

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND PERFORMANCE MANAGEMENT COMMITTEE

11 JUNE 2012

1. **CONTRACT AWARD FOR THE PROVISION OF EXTERNAL
AUDIT SERVICES AND CONFIRMATION OF AUDIT SCALE
FEE AND WORK PROGRAMME 2012/13**

Report of the Chief Fire Officer.

RECOMMENDED

- 1.1 THAT Audit and Performance Management Committee (APMC) note the Grant Thornton UK LLP has been appointed to audit the accounts of West Midlands Fire and Rescue Authority (WMFRA) for five years from 2012/13.
- 1.2 THAT APMC note the outcome of the Audit Commission's recent consultation on its proposed work programme and scale of fees for 2012/13.
- 1.3 THAT APMC note the work programme and scale fee for 2012/13.
- 1.4 THAT APMC note the interim arrangements currently in place prior to Grant Thornton UK LLP officially taking up appointment on 1 September 2012.

2. **PURPOSE OF REPORT**

This report is submitted to inform Members of the appointment of WMFRA external auditor for the next 5 years and inform Members of the outcome of the recent work programme and scale of fees 2012/13 consultation undertaken by the Audit Commission. The report also confirms the scale fee for external audit work for 2012/13.

3. **BACKGROUND**

External Auditor Appointment

- 3.1 Members will recall that in September 2011 the Department for Communities and Local Government (DCLG) announced that all public body external audit work was to be undertaken by private sector audit practices from the year 2012/13. To this end, it was agreed that a procurement exercise would be undertaken to outsource the public audit work undertaken by the Audit Commission's in-house audit practice (APMC, 10 October 2011 agenda item 4 and APMC, 26 March 2012 agenda item 10 refers).
- 3.2 Following the conclusion of this procurement exercise, the Audit Commission has proposed that the contract for the delivery of WMFRA external audit work be awarded to Grant Thornton. The contract term is for a period of 5 years and subject to the confirmation, the appointment will commence on 1 September 2012.
- 3.3 Grant Thornton has been awarded contracts totalling a notional value of £41.3 million a year covering four contract areas in the North West, London (south) Surrey & Kent, the South West and the West Midlands. The firm is a leading business and financial adviser, with offices in 27 locations nationwide. Led by over 200 partners and employing 4,000 staff, the firm provides personalised audit, tax and specialist advisory services to over 40,000 corporate, public sector and private individual clients.
- 3.4 Grant Thornton's national Public Sector Assurance team has been providing audit services to the Commission since it was created in 1983. The firm is one of the Commission's largest existing audit suppliers. The team has a full range of local authority and NHS audit clients across the UK including Unitary, County, District, Police, Fire and Pensions Authorities, and NHS commissioner and provider organisations. The Public Sector Assurance team is led by twelve partners and directors, all of whom specialise in public sector assurance.

- 3.5 In accordance with the statutory requirements of the Audit Commission Act 1998, the Commission has a duty to consult local government bodies on auditor appointments. Consultation commenced on 16 April 2012. In support of the consultation process Grant Thornton held an introductory event on the 30 April 2012. This event was attended by representatives from WMFRA and Sandwell MBC Internal Audit.
- 3.6 Both Corporate Board (CB) and APMC Members were consulted upon the proposed appointment of Grant Thornton, following which it was agreed that there was no reason to oppose the appointment. Therefore, the proposal to appoint Grant Thornton will be confirmed by the Commission Board by no later 10 August 2012.

Work Programme and Scale of Fees 2012/13 Consultation

- 3.7 In September 2012 the Audit Commission launched the 2012/13 work programme and scale of fees consultation process. Members will recall that a response was sent on behalf of the WMFRA. Following the conclusion of this process the Commission has published its response to consultation which is attached as Appendix 1.
- 3.8 The main themes in the consultation responses were:
- Whilst the proposed 10% reduction in 2012/13 scale fee was welcomed, the view of the majority of respondents was that there was more scope for reduction.
 - The need for the value for money (VFM) conclusion based upon an assessment of the audited bodies arrangements for securing financial resilience and prioritising resources was questioned.
- 3.9 The Commission has recognised the concerns of public bodies in respect of the cost of audit and has confirmed a reduction in the 2012/13 scale fee for all audited public bodies of 40% when compared to 2011/12 fee levels.

- 3.10 Auditors will continue to have a statutory responsibility to satisfy themselves that an audited body has made proper arrangements for securing economy, effectiveness and efficiency and to issue a VFM conclusion. Therefore the current risk based approach to meeting to these statutory requirements will remain and will be included within the 2012/13 external audit work programme.

Confirmation of Scale of Fees

- 3.11 The scale fee for the undertaking of WMFRA external audit work for 2012/13 is £51,515. Future fees within the contract term will be locked in to this 40% reduction (when compared to the 2011/12 scale fee) and they will be inflation proofed accordingly. Scale fees have, therefore, been fixed for 2012/13 and subsequent years, subject to annual review.
- 3.12 The scale fee is comparable to that of other Metropolitan Fire and Rescue Authorities (FRA) which are detailed below.
- Greater Manchester FRA £52,992
 - Merseyside FRA £43,232
 - South Yorkshire FRA £45,926
 - Tyne and Wear FRA £40,848
 - West Yorkshire £48,107

Interim Arrangements

- 3.13 Confirmation of Grant Thornton's appointment will be received from the Commission Board on 10 August 2012. Grant Thornton's appointment will commence on 1 September 2012.
- 3.14 To minimise the potential for disruption associated with the change in service provider the Audit Commission has been appointed on an interim basis from 1 April to 31 August 2012. Their role will be to keep a watching brief only. Any costs incurred by the auditors will be paid by the Commission.
- 3.15 From 1 September 2012 Grant Thornton will audit the 2012/13 accounts (opinion on financial statements and the annual VFM conclusion).

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been undertaken. The matters contained in this report will not lead to policy change.

5. **LEGAL IMPLICATIONS**

Section 7 of the Audit Commission Act 1998 and Section 12 of the Local Government Act 1999 places a statutory duty on the Commission to prescribe a scale of fees for the audit of accounts in inspections. Before prescribing any scale of fees it consults audited and inspected bodies, their representative associations and the accountancy profession. Once the Commission has prescribed a scale of fees it becomes payable by the audited or inspected body.

6. **FINANCIAL IMPLICATIONS**

The external audit fee for the 2012/2013 financial year is £51,515 and represents a reduction of approximately £28k compared to the 2011/2012 fee. The fee is consistent with the provisions established as part of the Authority's 2012/2013 budget setting process.

BACKGROUND PAPERS

Audit Commission letter to the Chief Fire Officer, WMFRA consultation on auditor appointment for 2012/13 and future years, 16 April 2012.

Email to APMC Members, consultation on Auditor Appointment

APMC, 26 March 2012, agenda item 10, Government response to future of local public audit consultation.

APMC 10 October 2012, agenda item 4, Consultation on external fees and work programme 2012/13 and update on future of local public audit.

VIJ RANDENIYA
CHIEF FIRE OFFICER

