



Audit Committee Update for Merseyside Fire & Rescue Authority

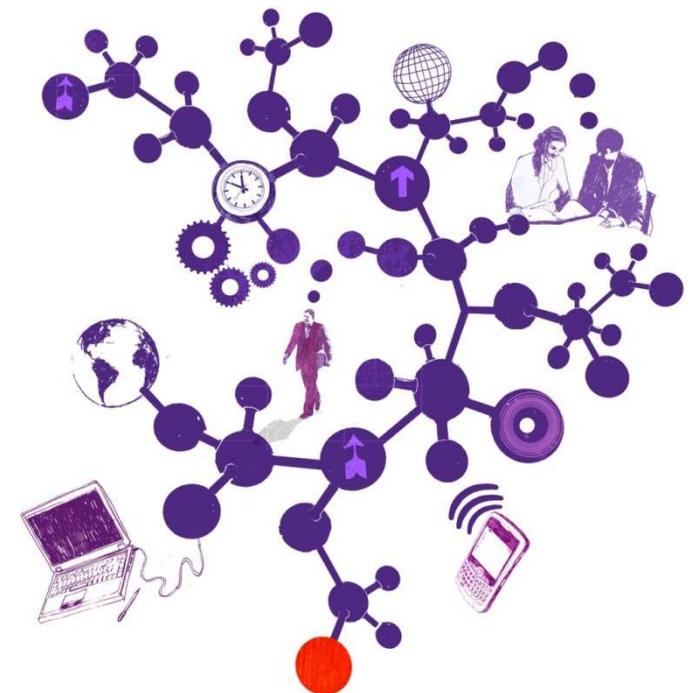
Year ended 31 March 2016

January 2016

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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
<p>2015/16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Authority setting out our proposed approach in order to give an opinion on the Authority's 2015/16 financial statements.</p>	April 2016	In progress	<p>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.</p> <p>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 Treasurer before presenting to the Audit Committee.</p>
<p>Interim accounts audit Our interim fieldwork visits include:</p> <ul style="list-style-type: none"> • updating our review of the 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 to March 2016	In progress	<p>We will:</p> <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 arising from the impact of the pension commutation guidance • undertake as much early testing as possible. <p>We will continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud.</p>
<p>2015/16 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2015/16 financial statements • proposed opinion on the Authority's accounts • proposed Value for Money conclusion. 	June – September 2016	Not started	<p>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.</p>

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 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 Finance Officers to discuss key risks facing the Authority to inform the 2015/16 planning including the impact of the CSR.

Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

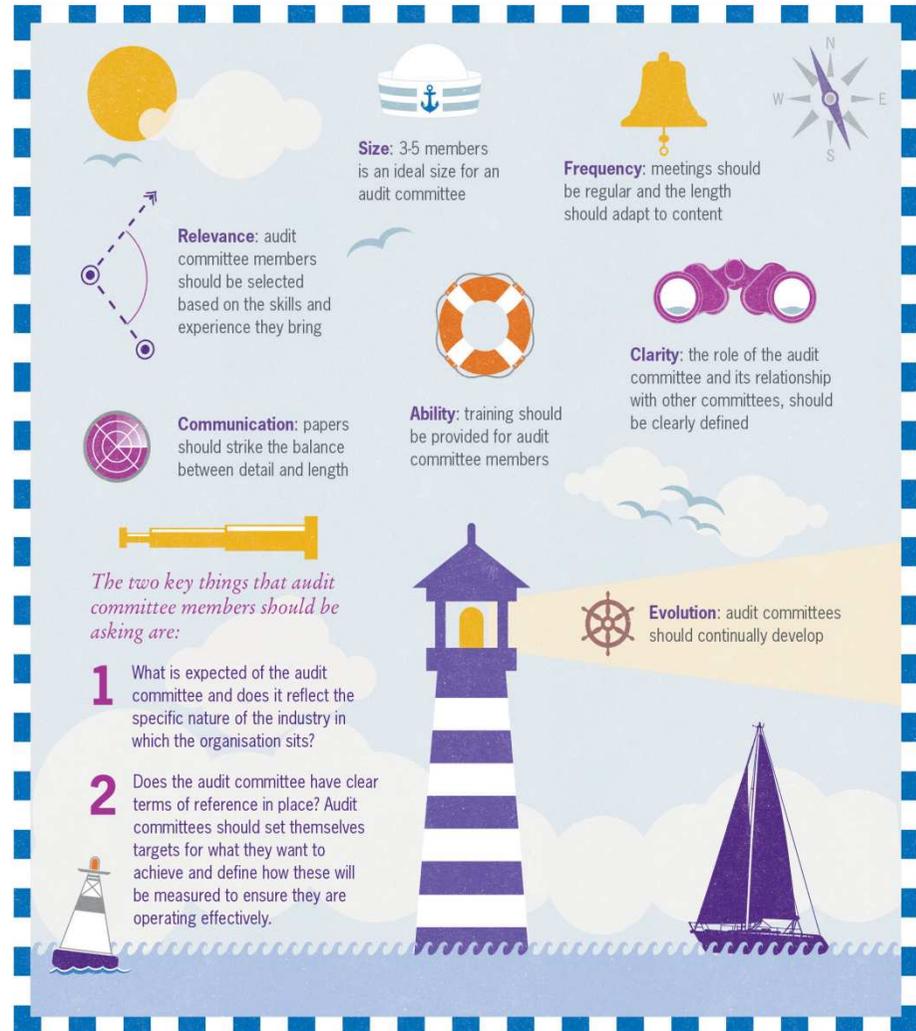
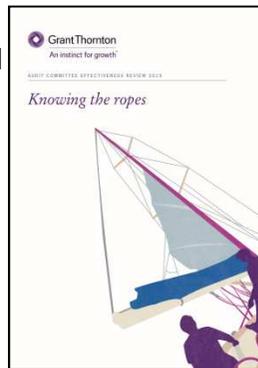
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived 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



Making devolution work: A practical guide for local leaders

Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

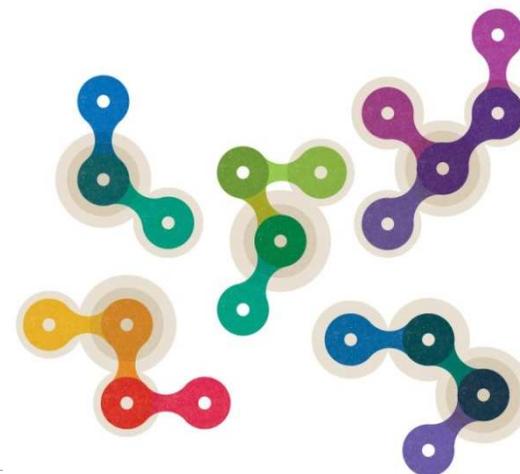
With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>



Next Government Spending Review Commissioned

Local government issues

On Wednesday 22 July 2015 the Chancellor of the Exchequer formally commissioned 'Spending Review 2015' which will make an initial allocation of what the government spends in the years from 2016/17 to 2020/21.

A copy of the launch document *A country which lives within its means* can be found at: [A Country that lives within its means](#)

The document stresses the priority that the government attaches to growth and productivity including the local growth fund and the Northern Powerhouse. It reaffirms the commitment to radical devolution in England through further deals and integration of public services and confirms that departments will be asked to set out their contribution to the public sector land programme as part of their Spending Review bids in order to realise the government's housing ambitions.

You will also see from the document that HM Treasury has invited government departments to set out plans for reductions to their Resource budgets. In line with the approach taken in 2010, HM Treasury is asking departments to model two scenarios, of 25% and 40% savings in real terms, by 2019/20.

In addition representative bodies, interest groups and individuals were invited to submit written representations to HM Treasury by 4 September 2015.

The Department for Communities and Local Government (DCLG) has announced the provisional Local Government Finance Settlement for 2016-2017. It has also issued indicative figures up to 2019-2020. The announcement is a four-year settlement. However the figures for 2017-2018 and beyond are part of an offer to any authority that wishes to take it up. In order to take up the offer an authority will be required to publish an efficiency plan.

The consultation closing date for responses to DCLG is 15 January 2016. The final settlement will be published in February 2015.

Enabling closer working between the Emergency Services Consultation

Local government issues

In its election manifesto the Government committed to enabling fire and police services to work more closely together and to develop the role of elected and accountable Police and Crime Commissioners. The Department for Communities and Local Government, in partnership with the Home Office and Department for Health have been working on proposals to support the commitment which seeks to drive a greater level of joint working between the emergency services, and deliver more effective and efficient services for communities.

A joint consultation paper containing the proposals was published on 11 September 2015. [Enabling Closer working between the Emergency Services consultation paper](#) is seeking views on proposals to drive greater collaboration between the emergency services and to enable closer working between police and fire and rescue services.

It also set out the proposals as follows:

- introducing a new duty on all three emergency services to actively consider collaboration opportunities with one another to improve efficiency and effectiveness;
- enabling Police and Crime Commissioners to take on the duties and responsibilities of fire and rescue authorities , where a local case is made;
- where a Police and Crime Commissioner takes on the responsibilities of a Fire and Rescue Authority, enabling him or her to create a single employer for police and fire staff, facilitating the sharing of back office functions and streamlining management;
- in areas where a Police and Crime Commissioner has not become responsible for fire and rescue services, enabling them to have representation on their local Fire and Rescue Authority; and
- abolishing the London Fire and Emergency Planning Authority and giving the Mayor of London direct responsibility for the fire and rescue service in London, as will be the case in Greater Manchester.

The aim of the proposals is to deliver real change and improvement in the accountability and service delivery across the emergency services. The proposals and eventual legislation will affect England only.

Challenge question

Did the Authority respond to the consultation?

Are members aware of how closer working is supporting the strategic direction of the Authority?

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/>

Fire Statistics April 2014 to March 2015 published

Fire Sector issues

The latest National Statistics, Fire Statistics Monitor April 2014 to March 2015 were published on the GOV.uk website on 20 August 2015. These cover annual headline statistics on fire fatalities, non-fatal casualties and incidents attended by fire and rescue services in England.

The latest Fire and Rescue Operational Statistics, England, April 2014 to March 2015 was published on the GOV.uk website on 24 September 2015. It includes English Fire and Rescue Authorities' personnel statistics, numbers of injuries to firefighters, statistics relating to community fire safety activity and fire safety audits of buildings.

The full publication and supplementary tables can be found at: [Fire Statistics](#) and [Operational Statistics](#). Highlights from the statistics nationally are:

- The 2014/15 data show a continuation of the long term decreasing trend in the number of fatalities, casualties and incidents attended by fire and rescue services down 6% and the lowest annual figure recorded to date.
- There were 3,235 non-fatal fire hospital casualties in England in 2014/15, 6% lower than in 2013/14 and 55 per cent lower than in 2004/05.
- Fire and rescue services attended a total of 154,700 fires in England in 2014/15, the second lowest number on record.
- Fire and rescue services attended 125,000 non-fire incidents in 2014/15, down 5% from 2013/14. The largest categories of non-fire incidents were road traffic collisions (25%) and attending medical incidents (13%).
- There were 44,000 full-time equivalent Fire and Rescue Authority staff in England as at 31 March 2015. This was 3.6 per cent lower than one year earlier, and 12.6 per cent lower than ten years earlier.
- Total firefighter strength (full time equivalent for whole-time, and 24 hour units of cover for retained duty system) decreased by 3.2 per cent compared to one year ago, and by 14.7 per cent compared to ten years ago.
- There were 2,627 injuries sustained by firefighters (during training, operational incidents and routine activities). This was 16.5 per cent and 52.7 per cent lower than one year and ten years earlier respectively, and continues the downward trend seen over the past decade. There were no firefighter fatalities during 2014/15.

Director for Fire, Resilience and Emergencies and DCLG

Fire Sector issues

On 9 September 2015, Neil O'Connor announced that he would be leaving his role as Director for Fire, Resilience and Emergencies to join Louise Casey's team which has been asked by the Prime Minister to review how to boost opportunity and integration and bring Britain together as one nation.

Sarah Benioff has taken on the role as Director with responsibility for fire, resilience and emergencies alongside her responsibilities for integration and community rights in the Department.

Officials in the directorate are currently working on a programme of visits to fire and rescue authorities for Sarah Benioff to visit over the coming months. Sarah also has a number of introductory meetings planned.

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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