

# **Annual Audit and Inspection Letter**

**West Midlands Fire and Rescue Authority**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

This report provides an overall summary of the Audit Commission's assessment of the Authority, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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## Key messages

- 1 We have again assessed you as 'improving well' in our annual Direction of Travel assessment. Good progress is being made in improving priority areas and there are sound arrangements in place to ensure further improvement in future.
- 2 The overall service assessment score declined this year from '3' to '2' due to variations in a few key performance indicators. Some of these indicators are, however, liable to significant year-on-year fluctuations and we do not see the decline in the overall assessment as detracting from our overall wider assessment that the authority is improving well.
- 3 The main messages for the Authority from the audit build on the themes from last year. In particular we would highlight the need to:
  - develop the understanding of the relationship between resources and performance and ensure the resources are in place to support the operational structures in delivering against key priorities.

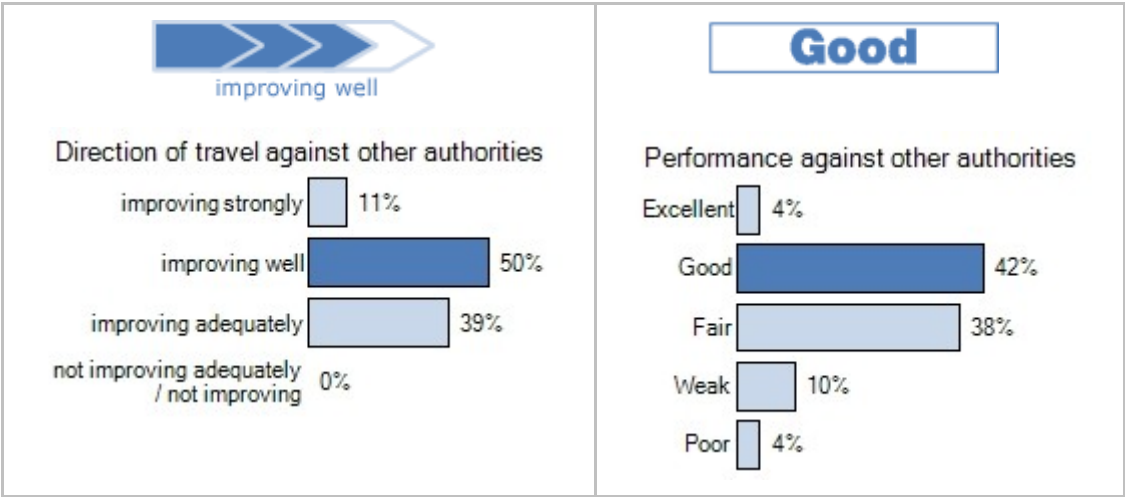
## Purpose, responsibilities and scope

- 4 This report provides an overall summary of the Audit Commission's assessment of the Authority. It draws on the most recent Comprehensive Performance Assessment (CPA) and Direction of Travel review and from the findings and conclusions from the audit of the Authority for 2006/07.
- 5 We have addressed this letter to Members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Authority in meeting its responsibilities.
- 6 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). In addition the Authority is planning to publish it on its website.
- 7 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
  - the Authority's accounts;
  - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Authority's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 8 This letter includes the latest assessment on the Authority's performance under the CPA framework, including our Direction of Travel report.
- 9 We have listed the reports issued to the Authority relating to 2006/07 audit and inspection work at the end of this letter.

# How is West Midlands Fire and Rescue Authority performing?

10 The Audit Commission’s overall judgement is that West Midlands Fire and Rescue Authority is improving well and the Authority was assessed as Good in the Fire and Rescue Comprehensive Performance Assessment carried out in 2005. The latter assessed authorities on their corporate management, their achievements, community fire safety and how they planned to respond to incidents through their Integrated Risk Management Plan (IRMP). It did not consider tactical management of emergency response. The following chart shows the latest position across all Authorities. We are now updating these assessments, through an updated corporate assessment, in authorities where there is clear evidence of significant change.

**Figure 1    Overall performance of authorities in CPA**



Source: Audit Commission

## The improvement since last year - our Direction of Travel report

### What evidence is there of the FRA improving outcomes?

- 11 The FRA is improving well across its priority areas and on national framework targets. There continues to be a strong downward trend in the number of primary fires, reducing by 13 per cent from 32.2 to 28.1 per 10,000 population from 2005/06 to 2006/07. It has also improved outcomes in the level of injuries in the last year, recording a movement of 6 per cent. However over the same period the level of deaths increased from 0.4 to 0.7 per 100,000 population but this has been reversed in the last few months with only two deaths recorded since March. The FRA is improving faster than other FRAs in reducing the levels of deliberate primary fires, although deliberate secondary fires are increasing.
- 12 Community safety activity has significantly increased. The FRA has doubled the number of home fire safety checks (HFSC) in the last year, completing 26,555 in 2006/07 compared with 13,194 in 2005/06. In 2007/08, they are now being completed at an annual equivalent of 47,000 per year. This is maximising the use of externally funded smoke alarms, but this does not make the most of intelligence collected to target HFSCs effectively. In contrast, community advocates attached to each borough are providing focus and producing quality referrals for prevention work across the hard to reach and vulnerable communities. Often, these have been funded through Local Area Agreements (LAA), such as in Coventry. As an outcome from the recent review, the use of Personal Digital Assistants (PDAs) is being rolled out to improve the effectiveness and efficiency of this work. This contributes to improved prevention work.
- 13 The FRA is continuing to make sound contributions to wider community outcomes. It continues to deliver against fire related targets in various Local Area Agreements (LAAs) and is leading the 'safer stronger' block at Walsall LAA. It is active in youth engagement projects at all levels and has significantly increased the level of schools work over the year. Initiatives such as 'Your Choice', aimed at reducing vehicle crime, vehicle arson and road traffic collisions by teenagers, have secured a national award. This has contributed to a drop of 25 per cent in primary vehicle fires in the last year.
- 14 The FRA is developing its approach to improve safety in the community through more targeted evaluation of local initiatives. For instance, the FIRE project is aimed at general acceptable behaviour and self-esteem of young people. Detailed analysis of inputs and feedback supports the value of running the course.

- 15 There are innovative approaches to access and the quality of service to vulnerable groups is improving. The FRA has worked closely with the deaf community to develop an effective website, specialist alarms and a network of British Sign Language (BSL) community support officers. It is also successfully supporting students with Special Educational Needs and their families, through nine SEN educators who have engaged with adults with learning difficulties, deaf children, blind children, children and young people with other physical, emotional and academic needs. Feedback from teachers and pupils alike has been very positive and follow-up visits have shown that much of what they have been taught has been retained.
- 16 Knowledge sharing is improving in difficult areas. For instance, stronger links have been established with social services and other partners in Dudley to target those recently discharged from hospital, older people and the vulnerable. This has resulted in over 200 good quality referrals a month.
- 17 A risk based approach to protection continues to improve safety for immigrants. It has an informative website and community advocates are making a strong contribution to accessing hard to reach groups generating 6,175 HFSCs referrals up to March 2007. In the last year, sprinkler systems have been included successfully in the building of new schools.
- 18 Value for money is good but processes and understanding are still being embedded. The authority is the second lowest cost per head of population, the lowest band D council tax of any metropolitan authority and has consistently high satisfaction results. It has performed well when deprivation is considered compared with similar authorities. It is exceeding its efficiency targets through IRMP projects and best value reviews, achieving £7.09m to 2006/07. Changes in working patterns have delivered 1.5m extra hours for prevention work, but bureaucratic processes reduce the effectiveness of this time. The full benefits from this will only be realised when PDAs are introduced to improve efficiency.

### **How much progress is being made to implement improvement plans to sustain future improvement?**

- 19 Improvement planning is robust. Key plans are SMART (specific, measurable, achievable, realistic, time-bound); integrated with each other; cover the medium to long term; and, support the vision and aims of the authority. Action planning has been simplified. The three year corporate strategy 2007-2010 which combines the integrated risk management plan (IRMP), business plan and medium term financial plan sets out three key priorities - communities and partnerships; response and people. A structured approach to team briefings enabled staff to comment on proposed actions at an early stage and shape the corporate strategy. In preparation for 2008/09, a corporate strategy working group involving each department has been set up to ensure a cross-cutting approach to planning.



- 20** Performance management is improving. A route map and assurance mechanism has been used to bring together all improvement plans into one coherent document. Restructures at both corporate and operational levels have given a greater focus to service delivery, with borough plans the key driver to community safety work. Action planning at borough level uses comprehensive and stretching targets aligned with LAA boundaries. Therefore each borough is autonomous due to the different nature of each LAA. This makes it difficult to use the information produced by the centre to apply consistency and effectively target those at highest risk. Also, staff are overloaded with many requests from different departments and it is sometimes unclear which is a priority.
- 21** However, the FRA has invested in performance management in the last year. Focus groups and a residential learning and development event have identified the issues and developed action plans to address them. An internal performance champions' network is being built to challenge the current culture. Individual planning and development reports are in the process of being done by all staff. Programme management is more effective.
- 22** The Programme Management Group (PMG) which brings each project together so all departments can discuss the issues is working more effectively and is linked better to other activities. For example, following identifying a fault on new vehicles, engineers and ICT jointly provided the solution. As a result, problems have been quickly resolved. This contributes to building sustainable improvement.
- 23** Capacity has improved in some areas. Although equalities and diversity has stayed at Level 2, the authority is still scoring 100 per cent on the duty to promote race equality. 'Living the Values' training is being rolled out to all staff and peer support officers have been trained and put into each borough. Even so, only a limited number of full impact assessments have been undertaken. Detailed research has been conducted into the recruitment and retention of women and minority ethnic groups as little progress has been achieved. Target groups have been identified for recruitment.
- 24** The FRA is in a sound financial position, with a general reserve of £3.6m on 31 March 2007 and additional earmarked reserves of £17.5m. The investment in organisational development has borne fruit, however there are still issues around the management of and communication to crew and watch managers. The borough commander role is developing well with improved support and communication to the centre. While training has been expanded with core skills being delivered centrally to ensure quality, more is required as less live experience is being gained due to the fall in the number and severity of fires.
- 25** Human resources (HR) has improved but it remains a challenging area. Most weaknesses have been successfully addressed however communication between the centre and watches remains an issue. The FRA has been tackling difficult issues such as competence and behaviour. This has led to the view that bullying and inconsistency in the way staff are dealt with has increased.

- 26 Management information systems remain cumbersome and although there has been improvement in workforce planning, there are several stand-alone systems which make support and operations less efficient. A permanent appointment for professional input to the strategic board level has been made and this was aided prior to this by an interim arrangement. As a result, an HR action plan has been drawn up to tackle the modernisation issue of empowering line managers and key policies such as attendance management have been effectively updated. Sickness absence has improved returning to the previous levels of 9.4 shifts for wholetime firefighters in 2006/07 and ill health retirements have significantly dropped to 0.2 per cent of whole-time staff.
- 27 The FRA continues to contribute effectively to its partnerships. It is working across sector to deliver outcomes for children and young people. In the last year, additional partnerships have been developed with older people and faith communities. The main partnership around arson is reducing deliberate primary fires and police crime statistics show a fall of 25 per cent in the last year. The planned partnership framework has been consulted upon and will be in place by December 2007. An LAA group has been set up to draw across best practice from each of the seven LAAs. The FRA currently chairs the Coventry Community Safety Partnership and fed into CLG's findings from the round three dry run undertaken by Coventry. The FRA also chairs the Finance Group on the Birmingham LAA. In this way the FRA is seeking to influence improved outcomes for local people.
- 28 The FRA is working well with the Regional Management Board to implement the National Framework. Five of the seven thematic projects have now been completed. These are: fire safety; response; resilience; resources and performance, leaving an almost complete procurement project and the regional control room project. The RMB is now planning its programme around the 2008-2011 National Framework. The FRA part funds the Business Change Manager to continue in post. The region is cohesive, providing joined up approaches in the areas laid out by the National Framework. This delivers a more efficient and effective service to people in the West Midlands.

## Service assessment

- 29 The Commission has undertaken a fire and rescue service assessment of the Authority. The assessment focused on service delivery and looked at the effectiveness of the service as experienced by recipients of the service. The assessment was constructed from two elements.
- The performance information element (an analysis of outcome focused best value performance indicators selected from those nationally available to assess the outcome of the services delivered by the authority).
  - The operational assessment of service delivery element (provided to the Commission by the Department of Communities and Local Government (DCLG)).

- 30 The assessments for West Midlands Fire and Rescue Authority are provided in Table 1.

**Table 1 Fire and rescue service assessment**

Element	Assessment
Performance indicators	2 out of 4
Operational assessment of service delivery	3 out of 4
Overall fire and rescue service assessment	2 - Adequate performance – only at minimum requirements

Source: Audit Commission

- 31 The overall rating has declined from 'performing well' in 2006 because of variances in performance indicators relating to fire deaths. Because of the low numbers involved, these indicators tend to vary significantly between years in all authorities and we do not see these variations as detracting from our overall message that the Authority is improving well.
- 32 DCLG's 2006 operational assessment of service delivery assessed the planning and delivery of emergency response. The following text was provided by DCLG in 2006 as part of their assessment of West Midlands fire and Rescue Authority. Although we recognise that it reflects a historical position, we reproduce it here because the assessment from which it results is still one of the determinants of your overall service assessment score.

*'West Midlands Fire Service has implemented wide ranging and fundamental changes to the way it delivers services over the last three years. This has resulted in a focused approach to community safety and the funding of a number of effective initiatives. The Service performs well across all areas of service delivery with particular strengths in the use of information technology, and its prevention and protection activity. Community fire safety work is managed well at all levels, and the Service's recent communication with businesses about the Regulatory Reform (Fire Safety) Order 2005 is a particular strength. Performance management and human resource management are not yet fully in place, but the Service has well developed plans to improve these. The Service evaluates what it does, but would benefit from improving feedback mechanisms to ensure that its work achieves the intended outcome. Overall the Service is performing well and meets the needs of its diverse community. It is aware of its achievements but can be overly self critical at times.'*

## The audit of the accounts and value for money

- 33 Your appointed auditor, KPMG LLP, has reported separately to the Authority on the issues arising from our 2006/07 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and an unqualified conclusion on your VFM arrangements on 28 September 2007. They also issued an unqualified opinion on the Authority's Whole of Government Accounts on 31 October 2007; and
  - an unqualified opinion on the Best Value Performance Plan on 18 December 2006.

### Use of Resources

- 34 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Authority and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support Authority priorities).
  - Financial standing (including the strength of the Authority's financial position).
  - Internal control (including how effectively the Authority maintains proper stewardship and control of its finances).
  - Value for money (including an assessment of how well the Authority balances the costs and quality of its services).

- 35** For the purposes of the CPA your auditor has assessed the Authority's arrangements for use of resources in these five areas as follows.

**Table 2**

<b>Element</b>	<b>Assessment</b>
Financial reporting	3 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

*(Note: 1 = lowest, 4 = highest)*

### **The key issues arising from the audit**

- 36** The key issues arising from the audit, as reflected in the above judgements, are as follows. Many of the recommendations from last year are still relevant and the themes have been repeated below, where appropriate.

#### **Financial reporting**

- 37** The Authority continues to perform well in respect of financial reporting although the score for this year has fallen when compared to the previous year (from a 4 to a 3). This reflects some adjustments required to the accounts to reflect new accounting treatments. However, the Authority was put forward as 'notable practice' for the summary financial information it produced and the approach and production of its annual report.

#### **Financial management**

- 38** The Authority manages its finances well in line with its medium term financial strategy and has introduced a number of actions to provide greater transparency to the process and ensure an integrated planning process linking corporate and financial planning.
- 39** In 2005/06 we reported that the Authority was developing more comprehensive reporting on and monitoring of asset use and further work is still needed on this area. There is also some further work to be done in aligning reporting on performance with key financial information which is also on-going. The authority is increasingly looking at benchmarking clubs and it is important that this information is used to inform financial management decisions.

### Internal control

- 40 The Authority has the main elements of an internal control framework in place and has now introduced an Audit Committee. It is important that the Audit Committee develops its terms of reference and reports back to the Authority on its activities over the course of the year. This will increase the profile of internal control issues at Member level.
- 41 Internal control arrangements could also be developed to promote wider understanding of the actions the Authority takes to manage its risks. An assurance framework is being developed to allow the Authority to clearly identify the sources of assurance over its risks and activities but this will take time to establish itself. The Audit Committee can also help in this respect and this will be important in developing a comprehensive governance statement under the new reporting requirements.

### VFM

- 42 The Authority currently achieves VFM and can point to a number of good examples of achievement.
- The Authority has the lowest Band D Council tax of any Metropolitan Authority and consistently high satisfaction results.
  - There is an overall positive relationship between spend and performance with good satisfaction results and low cost when compared to its neighbours. Performance continues to improve with around 60 per cent of indicators above average compared to other Met Authorities.
  - Member forums are focussed on key performance and financial matters and the Authority has an established process for measuring efficiencies and a track record of achievement.
  - The Authority challenges VFM through its IRMP and Best Value programme, with significant impacts through its IRMP projects. For example, IRMP projects have led to significant changes in resource deployment including the redeployment of aerial appliances and revised duty systems, with significant cost benefits.
  - Members and Senior Management demonstrate an understanding of key issues in relation to cost and performance and have been successful in securing additional external funding to drive improvement projects.
- 43 However, processes and understanding are still being embedded and the Authority is considering how best to take some of these issues forward.
- Managers and Operations Commanders are still developing their understanding of the relationship between resources and performance. Training and support has been provided by officers from the Finance Department to help address this issue.
  - The Authority needs to further develop processes to assess the benefits arising from partnership working, although plans are in place to try and achieve this.

- The Authority needs to report more frequently to Members on cost/ benefit information to promote greater understanding of the relationship between the two. An example of this is evidencing the impact of the extra 1.5m hours of staff time reallocated towards prevention and protection work; and
- The Authority is still developing the resources, including the route map and use of best practice information, to support the Borough structures to ensure they can deliver against key priorities.

## **Additional services**

- 44** Your appointed auditor undertook an additional piece of work to review the arrangements for the New Headquarters, in compliance with the Audit Commission's Code of Audit Practice. This included an assessment of the financial projections and risk management arrangements. They will report back on this shortly.

## Looking ahead

- 45 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements.
- 46 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with an enhanced annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 47 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.



## Closing remarks

- 48 This letter has been discussed and agreed with officers. It will be presented at the full Authority on 21 April 2008. Copies need to be provided to all Authority members.
- 49 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

**Table 3      Reports issued**

Report	Date of issue
Audit and inspection plan	March 2006
Opinion on Best Value Performance Plan (BVPP)	December 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Annual audit and inspection letter	April 2008

- 50 The Authority has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Authority's staff for their support and cooperation during the audit.

## Availability of this letter

- 51 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Authority's website.

**John Gregory**  
**Relationship Manager**

April 2008