

# Audit Findings for West Midlands Fire and Rescue Authority

**Year ended 31 March 2022**

November 2022



# Contents



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## Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

## Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees

## Page

- [3]
- [5]
- [16]
- [18]

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 Audit and Risk Committee.

Name : Avtar Sohal  
For Grant Thornton UK LLP  
Date : 28 November 2022

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit West Midlands Fire and Rescue Authority ('the Authority') and the preparation of the 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) and Narrative Report) 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 on site/remotely during July-November. Our findings are summarised on pages 5 to 15. Our audit is ongoing. We have requested that the financial statements are adjusted for revised IAS19 report issued by the LGPS pension fund actuary, due to findings from the West Midlands Pension Fund Audit for the year ending 31 March 2022. Audit adjustments are detailed in Appendix B. We have also raised a recommendation 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 or material changes to the financial statements, subject to the following outstanding matters;

- receipt and review of sufficient information from the management to allow us to gain assurance over the property valuations included in the Authorities' financial statements;
- completion of testing of journal entries which we have assessed to be unusual as a result of our risk analysis;
- receipt, consideration and testing of the revised IAS 19 actuarial report;
- IAS19 assurance letter from the LGPS pension fund's auditors;
- completion of procedures on the Pension Fund account;
- finalisation of our IT work around data migration with the new ledger
- completion of our work on a small number of sampled capital transactions;
- receipt of a report to support our work on employee remuneration
- completion of our work on both the existence and completeness of the Authorities' debtor and creditor balances;
- final quality reviews by the Audit Manager and Engagement Lead;
- receipt and review of management's signed representation letter; and
- receipt and review of the final signed set of financial statements.

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 has been shared with management and the Chair of the Audit and Risk committee. We expect to issue our Auditor's Annual Report by 31<sup>st</sup> 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. 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 by February 2023.

## Significant Matters

At the time of writing this report, our work in relation to the valuation of the Authorities property assets (other land and buildings) is incomplete. We have encountered significant delays and difficulties in obtaining floorplans to support the areas provided to the external valuer to support their calculations and therefore will not be able to complete the audit until this information is obtained and we can conclude that the valuations are not materially misstated.

As detailed on page 9, due to issues within the West Midlands Pension Fund audit, an updated IAS19 actuarial report will be issued to the Authority that will require amendments to the accounts and the LGPS net pension fund liability. We will need to review that these adjustments are appropriately reflected in the financial statements and are free from material misstatement.

## 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 Audit and Risk Committee.

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 business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls for the implementation of the new ledger;
- 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 queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Risk Committee meeting on 28 November 2022. These outstanding items are highlighted on page 3.

### 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.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,600,000	We determined materiality for the audit of the Authority's financial statements as a whole to be £2.6m in our audit plan, which equated to approximately 2% of the Authority's gross operating expenditure in 2020/21. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding.
Performance materiality	1,820,000	Performance materiality drives the extent of our testing and this was set at 70% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> <li>• We are not aware of a history of deficiencies in the control environment.</li> <li>• Senior financial management and key reporting personnel have remained stable from the prior - year audit</li> </ul>
Trivial matters	130,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Risk Committee.
Materiality for senior officer's remuneration	24,300	In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

## 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

#### 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. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- obtained the listing of journal entries and other adjustments in the year and reconciled this back to the trial balance to ensure it was complete
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested 55 unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness
- reviewed material estimates and judgements for evidence of material bias
- reviewed the accounting policies adopted by the Authority which were deemed reasonable.

Our audit work is ongoing, however to date, we have not identified any issues in respect of management override of controls.

#### Implementation of a new ledger system

During the year, the Authority moved from an externally hosted Oracle Business System financial ledger, to an internally hosted Oracle Fusion ledger. This required migration of data for the first six months of the financial year from one system to another. The Authority staff will also be using a new ledger during the financial statements closedown and preparation process.

We have;

- Reviewed the Authority's process for ensuring the data migration was complete and accurate;
- Performed procedures to determine the design effectiveness of IT general controls of the new ledger system; and
- Reviewed management's process for the closedown and preparation of the financial statements.

There is a risk that data migrated between systems is not accurate or complete, and the operation of a new ledger system during the financial statements closedown and preparation process may lead to an increased number of errors or delays.

The work is in progress but to date we have not noted any significant weaknesses in arrangements our application of migration.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### The revenue and expenditure cycle includes fraudulent transactions (rebutted)

Having considered the risk factors set out in ISA 240 and the nature of the revenue and expenditure streams at the Authority, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:

- there is little incentive to manipulate revenue recognition.
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including West Midlands Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable.

Therefore, we did not consider this to be a significant risk for West Midlands Fire and Rescue Authority. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.

Our work to date has not identified any matters that would indicate our rebuttal was incorrect.

#### Valuation of land and buildings (PPE)

The Authority revalues its land and buildings on an annual basis.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the processes, controls and assumptions put in place by management to ensure that the valuation of land and buildings is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement;
- assessed the competence, capabilities and objectivity of management's experts [Wilks Head & Eve LLP] who carried out your PPE valuations; evaluated the instructions issued by management to their management expert [a valuer] for this estimate and the scope of the valuer's work;
- communicated with the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, particularly around obsolescence of assets, build costs, floor areas for DRC assets and yields and rents/market values for non-specialised properties.
- tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Authority's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value

At the time of writing this report, our work in relation to the valuation of the Authorities property assets (other land and buildings) is incomplete. We have encountered significant delays and difficulties in obtaining floorplans to support the areas provided to the external valuer to support their calculations. The Authority continues to support the audit team to gather this information and once this is obtained we will be able to conclude whether valuation estimates are free from material misstatements.



## 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 net defined benefit 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 (£1,843m in the Authority's balance sheet) 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.

We have:

- relied, where appropriate, on work carried out by our internal Grant Thornton audit team, as auditors of the West Midlands Pension Fund;
- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued to the management expert [actuary] for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary, through the Pension Fund, to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and documented and evaluated 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.

Our work in this area is ongoing, We need to review the adjustments made by the Authority as a result of the two misstatements which have been identified, by the pension fund auditor, in relation to the pension fund net liability.

- 1) West Midlands Pension Fund records the value of a number of its investments on a lagged basis, meaning the value is based on the value at the previous quarter adjusted for known cash movements.
- 2) The misstatement is in relation to the rate of return used to calculate the value of its investments. The Actuary's initial rate of return was lower than the actual rate based on the Pension Fund's financial statements, which has resulted in a reduction of the pension fund liability. The Authority has requested a revised report from the actuary to assess the impact.

As a result of these findings the pension fund actuary will issue a revised IAS19 actuarial report in respect to the Authority, and we have recommend the authority update its financial statements based on this.

We are also awaiting the pension fund auditor's letter to identify whether a further amendment is required before we conclude on this significant risk area.

## 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 (including Surplus Assets) – £144.857m	<p>Other land and buildings comprises £136.714m of specialised assets, 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.</p> <p>The remainder of other land and buildings (£8.143m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged Wilks Head &amp; Eve LLP to complete the valuation of properties as at 31<sup>st</sup> March 2022 on a five yearly cyclical basis. All assets were revalued during 2021/22.</p> <p>The total year end valuation of land and buildings was £144.857m, a net increase of £18.410m from 2020/21 (£126.447m).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. This provided us with assurance over the completeness and accuracy of the underlying information used to determine the estimate</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuer to confirm the basis on which the valuations were carried out</li> <li>tested on a sample basis revaluations of the Authority's land and buildings during the year to ensure they have been input correctly into the Authority's asset register and financial statements</li> <li>considered the appropriateness of the source data and key assumptions including comparable rental income and yields for the properties.</li> </ul> <p>Our audit work with regards to testing source data is ongoing due to difficulties in obtaining floorplans, therefore we are yet to conclude on the appropriateness of this estimate.</p>	TBC

### 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																								
Local Government Pension Scheme Net pension liability – £52.269m	<p>The Authority's net pension liability at 31 March 2022 is £52.269m (PY £65.402m). This is in relation to the Authority's obligations as a member employer of the West Midlands Pension Fund, part of the Local Government Pension Scheme. The Authority uses Hymans Robertson LLP 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 £12.627m net actuarial gain during 2021/22.</p>	<ul style="list-style-type: none"> <li>We have no concerns over the assessment of management's expert</li> <li>We have no concerns over the assessment of the actuary's approach taken</li> <li>We have used PwC as auditors expert to assess assumptions made by the actuary – see table below for the comparison made</li> <li>No issues were noted in the completeness and accuracy of the underlying information used to determine the estimate</li> <li>We have confirmed that the Authorities' share of LGPS pension assets is in line with expectations</li> <li>We have confirmed that the increase in the estimate is reasonable</li> <li>The disclosure of the estimate in the financial statements is considered adequate</li> </ul> <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2.7%</td><td>2.7 – 2.75%</td><td>✓</td></tr> <tr> <td>Pension increase rate</td><td>3.2%</td><td>3.15 – 3.30%</td><td>✓</td></tr> <tr> <td>Salary growth</td><td>4.2%</td><td>3.65 – 5.8%</td><td>✓</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>22.9 / 21.2</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>25.4 / 23.6</td><td>24.8 – 26.7 / 22.9 – 24.9</td><td>✓</td></tr> </table> <p>As previously stated on page 9 we are currently awaiting revisions to the financial statements based on updated IAS19 actuarial reports and the pension fund auditor's assurance letter before we can conclude on this significant risk area.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.7 – 2.75%	✓	Pension increase rate	3.2%	3.15 – 3.30%	✓	Salary growth	4.2%	3.65 – 5.8%	✓	Life expectancy – Males currently aged 45 / 65	22.9 / 21.2	21.4 – 24.3 / 20.1 – 22.7	✓	Life expectancy – Females currently aged 45 / 65	25.4 / 23.6	24.8 – 26.7 / 22.9 – 24.9	✓	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.7%	2.7 – 2.75%	✓																								
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Life expectancy – Females currently aged 45 / 65	25.4 / 23.6	24.8 – 26.7 / 22.9 – 24.9	✓																								

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Fire Fighters Net pension liability – £1,790.83m	<p>The Authority's net pension liability for Fire Fighter pensions at 31 March 2022 is £1,790.83m (P/Y £1,800.8m) comprising of all Firefighter Pension schemes. The Authority uses GAD to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes.</p> <p>The results have been calculated by carrying out a detailed valuation of the most recent data provided to the actuary (as at 31 March 2020), which has then been rolled forward to reflect the position as at 2022. In particular the actuary has allowed for service accrued between 1 April 2021 and 31 March 2022 and known pension and salary increases that would have applied.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Undertaken an assessment of management's expert</li> <li>Reviewed and assessed the actuary's approach taken and detailed work undertaken to confirm reasonableness of approach</li> <li>Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary. This led to further detailed discussions with the Pension Fund and Actuary whereby we challenged the assumptions and calculation methods applied</li> <li>Identified no issues with the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Confirmed there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.</li> </ul> <p>Our audit work is ongoing, however to date, we have not identified anything to suggest the estimate is materially misstated.</p>	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 Audit and Risk Committee. We have not been made aware of any other 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. This may need to be amended subject to further findings from the audit.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to your bank. This permission was granted and the requests were sent and the appropriate confirmation was obtained.
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	We have encountered significant delays and difficulties in obtaining floorplans to support the areas provided to the external valuer to support their calculations. Although we acknowledge that the Authority is now aiming to produce the relevant floor plans, this has delayed the delivery of the audit.

## 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="871 619 2016 673">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"> <li>• 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</li> <li>• 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.</li> </ul> <p data-bbox="871 1000 2074 1144">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 1158 1989 1302" style="list-style-type: none"> <li>• the nature of the Authority and the environment in which it operates</li> <li>• the Authority's financial reporting framework</li> <li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p data-bbox="871 1316 2051 1343">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1358 2056 1447" style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 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 and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our review of Other Information is ongoing however to date, no inconsistencies have been identified. Subject to the completion of this work, we plan to issue an unmodified opinion in this respect.</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"> <li>• 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,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>
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>Note that work is not required as the Authority does not exceed the reporting threshold.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of West Midlands Fire and Rescue Authority in the audit report, as our work on VFM is still to be completed.</p>





# 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 has been shared with management and the Chair of the Audit and Risk committee. We expect to issue our Auditor's Annual Report by 31<sup>st</sup> January 2013. 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 Authorities' arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work on this risk is underway and we have not identified any risks at this stage of the audit.

## 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.

### 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. No non-audit services were identified which were charged from the beginning of the financial year to November 2022.

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)

# Appendices

# A. Action plan – Audit of Financial Statements

Our audit is ongoing, however to date, we have identified 1 recommendation 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 2022/23 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
Medium	<p><b>Review of the Fixed Asset Register</b></p> <p>We have identified that the Authority have several assets within their asset register which are held at a nil net book value. The gross book value of these assets is £1.3m and whilst there is no impact on the balance sheet, this does increase the gross book value and accumulated depreciation in note 16.</p> <p>From the work that we have performed we have identified that these assets have been disposed/decommissioned. Although we have assurance that these assets are not materially misstating the financial statements, there is the risk that there are other items on the fixed asset register that are no longer in use.</p>	<p>The Authority should review their fixed asset register periodically to ensure that assets no longer in use by the authority, are removed in a timely manner.</p> <p><b>Management have agreed this recommendation.</b></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. Our audit work is ongoing, however to date, we have not identified any adjusted misstatements.

The Authority have disclosed that they will be making an adjustment to the pension liability figure upon receipt of an updated report as highlighted on page 9.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit to date, which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Misclassification of PPE	<p>We have identified an asset of £275k that has been recorded as an Asset under construction within note 16, however this should be recorded as a Surplus Asset within the same note. This does not impact the overall figure of PPE per the balance sheet however is a misclassification issue.</p> <p><b>Management response</b></p> <p>This is not material and management will make this change as a post audit adjustment and restate the opening balances for the 2022/23 accounts.</p>	No
Note 4 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	<p>The Code states that this disclosure must include the nature of assumptions of the estimate and the carrying value. The Authorities disclosure was not complete and did not provide sufficient detail to be compliant with The Code, therefore we have recommended for this to be updated.</p>	Yes
Financial Instruments	<p>As per note 18.5.3, the Authority has disclosed an interest figure of £36k, however after the audit team recalculated this, we determine the figure to be £45k. Management have agreed to amend this figure within the final accounts.</p>	Yes
Narrative Report	<p>As per CIPFA Code ref 3.1.1.14 it is recommended that a local authority cross-refer to the outturn provided in the Expenditure and Funding Analysis required by paragraph 3.4.2.100. From our review of the narrative report, we have identified that there are no clear references.</p> <p><b>Management response</b></p> <p>This is a recommendation and not a statutory inclusion, therefore the audit team are satisfied that this does not materially impact the narrative report or financial statements.</p>	No
Review of the financial statements	<p>We have noted a number of typographical errors throughout the financial statements which have been agreed to be amended by management</p>	Yes

## B. Audit Adjustments



### Impact of adjusted misstatements

We have recommend that the Authority make changes to the financial statements based on the updated IAS19 actuarial reports they will receive in respect to the LGPS pension fund. We are unable to assess the impact at this stage, as we are yet to see the adjustments made to the financial statements.

### Impact of unadjusted misstatements

None noted.

# C. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

<b>Audit fees</b>	<b>2021/22 Proposed Fee</b>	<b>2021/22 Final fee</b>
West Midlands Fire and Rescue Authority audit	£53,800	£61,300
Total audit fees (excluding VAT)	£53,800	£61,300

The proposed fees reconcile to the financial statements, as in note 30. We have requested a fee variation of £7,500 in respect to delays in receiving floorplans that support the valuation estimate and the revisions to the financial statements based on the updated IAS19 actuarial reports. The fee variations are subject to PSAA approval.

