

Annual Audit Letter

West Midlands Fire and Rescue Authority

Audit 2010/11



Contents

Key messages	3
Audit opinion and financial statements	3
Value for money	3
Current and future challenges	4
Financial statements and annual governance statement	5
Overall conclusion from the audit	5
Significant weaknesses in internal control	5
Value for money	6
Closing remarks	8
Appendix 1 - Fees	9
Appendix 2 - Glossary	10

Traffic light explanation

Red  Amber  Green 

Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

I issued an unqualified opinion on the Authority's 2010/11 accounts on 20 September 2011, meeting the statutory deadline of 30 September. My opinion confirms that the accounts give a true and fair view of the Authority's financial affairs and of the income and expenditure recorded by the Authority.

Prior to giving my opinion on the accounts, I was required to report significant matters arising from the audit to "those charged with governance" (defined as the Full Authority meeting). I presented this report on 19 September 2011 and summarise only the key messages in this letter.

Value for money

I issued an unqualified VFM conclusion on 19 September 2011, at the same time as my accounts opinion (again meeting the set target date of 30 September). I concluded that, for 2010/11, the Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Current and future challenges

In common with all public sector bodies, the Fire Authority's key challenge is to respond to the reduced funding announced in the Comprehensive Spending Review (CSR). The Authority faces a reduction of grant funding of £10 million (12.6 per cent) over the next two years. Savings have been back loaded, therefore it is anticipated that the required savings for subsequent years will be even higher. The Authority has taken swift action to start the process of identifying savings.

The Authority intends to deliver the required cost saving by using its Building upon Success (BuS) programme and a recruitment freeze. The BuS programme consists of a number of work packages, covering both service support and service delivery areas. Each work package aims to deliver a more efficient and effective delivery of services with the aim of ensuring that the required saving can be achieved.

The Authority's current sound financial position, with General Fund (GF) balances of £5.7 million and earmarked reserves of £17.9 million, mean it is better placed to manage the future financial challenges it faces. The Authority has not relied on use of reserves to support its spending in recent years, thus putting it in a stronger position to deal with the challenges it now faces.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds.

Overall conclusion from the audit

On 20 September, I provided an unqualified opinion on the Authority's financial statements, following approval of the accounts by Full Authority on 19 September 2011. The Authority produced a timely first set of IFRS compliant accounts. The initial set of working papers the Authority provided was comprehensive. Responses to our audit queries and requests for further working papers and evidence were prompt.

As reported in my Governance Report, there were two significant audit adjustments arising from the audit, and a large number of other relatively minor errors. None of the amendments impacted on the overall financial performance of the Authority as reported in the original draft accounts.

To reduce the number of issues arising from the audit in future years, I have recommended strengthening quality assurance arrangements over the accounts production and further tailoring the model set of accounts.

Significant weaknesses in internal control

I have already reported weaknesses in internal control in my Governance Report. None of these were significant and officers have already agreed to take action.

Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the VFM conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Authority has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
1. Financial resilience The organisation has proper arrangements in place to secure financial resilience. Focus for 2010/11: The organisation 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.	<p>I am satisfied that the Authority has adequate arrangements in place.</p> <p>My assessment is based on the review of the Authority's arrangements in place for managing its financial position, its performance in 2010/11 and the financial plans in place for 2011/12.</p> <p>At 31 March 2011 the Authority held a GF balance of £5.7 million and earmarked reserves of £17.9 million, which will help it to manage the future challenges that it faces. The GF balance is 4.5 per cent of the net cost of services and is within the target range that you have set and consider to be appropriate to meet unexpected events in the future.</p> <p>The Authority is actively seeking to make savings via the BuS programme to ensure that the reductions in funding announced in the CSR can be managed and implemented to minimise their impact on the services provided.</p>

Criterion	Key messages
	<p>Financial Performance reported to the September 2011 Authority meeting shows that performance is within budget in 2011/12 with an overall favourable variance on profiled budget of £0.7 million.</p>
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2010/11:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>I concluded that, for 2010/11, the Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>My assessment is based on review of the Authority's past arrangements and performance in securing economy, efficiency and effectiveness. Following my risk assessment for 2010/11, including a review of the supporting evidence provided by the Authority, I did not identify any areas of significant concern to warrant further detailed review. I did review the BuS programme as this is the key vehicle by which the Authority intends to implement the required financial savings, with minimum impact on services.</p> <p>Overall, the Authority has maintained the standards it achieved in 2009/10.</p>

Closing remarks

I have agreed this letter with the Director of Finance and Procurement and other senior officers. I will present this letter to the Audit and Performance Management Committee on 28 November 2011 and will provide copies to all Authority members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

Report	Date issued
Audit Plan	March 2011
Annual Governance Report	September 2011
Final Accounts Memorandum	October 2011

The Authority has taken a positive and constructive approach to our audit. I wish to thank the Authority staff for their support and co-operation during what has been a challenging year.

John Gregory

District Auditor

31 October 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Financial statements and whole of government accounts	£66,071	£66,071	nil
VFM Conclusion	£20,051	£20,051	nil
Total	£86,122	£86,122	nil

Appendix 2 - Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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