

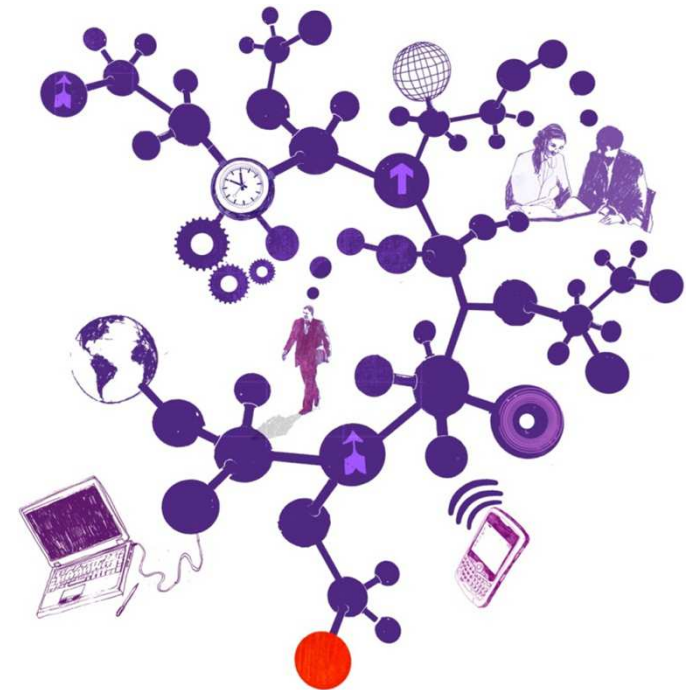
## Audit & Performance Management Committee Update for Shropshire & Wrekin Fire & Rescue Authority

**Year ended 31 March 2014**

23 October 2013

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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.

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# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at 23 October 2013	5
Emerging issues and developments	
Local government guidance	7
Grant Thornton	8
Accounting and audit issues	10

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# Introduction

This paper provides the Audit & Performance Management 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 as a Fire and Rescue Authority
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit & Performance Management Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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.

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## Progress at 23 October 2013

Work	Planned date	Complete?	Comments
<p><b>2013-14 Accounts Audit Plan</b>            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 2013-14 financial statements.</p>	March 2014		An initial planning meeting with the Head of Finance has been held on the 23 October 2013.
<p><b>Interim accounts audit</b>            Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Authority's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Work on the Authority's Value for Money conclusion.</li> </ul>	December – January 2014		
<p><b>2013-14 final accounts audit</b>            Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on the Authority's accounts</li> <li>• Work on the Value for Money conclusion.</li> </ul>	July – September 2014		

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## Progress at 23 October 2013

Work	Planned date	Complete?	Comments
<b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2013/14 VfM conclusion will be in line with the requirements of the Audit Commission.	February 2014 – September 2014		
<b>Other areas of work</b>	None advised at present		

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# Emerging issues and developments

## Local government guidance

### Local Government Pension Scheme

The Department for Communities and Local Government launched a [\*Call for evidence on the future structure of the Local Government Pension Scheme\*](#). The consultation closed on 27 September 2013 but was asking for feedback on the objectives for structural reform and how the Local Government Pension Scheme can best achieve accountability to local taxpayers through the availability of transparent and comparable data while adapting to become more efficient and to promote stronger investment performance.

Challenge question:

- Has the Treasurer and Head of Finance reviewed the consultation and assessed any potential impact?
- Has your authority responded to the consultation?

### Confidentiality clauses and special severance payments

In June, the National Audit Office published '[Confidentiality clauses and special severance payments](#)'.

The report concludes that 'there is a lack of transparency, consistency and accountability in how the public sector uses compromise agreements, and little is being done to change this situation. This is unacceptable for three reasons: the imbalance of power between the employer and employee leaves the system open to abuse; poor performance or working practices can be hidden from view, meaning lessons are not learned; and significant sums of public money are at stake.'

Challenge questions:

- Have you considered how confidentiality and special severance payments are used in your authority?
- Have you identified issues and planned actions to improve HR procedures?

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# Emerging issues and developments

## Grant Thornton

### 'Future Councillors – where next for local politics?'

Grant Thornton has sponsored the latest New Local Government Network (NLGN) research paper: [\*Future Councillors – where next for local politics?\*](#) Whilst more or less every aspect of what a council does is currently up for discussion, this is not the case for the role of local politicians. The report is a response to this discourse gap.

The report content is based on a series of workshops held earlier this year with a number of councillors from different local authority types, different regions and from different political parties. The workshops, which Grant Thornton attended, included a scenario-planning exercise which identified how councillors that fail to renew their democratic processes risk losing the support of their communities. The research also suggested that councils that did grasp the opportunities offered by technology and service redesign can become far more engaged with their communities, building efficient and co-operative models of local government focused on neighbourhood needs.

The report includes a chapter by Guy Clifton from Grant Thornton on the councillor's role in financial planning. The workshops identified that many elected members are keen to take a far greater role in financial planning at their authorities, particularly given the significant funding challenges being faced. During the workshops we explored the skills and capabilities that members need to effectively manage the budget setting process. These included: effective communication and stakeholder engagement, understanding financial planning tools and, perhaps most importantly, knowing what questions to ask.

#### Challenge question:

- Are your elected members taking a greater role in financial planning and has the authority ensured that members are trained for the task?



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# Emerging issues and developments

## Grant Thornton

### Spending Round 2013

It was announced in the June spending round that the local government resource budget will be reduced by 10 percent in 2015/16.

As Paul Dossett, Head of Local Government at Grant Thornton UK LLP, wrote on [informationdaily.com](http://informationdaily.com), the Chancellor 'seemingly acknowledged local government's capacity to deliver the scale of savings achieved so far. No other spending department received such positive affirmation. The Chancellor's actions imply that local government leaders are more capable of meeting the national challenge than other parts of the public sector. Over the past three years, local government members and senior officers have tightened their organisational belts and most have shown they are able to deliver significant change. The government is placing continued reliance on their resourcefulness in order to help meet the fiscal shortfalls facing the broader public sector, and many in the sector recognise this.'

'In his speech, the Chancellor recognised the benefits that more collaborative working can bring, although not on the lines subsequently suggested by the LGA. The Chancellor called for more joined-up working between police forces, and between police forces and local authorities - with a £50m innovation fund to be established to support this work. He also called for greater collaboration between health and social care services, with £200m to be transferred to local authorities from the NHS in 2014-15, and a £3.8bn pooled budget in 2015-16. In addition, £35m is to be made available to local authorities in 2015-16 to help prepare for reforms to the system of social care funding, including the cap on care costs from April 2016. There is also the £200m additional funding to the Troubled Families programme being managed by the department for Communities and Local Government.'

#### Challenge question:

- Following your authority's review of your medium term financial plan in light of the Spending Round announcement are actions being undertaken as planned?
- How is your authority planning to work with other organisations in the public sector?

# Emerging issues and developments

## Accounting and audit issues

### 2014/15 Code of Practice on Local Authority Accounting

At the end of July, CIPFA/LASAAC released the [2014/15 Code of Practice on Local Authority Accounting in the United Kingdom \(the Code\)](#) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The significant changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in authorities reviewing current measurements of property, plant and equipment and for some authorities, may require remeasurement of particular assets. CIPFA/LASAAC is proposing a relaxation of the measurement requirements of IFRS 13 and IAS 16 Property, Plant and Equipment for a three year period
- introduction of the new group accounting standards
- other amendments to standards issued by the International Accounting Standards Board (IASB): amendments to IAS 32 *Financial Instruments: Presentation* to clarify the application of the new disclosure requirements introduced in the 2013/14 Code and clarification on comparative information from amendments to IAS 1 *Presentation of Financial Statements*
- local government reorganisations and other combinations: clarification of the Code's requirements and alignment with other public sector bodies
- options for the "dry run" for the move to depreciated replacement cost for local authority transport infrastructure assets as set out in the CIPFA Code of Practice on Transport Infrastructure Assets to the (Local Authority Accounting) Code.

CIPFA/LASAAC have also launched a consultation on [simplifying and streamlining the presentation of local authority financial statements](#).

Both consultations closed on Friday 11 October 2013.

Challenge questions:

- Has your Treasurer and Head of Finance reviewed the proposed amendments and assessed the potential impact?
- Has your authority responded to the consultation?



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