

# Auditor's Annual Report on Hereford & Worcester Fire Authority 2020-21

19 January 2022



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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# Executive summary



## Value for money arrangements and key recommendation(s)

We presented our Audit Plan to the Audit & Standards Committee on 28 July. In this we set out the revised approach to Value for Money work for 2020/21 onwards. We noted there are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We reported at that time that we had not identified any risks of significant weaknesses from our initial planning work. We have continued our review of your arrangements, and are now able to issue our auditor's annual report.



## Financial sustainability

The Authority continues to enjoy a comparatively healthy financial position. This has been achieved through robust financial management, identifying and delivering transformational savings, with Member involvement throughout. Reserves in excess of need are now being utilised to enhance service delivery. Future Medium Term Financial Plans will be informed by any government funding announcements, which have been anticipated for a number of years.



## Governance

The Authority has robust governance arrangements in place, including risk management and internal audit. These have continued throughout the pandemic.



## Improving economy, efficiency and effectiveness

The Authority has a history of tackling areas where it believes savings can be made, without comprising service delivery. Key performance indicators are included in quarterly reports to Full Authority, underpinned by robust data. However, as noted in the "Opinion on the financial statements", the Authority needs to ensure that it has robust arrangements in place to ensure the quality of service provision where services or functions are outsourced. We have made an improvement recommendation on page 11 of this report.

The Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services 2021/22, Effectiveness, Efficiency and People report concluded that in each of the 3 areas Effectiveness, Efficiency and People the Authority was rated as "Requires Improvement" compared to the 2018/19 report which rated the Authority as "Good" in relation Effectiveness and "Requires Improvement" in relation to "Efficiency and People", compared to an expected grade of "good".

This report, covering the second full inspection, was published on 15 December 2021. As such, the Fire Authority has not had the opportunity yet to prepare a detailed response and action plan. In its' response to the first inspection report, from December 2018, the Authority produced a detailed response / action plan, progress against which was reported quarterly to Members. We expect that the same approach will be taken this time.

The report highlights areas where the fire authority needs to improve, making recommendations where required. None of these give rise to "Significant Weaknesses" in arrangements for our VFM work. However, we will revisit the progress the Authority makes in relation to these recommendation as part of 2021/22 VFM assessment. We have made an improvement recommendation on page 12 of this report.

# Executive summary



## Opinion on the financial statements

We have completed our work on the audit of the Authority's financial statements and include our detailed findings in our Audit Findings Report. Our audit was again completed remotely, with a couple of "in person" meetings.

Our work has identified significant issues in regard to the valuation of the Authority's property assets. This stems from the original valuer, Place Partnership Limited, ceasing on 31 March 2021, and work after that date being conducted by valuers employed by the West Mercia Police and Crime Commissioner. We have reported our findings in detail in our Audit Findings Report. With regard to the Value for Money arrangements, the Authority needs to ensure that it has robust arrangements in place for ensuring that key service providers, in all areas, provide the required work or information to an appropriate standard. We also had to undertake more testing than planned in order to obtain appropriate assurance that non pay expenditure had been included in the correct financial year. We also identified that the Member Data provided to the Government Actuary Department (GAD), as actuary for the Fire Fighter's Pension Scheme was out of date, although this did not have a significant impact on the overall liability.

We intend to issue an unmodified opinion on the financial statements



# Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Fire Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Authority's responsibilities are set out in Appendix A.

Fire Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 8.

# Financial sustainability



## We considered how the Authority:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any “Significant Weaknesses”.

## Key findings

The Medium Term Financial Plan (MTFP) is based on reasonable assumptions, and includes sensitivity analysis for those variables which could have greatest impact. The MTFP explains the ongoing uncertainty over a long term financial settlement, and the planned use of the Budget Reduction Reserve to smooth short term shortfalls and uncertainty while structural changes are made and a longer term settlement announced. This avoids the Fire Authority having to make short term service reductions which in the longer term would be unnecessary. The Structural Gap for the four years of the MTFP is approximately £300k a year, and is forecast to remain as such beyond 2024/25. The Budget Reduction Reserve was forecast to be £3.5m at 31 March 2025. Even with no action at all to address the structural gap, this would have meant that the reserve would be sufficient until 2035. However, the out-turn results for this year would mean that there would potentially be £5.5m in this reserve which would exceed requirements and necessity.

With the agreement of Group Leaders the new Chief Fire Officer has undertaken a review of reserves and has identified areas where they can be used effectively to give significant organisational impacts. This is also in-line with HMICFRS recommendations in their previous State of Fire Report 2019, where all Fire Authorities were advised to review their reserves and make investments in the near future rather than holding or accumulating excessive reserve levels. These movements will bring the reserve to £1.414m. This means that the reserve will still last for five years, providing sufficient time to address the structural deficit.

There are four priority projects developed by the Strategic Fire Alliance between Hereford & Worcester and Shropshire Fire and Rescue Services. These cover Fire Control, Community Risk Management Plan (CRMP), ICT and procurement. When these projects come to fruition they should increase collective capacity and resilience to achieve longer-term sustainability for both Services.

Savings plans have historically involved reconfiguring fire stations and reducing the number of appliances at a station, as well as crewing changes. These are all subject to extensive consultation - with the public and Fire Brigades' Union. After appropriate consultation savings plans are approved by Members before implementation.

The Fire & Rescue Service carries out its duties under the Fire and Rescue Services Act 2004 in relation to fire prevention, fire safety, firefighting and rescues, including emergencies such as road traffic collisions and flooding events. Unlike local councils, there aren't any discretionary services that have a net negative financial impact - the additional services provided are designed to be revenue generating - such as working with other blue light services.

The Community Risk Management Plan for 2021-25 sets out the strategic priorities, including six areas for focus - Service Delivery; Service Support; Value for Money; Governance; Partnership Working and Infrastructure and Technology. Each of these is underpinned by a number of activities. These activities are then supported through the budget setting process, as has been the response to the external inspection by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Service (HMICFRS) in Summer 2018, reporting in December 2018.

# Financial sustainability

The HMICFRS 2021/22, Effectiveness, Efficiency and People report noted that the fire service displays some sound financial management. The Authority takes a prudent approach to government funding in its medium-term financial plan (MTFP) given the uncertainties around the Covid-19 pandemic.

The report also notes that the Authority undertakes regular reviews to consider service expenditure and has made savings and efficiencies which have not impacted its operational performance and services it provides to the public. The report deems the Authority as financially secure but with the opportunity to plan for future challenges and develop plans on how to use its reserves.

We have assessed the arrangements that the Authority has in place over financial sustainability and are satisfied that there are no significant weaknesses to report on.



# Governance



## We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any “Significant Weaknesses”.

## Key findings

Because of the nature of the services the Fire Authority provides, it takes risk management extremely seriously, both in operational and non-operational aspects. Department Heads are responsible for the completion of a quarterly risk register review, with support from the Emergency Planning and Resilience Officer (EPRO). The Strategic Risk Register (SRR) is reviewed at a Senior Management Board (SMB) meeting at the end of each quarter and is collectively owned by SMB. There is an annual risk management report to Audit & Standards Committee.

Internal Audit is provided by Worcestershire Internal Audit Shared Service (WAISS). From review of internal audit work, and attendance at Audit & Standards Committee, we can confirm that internal audit is adequate and effective. The Audit & Standards Committee receives update reports at each meeting, and these summarise the key messages and conclusions, providing sufficient assurance to enable it to assess whether internal controls have operated as expected.

The annual budget is built to support the Community Risk Management Plan (CRMP) which is based on an assessment of risk and response, and runs for a four year period. There is comparatively little year on year movement. There is extensive consultation with the Fire Brigades Union (FBU) for example over changes to crewing patterns, and with the public in regard to provision of appliances at fire stations. This feeds in to the CRMP, which then drives the MTFP, and annual budget.

Budget-holders have access to real time financial management information. The nature of the budgets means that there are few for which profiling is relevant. Financial monitoring reports are presented to the Policy & Resources Committee. All forecast variances against individual budget lines are reported. The body of the reports explains the larger variances, and changes to previous budgets, in detail. Budget changes are approved by Committee (or Full Authority) within each quarterly report.

The Authority makes properly informed decisions, including extensive consultation where appropriate. For example, preparation of the draft CRMP involved joint workshops with Shropshire Fire and Rescue Service to ensure a common approach to risk identification and management. An extensive programme of local risk workshops was also conducted with staff in all Service departments prior to publishing the draft CRMP for public consultation. Full public consultation was carried out between 6 July 2020 and 25 September 2020.

The Authority has an experienced Monitoring Officer who oversees compliance with legislation and regulatory standards.

From our review of the arrangements that the Authority has over governance we have not identified any significant weaknesses which we need to report on.

# Improving economy, efficiency and effectiveness



## We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any “Significant Weaknesses”.

## Key messages

Key performance indicators are included in quarterly reports to Full Authority. This is underpinned by robust data, with Internal Audit reporting (January 2021) "The Performance & Information department have a well defined process for the collation and production of performance data, both locally and for HMICFRS reporting purposes." Benchmarking with other Fire Authorities is difficult owing to the lack of national guidance on reporting KPIs etc, which makes comparisons difficult. The Fire Authority works with others where possible.

The Fire Authority is subject to inspection by HMICFRS and prepared a detailed action plan in response to the initial report and findings. Updates are provided regularly (usually quarterly) to Members.

The Fire Authority has a history of tackling areas where it believes savings can be made, without comprising service delivery - for example - review of the number of fire appliances at stations, review of the number of fire fighters required on appliances, and review of crewing patterns. This is always supported by appropriate consultation with key stakeholders. Strategic priorities are reviewed and refreshed through the CRMP.

The Fire Authority is an a Strategic Fire Alliance with Shropshire and Wrekin Fire and Rescue Authority. This sets out four key priority areas (Fire Control; CRMP; ICT & Procurement) where the two authorities are working closely together, leading to actions to be taken at each body.

Over a number of years expected financial benefits of partnership working have been realised. To date, these have primarily been working more closely with West Mercia Police. This includes sharing of various facilities as "Blue Light Hubs" and sharing facilities at the Hindlip site.

We have reported the findings from our audit of the Authority's financial statements separately in our Audit Findings Report (AFR), presented to Audit & Standards Committee alongside this report. Our AFR sets out the significant challenges we, and Officers, faced in ensuring that the valuation of property in the statements is fairly stated. Our report includes the very significant changes in the valuation of property arising from our audit. While Officers used the valuations provided to them in good faith, there is a need to ensure that, where services are outsourced, the information and supporting evidence is robust and reliable. This was not the case with the property valuations – the valuations initially provided by Place Partnership Limited, and then by valuers employed by the West Mercia Police & Crime Commissioner, both fell short of what Officers and we as auditors would expect to see.

## Improvement Recommendation:

**We would recommend that management ensures that it robustly challenges and checks the data provided by external valuers to ensure the right information is presented in the financial statements.**

# Improving economy, efficiency and effectiveness

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services 2021/22, Effectiveness, Efficiency and People report graded the Authority as "Requires Improvement" in respect to each of the three criteria. The 2018/19 report also rated the authority as "Requires Improvement" against Efficiency and People, but "Good" in respect to "Effectiveness".

The report notes that

*"The service is good at protecting the public through fire regulation, and at responding to major incidents. But it needs to have a better understanding of fires and other risks. It also needs to be better at both preventing fires and responding to fires and other emergencies.*

*The service displays some sound financial management. And its medium-term financial plan (MTFP) takes a prudent approach to government funding, given that the full impact of the pandemic is unknown. But the service still needs to improve its use of resources. It is financially secure but could do more to plan for future financial challenges. The service is developing a plan for the use of its reserves. It should regularly review its fleet and estate strategies.*

*We are encouraged by the improvements the service has made since our last inspection. It now actively considers the relationship between technology, future innovation and risk. Its fire control mobilising system has moved to West Mercia Police headquarters, and the service is seeking to use changes in technology to improve efficiency and effectiveness. But it has limited capacity and capability to bring about sustainable future change.*

*The service needs to improve how it treats its people. This includes promoting the right values and culture, and getting the right people with the right skills, as well as looking at*

*performance management and talent development. I note that the service needs to do more to make the service a fair place to work and to promote diversity, and with better communication between senior leaders and staff. The newly established senior leadership team should look to provide opportunities to improve the culture of the organization."*

This report, covering the second full inspection, was published on 15 December 2021. As such, the Fire Authority has not had the opportunity yet to prepare a detailed response and action plan.

These comments, particularly around financial management, are consistent with our own findings over several years. We also note the comment on the new leadership team – our meeting with the Chief Fire Officer and Treasurer on 5 August 2021 highlighted some of the areas for focus – particularly around developing a wider leadership group and cultural change.

The report highlights areas where the Fire Authority needs to improve, making recommendations where required and we would expect the Fire Authority to assess the findings in the report and develop an action plan, akin to its response to the first inspection report, from December 2018. We would expect the Authority, to report progress against this to its Members similarly to how it reported against the 2018/19 findings.

We have assessed the recommendations in the report and do not assess that these give rise to "Significant Weaknesses" in arrangements in respect to our VFM work. However, we will revisit the progress the Authority makes in relation to these recommendation as part of 2021/22 VFM assessment.

## Improvement Recommendation:

We would recommend that management ensures that it develops an action plan to respond to the recommendations raised in the HMICFRS 2021/22, Effectiveness, Efficiency and People report, and monitors and reports progress made on the recommendations to Members.

# Improvement recommendations

<b>1 Recommendation</b>	Management ensures that it robustly challenges and checks the data provided by external valuers to ensure the right information is presented in the financial statements.
<b>Why/impact</b>	The final 2020/21 financial statements required a number of adjustments in respect to the valuation of property, plant and equipment compared to the draft financial statements as there were a number of valuation inconsistencies compared to source data. This resulted in increased time, effort and resources to ensure that the valuation of assets was correctly reflected in the financial statements both by management, the valuation experts and the audit team.
<b>Auditor judgement</b>	It is important that the Fire Authority ensures that it challenges and checks the data used to prepare the draft financial statements, so that it can minimise the number of adjustments required to the final set of financial statements.
<b>Summary findings</b>	The Fire Authority outsources the valuation of its' property valuations, but needs to ensure robust oversight of the process and outcomes.
<b>Management comment</b>	The Authority acknowledges the need to have accurate Accounting valuations for inclusion in the Accounts, although recognizing that they do not necessarily represent the realisable value of individual properties. The short-comings of the valuation process in 2020/21, were made worse by the complete cessation of service from that supplier immediately after the valuation was provided. The support provided by our new supplier in correcting these issues means that future valuations will be more accurate and has given confidence and understanding to the Finance team to enable a robust and appropriate challenge process in future.

The range of recommendations that external auditors can make is explained in Appendix B.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations

<b>2 Recommendation</b>	Management ensures that it develops an action plan to respond to the recommendations raised in the Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) 2021/22, Effectiveness, Efficiency and People report, and monitors and reports its progress made on the recommendations to members.
<b>Why/impact</b>	<p>The HMICFRS 2021/22 report ask three main questions:</p> <ol style="list-style-type: none"> <li>1. How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?</li> <li>2. How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?</li> <li>3. How well does the fire and rescue service look after its people?</li> </ol> <p>The report conclude that the Authority "Requires Improvement" across all 3 categories, and made a number of recommendations to the Authority to implement.</p>
<b>Auditor judgement</b>	It is important that the Authority responds to recommendations made in the HMICFRS 2021/22 report and ensures that progress against these recommendations is monitored and reported to members.
<b>Summary findings</b>	The HMICFRS 2021/22 report rated the Authority as "Requires Improvement" in all 3 criteria of the report Effectiveness, Efficiency and People. "Good" is the expected grade judgement for all fire and rescue services.
<b>Management comment</b>	The Authority takes recommendations of HMICFRS seriously and as a genuine opportunity to improve. There is a proven track-record of establishing an action plan; with appropriate objectives, time-scales and responsible officers together with a regular report back process to the Senior Management Board and to Members of the Authority; and this report will be treated no differently.

The range of recommendations that external auditors can make is explained in Appendix B.



The range of recommendations that external auditors can make is explained in Appendix C.

# COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Authority's arrangements have adapted to respond to the new risks they are facing.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any "Significant Weaknesses".

## Key messages

The Covid-19 pandemic is a global event that has impacted all people and organisations. The Fire Authority during this period has had to continue to provide this key service with a number of restrictions imposed.

The Fire Authority responded to the pandemic by reducing the extent of non essential activity so that firefighters were able to continue to respond to emergency calls, while also supporting the county wide response.

The Authority allowed its staff to work flexibly and efficiently during the pandemic, making use of technology to implement agile working and video conferencing where required and plans to adopt these changes into its usual procedures.

No significant weaknesses in controls have been raised by Internal Audit. Governance has adapted appropriately, with meetings happening through Teams. We have not seen any diminution in the quality of debate or challenge as a result of the pandemic.

The financial impact on the Fire Authority has been comparatively limited, which is expected given the nature of the services provided and income streams. In year the Authority received £691k grant and a further £72k after the year end totalling £763k,

against which attributed costs totalling £161k have been offset. The balance (£602k) has been taken to a specific ear-marked reserve. This will be used to fund shortfalls in funding as a result of Precept/Business Rate tax-base losses into the MTFP period.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services COVID-19 Inspection took place between 5 and 16 October 2020, reporting in January 2021. The report summarises "The service prioritised its operational response and, in doing so, decided not to provide the full range of protection activity. It suspended its risk-based inspection programme, but didn't replace it with a suitable alternative risk-based approach, such as introducing desktop reviews. It did continue some protection activity, such as enforcement, albeit at a reduced level. As a result, we are concerned that the service hasn't undertaken the full range of protection activity expected during the initial period of the pandemic. It did continue with its prevention work."

Our findings are consistent with this – for example, that training was reduced and fire officer time freed up to support the response to the initial stages of the pandemic. However, we are satisfied that the reduction of protection activity has not had a detrimental impact on the Authority's ability to provide its services.

The report further states "The service managed its financial resources well, and its financial position was largely unaffected, especially as it didn't have to use reserves to cover extra costs. The service could respond quickly to staff absences. It trained more staff for its control room roles and supported on-call firefighters who were affected financially by the pandemic. The service communicated well with its staff throughout the pandemic, including on issues relating to staff wellbeing. It continued its risk-critical training. It also made sure all staff had the resources they needed to do their jobs effectively, including providing extra IT and putting in place new flexible working arrangements."

In our view the Authority has appropriately responded to the challenges made by the pandemic to continue to deliver key services to the public and provided arrangements for its staff to work throughout the period, and therefore there is no evidence of significant weaknesses in its arrangements.

# Opinion on the financial statements



## Audit opinion on the financial statements

We plan to give an unqualified opinion on the financial statements in January 2022.

## Audit Findings Report

More detailed findings can be found in our AFR, which will be presented to the Audit & Standards Committee on 19 January 2022.

## Whole of Government Accounts

The Fire Authority is below the threshold for an audit of the Whole of Government Accounts (WGA) return. However, the guidance and template return is not expected until January, so we are unable to conclude our audit at this stage.

## Preparation of the accounts

The Authority provided draft accounts in line with the national deadline of 30 July, but two months after the agreed date of 31 May. The Treasurer explained the reasons for this to the Audit & Standards Committee on 28 July. The main causes of the delay were needing get a number of property valuations re-done and delays in district councils providing information needed for the accounts.

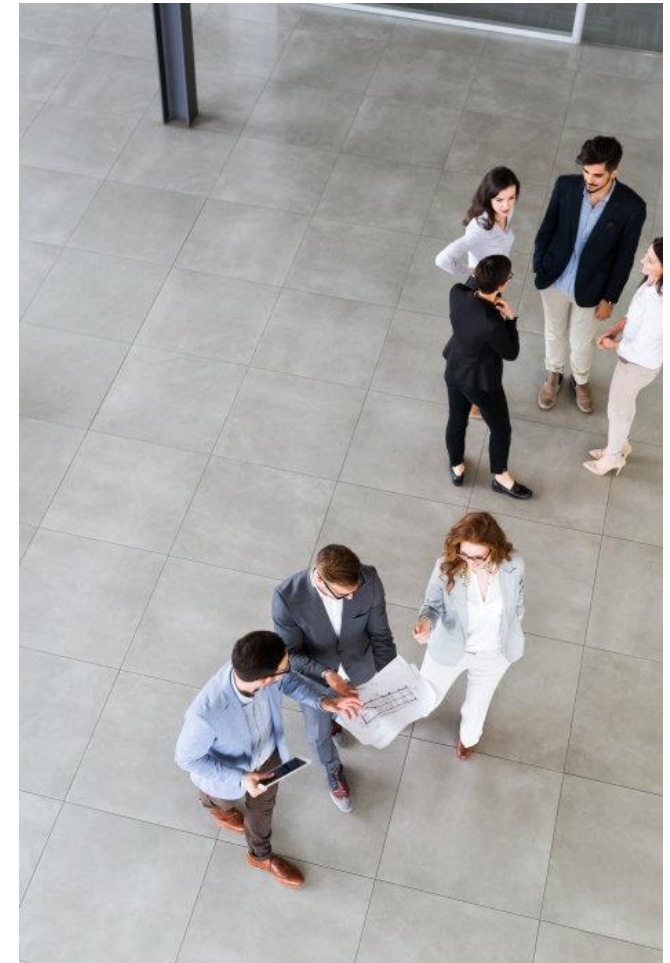
## Issues arising from the accounts:

The key issues were:

- very significant issues in obtaining sufficient, appropriate assurance over the valuation of property, which led to a material change in the Balance Sheet value
- a £242k reduction in Non Domestic Rates income
- Member Data provided to the Government Actuary Department (GAD), as actuary for the Fire Fighter's Pension Scheme was out of date, although this did not have a significant impact on the overall liability.
- inconsistent application of the expenditure recognition policy.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Appendices

# Appendix A - Responsibilities of the Fire Authority



## Role of the accountable officer:

- Preparation of the statement of accounts
- Assessing the Authority's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

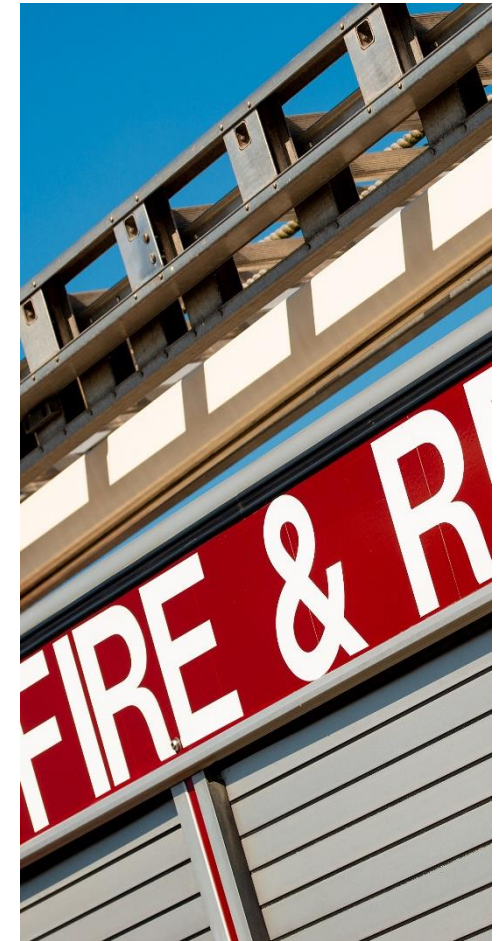
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Authority's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority's arrangements.	Yes	11 & 12

# Appendix C – Use of formal auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue a statutory recommendation.

## Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not issue an application to the Court.

## Advisory notice

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for a judicial review.

