

Audit Committee Update for West Midlands Fire & Rescue Authority

Progress Report and Update Year ended
31 March 2018

November 2017

Richard Percival

Engagement Lead

T 0121 232 5434

E richard.d.percival@uk.gt.com

Emily Mayne

Senior Manager

T 0121 232 5309

E emily.j.mayne@uk.gt.com



Introduction

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

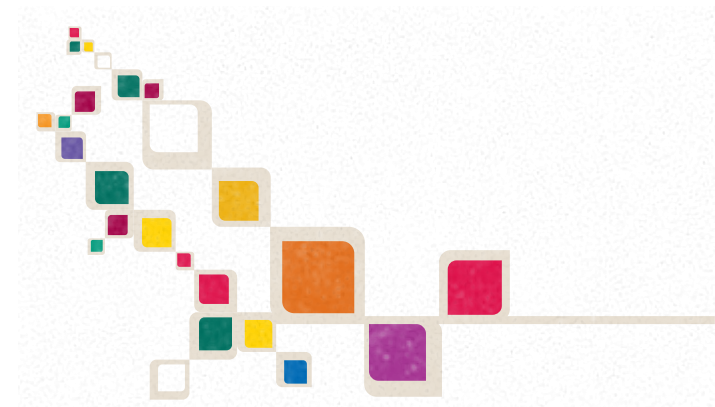
Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- The board: creating and protecting value:

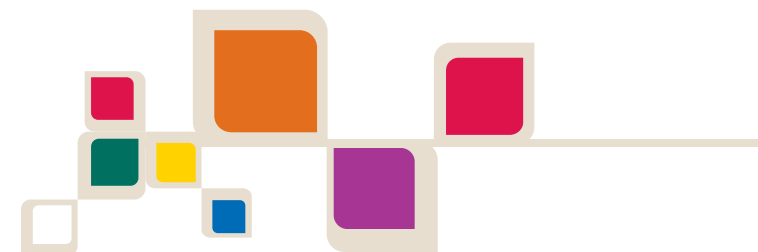
<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>

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 Engagement Manager.

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.

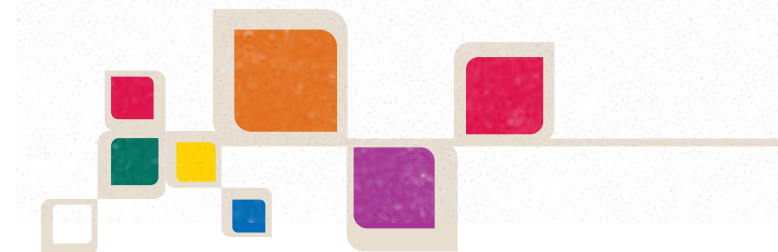


Progress to date



2017/18 work	Planned Date	Complete?	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2017/18' by the end of April 2017.	April 2017	Yes	The 2017/18 fee letter was issued in April 2017.
Accounts Audit Plan 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 2017/18 financial statements.	January 2018	No	We continue to assess the risks facing your Authority and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate. Once we have issued our plan, if there are any changes between our initial risk assessment and the delivery of our opinion we will discuss this with the Strategic Enabler for Finance and Resources before presenting to the Audit Committee.
Interim accounts audit Our interim fieldwork visits include: <ul style="list-style-type: none"> • updating our review of the Fire Authority's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January – March 2018	No	We have already engaged with the finance team to: <ul style="list-style-type: none"> • streamline and improve the audit approach for 2017/18 where possible • discuss any technical issues early, including those impacting on future years. As in previous years, we plan to undertake as much early testing as possible. We continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2017/18 financial statements • proposed opinion on the Fire Authority's accounts • proposed Value for Money conclusion. 	June – July 2018	No	We plan to undertake our final accounts on site work from early June and report to the July Audit Committee. We plan to deliver your opinion by the 31 July 2018 meeting the shorter timescales for providing our opinion. We will issue the certificate once we have evidenced your financial statements on your website.

Progress to date



2017/18 work	Planned Date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2017/18 VfM Conclusion requires conclusions on whether:</p> <p><i>"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</i></p> <p>This change of guidance was issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	January – July 2018	No	<p>We will report the significant risks we have identified for your VfM conclusion as part of our audit plan. Work will be undertaken on these throughout the year and we will provide an indication of our conclusion in March 2018 ahead of the final accounts audit.</p> <p>Our work on the VfM Conclusion will include meetings with key Senior Officers and key document reviews.</p>
<p>Annual Audit Letter</p> <p>We will summarise all the work completed as part of our 2017/18 audit within one letter which will be issued after the opinion.</p>	October 2018	No	<p>This will summarise all work undertaken by Grant Thornton relating to 2017/18 and will be published on the PSAA website.</p>
<p>Engagement with the Fire Authority since the last Audit Committee meeting</p>	On-going	On-going	<p>Meetings with Key Senior Officers, to ensure our understanding of your business is maintained.</p> <p>CFO Phil Loach presented on Public Sector Reform in the West Midlands in our Strategic Financial Management Development Programme.</p> <p>Provided hard copy Grant Thornton publications relevant to the Fire Sector.</p>

Fire Sector Accounting and other issues



NFCC response to the Hackitt Review

Sector Issues

The Chair of the NFCC, Roy Wilsher, has recently submitted a response on behalf of the NFCC to Dame Judith Hackitt concerning the independent review of the building regulations and fire safety.

The submission has been put together through the NFCC's Protection and Business Safety Committee which comprises of a 'protection specialist' representative from every UK region and Devolved Assembly. The submission includes responses from 16 English and Welsh fire and rescue services which have been analysed, alongside The Call for Evidence published in September 2017 and therefore it is felt that the submission reflects the broad views from across the Fire and Rescue Services.

Considering the potential failures that have been identified in the wake of the Grenfell Tower fire, in this submission the NFCC has requested that the Independent Review gives particular consideration to the Coroner's recommendations following the fire at Lakeland House to ascertain whether all lessons and recommendations following that event have been appropriately implemented, particularly those relating to Approved Document B and to sprinklers.

The response from the NFCC is structured in line with the 10 questions set out by the review and covers a number of cross cutting themes, a key area being enforcement power for fire and rescue services and that there needs to be greater clarity over about who is responsible for complying with Building Regulations, and who is responsible for enforcing compliance.

It is also noted that consideration needs to be given over the independence and competence of fire risk inspectors; as it stands they are unregulated and remain unchallenged in most areas and as such this poses a risk. The NFCC response also sets out that they would like to see the review consider an improved focus on property protection and sustainability in building regulations.

The full terms of reference for the independent review are available here:

<https://www.gov.uk/government/publications/independent-review-of-building-regulations-and-fire-safety-terms-of-reference>

The NFCC response to the review can be seen here:

https://www.nationalfirechiefs.org.uk/write/MediaUploads/Grenfell/NFCC_Submission_review_building_regs_final.pdf

NFCC calls for sprinklers to be fitted in new build schools

Sector Issues

The National Fire Chiefs Council is calling for all new school builds or refurbishments to have sprinklers fitted - a policy that is mandatory in Scotland and Wales. Figures show the proportion of new schools built with sprinklers had dropped from about 70% a decade ago to a third last year - and overall, in England and Wales, just 5% of schools have sprinklers.

An independent analysis made in 2017 which looked at over 2,000 incidents attended by the UK fire services in sprinkler-protected buildings, found that the sprinkler systems correctly operated on at least 94% of the fires and controlled or extinguished 99% of those fires.

According to NFCC, the impact of school fires is significant; while they have an impact in financial terms they also have a devastating impact on the communities schools serve, along with the environment and the disruption to students, teachers and families. The impact on children's education is not confined to lost course work but often includes longer travelling times, disrupted social groups and poorer facilities.

NFCC believes if sprinklers were considered at the design stage of new build or refurbishment of existing buildings, costs could be kept to a minimum.

Each year, more than 1,300 schools in the UK suffer fires large enough to be attended by fire and rescue services. Fifty-six per cent of these are classed as non-accidental. According to government estimates (DCLG), the average cost of school fires between 2000 and 2004 was £58 million per year

NFCC strongly believes sprinklers can play a significant role in both improving the life safety of occupants, especially in specialised housing, health care facilities and high-rise accommodation. In addition, it believes that sprinklers are the most effective way to ensure that fires are suppressed - or even extinguished - before the fire service can arrive.

In addition the sprinklers are an effective part of an overall fire safety solution and can be used efficiently to improve fire safety in a range of new and existing buildings and the NFCC supports the concept of risk-assessed retro fitting of sprinklers.

More information alongside a link to the independent analysis can be found here:

<https://www.nationalfirechiefs.org.uk/News/nfcc-calls-for-sprinklers-to-be-fitted-in-new-build-schools/186050>

Local Authority 2016/17 Revenue Expenditure and Financing

DCLG report

DCLG has produced a summary of Local Authorities' 2016/17 provisional revenue spending and financing. It notes that Local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure. The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.5 billion for all local authorities in England in 2016-17. This was 1.1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. 2016-17 was first year local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.8 billion (2.4%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central Government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.5 billion of this increase is due to the Greater London Authority.

The full report is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639755/Revenue_Expenditure_and_Financing_2016-17_Provisional_Outturn.pdf

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights is the Grant Thornton and CIPFA online analysis tool. It gives those aspiring to improve the financial position of their organisation instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

The Board: creating and protecting value

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

Grant Thornton's new report 'The Board: creating and protecting value' is a cross-sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This powerful tool provides a framework (see graph 1) with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.



Source: The Board: Creating and protecting value, 2017, Grant Thornton

Grant Thornton publications

Question:

- Have you read our report?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>



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