

Audit Committee Update for West Midlands Fire & Rescue Authority

Year ended 31 March 2016

January 2016

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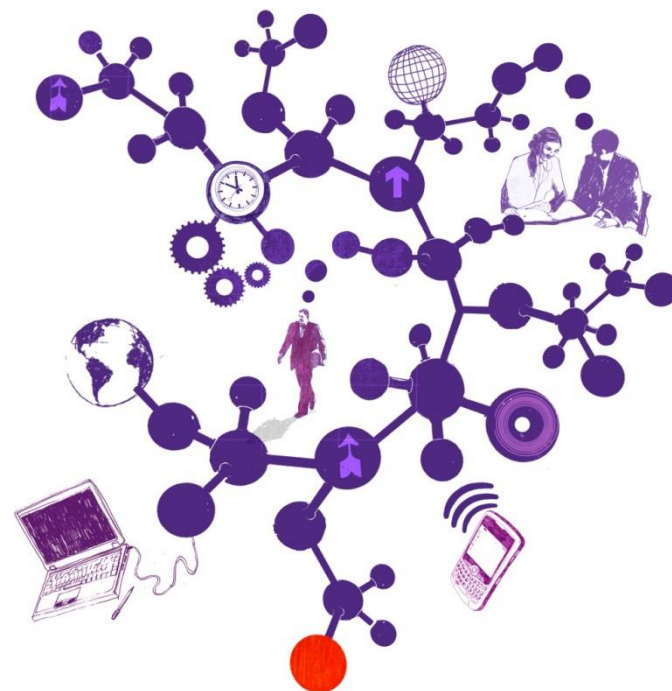
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

Introduction

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

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England
- Making devolution work: A practical guide for local leaders

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Progress to date

Work	Planned date	Complete?	Comments
2015/16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Fire Authority setting out our proposed approach in order to give an opinion on the Fire Authority's 2015/16 financial statements.	March 2016	In progress	We continue to assess the risks facing your Authority and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate. If there are any changes to our plan between our initial risk assessment and the delivery of your opinion we will discuss this with the Strategic Enabler for Finance and Resources before presenting to the Audit Committee.
Interim accounts audit Our interim fieldwork visits include: <ul style="list-style-type: none"> • updating our review of the Fire Authority's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January and March 2016	In progress	We will: <ul style="list-style-type: none"> • engage with the finance team to streamline and improve the audit approach for 2015/16 where possible • Discuss any technical issues early the impact from the pension commutation guidance • undertake as much early testing as possible. We will continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud.
2015/16 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015/16 financial statements • proposed opinion on the Fire Authority's accounts • proposed Value for Money conclusion. 	June – September 2016	Not started	We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. Our discussions with the finance team have agreed that we will aim to deliver this work ahead of the national timetable in preparation for the shorter deadlines in 2016/17.

Progress to date (continued)

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2015/16 VfM conclusion requires conclusions on whether:</p> <p><i>"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."</i></p> <p>The sub-criteria we will use to consider this conclusion are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. 	January – July 2016	In progress	<p>We will undertake work on the VFM risks identified, including attending meetings with key Senior Officers. We will provide our conclusion on your arrangements to provide economy, efficiency and effectiveness by the statutory deadline. Our discussions with the finance team have agreed that we will aim to deliver this work ahead of the national timetable in preparation for the shorter deadlines in 2016/17.</p> <p>The Authority is preparing itself for challenges financially in future years. We will also review the partnership working as this is a key theme within all areas of the assessment.</p>
<p>Annual Audit Letter</p> <p>A summary of all work completed as part of the 2015/16 audit.</p>	October 2016	Not started	We will summarise our findings from the 2015/16 audit and report to the November 2016 Audit Committee.
<p>Engagement with the Authority since the last Committee meeting</p>	N/A	N/A	<ul style="list-style-type: none"> • Meetings with key Senior Officers to discuss key risks facing the Authority to inform the 2015/16 planning including the impact of the CSR. • Introduction of pension specialists to support the Authority in their discussions with staff ahead of the forthcoming pension changes in April 2016. • Update with key Senior Officers on the progress of the Combined Authority for the West Midlands and the specific impacts for your Authority.

Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

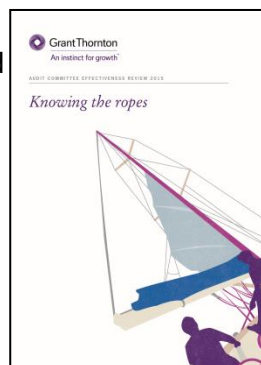
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



Supporting members in governance

Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

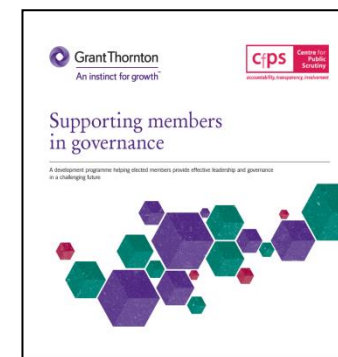
Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager



Code of Audit Practice

National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

National Audit Office Report

National Audit Office

On 5 November 2015 the National Audit Office published their report on the '*Financial sustainability of fire and rescue services*' and their companion report, '*Impact of funding reductions on fire and rescue services*'.

Background

The National Audit Office have examined whether the Department for Communities and Local Government understands the impact of funding reductions on the financial and service sustainability of fire and rescue services.

The report and accompanying documents can be found here: <https://www.nao.org.uk/report/financial-sustainability-of-fire-and-rescue-services/>

Supporting Public Service Transformation

Public Transformation Network

Background

Many fire and rescue authorities are considering how to transform or redesign their fire prevention and community safety services in a way that improves value for money for the taxpayer and makes best use of the latent capacity of their staff. Increasingly, this involves fire and rescue services supporting and delivering against the objectives of other public service providers, such as local authorities, the police and ambulance service and public and national health organisations, as well as range of voluntary and community based organisations.

Effective evaluation offers important insights into why some approaches are more successful than others and into how to deliver better services within constrained budgets. It provides decision makers – both in fire and rescue authorities and in their partner organisations – with the evidence they need to support new ways of service provision and to make the best possible case for securing the resources needed to deliver them.

The Public Transformation Network champions a 'whole place', multi-agency approach to public service reform. It helps local public sector partners remodel services so they are designed around the needs of people, not the needs of organisations. It has produced an introductory guide to evaluation which community safety practitioners and analysts in fire and rescue services may find helpful.

The guide is complemented by the Network's guidance on Cost Benefit Analysis for Local Partnerships which can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300214/cost_benefit_analysis_guidance_for_local_partnerships.pdf

Information

The Network's evaluation guide sets out some guiding principles and key considerations to help local providers measure the impact of changes to services. It aims to help local providers to ensure the highest quality, credibility and accountability for services that have been redesigned and enable multi-agency partnerships delivering new services to demonstrate value for money and how redesigned services make a real difference to local communities.

The guide can be found at: <http://publicservicetransformation.org/images/articles/learning-zone/evaluation-analysis/EvaluationGuideFinalv2.0.pdf>

The Network's website also hosts a number of webinars and useful resources on evaluation and other elements of public service reform, such as collaborative leadership and commissioning. Link to the website: www.publicservicetransformation.org



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