

# Audit Committee Update for West Midlands Fire and Rescue Authority

**Audit Year 2012/13**

March Audit Committee

**James Cook**  
**Engagement Lead**

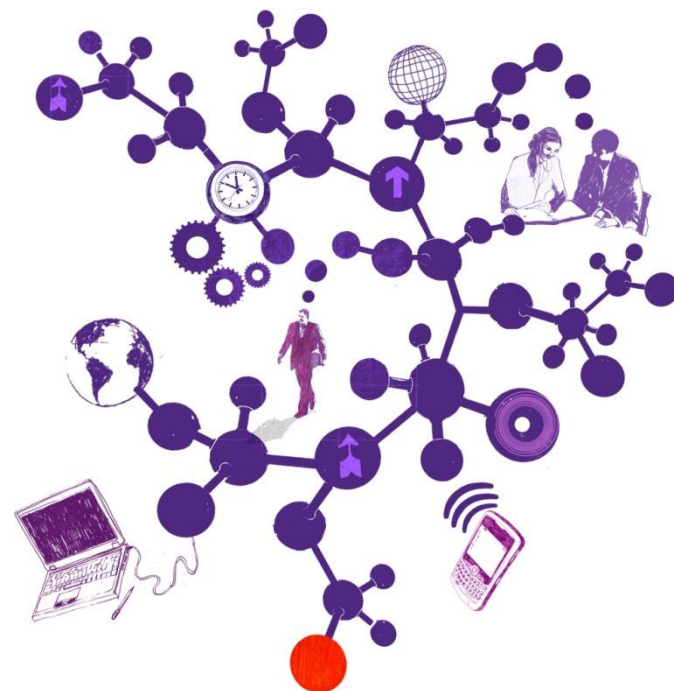
T 0121 232 5343

E [james.a.cook@uk.gt.com](mailto:james.a.cook@uk.gt.com)

**Pragati Raithatha**  
**Audit Manager**

T 0121 232 5291

E [pragati.d.raithatha@uk.gt.com](mailto:pragati.d.raithatha@uk.gt.com)



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# Introduction and Progress to Date

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 as a Fire Authority
- includes 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](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including 'Local Government Governance Review 2012', 'The developing internal audit agenda', and 'Towards a Tipping Point?'

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**

At time of writing this progress report we were planning the audit. We will provide a detailed Audit Plan at the next Audit Committee

# Emerging issues and developments

## Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

The only area we are aware that will require a provision is Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements. The other key areas of provisions for Authorities are equal pay and redundancy costs but these are not expected to be significant for WMFRA.

Challenge question:

- Has the Director of Resources considered the need for additional provisions?

## 'Striking a balance: improving councils' decision making on reserves'

Although this report was produced on the basis of information from local authorities, the messages in this report are still relevant to you.

In December, the Audit Commission published '[Striking a balance: improving councils' decision making on reserves](#).' The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Challenge questions:

- Given earmarked reserves of £23m and general fund reserves of £6.7m, are you satisfied with these levels and the intended use?

# Emerging issues and developments

## **'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '**

Although this report was produced on the basis of information from local authorities, the messages in this report are still relevant to you.

In December 2012, Grant Thornton published ['Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'](#). This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that relate to your authority and what action are you going to take?

## **'Auditing the Accounts 2011/12' report**

In December, the Audit Commission published ['Auditing the Accounts 2011/12'](#). The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Challenge questions:

- Has your Director of Resources identified the key risks for the authority in preparing the 2012/13 financial statements and adequately resourced this?

# Emerging issues and developments

## Operational efficiencies review

During January to March 2013, there is to be a [review into the operational efficiency](#) of the services delivered by fire and rescue authorities in England by Sir Ken Knight, the outgoing Chief Fire and Rescue Adviser. A final report is to be presented to Ministers in Spring 2013.

The review will look at options for savings both within and beyond the current Spending Review period including through:

- Firefighter training
- Flexible staffing and crewing arrangements
- The use of retained firefighters
- Procurement
- Shared services
- Collaboration with emergency services and other organisations on service delivery and estates
- Sickness management
- Sharing of senior staff
- Locally led mergers and operational collaborations
- New Fire-fighting technology
- Preventative approaches
- Working with local businesses

Fire and rescue authorities have been invited to put forward their views.

Challenge questions:

- Are your officers going to contribute to the operational efficiencies review?

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.



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