

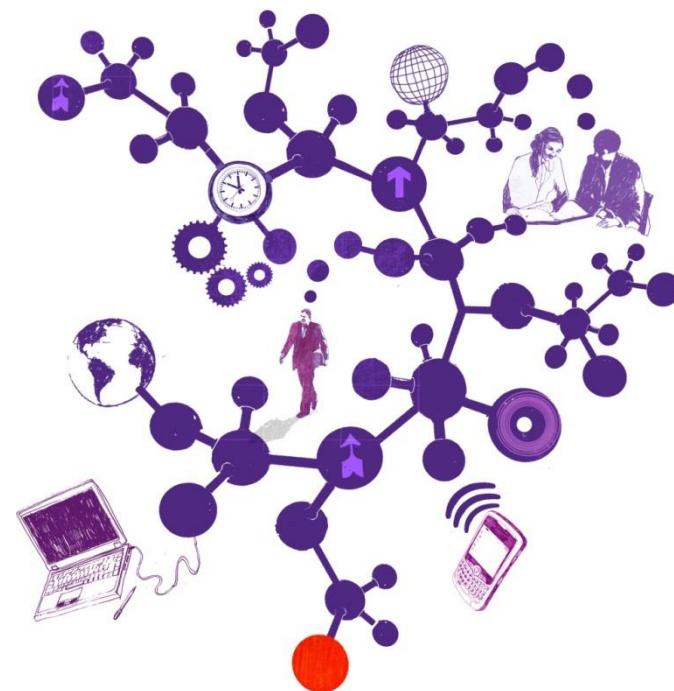
Audit Committee Update for West Midlands Fire & Rescue Authority

Year ended 31 March 2015

September 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 continued to assess the risks facing your Authority and met with Senior Officers to ensure that these risks were fully understood and our audit work was appropriate. The plan has now been delivered in line with our initial assessment and no revisions excepting some additional work to cover the smoke alarm and CO detector transaction has been required.
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	In progress	The opinion audit has been substantially completed and the outstanding items have been reported to you in the draft Audit Findings Report. It is usual to have final tasks to complete between the presentation of the Audit Findings Report and the issuing of the opinion.

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 have reviewed key documents and met with key Senior Officers to inform our overall understanding of the Authority and capture evidence of how the Authority 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. We have also reviewed the partnership working as this is a key theme within all areas of the assessment.
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"> • Delivery of the Final Accounts audit • Meetings with key Senior Officers to inform the VFM conclusion

Fire Works – A collaborative way forward for the Fire and Rescue Service

Local Government Issues

The fire and rescue service must reinvent themselves as a health and wellbeing service to survive the challenges of budget cuts, a new report from localism think tank NLGN (New Local Government Network) argues today. By adopting this radical new role, the fire service can help to support the NHS by keeping people out of hospital.

The report, published in association with the Chief Fire Officers Association (CFOA) shows how fire and rescue services have driven a reduction in the number of fires which has resulted in calls by some for them to reduce their staffing levels. In the last decade the number of incidents has fallen by 40%, yet the number of firefighters has only fallen by 6%. To resist these calls, fire services must define a new role for themselves or risk becoming a residual service of reservists.

NLGN argues that the law should be changed to give the fire and rescue service a formal role in helping older people to live independently and reducing attendance at A&E. They can also work with young people to reduce risky lifestyle choices. This would build on emerging good practice in areas such as Greater Manchester, which could be rolled out to benefit other communities across the country.

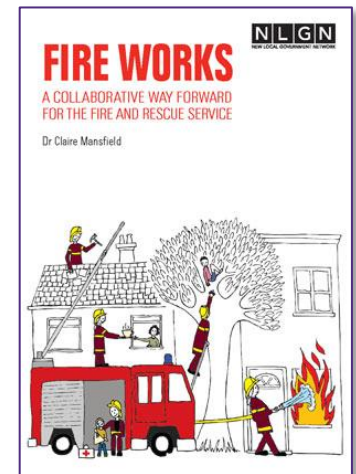
The fire service is incredibly well-placed to deliver this role. It has been the most demonstrably successful part of the public sector in successfully reducing its costs, by preventing problems arising in the first place. The number of fires has plummeted – in large part due to programmes designed to fit more smoke alarms into people's homes and increase public knowledge of fire risks.

The fire service has a uniquely trusted brand and the ability to reach vulnerable communities and access their homes and lives. By expanding their remit NLGN believes that more vulnerable people can be reached earlier and pressure can be taken off the cash-strapped health and social care services.

Other recommendations in the report include exploring a mutualised national back office to act both as purchasing and information hub, and that fire services should further ally themselves with ambulance trusts to help alleviate the mounting pressure under which they find themselves.

Challenge question

Have members been briefed by the Deputy Chief Fire Officer on whether the Authority's strategic direction has taken account of the messages in this report?



English devolution – local solutions for a successful nation

Local government issues

The Local Government Association's (LGA) white paper on devolution includes a warning to the new government that the principle of cuts without reform could stifle growth and development and challenge the sustainability of vital local services. The paper sets out:

- Why devolution matters
- The principles to sustain devolution
- A road map to follow to help deliver reform
- Proposals that will strengthen accountability and governance in the new system

It states that:

Local government has done more than any other part of the public sector over the course of the last parliament to make the public finances more sustainable and managed to do so while protecting front line services. All evidence suggests that this cannot continue over the next five years without more radical reform. Given the continuing need to reduce the national deficit, only a reinvigorated agenda for reform, underpinned by sustainable funding for local services, will deliver the ambition of the new Government for our communities and national economy.

Challenge question

Have members been briefed by your Deputy Chief Fire Officer or your Strategic Enabler of Finance and Resources on the headline messages from the LGA's white paper on devolution?

Understanding your accounts – Member guidance

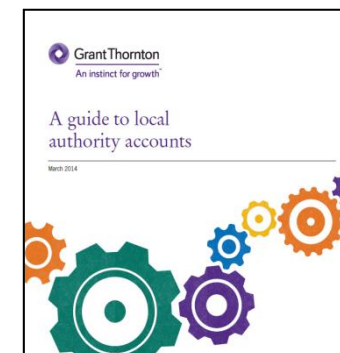
Accounting and audit issues

Local Government Audit Committee members are not expected to be financial experts, but they are responsible for approving and issuing the Authority's financial statements. However, local authority financial statements are complex and can be difficult to understand.

In 2014 we prepared a guide for Members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help Members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position. Any new members to the Audit Committee may find this guide helpful.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in a surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at the year end; and
- other statements and additional disclosures



We have provided copies of the Guide to Local Authority accounts to the Council for distribution to the Audit Committee.



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