

# Audit and Performance Review Committee Update Devon and Somerset Fire & Rescue Authority

Year ended 31 March 2017  
January 2017

**Peter Barber**

Associate Director

T 0117 305 7897

E [Peter.A.Barber@uk.gt.com](mailto:Peter.A.Barber@uk.gt.com)

**Mark Bartlett**

Manager

T 0117 305 7896

E [mark.bartlett@uk.gt.com](mailto:mark.bartlett@uk.gt.com)



# Introduction

This paper provides the Audit and Performance Review Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit and Performance Review Committee can find further useful material on our website [www.grantthornton.co.uk](http://www.grantthornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

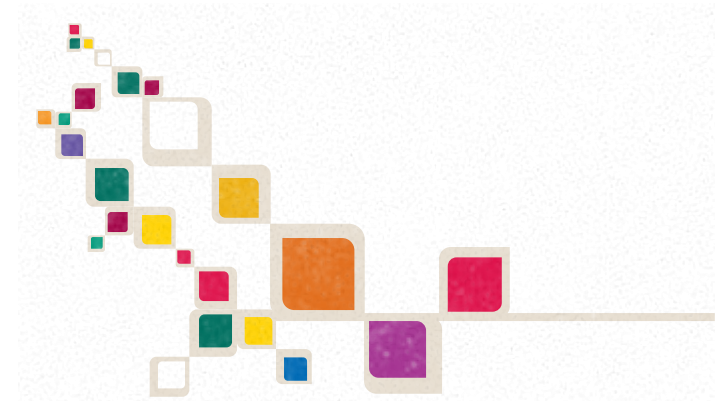
- Advancing closure – the benefits for local authorities (July 2016)  
<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>
- Brexit – a public sector perspective (July 2016)  
<http://www.grantthornton.co.uk/en/insights/brexit--a-public-sector-perspective/>

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 Engagement Manager.

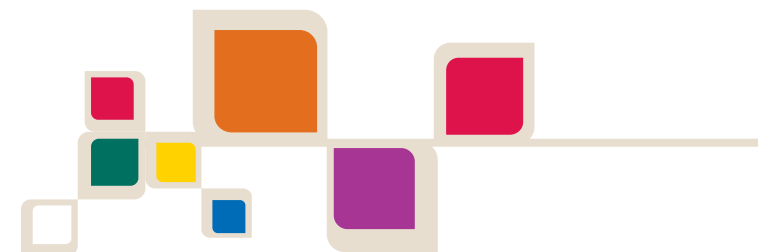
Peter Barber Engagement Lead T 0117 305 7897 M 07880 456122 [peter.a.barber@uk.gt.com](mailto:peter.a.barber@uk.gt.com)

Mark Bartlett Audit Manager T 0117 305 7896 M 07880 456123 [mark.bartlett@uk.gt.com](mailto:mark.bartlett@uk.gt.com)

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.

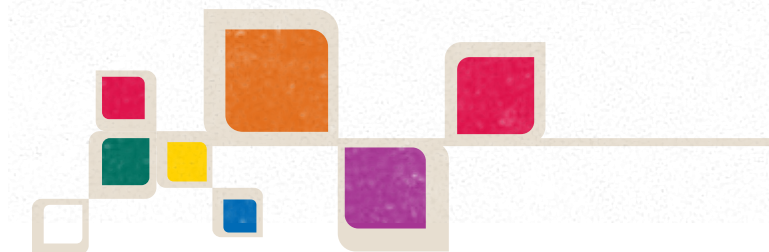


# Progress to date



2016/17 work	Planned Date	Complete?	Comments
<p><b>Fee Letter</b></p> <p>We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016.</p>	April 2016	Yes	<p>The 2016/17 fee letter was issued in April 2016.</p> <p>The 2016/17 work programme and fees is accessible from the Public Sector Audit Appointments (PSAA) website <a href="http://www.psaa.co.uk">www.psaa.co.uk</a>.</p> <p>Our fee letter set out the scope of our 2016/17 work and included an outline timetable</p>
<p><b>Accounts Audit Plan</b></p> <p>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 2016/17 financial statements.</p>	April 2017	No	The Audit Plan will presented to your April meeting.
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visits include:</p> <ul style="list-style-type: none"> <li>• updating our review of the Fire 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>• proposed Value for Money conclusion.</li> </ul>	January – February 2017	In progress	<p>We will build on our knowledge of the Authority following our audits over the last three years. Issues arising from our interim work will be set out in the Audit Plan.</p> <p>Our interim audit started on site on w/c 9 January 2017.</p>
<p><b>Final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2016/17 financial statements</li> <li>• proposed opinion on the Fire Authority's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	July – September 2017	Not started	We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. The final accounts audit is scheduled to start on 3 July 2017.

# Progress to date



2016/17 work	Planned Date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2016/17 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 Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	January – July 2017	In progress	The results of our initial risk assessment will be presented in our audit plan to your April meeting.
<p><b>Annual Audit Letter</b></p> <p>We will summarise all the work completed as part of our 2016/17 audit within one letter which will be issued after the opinion.</p>	October 2017	Not started	
<p><b>Other activities</b></p> <ul style="list-style-type: none"> <li>• We held Faster Close workshops in Bristol and Exeter during October 2016. The workshops were aimed at local authority practitioners and considered the main factors for authorities to consider in accelerating their financial reporting procedures to produce their year-end accounts. The Exeter workshop on 19 October was attended by members of the Authority's Finance team.</li> </ul>			



# Fire Sector Accounting and other issues





# CFOA Members vote to change the Articles of Association

CFOA Members have voted on proposals to change the Articles of Association which will change the structure of the Association.

The proposals intend to:

- strengthen the professional / operational leadership of the Fire and Rescue Service
- improve national co-ordination
- reduce duplication; increase efficiency
- support local service delivery
- provide increased influence for Fire and Rescue Authorities and their Services.

The proposals have been approved and the CFOA Board will now begin the process of implementing the changes on behalf of the membership. Key changes include:

- Removal of the term CFOA Board to be replaced with CFOA Trustees,
- Replacing the CFOA President's role as Chair of the CFOA Board with the new role of Chair of Trustees.

- Addition of the role of National Fire Chiefs Council (NFCC) Chair
- Addition of the section on NFCC
- Changing the name of Ordinary membership to Individual membership
- Addition of Professional Partner (PP) to categories of membership
- Changes to reflect the intention that most individual membership subscriptions will be paid for by the relevant Fire Authority as part of the PP package however leaving the option for an individual to chose to pay their own subscription if a service choses not to be a PP
- Appointment process for Trustees
- Election process for the Vice President Elect removed. Trustees have the powers to determine the election process which provides the flexibility that may be required for future elections.

CFOA will now invite nominations from Chief Fire Officers for the role of Chair of the National Fire Chiefs Council. The Chair will work alongside Dave Etheridge as he takes on the role of President.

Members have also approved a new Code of Ethics and Disciplinary and Appeals Procedure which provides evidence of their commitment to both professionalism and integrity.

# CFOA responds to Home Office workforce statistics

The Chief Fire Officers Association (CFOA) has responded to new statistics released by the Home Office which primarily focuses on the make up of English fire and rescue services workforce; focussing on age, religion, ethnicity and sexual orientation.

CFOA is pleased to see more transparency across fire and rescue services and more information available to the public. However, the Association has highlighted austerity measures which led to fire budget cuts of more than £300 million during the last six years (28% of government funding), leading to little recruitment taking place during this period, impacting on progressing workforce diversity.

In addition, the report shows the number of operational staff has fallen by almost a fifth during the last five years, highlighting the scale of reductions across fire and rescue services' workforce.

## The figures show in 2015/2016 that:

- Firefighters in England were predominantly male (95%) white (96%) and aged 36 or older (73%)
- 5% of firefighters were women. This was 4.7% in the previous year and 4.1% five years ago

- Of those who stated an ethnicity, 3.8% were from an ethnic minority group (doesn't include all FRSs)
- 3% of firefighters were bisexual, gay or lesbian (doesn't include all FRSs)

Ann Millington, CFOA's Director of People & Organisational Development commented: "All fire and rescue services have undertaken work to change and challenge the views that it is a male profession.

"A lot of work has also been done to encourage more female firefighters along with people from a range of ethnicities and backgrounds to join; helping to ensure fire services are as representative as possible for the communities they serve. Despite austerity measures, services have continued to work on improving diversity through work programmes aimed to change culture and improve development opportunities for staff."

Ann Millington added: "As we widen our role to further expand our health and community work, we need diversity of ideas and skills, along with people who can help us integrate our services with our partners and the communities we serve. We are working together and with the Home Office to attract people to our sector.

Full details can be found at: <https://www.gov.uk/government/collections/fire-statistics#fire-and-rescue-authorities-operational-statistics-latest-version>

"We want people to recognise that we can offer a career and a great place to work, while creating equal opportunities for people from different backgrounds; ultimately having a positive impact on the diverse communities we serve."

Dave Etheridge, CFOA's President said: "These figures provide an accurate picture of fire and rescue services at the current time, but also reflect almost seven years of austerity when recruitment was at an all time low and budgets were substantially reduced. A number of services are now recruiting and we will hopefully see a positive change in these statistics in the coming years.

"However the changes are likely to be relatively small to begin with due to building up recruitment levels. We are working hard to ensure we proactively encourage and work with a range of different people to ensure diversity, while breaking myths of what the role of a firefighter entails."



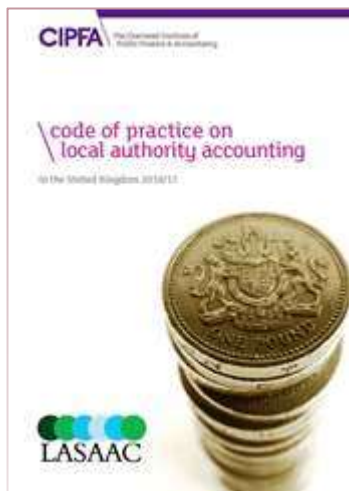
# Technical Matters





# Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

This is the seventh edition of the Code to be prepared under International Financial Reporting Standards (IFRS), which have been adopted as the basis for public sector accounting in the UK. The 2016/17 Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2016. Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper (accounting) practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).



The Code includes changes resulting from the 'Telling the Story' review on improving the presentation of local authority financial statements. These include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

Amendments arising from the narrow scope amendments to International Financial Reporting Standards including changes from the following amended standards:

IAS 1 Presentation of Financial Statements under the International Accounting Standards Board Disclosure Initiative

IAS 24 Related Party Disclosures in relation to key management personnel as a result of the Annual Improvements to IFRSs 2010 – 2012

IFRS 11 Joint Arrangements Accounting for Acquisitions of interest in Joint Operations

IFRS 8 Operating Segments as a result of the Annual Improvements to IFRSs 2010 – 2012.

An update to the Statements Reporting Reviews of Internal Controls Section of the Code for the changes to the Delivering Good Governance in Local Government: Framework (2016) published by CIPFA and SOLACE.



## Accounting and audit issues

### Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate on going revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.



# Grant Thornton Publications





# Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
  - high quality financial statements as a result of improved quality assurance arrangements;
  - greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;
  - improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
  - allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.
- While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further details:
- Enabling sustainable change requires committed leadership underpinned by a culture for success
  - Efficient and effective systems and processes are essential
  - Auditors and other external parties need to be on board and kept informed throughout

Grant Thornton reports



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>



# Integrated Reporting

## Looking beyond the report

The move away from reporting based on historic financial information is beginning to gain momentum and Integrated Reporting is now mandatory in some countries.

In the UK, CIPFA proposed in their consultation document that the narrative report from 2017/18 reflects elements of the International Integrated Reporting Council's framework whilst the Treasury is encouraging public sector organisations to adopt Integrated Reporting.

*Integrated reporting: Looking beyond the report* was produced by our global Integrated Reporting team, based in the UK, New Zealand and South Africa, to help organisations obtain the benefits of Integrated Reporting.

The International Integrated Reporting Council (IIRC) describes Integrated Reporting as "*enhancing the way organisations think, plan and report the story of their business.*"

At Grant Thornton, we fully agree with this and, in our view, the key word is 'enhancing' because a lot of the elements to support effective Integrated Reporting are likely to be in place already.

But anyone focussing purely on the production of the report itself will not reap the full benefits that effective Integrated Reporting can offer.

Instead, think of Integrated Reporting as demonstrating "integrated thinking" across your entire organisation, with the actual report being an essential element of it.

Our methodology is based on six modules which are designed to be independent of each other.

1. **Secure support** – effective Integrated Reporting needs leadership from the top.
2. **Identify stakeholders** – who are they and how can you engage with them?
3. **Identify the capitals for your organisation** – what resources do you use to create value?
4. **What do you have – and what do you need?** – do you have the data you need and is it accurate?
5. **Set limits and create boundaries** – make sure your report is focussed.
6. **Review and improve** – Integrated Reporting is a continuous learning process.

Our approach to Integrated Reporting is deliberately simple; experience has shown us that this works best. Things are often only complicated because people made them that way.

Our experienced, independent teams can help you keep focused throughout the entire Integrated Reporting process and can support you, no matter what stage you are at. Please speak to your Engagement Lead if you would like to discuss this further.

## Grant Thornton publications



Integrated reporting  
Looking beyond the report



# Brexit

## Planning can help organisations reduce the impact of Brexit

Several months have passed since the referendum to leave the European Union (EU), during which there has been a flurry of political activity, including the party conference season.

After many years of relative stability, organisations will need to prepare themselves for a period of uncertainty and volatility and will need to keep their risk registers under constant review. The outcome of the US Presidential election in November 2016 has added to this uncertainty.

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

### Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

### Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

## Grant Thornton update

### Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

Potential existing examples for the UK's future relationship, such as the 'Norwegian' or 'Swiss' models, seem out of the question. The UK wants a 'bespoke deal'.

Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.



# Brexit

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

After a relatively stable summer, we expect there will be increased volatility as uncertainty grows approaching the formal negotiation period.

## Planning can help organisations reduce the impact of Brexit

The chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

**Staffing** – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

**Financial viability** – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

**Market volatility** – for example pension fund and charitable funds investments and future treasury management considerations.

**International collaboration** – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.

## Grant Thornton update

For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/en/insights/brexit-planning-the-future-shaping-the-debate/>



© 2017 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

[grantthornton.co.uk](http://grantthornton.co.uk)

GRT102468