

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**11 APRIL 2016**

1. **EXTERNAL AUDIT WORK PROGRAMME AND SCALE OF FEES FOR 2016/17**

Report of the Chief Fire Officer.

RECOMMENDED

THAT the Committee note the external audit work programme and scale of fees for the 2016/17 audit work to be undertaken by Grant Thornton UK LLP.

2. **PURPOSE OF REPORT**

This report is submitted to inform the Committee of the external audit work programme and scale of fees for 2016/17 as set out in the Planned Audit Fee for 2016/17 letter attached as Appendix 1.

3. **BACKGROUND**

- 3.1 Members will recall that following an exercise to outsource the public body audit work of the Audit Commission's in-house audit practice, the contract for undertaking of the external audit of this Authority was awarded to Grant Thornton UK LLP.
- 3.2 When the Audit Commission announced the contract awards it also confirmed that the scale of fees for the delivery of the work programme would be reduced by 40% in comparison to the 2011/12 scale of fees. The Commission stated that it was anticipated that the reduced fee would be fixed, irrespective of inflation, and would apply for the five year term of the contract although fees would be subject to annual review. The scale of fees proposed for the delivery of the 2016/17 work programme is £38,636 which is the same charge as 2015/16.

- 3.3 Similarly, the work programme proposed for 2016/17 is broadly the same as the 2015/16 work programme. Essentially, the work programme will consist of an audit of the financial statements, audit work to enable a value for money conclusion and on the Whole of Government Accounts (WGA) return. This is applicable to all public bodies.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment has not been carried out. The matters contained in this report will not lead to policy change.

5. **LEGAL IMPLICATIONS**

The Local Audit Bill sets out the framework to support the delivery of local public audit arrangements.

6. **FINANCIAL IMPLICATIONS**

The proposed scale fee for the 2016/17 external audit work programme is £38,636.

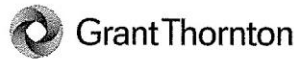
**BACKGROUND PAPERS**

The contact officer for this report is Phil Hales, Deputy Chief Fire Officer, 0121 380 6907.

PHIL LOACH  
CHIEF FIRE OFFICER

## **APPENDIX 1**

### **PLANNED AUDIT FEE FOR 2016/17**



Our ref: JAC/EJM/W09000020/Fee\_Letter\_16-17

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21 March 2016

Dear Mike

#### **Planned audit fee for 2016/17**

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

In this letter we set out details of your audit fee for the 2016/17 financial year, along with the scope and timing of our work and details of our team.

#### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process.

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A full list of members is available from our registered office.  
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PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Authority's scale fee for 2016/17 has been set by PSAA at £38,636.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

#### Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

#### Value for Money conclusion

The Code requires us to consider whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

#### Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	9,659
December 2016	9,659
March 2017	9,659
June 2017	9,659
<b>Total</b>	<b>38,636</b>

#### Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and work on the whole of government accounts return in July.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Authority's accounts and VfM.
Final accounts audit	June 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	June to July 2017	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2017	Annual audit letter to the Authority	The letter will summarise the findings of all aspects of our work.

#### Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	James Cook	0121 232 5343	<a href="mailto:james.a.cook@uk.gt.com">james.a.cook@uk.gt.com</a>
Engagement Manager	Emily Mayne	0121 232 5309	<a href="mailto:emily.j.mayne@uk.gt.com">emily.j.mayne@uk.gt.com</a>
In Charge Auditor	James McLarnon	0121 232 5219	<a href="mailto:james.a.mclarnon@uk.gt.com">james.a.mclarnon@uk.gt.com</a>

#### Additional work

The scale fee excludes any work requested by the Authority that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Authority.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, via [mark.c.stocks@uk.gt.com](mailto:mark.c.stocks@uk.gt.com).

Yours sincerely

James Cook

Engagement Lead

For Grant Thornton UK LLP