

The Audit Findings Report for West Midlands Fire and Rescue Authority

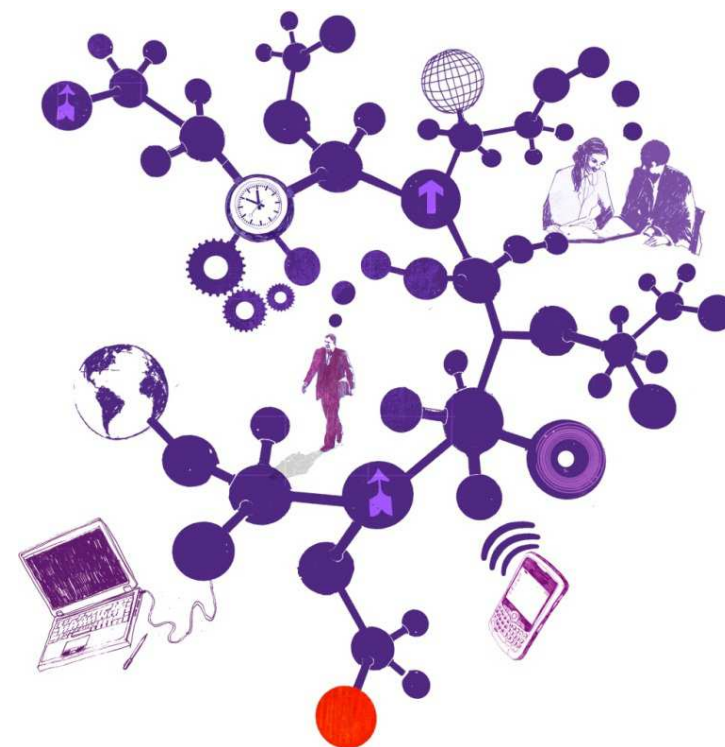
Year ended 31 March 2014

September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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.

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of West Midlands Fire and Rescue Authority's ('the Authority') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Authority's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion as to whether or not the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan which we presented to the Audit Committee on 24 March 2014.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Review of the final version of the financial statements to ensure all amendments requested have been processed correctly.
- Obtaining and reviewing the signed management letter of representation and Annual Governance Statement.
- Updating our post balance sheet events review, up to and including the date of signing the opinion.

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts (WGA) consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on the value for money conclusion.

We received draft financial statements and accompanying working papers on 19th June, in accordance with the timetable set by the Authority and ahead of the National deadline of 30th June 2014. The financial statements submitted for audit were yet again of good quality, delivered by an effective closedown process and supported by good quality working papers. Of particular note was the speed and efficiency queries were responded to.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Authority's reported financial position. Both the draft and audited financial statements record Total Comprehensive Income and Expenditure as net income of £68.948 million.

We did identify a relatively small number of disclosure errors, and requested some adjustments to improve the presentation of the financial statements. Those of note are detailed in section 2 of this report.

The other key messages arising from our audit of the Authority's financial statements are:

- The draft accounts and working papers were of a good quality.
- Finance staff responded promptly to all audit queries.
- The Authority needs to keep the accounting and audit arrangements for West Midlands Fire Service Business Safety Ltd under review. The level of the trading to date would not have a significant impact on the Authority's accounts, but this needs to be kept under review as the company grows in size.

Further details are set out in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion. Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

Our work identified a number of control weaknesses which individually would not lead to material misstatement, but we considered were worth bringing to the attention of the Authority. These fall into two main categories:

- errors in inputting parameters into the pension scheme systems, and
- IT weaknesses in relation to passwords, system access and policies & procedures.

We have included an action plan and made recommendations where appropriate which have been agreed with the Director of Resources and his colleagues.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Resources.

We have made a small number of recommendations, which are set out in the action plan. Recommendations have been discussed and agreed with the Director of Resources and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 24 March 2014. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have only made one change to our Audit Plan previously communicated to you on 24 March 2014. This change relates to trend analysis for operating expenditure payments. Due to the assurance gained from other testing, we did not consider that it was efficient carry out trend analysis for this area of the accounts due to their irregular nature and the fluctuations over short periods of time. Substantive procedures planned and undertaken provide greater assurance.

Audit opinion

We anticipate that we will provide the Authority with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	Revenue cycle includes fraudulent transactions Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue	<ul style="list-style-type: none"> We have considered whether the presumed risk of fraud due to improper recognition of revenue applies for the audit of West Midlands Fire & Rescue Authority. Most of the Authority's revenues are from government grants or from Council Tax precepts which are predictable in timing and value. We have reviewed and tested revenue recognition policies and material revenue streams. We have considered the risk of fraud throughout our audit and in particular, during the audit of the financial statements. 	Our audit work has not identified any issues in respect of revenue recognition.
2.	Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls is present in all entities	<ul style="list-style-type: none"> We have reviewed the journal control environment and not identified any significant control weaknesses. We have tested key journal entries and not found any items which impacted on our opinion. We have reviewed the accounting estimates, judgements and decisions made by management We have reviewed any unusual, significant transactions and not identified anything which would impact on our opinion. 	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented the processes and controls in place around the accounting for operating expenses carried out a walkthrough test to confirm the operation of controls is in line with our understanding tested the completeness of the subsidiary system (purchase ledger) interfaces with the ledger including review of control accounts reconciliations undertaken substantive testing of operating expenses to ensure operating expenses have been accurately accounted for and in the correct period documented the process for creating month and year end accruals and reviewed the calculation of significant year end accruals and other estimated items undertaken substantive cut off testing of purchase orders both before and after the year end and goods received notes at the year end 	Our audit work has not identified any significant issues in relation to the risk identified
Fire-fighters' pensions benefit payments	Benefits improperly computed / claims liability understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented the processes and controls in place around the accounting for Fire fighters' pensions carried out a walkthrough test to confirm the operation of controls is in line with our understanding undertaken substantive testing of Fire fighters' pension benefit and pension payments to ensure they have been accurately accounted for and in the correct period agreed the pension disclosures in the financial statements to supporting evidence 	Our audit work has not identified any significant issues in relation to the risk identified

Audit findings against other risks (continued)




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented the processes and controls in place around the accounting for Employee remuneration • carried out a walkthrough test to confirm the operation of controls is in line with our understanding • tested the completeness of the subsidiary system (payroll) interfaces with the ledger including review of control accounts reconciliations • undertaken substantive testing of operating expenses to ensure payroll payments have been accurately accounted for and in the correct period • checked agreement of employee remuneration disclosures in the financial statements to supporting evidence • reviewed monthly trend analysis of payroll payments to identify any unusual or irregular movements which have then been investigated 	Our audit work has not identified any significant issues in relation to the risk identified

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The Authority's policy is set out in its accounting policies (Note 1 in supporting notes to the financial statements) :</p> <ul style="list-style-type: none"> Accounting Policy 2 – Accruals of Income and Expenditure, Accounting Policy 9 – Government Grants and Contributions, and Accounting Policy 17 – Provisions and Contingent Liabilities (relating to income reclaimed from a third party). 	<ul style="list-style-type: none"> The Authority's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice Minimal judgement is involved The accounting policy is appropriately disclosed 	 Green
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> Insurance – the Authority operates a self insure scheme with Sandwell MBC, Useful lives and £nil residual value of property, plant and equipment, Property valuations including revaluations, impairments and fair valuations, Government Funding and the high degree of uncertainty, Pension fund valuations and settlements, and Provisions. 	<p>The Authority's policies on estimates and judgements are reasonable and appropriately disclosed and reliance on experts is taken where appropriate.</p>	 Green
Other accounting policies	<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not identified any significant areas where further clarification has been required.</p>	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Unadjusted and adjusted misstatements

We are required to report all misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below provides details of adjustments identified during the audit but which management has decided not to process in the final set of financial statements. The Authority is required to approve management's proposed treatment of all items recorded within the table below. In summary:

- There was only one misstatement which was identified during the audit process. This related to the estimation for the valuation of the Birmingham Airport Training Building.
- There were no other adjustments made to the draft financial statements other than those to correct presentational and disclosure issues.



Detail	Comprehensive income and Expenditure Statement (CIES) £'000	Balance Sheet £'000
<p>1 Valuation of the Birmingham Airport Training Building</p> <p>The full valuation undertaken by the independent Valuer covered all assets except for the Birmingham Airport Training Building. This is disclosed within the financial statements at £15k (Cost £77k less depreciation £62k).</p> <p>To comply with IAS16, the Local Government Code of Accounting Practice requires that "items within a class of property, plant and equipment should be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates". Therefore, the Authority should have requested that this asset was included within the full revaluation.</p> <p>The Authority has responded stating that "this property has never been valued by the Valuer. The value is considered to be immaterial within the overall asset base. Ownership will be reviewed in 2014/15 as part of the training strategy and if owned at 31 March 2015 will be included within the next full valuation".</p>	Nil	Nil as no revaluation to action
Overall impact	Nil	Nil

Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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.




These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Amber	<p>Incorrect parameters resulting in insufficient contributions initially made to the pension scheme</p> <p>All employees enrolled on the new 2006 pension scheme whose pension contributions fell at either 9.1% or 9.6% have been incorrectly recorded on the Oracle payroll system between April 2013 and December 2013. The parameters loaded onto Oracle were incorrect. This error was identified by the Authority in December 2013 and the outstanding contributions are being collected from February 2014 over an 8 month period.</p> <p>The authority had identified this issue prior to our interim audit and had implemented measures to correct the mistake. Additional testing has been performed at the final accounts audit and we are satisfied that appropriate action has been taken to rectify the error.</p>	Periodically review the parameters to ensure the correct deductions are being applied for pensions.
2.	 Amber	<p>Incorrect parameters resulting in insufficient contributions initially made to the pension scheme</p> <p>When a firefighter is temporarily promoted, the salary difference is pensionable at a higher rate of 26.5%. Due to an incorrect parameter being entered into the system, the new Firefighter pension scheme rate of 21.3% was charged instead.</p> <p>The Authority is happy to amend the disclosures in the Officers' remuneration note and the required additional payments are being reclaimed.</p>	Periodically review the parameters to ensure the correct deductions are being applied for pensions.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement



Internal controls (continued)

	Assessment	Issue and risk	Recommendations
3.	 Amber	<p>Weak password access controls for Oracle EBS</p> <p>Our review of the password parameters governing access to the Oracle EBS system shows several weaknesses including:</p> <ul style="list-style-type: none"> passwords are not required to be a mixture of upper and lower case letters and numeric values minimum length of a password is only six characters <p>Without adequate logical access controls in place there is an increased risk of unauthorised access being gained to information assets.</p>	<p>The following password values should be set within the Oracle EBS system parameters:</p> <ul style="list-style-type: none"> Sign on Password Case - Sensitive Sign on Password Hard To Guess – Yes Sign on Password Length – 8 <p>This will ensure that password parameters meet recognised best practice requirements.</p>
4.	 Amber	<p>Weak password access controls for the Active Directory</p> <p>There is no limit on the number of failed attempts that a user may have at entering their password. Both of these are significant weaknesses in access controls.</p> <p>Without adequate password access controls in place there is an increased risk of unauthorised access being gained to information assets.</p>	<p>We recommend to comply with recognised best practice that the 'account lockout threshold' is set to between 3-5 attempts.</p>
5.	 Amber	<p>No Change Management Procedures</p> <p>There is no documented Change Management Policy in place for IT system changes and no documented evidence of the controls implemented for the changes that have taken place on the network and applications during the year. This was also raised as a finding in 2012/13.</p> <p>The lack of documented change management procedures for staff to adhere to could result in changes not being effectively administered on the corporate network causing system down-time or service disruption.</p>	<p>IT should implement and maintain formal procedures for the change management process which will describe how they will deal with both minor and major changes and ensure traceability is maintained throughout.</p>



Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
6.	 Amber	<p>Excessive number of domain administrators</p> <p>There are 21 users who are members of the powerful 'domain administrators' Active Directory group. Users in this group have the ability to perform a wide range of system functions. This is seen as an abnormally high in relation to the number of users.</p> <p>There is a risk that individuals could override system controls, either deliberately or by accident. In addition information assets within the organisation may not be adequately secured against unauthorised or inappropriate access.</p>	<p>Membership of the domain administrators group should be regularly reviewed and restricted to only those trained staff with a requirement to have this level of privilege.</p>
7.	 Amber	<p>Lack of formal review for Information Security policies and procedures</p> <p>At time of review, the existing IT security policy had not been formally reviewed or updated since its establishment in September 2010. Lack of controls create the following risks:</p> <ul style="list-style-type: none"> a) Security administration processes and control requirements may not be formalized, understood by, or communicated to those within the organization responsible for observing and/or implementing them b) Effectiveness of security administration processes and controls may be diminished due to environmental and/or operational changes c) Information security processes, requirements and controls may be inconsistently defined, understood and implemented throughout the organization. d) The lack of formal (documented) information security requirements may make sanctioning employees for inappropriate use of information resources more difficult. For example, a user who caught sharing personal passwords with other employees may be able to claim ignorance of any wrongdoing as this action did not violate any organizational policy documents. 	<p>Information security policies and procedures should be reviewed at planned intervals or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness.</p>

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We discussed the risk of fraud with the Audit Committee on 24th March 2014 . We are not aware of any other incidents in the period , other than those notified to us during our audit and none of which were material. No other matters in relation to fraud have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> We have requested a letter of representation from the Authority. This is a standard letter with the addition of a specific representation about the correspondence received relating to the impact of High Speed 2.
4.	Disclosures	<ul style="list-style-type: none"> Our work identified a few instances where disclosures in the financial statements could be improved. These are included in the relevant preceding section and recommendations for further improvement in future years have been made.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> The Authority has amended its disclosures to include its company "West Midlands Fire Service Business Safety Ltd". We are not aware of any other related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Authority's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Authority's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission:

- **The Authority has proper arrangements in place for securing financial resilience.** The Authority has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Our audit approach involves the completion of an initial risk assessment against a series of key criteria. In undertaking this initial assessment we took account of the key issues facing the fire sector, including the reductions in funding that authorities are facing following the Spending Review. We did not identify any residual risks that needed to be addressed through specific local work.

Key findings

The key findings from our review are:

Financial Resilience - the Authority is considered to be in a sound financial position at this time. The Authority has total usable reserves of £43.6M which is a healthy level of reserves, together with and a track record of delivering financial performance in line with budgets. Most of these reserves are earmarked for specific purposes, leaving an un-earmarked General Fund balance of £9.2M..

The Authority had effective arrangements in place which enabled it to deliver its challenging savings programme in 2013/14.

There is an even greater challenges in the future with the need to achieve further savings over the next three years, estimated at £5.8m (8.6%) in 2015/16, £4.4m (7%) in 2016/17 and £4.1m (7%) in 2017/18 savings.

Achieving these savings is critically important, as the level of planned reductions in grant funding from central government between 2014 and 2018 exceeds the level of the Authority's reserves that are not specifically earmarked. The Authority has identified that it may require additional funding from Council Tax payers to continue to provide current service levels and response times. The additional funding may be above the percentage increase that would trigger a referendum that would require approval from Council Tax Payers.

The Authority will need to weigh up very carefully the costs and risks associated with holding a referendum across such a large council tax base.

Financial and operational planning - the Authority has reviewed its operational model and its key commitments to attending high risk incidents within 5 minutes and to focus on prevention and protection. The operational and financial strategy is clearly set out in "The Plan 2014-2017 – Making West Midlands Safer". This document combines the priorities, performance targets and the funding plans and complements the Medium Term Financial Strategy which provides detailed plans for three years based on sensitivity analysis and scenario planning.

Value for Money (continued)

Joint working - the Authority is keen to work in partnership wherever possible and a key project, Joint Control Room with Stoke & Staffordshire Fire & Rescue Authority has been successfully implemented, resulting in financial savings and enhanced operational resilience. A number of other collaboration initiatives are in hand, including an arrangement with the ambulance service to base ambulances at Aston Fire Station.

The Safeside facility continues to make an important contribution to the prevention and protection agenda, and is an excellent example of effective partnership working across a wide range of partner organisations including the police and ambulance services, a supermarket, a bus company, Network Rail as well as local schools and colleges.

Steps have also been taken to increase the value for money in the use of office space and under-used parts of the headquarters building have been rented out to generate additional income.

Overall Value for Money conclusion

Overall our work found that the Authority's arrangements for securing financial resilience have proved effective. There is robust challenge and support from members, and the Authority prepares and keeps under review its medium term financial plan. There are good arrangements in place to monitor and manage revenue and capital budgets. This includes regular reports to management and members on financial and service performance during the year, including savings achieved and actions required to address any shortfall or additional spending. There has continued to be a range of good approaches to challenging economy efficiency and effectiveness.

Our work on economy, efficiency and effectiveness concluded that:

- The Authority had effective arrangements in place which enabled it to deliver its challenging savings programme in 2013/14.
- The Authority faces even greater challenges in the future with the need to achieve further savings over the next three years, estimated at £5.8m (8.6%) in 2015/16, £4.4m (7%) in 2016/17 and £4.1m (7%) in 2017/18 savings.
- Whilst the Authority has effective arrangements for prioritising its resources, looking at new service delivery arrangements and working co-operatively with partners, the continued improvement of these arrangements will be crucial to meeting the significant financial challenges in the future.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

We confirm below our final fees charged for the audit

Fees

	Per Audit plan £	Actual fees * £
Authority audit	51,515	51,515
Total audit fees	51,515	51,515

All fees are subject to VAT

Fees for other services

Service	Fees £
None	Nil

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. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we 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 Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Delay in certification of completion of Audit		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Incorrect parameters for the pension scheme Periodically review the parameters to ensure the correct deductions are being applied for pensions.	Medium	Agreed	Agreed, December 2014, Payrolls and Pensions Manager
2	IT access controls Review the password settings for the network, system change management controls and the number of 'domain administrators' with significant access, with a view to implementing best practice requirements.	Medium	Agreed	December 2014, Strategic Enabler of Information & Communications Technology
3	IT policies and procedures Information security policies and procedures should be reviewed at planned intervals or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness.	Medium	Agreed	March 2015, Strategic Enabler of Information & Communications Technology
4	Community Interest Company Review the accounting and audit arrangements for the Community Interest Company to assess whether more detailed disclosures will be required in the Fire Authority accounts in future.	Medium	Agreed	March 2015, Finance Manager

Appendix B: Audit opinion

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

Opinion on the Authority financial statements

We have audited the financial statements of West Midlands Fire and Rescue Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the fire fighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 8. 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 2013/14.

This report is made solely to the members of West Midlands Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of West Midlands Fire and Rescue Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, West Midlands Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of West Midlands Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

James Cook
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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xx September 2014



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