the HSE legal case after the year end, the contingent liability disclosure requires updating.	The HSE legal case is no longer a contingent liability, based on events after 31 March 2022.	✓
Statement of main accounting policies / Note 13 Property, plant and equipment Stated useful lives and depreciation rates for assets did not accurately describe actual practice at the Authority	Stated useful lives and depreciation rates for assets should reflect current practice.	✓
Note 9 Assumptions made about the future and other major sources of estimation uncertainty The disclosures within Note 9 did not reflect the estimation uncertainty in valuations of land and buildings.	There is significant estimation uncertainty inherent in the valuation of land and buildings.	✓

B. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. ETAP is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income & Expenditure Statement £'000	Balance Sheet £' 000	Impact on Total Comprehensive Income & Expenditure £'000	Reason for not adjusting
Taxation and Non-Specific Grant Income and Expenditure	(288)		(288)	Not material
Short Term Creditors		288		
<i>For the difference between final and estimated CFAA and NNDR data for Stoke on Trent</i>				
Surplus on revaluation of property	(81)		(81)	Not material
Plant, Property & Equipment		81		
<i>For an error in the revaluation calculation for a Fire Station</i>				
Overall impact	(£369)	£369	(£369)	

Impact of prior year unadjusted misstatements

Misstatements identified during the prior year audit which were not adjusted within the final set of 2020/21 financial statements related to disclosure matters only.

C. Fees

We confirm below our final fees charged for the audit.

The fees reconcile to the financial statements.

Audit fees	Proposed fee	Estimated final fee
Authority Audit	43,572	43,572
Total audit fees (excluding VAT)	£43,572	£43,572

We confirm that no non-audit or audited-related services have been undertaken for the Authority and there were no fees for the provision of non-audit or audit-related services.

D. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Authority with an unmodified audit report.

Independent auditor's report to the members of Staffordshire Commissioner Fire and Rescue Authority

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Staffordshire Commissioner Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial statements also include the firefighters' pension fund financial statements comprising the Pension Fund Account, the Net Assets Statement, Statement of Accounting Policies and Notes to the Pension Fund Account. 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Statement of Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

D. Audit opinion

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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.

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 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 the 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 in April 2020 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 'delivering good governance in Local Government Framework 2016 Edition' 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 matters 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, the other information published together with the financial statements in the Statement of Accounts 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 Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities [set out on pages 17 and 18], 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 Director of Finance.

The Director of Finance 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance 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 Director of Finance 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.

D. Audit opinion

The Staffordshire Police, Fire and Crime Commissioner is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

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. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, the Local Audit and

Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, and the Fire and Rescue Services Act 2004. We also identified the following additional regulatory frameworks in respect of the firefighters police pension fund: the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014, and the Firefighters' Pension Scheme (England) Order 2006.

- We enquired of senior officers and the Ethics, Transparency and Audit Panel (which acts on behalf of the Staffordshire Police, Fire and Crime Commissioner), concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Ethics, Transparency and Audit Panel, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - transactions of high value (in relation to average value), transactions with a material impact on outturn, manual transactions, transactions involving accounting estimates, transactions posted during the accounts close process, transactions posted by systems administrators and other transactions identified as being unusual
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
 - journal entry testing, with a focus on journals of high value, journals with a material impact on outturn, manual journals, closing journals; journals posted by systems administrators and other journals identified as being unusual;

D. Audit opinion

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and building valuations and net pensions liability valuations; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuations of land and buildings and the net pension liabilities.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

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.

D. Audit opinion

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Staffordshire Commissioner Fire and Rescue Authority for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

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: _____

Mark Stocks, Key Audit Partner

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

Birmingham

Date: _____

E. Management Letter of Representation

LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

**Staffordshire Commissioner Fire and Rescue Authority
Financial Statements for the year ended 31 March 2022**

This representation letter is provided in connection with the audit of the financial statements of Staffordshire Commissioner Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Authority's 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 2021/22 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

- i. 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 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- ii. 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.
- iii. 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.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuations of land and buildings and of the net pension liabilities. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. 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.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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- viii. 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.
- ix. 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.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached at Appendix A. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

- c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

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

- xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. 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.
- xx. 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:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxi. 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.
- xxii. 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.

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- xxii. 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.
- xxiii. 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.
- xxiv. 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

- xxv. 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

- xxvi. 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's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Ethics, Transparency and Audit Panel at its meeting on 31 October 2022.

Yours faithfully,

Name.....

Name.....

Position.....

Position.....

Date.....

Date.....

Signed on behalf of the Authority

F. Audit letter in respect of delayed VFM work

Bob Simpson
Chair of Ethics, Transparency and Audit Panel
Staffordshire Commissioner Fire and Rescue Authority

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This letter does not form part of the report to Those Charged With Governance under ISA 260.

13 October 2022

Dear Mr Simpson,

Delayed Value for Money reporting

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 January 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully,

Mark Stocks
Partner

