

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND PERFORMANCE COMMITTEE

10 JANUARY 2011

1. **ANNUAL AUDIT LETTER 2009/2010**

Joint report of the Chief Fire Officer and Treasurer

RECOMMENDED

THAT the Audit and Performance Committee notes the Annual Audit Letter (AAL) attached as Appendix 1 to this report.

2. **PURPOSE OF REPORT**

2.1 This report is submitted to inform the Committee of the findings of the audit work undertaken in 2009/2010 which are detailed in the AAL attached as Appendix 1 to this report. It includes key messages arising from the audit of financial statements and the assessment of the Service's value for money arrangements leading to the value for money conclusion.

2.2 The AAL sets out the Audit Commission's intended approach to undertaking value for money (VFM) work for the 2010/2011 audit. A new approach to this work has been developed following the abolition of the Comprehensive Area Assessment (CAA) Framework.

2.3 The AAL also comments upon the Authority's financial position in terms of responding to current and future financial challenges.

3. **BACKGROUND**

3.1 The AAL has been received from the Audit Commission. The AAL brings together the findings arising out of audit work undertaken for the year 2009/10. The Service has been fully consulted and involved in the development of the AAL. This has been facilitated by regular communication between the Deputy Chief Fire Officer (DCFO) and Audit Commission representatives.

- 3.2 The AAL reports that the West Midlands Fire and Rescue Authority (WMFRA) has sound arrangements for the production of its financial statements and the Auditor has issued an unqualified audit opinion on the Authority's accounts. There were no material errors identified and there were no significant weaknesses in the Authority's internal control arrangements.
- 3.3 The AAL also provides an unqualified value for money conclusion and records that the Authority has in place adequate arrangements for securing economy, efficiency and effectiveness.
- 3.4 The performance of the WMFRA against the use of resources assessment is detailed within the AAL. WMFRA's performance was judged to be satisfactory against all nine criteria tested during this process. The AAL reports that the WMFRA has:
- a good track record of operating within budget;
 - improved performance whilst delivering savings;
 - maintained a cost base which compares favourably to its peers;
 - robust performance management arrangements in place;
 - well developed and embedded governance arrangements; and
 - effective arrangements to secure a productive and skilled workforce.
- 3.5 Audit work undertaken on use of resources demonstrated that WMFRA arrangements had continued to improve. Significant improvements include:
- Enhancements to medium term financial planning; and
 - Improvements to the use of risk management.

The management of natural resources was assessed for the first time in 2010. The Auditor confirmed that WMFRA has awareness of its impact on the environment and has a sound strategic approach in place backed with a range of practical initiatives.

- 3.6 Following the abolition of CAA, the Commission has developed new arrangements to enable a more targeted and better value approach to audit value for money work. These new arrangements will be in place for 2010/2011 audit work and are based on a reduced criteria of:
- securing financial resilience; and
 - prioritising resources within tighter budgets.

This work is likely to take place between January and March 2011. The Audit Commission will liaise with the DCFO to confirm the approach to be taken in delivering this work.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out.

5. **LEGAL IMPLICATIONS**

There is a legal requirement for the Authority to consider the Annual Audit Letter under Statutory Instrument 2006 No. 564 – The Accounts and Audit (Amendment) (England) Regulations 2006.

6. **FINANCIAL IMPLICATIONS**

- 6.1 The annual audit and inspection fee for 2010/2011 of £93,326 was noted by the Members at the WMFRA meeting on 19 April 2010. Within this fee, provision was made for the VFM conclusion and use of resources work of £21,465. Following the abolition of CAA a use of resources assessment is no longer undertaken. The Audit Commission has determined that all Fire and Rescue Services' (FRS) will receive a rebate of 1.5% of the total fee. This equates to £1,400. This fee reduction is comparable to District Councils and the Police. However, it is lower than the 3.5% rebate received by all other Audit Commission audited bodies.
- 6.2 The Commission has confirmed that the Audit and Inspection fee for 2011/2012 will be £85,860. This represents a reduction on the 2010/2011 fee of 8%. This reduction has been reflected across the FRS sector and is comparable with the Police sector reduction. Whilst the fee reduction is higher than that of District Councils (5% reduction) it is lower than that of all the other Audited Commission audited public bodies.

BACKGROUND PAPERS

Draft Annual Audit Letter 2009/2010, October 2011

Letter from the Audit Commission, Change in approach to auditors' value for money work, 9 August 2010

Annual Audit and Inspection Fee 2010/11, Authority Paper, April 2010.

VIJ RANDENIYA
CHIEF FIRE OFFICER

STUART KELLAS
TREASURER