The Audit Findings for West Midlands Fire and Rescue Authority

Year ended 31 March 2023

25 March 2024

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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 planning 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 the Authority or all 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit & Risk Committee.

Avtar Sohal

Avtar Sohal
For Grant Thornton UK LLP
25 March 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of West Midlands Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Account), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed using a hybrid approach of onsite and remote work between November 2023 and February 2024, Our findings are summarised on pages 5 to 22. We have identified one adjustment to the financial statements that have resulted in a £23.9m adjustment to the Authority's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix H) or material changes to the financial statements, subject to the following outstanding matters;

- final engagement lead stand back review of the audit file and evidence;
- receipt of management representation letter (see Appendix G); and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified. We have been able to satisfy ourselves that the Authority has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Authority for their support in working with us to progress the audit towards completion.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our interim VFM work, which is summarised on page 23, and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Audit & Risk Committee in November 2023. We are currently updating our work to factor in recent developments at the Authority in respect of allegations against the former Chief Fire Officer.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties, however, as noted above we are currently completing further VFM work in respect of allegations against the former Chief Fire Officer.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit & Risk Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Risk Committee meeting on 25 March 2024, as detailed in Appendix H. These outstanding items include:

- final engagement lead stand back review of the audit file and evidence;
- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

As in previous years, during the audit both your finance team and our audit team faced audit challenges, including new issues on pension liability valuations. This resulted in us having to spend more time on the audit to be able gain sufficient audit assurance in respect of our auditor's opinion on the financial statements. The impact on our audit fee is set out on page 31.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 25 September 2023.

We set out in this table our determination of materiality for the Authority.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,800,000	Financial performance of the Authority focused on the costs of service provision.
Performance materiality	1,960,000	The internal control environment of the authority, including experience of prior year issues and any changes in key personnel and systems. We also consider the quality of working papers and Authority response to audit processes in prior years.
Trivial matters	140,000	The amount below which matter would be considered trivial to the readers of the financial statements.
Materiality for senior staff disclosures	54,000	Materiality has been reduced for remuneration disclosures due to their sensitive nature and public interest.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Presumed risk of fraud in revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to improper recognition.	In our audit plan, we assessed that the risk of misstatement due to fraud relating to improper recognition of revenue could be rebutted. We have reconsidered our assessment in light of our audit findings and concluded that there is no change to our assessment of this risk.
Risk of fraud related to expenditure recognition In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.	In our audit plan, we assessed that the risk of misstatement due to fraud relating to improper recognition of expenditure could be rebutted. We have reconsidered our assessment in light of our audit findings and concluded that there is no change to our assessment of this risk.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • reviewed and tested transfers between the General Fund and the Pension Fund Account Our audit work has not identified any issues in respect of management override of controls.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund assets and liabilities The Authority's pension fund net liability for FFPS and net asset for LGPS, as reflected in its balance sheet, represent significant estimates in the financial statements. The pension fund balances are considered to be significant estimates due to the size of the numbers involved (the Authority's balance sheet includes an asset relating to the LGPS of £0.8m, and a liability of £1.3bn relating to the FFPS) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liabilities are not materially misstated, and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management experts (the actuaries) for this estimate and the scope of the actuaries' work; • assessed the competence, capabilities, and objectivity of the actuaries who carried out the Authority's pension fund valuations; • assessed the accuracy and completeness of the information provided by the Authority to the actuaries to estimate the liabilities; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consultancy actuary (as auditor's expert) and performing any additional procedures suggested within the report; • obtained assurances from the auditor of West Midlands Pension fund as to the controls surrounding the validity and accuracy of membership, contributions and benefits data provided to the actuary, and the fund assets valuation in the pension fund financial statements; • reviewed the actuary's calculation of economic benefit associated with the surplus in the LGPS scheme; and • tested the data provided to the actuary of the FFPS. Pages 11 and 12 provide a detailed assessment of the estimation process for the valuation of the pension fund assets and liabilities. We challenged management on the potential impact of IFRIC 14 on the LGPS asset recognised within the balance sheet. Management subsequently requested a calculation of the asset ceiling from the actuary which indicated that the economic benefit for the Authority was greater than the IAS19 surplus, and therefore no asset restriction was necessary. We have also challenged the Authority on the assumptions used by GAD in preparing the FFPS estimated liability. GAD did not allow for part year inflation in their calculations which is inconsistent with other actuaries (Hymans, Mercer, BW and Aon) and not in line with the expectation of our auditor's expert PwC. Management requested GAD to provide an updated IAS19 report with an adjustment to this assumption, and this increased the pension liability by £23.9m – see Appendix D. We currently have a query with management and the pension fund in relation to the Authority's share of LGPS assets but to date, our audit work has not identified any other issues in respect of the valuation of the pension fund assets and liabilities.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Authority revalues its land and buildings annually, to ensure that the carrying value is not materially different from the current value at the financial statements date. Management have engaged the services of a valuer to estimate the current values of these assets as at 31 March 2023, using a mix of desktop and on-site valuations. These valuations represent a significant estimate by management in the financial statements due to the size of the values involved (£149m in the Authority's balance sheet as at 31 March 2023), and judgement required to estimate values based on source data (such as floor areas and costing of in-year improvements) and subjective inputs (such as obsolescence factors and selection of build costs indices). We have therefore identified valuation of land and buildings as a significant risk.	We have: • evaluated management's processes and assumptions for calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation experts; • discussed with the valuers the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; and • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register. Page 13 provides a detailed assessment of the estimation process for the valuation of land and buildings. We challenged the valuer's assumptions used in the DRC valuations of specialised properties for a sample of assets: • Obsolescence was assessed for reasonableness against total and remaining useful lives • Build costs were assessed against movements in BCIS cost indices • Floor areas were compared to site plans to confirm accuracy • We cross referenced assumed costs for externals and professional fees with details of site characteristics and guidance from the VOA We also corroborated the valuer's assumptions used to value non-specialised properties with available market data. We identified one asset where the land area used by the valuer was lower than that indicated by the site plan. This resulted in an understatement of the value by £1m - see Appendix D. No other issues have been identified from our work on land and buildings.

2. Financial Statements: other issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Cyber Security We note that the Authority: • has not yet formally adopted a cybersecurity framework • does not have a process designed to identify and evaluate cybersecurity risks • does not regularly assess the information technology environment for cybersecurity threats and vulnerabilities • does not provide regular cybersecurity training to employees	1 in 3 UK entities suffer from a cyber breach every month, so it's more a case of 'when' an attack happens, not 'if'. High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. Over 80% of the cyber-attacks we read about could have been prevented through good simple cyber hygiene. Understanding and managing cyber risk is fundamental to any business's growth journey.	**Auditor view** We recommend that the Authority proactively looks at its cyber preparedness and puts in place appropriate policies and safeguards. **Management response** The Service intends improve cyber preparedness and will look to attain an externally audited Cyber Essentials Plus certification to mitigate cyber security risks. A three-year plan will be developed to resolve the identified and future cyber concerns.
IT Control deficiencies As part of our work to obtain an understanding of the information systems relevant to financial reporting, we found that the weaknesses previously identified in the Authority's IT general controls have not yet been fully addressed.	As set out on pages 14-17, 3 of the 8 recommendations made in 2021/22 have not yet been fully implemented.	**Auditor view** We recommend that the Authority continues to work towards implementation of the recommendations. **Management response** The planned enhanced cyber governance, appointment of a vCISO and creation of an internal Oracle Governance Board will ensure that the remaining elements will be fully addressed. Steps have already been put into place to remediate, limit and reduce the number of accounts, and to automate and enable the audit of revocation of leavers' access. The team have recruited to create additional application support capacity to undertake a review of systems logs on a weekly basis.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability £1.3bn – Firefighter Pension Schemes</td>
<td>The Authority's total net pension liability for the Fire Fighter Pension Schemes at 31 March 2023 is £1.3bn (PY £1.8bn), comprising the 1992 Scheme, 2006 Scheme, 2015 Scheme and the Compensation Scheme.

The Authority uses the Government Actuary's Department (GAD) to provide actuarial valuations of the Authority's liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2020. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £0.5bn net actuarial gain during 2022/23.</td>
<td>We have:

assessed management's expert for competence, capability and objectivity
assessed the actuary's approach taken, to confirm reasonableness of approach
used PwC as an auditor's expert to assess the actuary and assumptions made by the actuary

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.65%</td><td>4.65%</td><td></td></tr>
<tr><td>Pension increase rate</td><td>2.6%</td><td>2.6%</td><td></td></tr>
<tr><td>Salary growth</td><td>3.85%</td><td>3.10% - 5.10%</td><td></td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>22.9 years / 21.2 years</td><td>22.9-23.5 years / 21.2 – 23.5 years</td><td></td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>22.9 years / 21.2 years</td><td>22.9-25 years / 21.2-23.5 years</td><td></td></tr>
</table>

used PwC as an auditor's expert to assess the actuarial method applied by the actuary – this has identified that the actuary has not made an allowance for part year inflation within their experience adjustment which forms part of the estimation of the liabilities. Management requested that the actuary provides an updated IAS19 report which does include an allowance for part year inflation. This has resulted in a £23.9m upwards adjustment to the liability – see Appendix D.
tested the completeness and accuracy of the underlying information used to determine the estimate
considered any changes to valuation method and their impact
assessed the reasonableness of the movements of the estimated liabilities based on all available evidence; and
considered the adequacy of disclosure of estimate in the financial statements.

We are satisfied that overall, management's process for producing this estimate is robust.</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension asset £0.8m – Local Government Pension Scheme

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</td>
<td>The Authority's IAS19 net pension surplus at 31 March 2023 was £0.8m (PY £51.5m liability) comprising the West Midlands Pension Fund Local Government Penson Scheme assets and obligations.

The Authority uses Hymans Robertson to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme.

A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund surplus, small changes in assumptions can result in significant valuation movements. There has been a £52.3m net actuarial gain during 2022/23.

Hymans Robertson assessed the asset ceiling for the Authority to be higher than the IAS19 net pension surplus. As a result, the Authority has not needed to restrict the asset recognised in the balance sheet at 31 March 2023</td>
<td>We have:
• assessed management's expert for competence, capability and objectivity;
• assessed the actuary's approach taken, to confirm reasonableness of approach;
• used PwC as an auditor's expert to assess the actuary and assumptions made by the actuary;
<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.75%</td><td>4.75%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>2.95%</td><td>2.95% - 3.0%</td><td>●</td></tr>
<tr><td>Salary growth</td><td>3.45%</td><td>3.45% - 5.4%</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>22.2 years / 21.0 years</td><td>None provided</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>25.3 years / 23.8 years</td><td>None provided</td><td>●</td></tr>
</table>
• tested the completeness and accuracy of the underlying information used to determine the estimate;
• assessed the reasonableness of the Authority's share of LGPS pension assets;
• considered any changes to valuation method and their impact;
• assessed the reasonableness of the movements of the estimated surplus based on all available evidence;
• reviewed the actuary's calculation of economic benefit associated with the surplus in the LGPS scheme;
• assessed the responses obtained from the auditor of the West Midlands Pension Fund in relation to the triennial valuation 2022 and the actuarial estimates for 2022/23; and
• considered the adequacy of disclosure of estimate in the financial statements.

We are satisfied that overall, management's process for producing this estimate is robust.</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £130m	Other land and buildings comprises £130m of specialised assets such as fire stations and the fire service headquarters, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£0.7m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged Wilks Head & Eve to complete the valuation of properties as at 31 March 2023. All assets were revalued during 2022/23, using a desktop valuation approach. Management have disclosed the critical judgements made in estimating the valuation of land and buildings, and the related estimation uncertainties. The total year end valuation of land and buildings was £149.4m, a net increase of £6.9m from 2021/22 (£142.5m).	We have: • deepened our risk assessment procedures performed including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used; • considered the source of the inherent risk associated with the accounting estimate; • assessed the competence, capability and objectivity of management's expert; • tested the completeness and accuracy of the underlying information used to determine the estimate; • assessed the consistency of estimates against data from our Montagu Evans report; • challenged the information and assumptions used by the valuer, to assess completeness and consistency with our understanding; • considered the reasonableness of changes in estimated values based on all available evidence and our wider sector knowledge; • considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates; and • considered the adequacy of the disclosure of the estimate in the financial statements. We identified one asset where the land area used by the valuer was lower than that indicated by the site plan. This resulted in an understatement of the value by £1m - see Appendix D. We are satisfied that overall, management's process for producing this estimate is robust.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development & maintenance	Technology infrastructure	Details of control deficiency	Additional procedures carried out to address risks arising from our findings
Oracle	ITGC assessment (design and implementation effectiveness only)	🟡	🔴	🟢	⚪	See pages 15-17 for details of the results of our IT audit follow up work.	We have tested Oracle entries identified as higher risk due to involvement of users with privileged access.
Active Directory	ITGC assessment (design and implementation effectiveness only)	🟡	🔴	🟢	⚪	See pages 15-17 for details of the results of our IT audit follow up work.	n/a

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚪ Not in scope for testing

2. Financial Statements: Information Technology

To support the financial statement audit of the Authority for year ended 31 March 2022, a specialist team of IT auditors completed a review of the design and implementation of IT General Controls for Oracle and the Active Directory. An update on the implementation of the eight recommendations were made is set out below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
🔴	Inadequate control over self-assigning roles in Oracle Cloud by privileged users In the Oracle system, users can self-assign roles. These roles should be approved through the formal authorisations process for user access Management but we were unable to confirm formal documented approvals were in place. We recommended that management should put proper processes and controls in place for the self-assignment of user access for privileged users to ensure that the activities are consistently performed, logged and monitored.	We found no evidence of processes and controls being introduced to address the risks relating to self-assigned access rights.
🟡	User access within Oracle is not appropriately revoked for terminated employees We identified that a sampled leaver's user account was still active/enabled within Oracle after the leaving date and that the leaver's account was last logged in 46 days after leaving. We recommended that management should ensure that a comprehensive user administration policy and associated procedures are in place to revoke application access in a timely manner.	Our sample testing of leavers did not identify any exceptions in respect of revoking user access for leavers. However, we did identify that "temporary" access rights had been granted but not revoked in a timely manner.
🟡	Inadequate control over privileged (individual and generic) accounts within Oracle We identified that that there were 212 users from 3rd party support provider who had admin access. It was further noted that 1 user was a senior member of IT management. In addition, we found 5 generic accounts where there was no evidence of appropriate access controls. We recommended that management should undertake a review of all user accounts on Oracle to identify all individual accounts and review access settings and controls to prevent misuse.	Our work found: • there were 2 members of the finance team with privileged access rights • there was 1 user in the workforce planning team • there were 8 users from the 3rd party support provider with privileged access rights • there were 3 generic user accounts with privileged access rights Therefore, we conclude that privileged system accesses are not appropriately restricted. We also noted that audit logging and monitoring is not enabled for generic user accounts.

Assessment

- 🔴 Not yet implemented
- 🟡 Partially implemented
- 🟢 Implemented

2. Financial Statements: Information Technology

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
🟢	Lack of controls over granting user access within Oracle When a new employee joins the organisation, their access rights to a system/network should be approved by an appropriate individual before being granted according to the job role. Our audit identified for a new starter joining the organisation, the permissions were not specified on the access request. We recommended that management should • develop formal user access management procedures to ensure activities are consistently performed, logged and monitored • grant permissions based upon the role and responsibilities of the users and on the principle of least privilege, with regular review of permissions • Implement a process to record, approve and action the new user requests based on user role, team and access level	Our sample testing of leavers did not identify any exceptions in respect of revoking user access for leavers.
🟡	Lack of review of information security/audit logs within Oracle The applications are configured to generate audit logs which would identify unauthorised access attempts or inappropriate use. We found that logs are not monitored or reviewed periodically. We recommended that security event logs are reviewed at least weekly by a person who is independent of those involved in the administration of the application and underlying database.	We found that Oracle logs had been reviewed in March 2022 and September 2023.
🟢	Lack of User Acceptance Testing completed for Oracle changes Evidence was not available to confirm that user acceptance testing was performed and approved before moving a sampled change into production. We recommended that management should ensure that change management procedures are recommunicated to staff so that testing is performed and approved prior to introducing a change into the live environment. Documentation should be retained to identify who and when changes have occurred in the system.	There was one change implemented in Oracle during 2022/23. We found that this has been tested by the workforce planning team before being implemented.

Assessment

- 🔴 Not yet implemented
- 🟡 Partially implemented
- 🟢 Implemented

2. Financial Statements: Information Technology

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
● (green)	**Business users not involved in conducting User Acceptance Testing in Oracle** Our audit identified that the no evidence was available to show that the testing for a Sampled change was re-performed by appropriate business and system administration users. We recommended that management should ensure that change management procedures are recommunicated to staff so that testing is performed and approved prior to introducing a change into the live environment. Changes should be approved by business users to ensure the changes being made have been appropriately tested and approved.	There was one change implemented in Oracle during 2022/23. We found that this has been tested by the workforce planning team before being implemented.
● (amber)	**Inadequate control over privileged (individual and generic) accounts within Active Directory** We identified that that there was an individual admin account where the user was a member of senior IT management and 1 account where we could not determine the role of the user. We also identified 17 generic user accounts where there was no evidence of appropriate access controls. We recommended that management should undertake a review of all user accounts to identify all individual accounts and review access settings and controls to prevent misuse.	We found that there were 5 members of the IT department with privileged access (administrator) rights. There were also 5 generic accounts with privileged access rights. There is no routine monitoring of system administrator activities.

Assessment
- ● Not yet implemented
- ● Partially implemented
- ● Implemented

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Risk Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from theAuthority, which is set out at Appendix G. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for the valuation of pension fund net assets and liabilities and the valuation of land and buildings.
Confirmation requests from third parties	We requested from management permission to send bank and investment confirmation requests. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

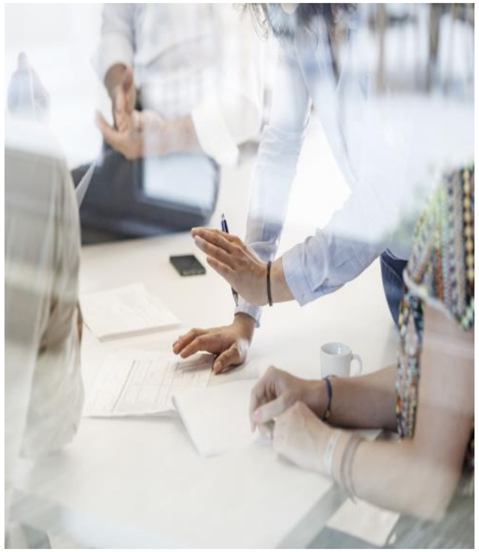
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Authority recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Account), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. The Authority does not exceed the threshold for detailed testing; we will submit our Assurance Statement to the NAO after the audit report has been issued.
Certification of the closure of the audit	We are currently updating our VFM work to factor in recent developments at the Authority in respect of allegations against the former Chief Fire Officer. On completion of this work, we will issue the audit certificate.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our interim VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Audit & Risk Committee in November 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness.

We are currently updating our work to factor in recent developments at the Authority in respect of allegations against the former Chief Fire Officer and will report on this in due course.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Authority's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation

H. Audit opinion

I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified one recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Grouped assets within plant, property and equipment** We identified that the Authority has various grouped assets in the fixed asset register. For one asset tested (rescue equipment on vehicles), the Authority was unable to provide detailed records confirming that all the components within this grouped asset were still in use. There is a risk that some of this equipment has been disposed of, but the fixed asset register not updated. These assets had a gross value of £0.4m and a net book value of nil. Since the balance sheet NBV is nil, unrecorded disposals would not impact the balance sheet, but there is a potential overstatement of gross cost and accumulated depreciation.	We recommend that records are maintained to allow the Authority to ensure that the fixed asset register accurately records appropriate details for grouped assets. **Management response** The fixed asset register will be reviewed as part of 2023-24 closedown process and statement of accounts preparation. Equipment on fire appliances is checked as part of the service and maintenance of each vehicle. This includes Holmatro, generators, ladders and cutting equipment. Items do have barcodes to enable use of a tracking system to locate equipment items.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2021/22 financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings report.

We have followed up on the implementation of our recommendations and note that one recommendation is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Review of the Fixed Asset Register We identified assets within the Fixed Asset Register which had been disposed of. These assets had nil net book value but gross book value and accumulated depreciation of £1.3m. We recommended that the Authority should review the fixed asset register periodically to ensure that assets no longer in use are removed in a timely manner.	Our testing did not identify any assets within the fixed asset register which had been disposed of, although we have recommended on page 27 that the Authority should maintain more detailed records of grouped assets so that the fixed asset register can be updated when individual components of grouped assets are disposed of.
✓	Completeness of the ledger We identified that the general ledger was imbalanced by £1.25 following the data migration to a new financial system. We recommended that the Authority should further investigate the imbalance to help increase understanding of the data migration process and provide assurance over the completeness of the ledger.	We did not identify any issues with the completeness of the general ledger in 2022/23.
X	Depreciation Policy We identified some assets where asset lives were inconsistent with stated accounting policies, resulting in premature depreciation. We recommended that the Authority review asset lives to ensure consistent application of accounting policies, and to ensure that assets are categorised correctly in the fixed asset register.	The fixed asset register contains 95 plant and equipment assets and 158 vehicle assets with nil net book value. Our testing indicates that these assets remain in use, leading us to conclude that actual asset lives remain inconsistent with those set out in the Authority's accounting policies. **Management response** Asset lives will be reviewed as part of the 2023-24 closedown process and statement of accounts preparation. Certain vehicles reaching the end of their useful life as an operational response vehicle are then used for training exercises and so are not available for disposal.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Dr Remeasurements of the net defined benefit pension liability / (asset)	23,870		23,870	-
Cr Long term liabilities *To reflect the additional liability for the FFPS following revisions to the actuary's estimates to reflect the impact of part year inflation*		(23,870)		
Total	**23,870**	**(23,870)**	**23,870**	**-**

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure issue	Auditor recommendations	Adjusted?
Note 3 Critical judgements in applying accounting policies We identified that two of the three critical judgements disclosed did not meet the criteria to be reported as critical judgements.	Disclosures relating to the residual value of assets and government funding should be removed.	✓
Note 7 Expenditure and funding analysis We identified that a £0.5m capital receipt had not been reflected in the other income and expenditure line. We identified that the net expenditure chargeable to the general fund did not reconcile to the report presented to the Strategic Enabling Team in May 2023.	Note 7 should be updated to reflect the capital receipt and to explain the timing differences between net expenditure chargeable to the general fund reported in Note 7 and reporting to the Strategic Enabling Team.	✓

Management has made adjustments for a number of other minor disclosure matters we identified from our audit work.

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit & Risk Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Dr PPE	1,041		1,041	-	Not material
Cr CIES *For the impact of the valuation calculation for one item of PPE being understated due to an incorrect site area being applied*		(1,041)			
Overall impact	1,041	(1,041)	1,041	-	

Impact of prior year unadjusted misstatements

All unadjusted misstatements identified during the prior year audit were amended during the preparation of the 2022/23 financial statements.

E. Fees and non-audit services

We confirm below our final fees charged for the audit. There were no fees for the provision of non-audit or audit related services.

Audit fees	**Proposed fee £**	**Final fee £**
Scale fee	35,064	35,064
Fee variations:		
Value for Money audit – new NAO requirements	8,000	8,000
ISA 540 / 240 / 700	4,625	4,625
Additional journals testing	2,925	2,925
Enhanced audit procedures for Payroll – Change of circumstances	500	500
Increased audit requirements of revised ISAs 315/240	2,000	2,000
IT audit review of implementation of prior year recommendations in respect of Oracle	-	4,000
Additional work required for LGPS net pension asset and FFPS actuarial assumptions	-	7,500
Additional VFM work required in respect of allegations against the former Chief Fire Officer	-	5,000
Total fee variations:	**18,050**	**34,550**
Total audit fees (excluding VAT)	53,114	69,614

The fee disclosed in Note 30 of the financial statements is £59,000. This fee does not take into account the final anticipated fee variation of £34,550, as set out above.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the designof audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

Grant Thornton UK LLP

17th Floor

103 Colmore Row

Birmingham

B3 3AG

Dear Grant Thornton UK LLP

West Midlands Fire and Rescue Authority
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of West Midlands Fire and Rescue Authority for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the Local Government Pension Scheme, Firefighters Pension Scheme and valuation of land and buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

G. Management Letter of Representation

vii. Except as disclosed in the financial statements:

   vii. there are no unrecorded liabilities, actual or contingent

   viii. none of the assets of the Authority has been assigned, pledged or mortgaged

   ix. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

   a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

   We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

G. Management Letter of Representation

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit & Risk Committee at its meeting on 25 March 2024.

Yours faithfully

Name................................

Position..............................

Date................................

Signed on behalf of the Authority

H. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Authority with an unmodified audit report.

Independent auditor's report to the members of West Midlands Fire and Rescue Authority

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of West Midlands Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Pension Fund Account, the Net Assets Statement and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities.

H. Audit opinion

We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer's with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Treasurer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

H. Audit opinion

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Treasurer

As explained more fully in the Statement of Responsibilities set out on page 11, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, and the Fire and Rescue Services Act 2004). We also identified the following additional regulatory frameworks in respect of the firefighters' pension fund: the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014, and the Firefighters' Pension Scheme (England) Order 2006.

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to [include relevant details for your audit, e.g. health and safety, employee matters, and data protection].

We enquired of management and the Ethics, Transparency and Audit Panel, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Ethics, Transparency and Audit Panel, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to transactions of high value (in relation to average value), transactions with a material impact on outturn, manual transactions, transactions involving accounting estimates, transactions posted during the accounts close process, transactions posted by systems administrators and other transactions identified as being unusual.

H. Audit opinion

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on journals of high value, journals with a material impact on outturn, manual journals, closing journals; journals posted by systems administrators and other journals identified as being unusual,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and building valuations and net pensions liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuations of land and buildings and the net pension. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

H. Audit opinion

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We are unable to certify completion the audit of West Midlands Fire and Rescue Authority for the year ended 31 March 2023 until we have completed our work on Value for Money Arrangements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Avtar Sohal, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Grant Thornton

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