



The Audit Findings for West Midlands Fire and Rescue Authority

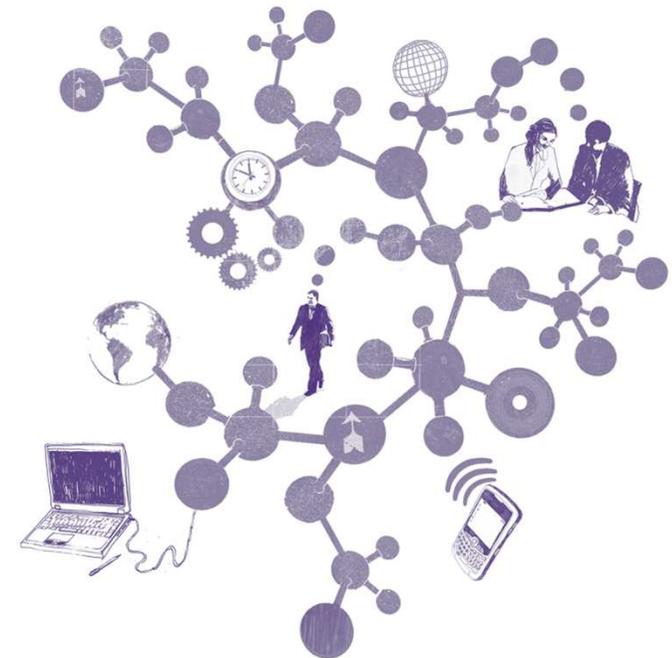
Year ended 31 March 2013

9th September 2013

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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.

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of West Midlands Fire and Rescue Authority's ('the Authority') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Authority's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2013

Our audit is substantially complete although we are finalising our work in the following areas:

- Review of the final version of the financial statements
- Obtaining and reviewing the final management letter of representation
- Updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

As at 9th September 2013, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the Authority's financial statements.

We identified one material adjustment of £5.7 million in respect of an overstatement of the valuation of specialised properties. These properties are valued at depreciated replacement cost. However some of the valuations included the costs of financing the replacement buildings and these should not have been included.

We have identified one adjustment which affects the Authority's reported financial position (details are recorded in section 2 of this report).

We have also requested a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Authority's financial statements are:

- The accounts were well prepared with few errors. The Authority provided working papers at the start of the audit. Further working papers were produced as required during the audit.
- Finance staff were available throughout the audit to answer our questions and provide additional information as part of our audit work.
- One control issue was raised at the interim visit in relation to recording information when pensions are deferred. This has been addressed going forward with the implementation of additional controls.

Further details are set out in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

The Authority submitted its WGA pack subject to audit by the Government's deadline of 14 August 2013. Audit Commission issued their instructions for our work on the 19 August 2013. We will complete our work in respect of the Authority's Whole of Government Accounts in accordance with the national timetable.

Controls

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

We draw your attention in particular to one control issue identified in relation to Pension Standing Data. We noted one weakness in relation to the transfer of pensions, not all cases where staff had requested a transfer of pensions was updated on the system, resulting in an overstatement of pensions liability

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Resources.

We have made a one of recommendation, which is set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Resources and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2013

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 10th June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 10th June 2013.

Audit opinion

We anticipate that we will provide the Authority with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • We considered whether the presumed risk of fraud due to improper recognition of revenue applied for the audit of West Midlands Fire and Rescue Authority. • Most of the Authority's revenues are from government grants or from Council Tax precepts which are predictable in timing and value. As the levels of other revenues are not material in 2012/13, we have concluded that the presumed risk can be rebutted and so is not relevant to our 2012/2013 audit. • We have undertaken and completed the following: <ul style="list-style-type: none"> – review and testing of revenue recognition policies – review of unusual significant transactions. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A. I have set out the findings of my work on each of the risks in the table below.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle • Undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively • Tested key controls • Tested operating expenses including substantive testing of a sample of recorded items of operating expenditure • Reviewed for unrecorded liabilities 	Our audit work has not identified any significant issues in relation to the risk identified
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle • Undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively • Substantively tested a sample of year end creditor balances • Reviewed the calculation of significant accruals and other items • Undertaken cut-off testing of the expenditure stream • Reviewed for unrecorded liabilities 	Our audit work has not identified any significant issues in relation to the risks identified

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Remuneration expenses not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle • Undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively • Substantively tested employee remuneration including tracing remuneration payments to HR and payroll records • Agreement of employee remuneration disclosures in the financial statements to supporting evidence 	Our audit work has not identified any significant issues in relation to the risks identified
Employee remuneration	Employee remuneration accruals understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented of our understanding of processes and key controls over the transaction cycle • Undertaken a walkthrough of the key controls to assess the whether those controls are designed effectively • Substantively tested accruals • Reviewed payments after the year end for unrecorded expenditure • Reviewed the reconciliation between payroll and the general ledger. 	Our audit work has not identified any significant issues in relation to the risk identified

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Firefighters' pensions	Payments to pensioners incorrectly calculated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Documented and identified processes and key controls in the pension benefit payments cycle • Walked through a sample item to confirm our understanding • Undertaken sample testing of the accuracy and propriety of new pensions in payment (including lump sum values) and other amendments due to change in circumstances 	Our audit work has not identified any significant issues in relation to the risks identified
Firefighters' pensions	Actuarial amounts not determined properly / member data not correct / regulatory, legal and scheme requirements not met	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Documented and identified processes and key controls in the member data cycle • Walked through a sample item to confirm our understanding • Undertaken testing on data submitted by the authority to the actuary • Reviewed the actuarial report and actuarial assumptions and considered for reasonableness • Agreed pension disclosures in the financial statements to supporting evidence 	Our audit work has not identified any significant issues in relation to the risks identified

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Activity is accounted for in the year it takes place, not simply when cash payments are received (Accounting policy 2) The Authority has adopted the standard revenue recognition for Local government as set out in the Code for the receipt of Government Grants (Accounting policy 10) 	<p>The polices applied are the standard accounting policies for Local Government.</p> <p>We concluded from our work on revenues that the Authority has applied its stated policies</p>	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgments include: <ul style="list-style-type: none"> Property valuations, useful life of property, plant and equipment , depreciation and impairments pension fund valuations and settlements pension top-up grant. 	<p>The balance sheet valuation of specialised properties has been amended to remove the financing costs identified by the valuer.</p> <p>Other than this, our review of judgments and estimates has not highlighted any issues which we wish to bring to your attention</p>	 Green
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards. 	<p>The policy on the valuation of inventories does not comply with IAS 2 or the Code as they are included in the balance sheet at latest price. This does not result in a material error and is consistent with previous years.</p> <p>Our review of other accounting policies has not highlighted any further issues we wish to bring to your attention.</p>	 Amber

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

One adjustments to the draft financial statements was identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

Detail	Surplus/Deficit on the provision of Services £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Revaluation via the 20% rolling programme identified a decrease in valuation of Specialised Properties due to a revised valuation methodology that correctly excluded the costs of financing replacement buildings. The remaining unvalued properties had not been amended to reflect the information held.	£595	(5,773)	5,773
Overall impact	£595	£(5,773)	£5,773

Misclassifications & disclosure changes

There were no misclassification error found from audit work undertaken.

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

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Note 24 Officers Remuneration	The exit package element of note 24 does not meet the Code requirements for disclosure. Exit packages greater than £100,000 should be disclosed in bands of £50,000 . The Authority has made this disclosure using £10,000 bands.
2 Disclosure	Note 11 Financial Instruments	The accounting policies of the Authority state that the WMCC debt is held at historical cost, which is consistent with prior years. However note 11 shows all debt held at amortised cost. This is a disclosure error only as audit work found that the policy had been correctly applied.
3 Disclosure	Note 15 Assets Held for Sale	Halesowen Fire Station was transferred to held for sale during 2012/13 however the accounting treatment in relation to disclosure of losses was incorrect. Note 15 has been amended to correctly show the losses and comply with the code requirements. These changes had no impact on the cost of services balance
4 Disclosure	Miscellaneous	A number of disclosure amendments were made to the financial statements due to matters identified during the course of the audit including: <ul style="list-style-type: none"> • a number of notes and entries in the accounts did not add value to the reader as they contained zero entries or were not relevant to the Authority and were therefore removed • more information was added to show that the Authority no longer provide residential homes and these properties are now held as surplus assets
5 Disclosure	Miscellaneous	Other minor amendments have been made. None of these are considered individually significant to warrant further disclosure.

Unadjusted misstatements

One misstatement was identified during the audit which has been adjusted in the final set of financial statements. Details are shown on page15. No unadjusted misstatements to report.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

In our audit plan we reported that in two areas of the general IT control environment low priority best practice recommendations had been made and these have been actioned by officers.

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.

These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1		<ul style="list-style-type: none"> We noted one weakness within the controls supporting pension member data. Not all cases where staff had requested a transfer of pensions were updated on the system. This would result in an overstatement of pensions liability. 	<ul style="list-style-type: none"> We recommended that the Authority reviewed and implemented controls to ensure that pension member standing data was updated to reflect accurately the liabilities of the pension fund. As at the 9th September the Authority had put in place revised procedures to address this issue.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit 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
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Authority.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed

Section 3: Value for Money

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Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Authority's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission:

- **The Authority has proper arrangements in place for securing financial resilience.** The Authority has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Our audit approach involves the completion of an initial risk assessment against a series of key criteria. In undertaking this initial assessment we took account of the key issues facing the fire sector, including the reductions in funding that authorities are facing following the Spending Review. We did not identify any residual risks that needed to be addressed through specific local work.

Key findings

The key findings from our review are:

- Financial Resilience - the Authority is considered to be in a sound financial position at this time. They have significant reserves and a track record of delivering financial performance in line with budgets. Their savings programme (BUS) has been successful over the past two years, which should enable the Authority to deliver services in line with The Plan's objectives despite the significant cuts in funding which have only recently been announced.

- Financial Planning - the Authority has developed a Medium Term Financial Strategy which provides detailed plans for three years (on a rolling basis) and considers the financial planning at a higher level for future years. This includes sensitivity analysis and scenario planning. With the uncertainty of future funding, detailed plans have not been developed further ahead than three years. However, the Authority does consider the full financial impact of any decisions made on projects initiated.
- Joint working - the Authority is keen to work in partnership wherever possible and a key project currently being developed in the Joint Control Room with Stoke & Staffordshire Fire & Rescue Authority. This project plans to provide savings for both organisations alongside efficiencies and also strengthened working arrangements. The financial plans for the project are being closely monitored as part of the Prince 2 project management.
- Fire & Rescue National Framework 2012 - The Plan is the Authority's corporate document outlining West Midlands Fire and Rescue Authority Priorities and Outcomes for the community, as well as specific Strategic Objectives for the forthcoming 3 year period. It includes an analysis of risk from within the Community Safety Strategy (the Integrated Risk Management Plan) and incorporates the outcomes of consultation undertaken with customers, stakeholders and staff. It is also possible to map the priorities from the National Framework published in July 2012 to the objectives within the Plan. Progress against the objectives is reported to the Scrutiny Committee and for 2012/13 the Authority met or exceeded seven of its Corporate Objectives and made progress, but failed to meet three of its Corporate Objectives. There is evidence that plans are in place to address areas where performance has not met the required level.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

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

Fees

	Per Audit plan	Actual fees
Authority audit	£51,515	£51,515
Total audit fees	£51,515	£51,515

Fees for other services

Service	Fees £
None	Nil

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 Auditing Practices Board's Ethical Standards and therefore we confirm that we 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 Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Further controls should be introduced to ensure that the standing data in relation to pension transfers is accurate.	Medium	Controls will be examined and new procedures put in place to ensure that amendments to standing data are actioned in a timely manner	Paul Gwynn 31/7/13

Appendix B: Audit opinion

We anticipate we will provide the Authority with an unqualified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of West Midlands Fire & Rescue Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of West Midlands Fire & Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurers Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
give a true and fair view of the financial position of West Midlands Fire and Rescue Authority as at 31 March 2013 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:
in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, West Midlands Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of West Midlands Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

James Cook
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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20 Colmore Circus
Birmingham
B4 6AT

September 2013

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 10th June 2013

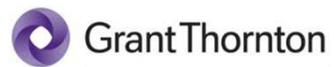
Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated or not recorded in the correct period	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Employee remuneration expenditure and tax obligation understated.	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None	Actuarial amounts not determined properly	No	None
Impairment of investments	Investments	None		No	None
Income from Council tax	Council Tax	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None	Actuarial amounts not determined properly, member data not correct	No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid	No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements not correct	No	Yes see Adjusted Misstatements page 15
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	Yes see Accounting Policies page 13

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Borrowing (long & short term)	Debt	None	Debt obligations not reflected properly	No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None	Actuarial amounts not determined properly, member data not correct	No	None
Reserves	Equity	None		No	None
Income to the firefighters' pension fund	Scheme contributions	None		No	None
Pension benefits payable	Pension scheme benefit payments	None	Payments to pensioners incorrectly calculated.	No	None
Pension top up grant receivable	Grant income	None		No	None
Pension Fund Net current assets and liabilities	Scheme contributions, benefit payments	None		No	None



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