

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

30 NOVEMBER 2009

1. **CONSULTATION RESPONSE - AUDIT COMMISSION'S
PROPOSED WORK PROGRAMME AND SCALE OF FEES FOR
2010/11 AND INDICATIVE FEE PROPOSALS FOR 2011/12 AND
2012/13**

Report of the Chief Fire Officer.

RECOMMENDED

- 1.1 THAT the Authority note the outcome of the Audit Commission's recent consultation on its proposed work programme and scale of fees for 2010/11 and indicative fee proposals for 2011/12 and 2012/13.
- 1.2 THAT the Authority note the positive outcome to its response to the consultation.

2. **PURPOSE OF REPORT**

This report is submitted to update the Authority on the outcome of the Audit Commission's recent consultation on its proposed work programme and scale of fees for 2010/11 and indicative fee proposals for 2011/12 and 2012/13. The report identifies the positive outcome to the Authority's response to the consultation.

3. **BACKGROUND**

- 3.1 The Audit Commission recently consulted about its proposed work programme and scale of fees for 2010/11 and indicative fee proposals for 2011/12 and 2012/13. A response, which is attached as Appendix 1, was submitted on behalf of the Authority. The response was one of only five that were received from the fire specific consultees.

The Authority's response covered a number of points which included:

- The Commission's fees should be held at the 2009/10 level.
- The Commission's work programme should be more risk based to reduce the burden of inspection.
- The fee increase proposed to cover the additional workload created by the new International Financial Reporting Standards (IFRS) should not be implemented and the additional work should be met from within the Commission's existing capacity.
- The statutory requirement to undertake some inspection work on an annual basis, such as the Statement of Accounts, be challenged with the intention of enabling greater freedom to take a risk based approach.

3.2 The Commission's response to the consultation exercise is attached as appendix 2 and covers a range of points. Significant aspects that concern the Authority are:

Overall Increase

The commission had proposed to increase its audit and inspection fees by an inflation uplift of 1.25% in 2010/2011. The Commission agrees that waiving the proposed inflation uplift in audit and inspection fees is the right thing to do.

IFRS

The proposed increase of 6% in 2010/2011 will be implemented, but fully subsidised by the Audit Commission. Future work related to IFRS including Use of Resources will be the subject of a fundamental review that may lead to changes from 2010/11.

4. EQUALITY IMPACT ASSESSMENT

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

Section 7 of the Audit Commission Act 1998 and Section 12 of the Local Government Act 1999 places a statutory duty on the Commission to prescribe a scale of fees for the audit of accounts in inspections. Before prescribing any scale of fees it consults audited and inspected bodies, their representative associations and the accountancy profession. Once the Commission has prescribed a scale of fees it becomes payable by the audited or inspected body.

6. **FINANCIAL IMPLICATIONS**

- 6.1 The planned audit fee in the current financial year is approximately £88k. Based on the outcome of the Audit Commission's fee proposals consultation, next year's inspection fee scales will be kept at 2009/2010 levels.
- 6.2 Indicative increases in fees for 2011/12 would be 3% for IFRS plus the Government's inflation target (adjusted to reflect ongoing internal efficiencies).
- 6.3 Indicative increases in fees for 2012/2013 should be no more than the Government's inflation target, adjusted to reflect ongoing internal efficiencies.

BACKGROUND PAPERS

Policy Planning Forum Minutes – 7 September 2009

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CHIEF FIRE OFFICER

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3 September 2009

Dear Marcine

Proposed work programme and scales of fees 2010/11 and indicative fee proposals for 2011/12 and 2012/13 for local government, housing and community safety.

Thank you for providing the opportunity to comment on the Audit Commission's future proposed work programme and scale of fees. I recognise that the Audit Commission has been responsive to feedback in previous years and hope that a similar approach will be taken this time.

I believe that the audit fee for Fire and Rescue Authorities (FRAs) should be held at the 2009/10 level and that this could be achieved through increased effectiveness by a wider application of a risk based approach and greater efficiency in the audit process.

We are all in an increasingly challenging financial environment, with the ever present need to provide value for money. This points to a better balance between investment in service provision and administrative costs, including audit.

The West Midlands Fire and Rescue Authority (WMFRA) is committed to meeting the needs and expectations of its local communities and managing within an agreed budget. Our finite resources are targeted on response, prevention and protection activity. As an important part of delivering value for money we strive to deliver high quality outcomes and minimise costs. The Authority's strong performance in this area was recognised in "Rising to the Challenge".

Risk management underpins and informs our approach to targeting resources. I believe that the Audit Commission might also usefully take a more risk based approach to audit work.

This might reduce the effort on inspection work and associated costs and enable the Commission to review the frequency and method of inspection. It might allow the majority of inspections to take place as a maximum every other year, with reduced effort all round.

Decisions about the frequency of inspections could be informed by the latest audit findings and the specific recommendations that were made. The frequency for inspection being at least annually for those organisations that are judged as not meeting the minimum performance requirements and be less frequent for organisations, like West Midlands Fire and Rescue Authority (WMFRA), which are performing better.

I recognise that, within the regulatory regime, there is a statutory requirement to undertake some inspection work, such as the Statement of Accounts, on an annual basis. We should, however, as a part of our collective work to reduce costs, consider challenging the current statutory requirements.

There are lessons to be learnt from the current Comprehensive Area Assessment inspection process which in our experience has been a fragmented exercise. I appreciate that this is a new approach but there has been, in practice, significant duplication and inefficiency.

There is also scope to gain efficiencies through a wider application of both self assessment and peer assessment. Such an approach could foster a culture of continuous improvement and provide opportunities to reduce costs for both the Audit Commission and the Service. It would also support sharing of good practice, as Fire and Rescue Services can learn from each other (and potentially other organisations) as part of the peer assessment process.

The Commission's position on International Financial Reporting Standards (IFRS) contrasts with that of the WMFRA. Whilst the Commission is proposing a fee increase of 6% to reflect the additional audit work, the WMFRA will be managing the increased work from within its existing budget provision. I believe that the Audit Commission should adopt the same approach as the WMFRA and also contain its costs.

An important part of our organisational development is benchmarking against other similar Fire and Rescue Services. To do this, it is vital that performance measures are interpreted and applied in a consistent way and that controls are in place to eliminate any misrepresentation.

In addition, given the public interest in our work, it is vital to present performance information accurately, without a need for revision after it is in the public domain. This is an area where WMFRA has unsuccessfully sought the support of the Audit Commission regarding the varying interpretation of guidance for BVPI 146: Malicious Fire Alarms not attended per 1000 population.

I would welcome more co-operation in this area, so that collectively we can provide more meaningful information to all who have an interest in our services and add more value to the audit and performance reporting regime.

The proposal by the Commission to subsidise fee rates is welcome and will assist in reducing the burden at a local level. The approach, however, rather misses the point that any increase in the cost of auditing services will represent an increased burden for taxpayers. It is the overall cost that we should collectively be seeking to reduce – this is a challenge to which we must all rise.

Once again, thank you for the opportunity to comment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Vij Randeniya', with a stylized flourish at the end.

Vij Randeniya
Chief Fire Officer