

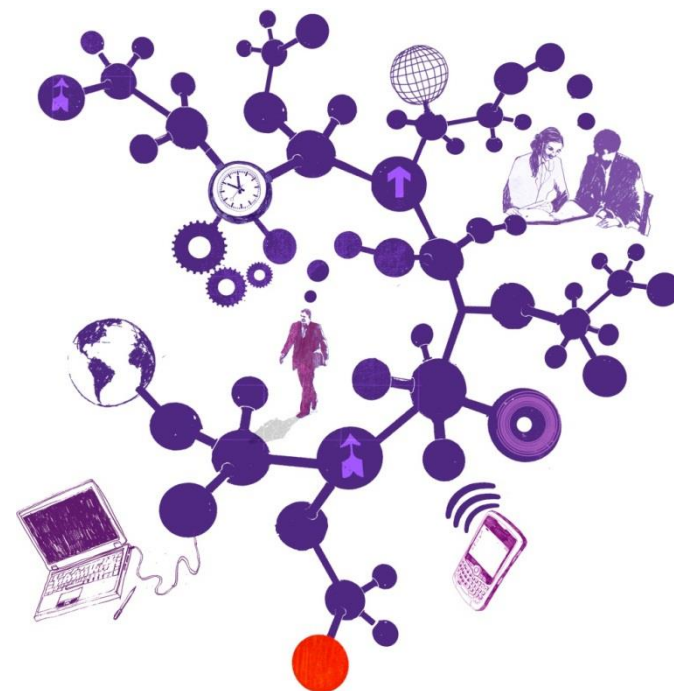
Audit Committee Update for West Midlands Fire & Rescue Authority

Year ended 31 March 2015

June 2015

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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 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 your business or any 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.

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress to date

Work	Planned date	Complete?	Comments
2014/15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Fire Authority setting out our proposed approach in order to give an opinion on the Fire Authority's 2014/15 financial statements.	March 2015	Yes	We continue to assess the risks facing your Council and meet with Senior Officers to ensure that these risks are fully understood and our proposed audit work is appropriate to support our final opinion and VfM conclusion. If there are any revisions to the plan we will agree this with the Strategic Enabler of Finance and Resources and report back to Audit Committee.
Interim accounts audit Our interim fieldwork visits include: <ul style="list-style-type: none"> • updating our review of the Fire Authority's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January and March 2015	Yes	We have: <ul style="list-style-type: none"> • engaged with the finance team to streamline and improve the audit approach for 2014/15 where possible • discussed technical issues early including the calculation of MRP for 2015/16 which informs the Medium Term Financial Plan and the accounting for the smoke alarms and CO detectors • undertaken as much early testing as possible. We continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud.
2014/15 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2014/15 financial statements • proposed opinion on the Fire Authority's accounts • proposed Value for Money conclusion. 	June – September 2015	Not started	The on-site work will commence on 22 nd June 2015.

Progress to date

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion requires conclusions on whether: <ul style="list-style-type: none"> • The organisation has proper arrangements in place for securing financial resilience. • The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	January – July 2015	In progress	The scope of our work to inform the 2014/15 VfM conclusion is detailed within the Audit Plan. We will review key documents and meet with key Senior Officers to inform our overall understanding of the Council and capture evidence of how the Council is securing value for money in all areas of service delivery. There will also be a strong focus on financial resilience and how the Authority is preparing itself for future years.
Annual Audit Letter A summary of all work completed as part of the 2014/15 audit.	October 2015	Not started	
Engagement with the Authority since the last Committee meeting	N/A	N/A	<ul style="list-style-type: none"> • Discussions with the finance team to confirm arrangements for final accounts and other financial reporting issues, in particular the accounting for the smoke alarms and CO detectors • Shared National thought leadership publications with Senior Officers

Spreading their wings – Building a successful local authority trading company

Grant Thornton

The trend in using alternative models to protect and develop services has continued over the last year. As local government continues to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

The introduction of Local Authority Trading Companies (LATCs) has been a key part of this innovation. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – they have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

However, the delivery of a successful company is not easy. In light of this, 'Spreading their wings' provides practical guidance – drawn from interviews with councils and from the successful companies we have worked with – on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Hard copies of our report are available from your Engagement Lead or Audit Manager or the report can be downloaded from our Grant Thornton website

<http://www.grant-thornton.co.uk/Global/spreading-their-wings-LATC-report-2015.pdf>



Smoke and Carbon Monoxide Alarms in the Private Rented Sector

Accounting and audit issues

The Government has recently laid the Smoke and Carbon Monoxide Alarm (England) Regulations 2015 requiring all private sector landlords to ensure working smoke alarms and, in some circumstances, carbon monoxide alarms are installed in their rented properties at the start of each tenancy. The Regulations made under section 150(1) of the Energy Act 2013 will, subject to Parliamentary approval, come into force on 1 October 2015.

These Regulations will, from October 2015, require private landlords to ensure that there is a working smoke alarm installed on each storey of a privately rented home, a working carbon monoxide alarm is in place in each room containing a solid fuel burning combustion appliance and check that appropriate alarms are in working order at the start of each tenancy. The regulations will be enforced by local housing authorities who will be able to serve remedial notices on those in breach of their duty to comply and, where appropriate, to impose a civil penalty charge of up to £5,000.

It is estimated that the new regulations will save 26 lives and nearly 700 injuries per year.

To support private landlords with the transition to compliance before October 2015, the Department has - on the advice of the Chief Fire Officers Association National Procurement Group - provided one-off grant funding to West Midlands Fire and Rescue Authority and to Devon and Somerset Fire and Rescue Authority to purchase, on behalf of all English fire and rescue authorities, smoke and carbon monoxide alarms for distribution to private landlords in each authority's area.

The Department wrote to each fire and rescue authority on 13 March setting out details of the allocation of alarms each could expect to receive from either of the purchasing authorities. Kieran Timmins, the chair of the Chief Fire Officers Association National Procurement Group and Deputy Chief Executive of Merseyside Fire and Rescue Service, is coordinating the distribution arrangements to individual fire and rescue authorities. West Midlands Fire and Rescue Authority is writing to all fire and rescue authorities to advise on the value of inventory which should be accounted for as at 31 March 2015.

Each fire and rescue authority has discretion to determine the criteria and arrangements for distribution of alarms to private landlords in their area between now and 1 October 2015. They may wish to consider whether to undertake any local communications of the offer among landlords and in what circumstances, if any, they may be prepared to offer a free installation service.

Challenge question

- Has your authority agreed how they are going to disclose this inventory within their financial statements?



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