



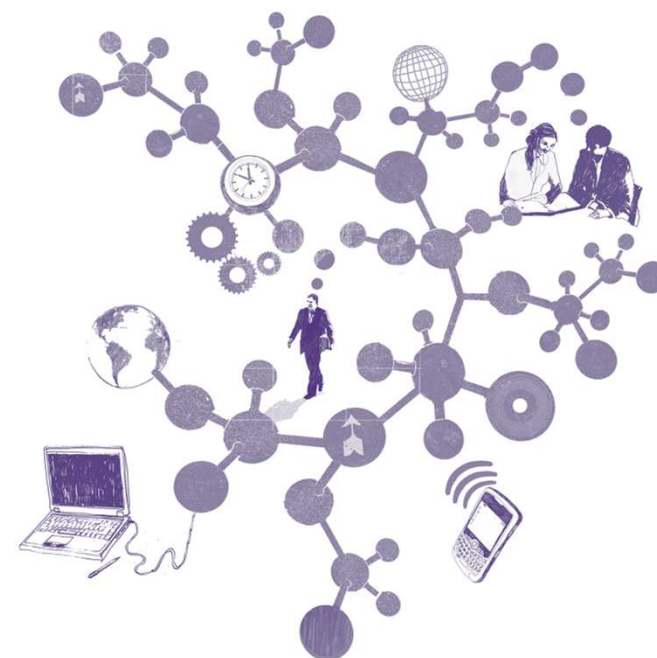
The Annual Audit Letter for Hereford & Worcester Fire & Rescue Authority

Year ended 31 March 2013

16 October 2013

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Section 1: Executive summary

01. Executive summary

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Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Hereford and Worcester Fire and Rescue Authority ('the Authority') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three).

The Letter is intended to communicate key messages to the Authority and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 26 September 2013.

Responsibilities of the external auditors and the Authority

This Letter 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).

The Authority is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 9 April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions we have provided in relation to the financial year 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Authority's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and
- an unqualified opinion (short form assurance statement) on the Authority's Whole of Government Accounts submission.

Executive summary (continued)

Key areas for Authority attention

We summarise here the key messages arising from our audit for the Authority to consider as well as highlighting key issues facing the Authority in the future.

The Authority is facing significant challenges. Up to 2013-14, some £2.5 million of savings from the annual revenue budget have been achieved, mostly through the reduction of workforce numbers and by cuts to spending budgets. At its meeting on the 3 October 2013 the Authority considered its Community Risk Management plan (CRMP) 2014-20. This highlights that over the coming years there is a growing gap between the budget needed to deliver the current range of services and the resources available.

The latest figures reported estimate that the budget gap will be £4.7million by 2016-17. To address this gap some £2million worth of savings have already been identified, mostly through further internal efficiencies and management reductions. How the Authority can address the remaining £2.7million has been set out in the CRMP balancing its available resources against its assessment of risk whilst continuing to maintain an effective service. It has approved a period of 12 week consultation on the details in the CRMP after which an analysis of the results will be considered by the Authority before formal publication and the preparation of an implementation plan. The Authority received taxation and non specific grant income in 2012/13 of £33.8million.

The financial constraints facing the Authority in the coming years require budget reductions at unprecedented levels in common with other local government bodies. The Authority will have to ensure that the implementation of the CRMP remains on track as the process unfolds whilst maintaining its services to its prescribed target levels.

The Authority on 3 October 2013 considered a report regarding future options for combination with Warwickshire Fire and Rescue Service which is provided by Warwickshire County Council. The Authority have requested further information and deferred a decision until its next meeting in December 2013.

Acknowledgements

This letter has been agreed with the Chief Fire Officer and Treasurer. It will be presented to the next meeting of the Audit Committee in January 2014.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

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Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Authority presented us with draft accounts approved by the Treasurer on 28 June 2013, in accordance with the statutory deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 15 July 2013.

Issues arising from the audit of the accounts

The financial statements presented for audit were sound and our work has not identified any significant control weaknesses which we wish to highlight for your attention.

We and your predecessor auditors have been working with officers to ensure that the Authority's financial statements comply with the requirements of the CIPFA Code of Practice.

We identified that there were a significant number of omissions, misclassifications and disclosure changes required in order to bring your financial statements into line with the CIPFA Code of Practice for 2012/13. All the omissions and disclosure changes were adjusted for in the final set of accounts. We recommended that the Authority look to strengthen its internal quality assurance arrangements which has been agreed by the Treasurer.

Annual governance statement

The Authority's annual governance statement was approved at the Audit Committee on the 26 September 2013 and reported no significant internal control issues.

Conclusion

Prior to the giving of our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Authority). We presented our report to the Audit Committee on 26 September 2013 and summarise only the key messages in this letter.

We issued an unqualified opinion on the Authority's 2012-13 accounts on 30 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Authority's financial position and of the income and expenditure recorded by the Authority.

Whole of government accounts (WGA)

The Authority was below the audit threshold determined by the Audit Commission, requiring our completion of a short form assurance statement. This statement covered the consistency in the WGA pack of two specified areas of Property, Plant & Equipment and Pension liabilities and the audited accounts. We confirmed that the bottom line totals of these areas were consistent between the WGA pack and the accounts and issued our assurance statement on the 30 September 2013 in advance of the deadline.

Section 3: Value for Money

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Value for Money

Scope of work

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 a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

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.

Key findings

Securing financial resilience

We have undertaken a review which considered the Authority's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our work highlighted that the Authority has a medium term financial plan to 2016-17 which is aligned with its corporate plans. The 2012-13 financial plan was delivered with a surplus against budget of £2.2million (2011-12 £1.2million).

The underspend is being used to support expenditure in future years. The budget is prepared on a prudent basis incorporating pay and prices factors. The level of surplus in year is not at a level to indicate a weakness in financial control.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Authority has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted that the Authority has reviewed its services and presented options to members to address the budget shortfalls in the coming years. Members decided in October 2013 on the options on which to consult, with decisions being taken in early 2014. These options will involve difficult decisions and choices to be made on the resources allocated at the front line delivery of services.

The Authority has a memorandum of understanding in place with a neighbouring authority, Shropshire & Wrekin Fire & Rescue Authority for the provision of fire control. We have not identified any issues in its operation.

An Operational Performance assessment on the authority was completed in the year. There were no significant or fundamental issues identified and the Authority has prepared an action plan based on the findings of the assessment which are in the process of being delivered.

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 2013.

Appendix

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

| | Per Audit plan £ | Actual fees £ |
|-------------------|---------------------|------------------|
| Audit Fee | 43,829 | 43,829 |
| Total fees | 43,829 | 43,829 |

Fees for other services

| Service | Fees £ |
|---------|--------|
| None | Nil |

In respect of the fee:

Our fees are exclusive of VAT.

Reports issued

| Report | Date issued |
|--|-------------------|
| Audit Plan | 9 April 2013 |
| Audit Findings Report - For the 26 September 2013 Audit committee | 18 September 2013 |
| Annual Audit Letter | 16 October 2013 |



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