

# Audit Committee Update for West Midlands Fire & Rescue Authority

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**Year ended 31 March 2014**

October 2014

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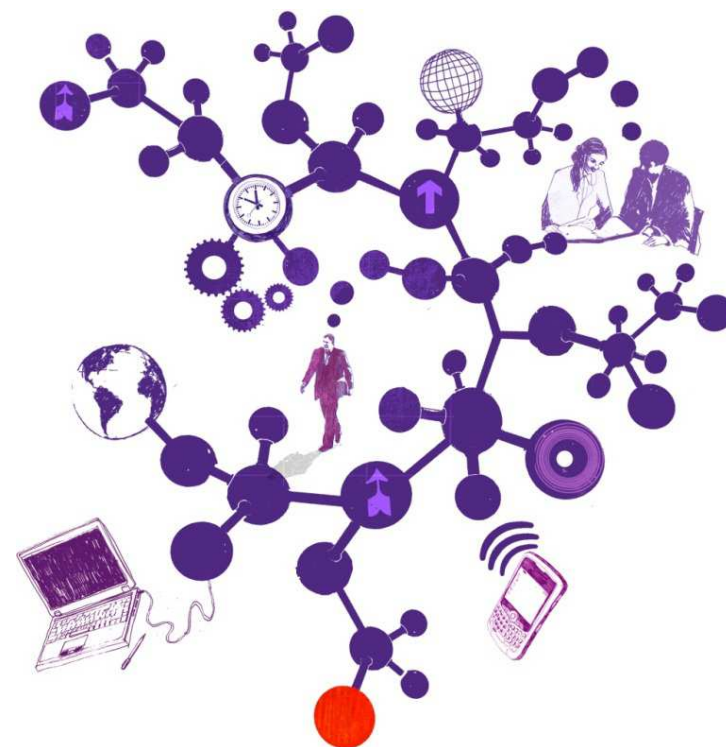
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you 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 – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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.

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# Progress to date

Work	Planned date	Complete?	Comments
<b>2013-14 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Fire Authority setting out our proposed approach in order to give an opinion on the Fire Authority's 2013-14 financial statements.	January 2014	Yes	Presented to the March Audit Committee.
<b>Interim accounts audit</b> Our interim fieldwork visits include: <ul style="list-style-type: none"> <li>• updating our review of the Fire Authority's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	December 2013 – March 2014	Yes	We have confirmed that the Authority's control environment is sound. The significant financial systems have been examined and there are no weaknesses which we wish to bring to your attention. The work of Internal Audit has not identified any weaknesses which will impact on our proposed testing plan. Discussions with key finance staff have been on-going in relation to emerging accounting issues. We have also met quarterly with the S151 Officer and Director of Resources to discuss audit progress and developments within the Authority which may impact on the opinion and value for money conclusion. We have undertaken a reasonable level of early substantive testing on the key risk areas within the financial statements. No issues have been identified to date which would impact on our proposed testing plan.

# Progress to date

Work	Planned date	Complete?	Comments
<b>2013-14 final accounts audit</b> Including: <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on the Fire Authority's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June – September 2014	Yes	We provided an unqualified opinion at the September Authority meeting.
<b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2013/14 VfM conclusion requires conclusions on whether: <ul style="list-style-type: none"> <li>• The organisation has proper arrangements in place for securing financial resilience.</li> <li>• The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</li> </ul>	January – July 2014	Yes	We provided an unqualified conclusion at the September Authority meeting.
<b>Annual Audit Letter</b> A summary of all work completed as part of the 2013/14 audit.	October 2014	No	We have formed our conclusions following the completion of the opinion and value for money work and are aiming to provide an annual audit letter to the Authority in draft in the next few weeks. This will be agreed by the end of October in line with the deadlines set by the Audit Commission.

# Audit Findings Report Action plan – September 2014

The recommendations raised in the Annual Findings Report have been included here for the Audit Committee to review and track progress

## 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	<b>Incorrect parameters for the pension scheme</b> Periodically review the parameters to ensure the correct deductions are being applied for pensions.	Medium	Agreed	Agreed, December 2014, Payrolls and Pensions Manager
2	<b>IT access controls</b> Review the password settings for the network, system change management controls and the number of 'domain administrators' with significant access, with a view to implementing best practice requirements.	Medium	Agreed	December 2014, Strategic Enabler of Information & Communications Technology
3	<b>IT policies and procedures</b> Information security policies and procedures should be reviewed at planned intervals or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness.	Medium	Agreed	March 2015, Strategic Enabler of Information & Communications Technology
4	<b>Community Interest Company</b> Review the accounting and audit arrangements for the Community Interest Company to assess whether more detailed disclosures will be required in the Fire Authority accounts in future.	Medium	Agreed	March 2015, Finance Manager

# Forthcoming events

## Grant Thornton are pleased to announce that they are hosting two forthcoming events in Birmingham

### **The Local Government Audit Committee Member Network – Wednesday 22<sup>nd</sup> October 2014**

Our last meeting was a great success with good attendance from a range of Local Government bodies across the West and East Midlands. Unitary Councils, District Councils and Fire Authorities were amongst those represented. Attendee experience varied with some Councillors having nearly a decade of experience on the Audit Committee and many having recently been appointed to theirs. It was great to have this breadth of experience and that so many Councillors were willing to ask questions and share their views and experience.

The second meeting will explore "**The Evolving Local Government Audit Committee Agenda**" – Understanding and managing key risks, particularly in relation to budget setting, the assurance framework and alternative delivery models. We have a guest speaker to provide insight from a Council's perspective and the meeting will hopefully provide an opportunity for Members to explore how other Audit Committee's are addressing this. Please come along as the more attendees we have the more beneficial for Members the networking opportunity will be.

The meeting will run from 2.30 – 5.30pm at our Colmore Plaza offices. Please contact your Audit Manager for more details.

### **UK Fire Summit – better use of staff and equipment – Friday 28<sup>th</sup> November 2014**

Senior Fire Officers from around the Country have been invited to our Grant Thornton UK Fire Summit being held in our Birmingham Colmore Plaza office.

In May 2013, Sir Ken Knight's report "facing the future" stated that: *"Deaths from fires in the home are at an all time low; incidents have reduced by 40 per cent in the last decade, but expenditure and firefighter numbers remain broadly the same" and "Innovative crewing and staffing models are being pursued, and there is some evidence that these are being shared – but there is little evidence of areas implementing learning from others."*

Many Fire and Rescue Services are now reviewing staffing models with a view to improving economy, efficiency, and effectiveness. Some authorities have also tried new technology for fighting fires and considered the impact on crewing arrangements.

As part of our on-going commitment to the sector our third UK Fire Summit will provide an opportunity for sharing many of the innovative approaches which are being developed across different fire and rescue services. As with our previous successful fire summits, the event will take the form of a roundtable discussion, and we will then produce a write-up for sharing across the wider sector. Please speak with your Senior Fire Officers to find out whether they are attending this event and to see the published output.

# Where Growth Happens

## Grant Thornton

Our national report 'Where Growth Happens' is available at:

[http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf)

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEPs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assess the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



# The National Fraud Initiative

## Local government guidance

On 12 June 2014 the Audit Commission released its national report, [The National Fraud Initiative \(NFI\): National Report \(June 2014\)](#) highlighting that its data matching exercise has identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since it last reported in May 2012. The Chairman of the Audit Commission, Jeremy Newman said;

*"We publish a report from the NFI every two years and continue to produce great results. The national figure for identified fraud, error and overpayment, that would otherwise be lost to the taxpaying public, is down by £46 million compared to the previous report although the number of cases has increased by nearly 20 per cent. This is great news if, as we believe, it is due to improving detection rates. However, we cannot be complacent. The more participants in the exercise, the richer the data for everyone involved and the harder it is for fraudsters to hide from detection".*

The Audit Commission's National Fraud Initiative will move to the Cabinet Office in April 2015 to secure the continuation of the counter fraud data matching initiative which over its 18 year history has identified over £1.17 billion in fraud, error and overpayment .

## Challenge question

- Are members satisfied that the Council's support for the NFI's data matching exercise is adequate and that local data matches are being properly investigated to identify potentially fraudulent activity?

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# CIPFA LAAP updates

## Accounting and audit issues

CIPFA have issued the following LAAP Bulletin:

- [LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.

## Challenge questions

- Has your Director of Resources reviewed the guidance and assessed the potential impact for your authority?



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