

The Annual Audit Letter for Hereford & Worcester Fire Authority

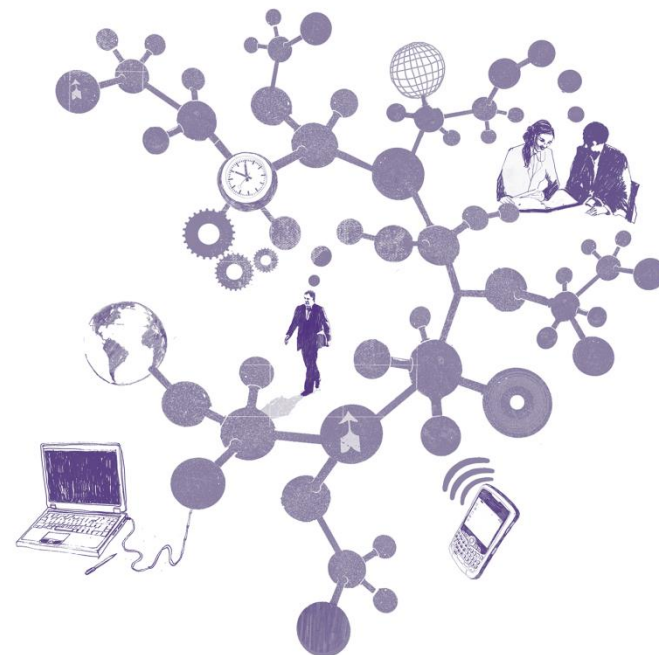
Year ended 31 March 2015

October 2015

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Hereford & Worcester Fire Authority ('the Authority') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Authority and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements to the Audit & Standards Committee in our Audit Findings Report on 28 September. The key messages reported were:

- our audit of your accounts went well. Officers prepared the accounts in accordance with our agreed timetable, and we were able to conduct our audit testing as planned;
- working papers were good quality and officers were responsive to our questions;
- there were three adjustments which changed a number of balances in the pre-audit accounts. These relate to reclassifying the Bromsgrove Fire Station lease from a finance to operating lease, increased provision in respect of NNDR (business rates) for GP premises, and a tribunal decision affecting lump sums paid to retired firefighters; and
- the overall affect of these adjustments was to increase Total Comprehensive Income and Expenditure by £274k.

The first adjustment relates to the Pensions Ombudsman publishing his determination in a case concerning the lump sum paid to a firefighter on his retirement. The Ombudsman found that the Government Actuary Department (GAD) should have reviewed the commutation factors and ordered a new commutation factor be prepared with a payment made to the member to reflect the recalculated commutation lump sum. Officers concluded that this amounted to an adjusting event after the balance sheet date, and adjusted the accounts accordingly. This resulted in an increase in total expenditure of £996k. Officers consider that the Authority will be reimbursed through the pension top-up grant, and therefore recognised this income in year to offset the increased cost.

Key messages continued

The second adjustment concerns the reclassification of Bromsgrove Fire Station from a finance to operating lease. The asset is now essentially treated as if the Authority rents it rather than owns it. The asset was removed from the Authority Balance Sheet which reduced the value of Property, Plant & Equipment and long term liabilities.

The third adjustment is that, as a result of successful appeals against NNDR charges by GP surgeries, councils have had to increase their NNDR appeals provisions. This affects the Authority owing to the way NNDR income and expenditure is shared between the public bodies in Herefordshire and Worcestershire. The Authority has therefore had to increase own its provision for NNDR appeals by £150k, and reduce the income received by £136k.

We issued an unqualified opinion on the Authority's 2014/15 financial statements on 29 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Authority's financial position and of the income and expenditure recorded by the Authority.

Key messages continued

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2014/15 on 29 September 2015. For securing financial resilience, our work concluded that the Authority has a realistic Medium Term Financial Plan which underpins the annual budget. Savings against budget have been made in recent years, with the surplus being set aside to finance any future deficits, or to pump prime projects. However, we noted that, for strategic financial planning, the MTFP identifies £3,300k savings needed by 2019/20. The Authority expects this to be bridged in a number of ways, including lower than budgeted pay increases, council tax growth, and savings from transformational schemes, such as the Wyre Forest blue light hub. We note that some of these are either at early stages, or outside the Authority's control. There is therefore a risk that the required savings may not be delivered. The Budget Reduction Reserve now stands at £3,216k, and this will be used to support and smooth any restructuring. We therefore highlighted this as an area for development, and one to which Officers will need to pay particular attention.</p> <p>For challenging economy, efficiency and effectiveness, we reported that the Authority has taken difficult decisions in rethinking the crewing patterns and appliances needed at stations. Savings are also achieved through the secondment programme and closer working with other public sector partners. We reported that for the 2015/16 financial year, the secondments allow the Authority to offset approximately £1,300k of wholetime uniformed staffing costs. We also reported on some of the other initiatives the Authority is involved in. These include Place Partnership Limited, Project Arrow (with Warwickshire Fire & Rescue Service), and the Wyre Forest blue light hub.</p> <p>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 2015.</p>
Audit fee	<p>Our fee for 2014/15 was £43,829, excluding VAT which is consistent with that reported in our audit plan.</p> <p>The Audit Commission granted a rebate for the Authority of £4,505. Further detail is included within appendix A.</p>

Appendix A: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Authority audit	43,829	43,829
Total audit fees	43,829	43,829

Fees for other services

Service	Fees £
Audit related services	Nil
Non-audit related services	Nil

Audit Commission Rebate

There is a rebate for the Authority of £4,505.

Reports issued

Report	Date issued
Audit Plan	10 March 2015
Audit Findings Report	22 September 2015
Annual Audit Letter	October 2015

Appendix B: How we have worked with you during the year

Audit & Standards Committee

We:

- met regularly with the Audit & Standards Committee to ensure you were kept up to date with the audit progress, as well as emerging issues affecting the wider Fire & Rescue and Local Government Sectors
- invested in regular dialogue with the Audit & Standards Committee to ensure there were no surprises and to maintain a robust and independent stance
- provided independent external audit commentary and insight on the Authority's issues through senior attendance at every Audit & Standards Committee
- provided regular, timely and transparent reports from our work.

Authority

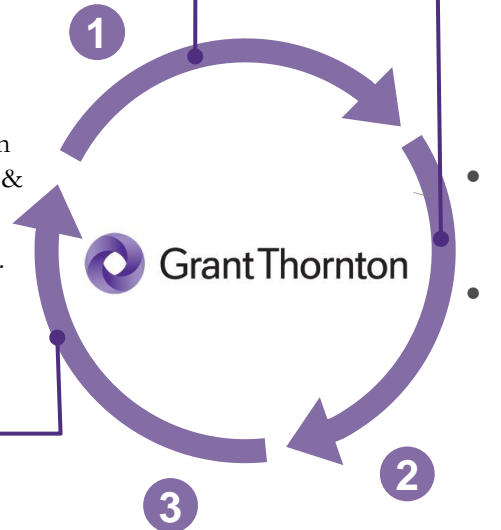
We:

- ran a governance seminar for local authority members across Herefordshire & Worcestershire.

Senior Officers

We:

- met regularly with the Chief Fire Officer and the Treasurer to discuss some of your major projects and to share our insight into national Fire & Rescue service issues
- shared our understanding of some of the key issues facing the sector in our national reports on Better Collaborative Procurement in the Fire Sector, Crews control: making better use of people and equipment, and Local Government Governance
- worked with the finance department to improve the accounts production process, shared technical knowledge and provided early warning on key risks
- officers attended an accounts closedown and production workshop in our Birmingham office.





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