This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Audit Findings for West Midlands Fire and Rescue Authority

Year ended 31 March 2022

March 2023

Contents

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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 planning 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 the Authority or all 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Risk Committee.

Name : Avtar Sohal
For Grant Thornton UK LLP
Date : 20 March 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit West Midlands Fire and Rescue Authority ('the Authority') and the preparation of the financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on site/remotely during July-November. Our findings are summarised on pages 5 to 15. Our audit is ongoing, We have requested that the financial statements are adjusted for revised IAS19 report issued by the LGPS pension fund actuary, due to findings from the West Midlands Pension Fund Audit for the year ending 31 March 2022. Audit adjustments are detailed in Appendix B. We have also raised a recommendation for management as a result of our audit work in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- final conclusions and review over the work completed on property valuations included in the Authorities' financial statements;
- consideration and testing of the revised financial statements based on the updated IAS 19 actuarial report;
- completion of work on employee remuneration
- final quality reviews by the Audit Manager and Engagement Lead;
- receipt and review of management's signed representation letter; and
- receipt and review of the final signed set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay has been shared with management and the Chair of the Audit and Risk committee. We expect to issue our Auditor's Annual Report by June 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Annual Auditor's report by June 2023.

Significant Matters

As detailed on page 9, we have encountered significant delays and difficulties in obtaining floorplans to support the areas provided to the external valuer to support their calculations.

As detailed on page 10, due to issues within the West Midlands Pension Fund audit, an updated IAS19 actuarial report has been issued to the Authority that will require amendments to the accounts and the LGPS net pension fund liability. We will need to review that these adjustments are appropriately reflected in the financial statements and are free from material misstatement.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Risk Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls for the implementation of the new ledger;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Risk Committee meeting on 20 March 2023. These outstanding items are highlighted on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,600,000	We determined materiality for the audit of the Authority's financial statements as a whole to be £2.6m in our audit plan, which equated to approximately 2% of the Authority's gross operating expenditure in 2020/21. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding.
Performance materiality	1,820,000	Performance materiality drives the extent of our testing and this was set at 70% of financial statement materiality. Our consideration of performance materiality is based upon a number of factors: • We are not aware of a history of deficiencies in the control environment. • Senior financial management and key reporting personnel have remained stable from the prior - year audit
Trivial matters	130,000	Triviality is the threshold at which we will communicate misstatements to the Audit and Risk Committee.
Materiality for senior officer's remuneration	24,300	In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • obtained the listing of journal entries and other adjustments in the year and reconciled this back to the trial balance to ensure it was complete • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested 55 unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • reviewed material estimates and judgements for evidence of material bias • reviewed the accounting policies adopted by the Authority which were deemed reasonable. We have not identified any issues in respect of management override of controls. Upon testing the completeness of the journals we have identified a weakness in control. Given that there was a change in the financial ledger, the Authority had engaged with a third party consultant to assist with the data migration. From our work around the completeness of journals, we identified that the ledger was imbalanced by £1.25. This was challenged with the Authority and despite several tests and rewrites of transactional reports, by the third party consultant and the Authority were unable to identify the cause of this issue. We are satisfied that this is an isolated incident from the data migration. This has been reported in Appendix A.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Implementation of a new ledger system During the year, the Authority moved from an externally hosted Oracle Business System financial ledger, to an internally hosted Oracle Fusion ledger. This required migration of data for the first six months of the financial year from one system to another. The Authority staff will also be using a new ledger during the financial statements closedown and preparation process. There is a risk that data migrated between systems is not accurate or complete, and the operation of a new ledger system during the financial statements closedown and preparation process may lead to an increased number of errors or delays.	We have; • Reviewed the Authority's process for ensuring the data migration was complete and accurate; • Performed procedures to determine the design effectiveness of IT general controls of the new ledger system; and • Reviewed management's process for the closedown and preparation of the financial statements. Our internal IT specialist team have completed a review of the arrangements for data migration and identified 4 significant deficiencies, 2 deficiencies and 2 improvement opportunities. The control weaknesses for Oracle Fusion relate to: • Inadequate control over self-assigning roles in Oracle Cloud by privileged users • User access within Oracle is not appropriately revoked for terminated employees • Inadequate control over privileged (individual and generic) accounts within Oracle • Lack of controls over granting user access within Oracle • Lack of review of information security/audit logs within Oracle • Lack of User Acceptance Testing completed for Oracle changes • Business users not involved in conducting User Acceptance Testing (UAT) in Oracle The following IT general control weakness was identified for Active Directory: • Inadequate control over privileged (individual and generic) accounts within Active Directory Details of these weaknesses have been communicated with management, with the IT Audit Findings report attached in Appendix D.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
The revenue and expenditure cycle includes fraudulent transactions (rebutted)	Having considered the risk factors set out in ISA 240 and the nature of the revenue and expenditure streams at the Authority, we determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Midlands Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable. Therefore, we did not consider this to be a significant risk for West Midlands Fire and Rescue Authority. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention. Our work in this area is complete and we have not identified any matters that would indicate our rebuttal was incorrect.
Valuation of land and buildings (PPE) The Authority revalues its land and buildings on an annual basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the processes, controls and assumptions put in place by management to ensure that the valuation of land and buildings is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement; • assessed the competence, capabilities and objectivity of management's experts [Wilks Head & Eve LLP) who carried out your PPE valuations; evaluated the instructions issued by management to their management expert [a valuer) for this estimate and the scope of the valuer's work; • communicated with the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, particularly around obsolescence of assets, build costs, floor areas for DRC assets and yields and rents/market values for non-specialised properties. • tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Authority's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value At the time of writing this report, our work in relation to the valuation of the Authorities property assets (other land and buildings) is yet to be finalised and is subject to review. We have encountered significant delays and difficulties in obtaining floorplans to support the areas provided to the external valuer to support their calculations. The Authority has now produced the relevant floor plans, however some of the floor areas are different in size to those provided to the valuer. We estimate that the valuation is overstated by around £442k, which is not materially different to the current value, therefore this will be reported as an unadjusted misstatement in Appendix B.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,843m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	We have: • relied, where appropriate, on work carried out by our internal Grant Thornton audit team, as auditors of the West Midlands Pension Fund; • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued to the management expert [actuary] for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary, through the Pension Fund, to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and documented and evaluated the controls surrounding the validity and accuracy of membership data; • contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. The West Midlands Pension Fund Auditor has highlighted to us two issues which impact the Authority's share of the Net Pension Fund liability, these are 1) West Midlands Pension Fund records the value of a number of its investments on a lagged basis, meaning the value is based on the value at the previous quarter adjusted for known cash movements. When compared to the position as at 31 March 2022 there was a material difference. 2) There was a misstatement in relation to the rate of return used to calculate the value of its investments. The Actuary's initial rate of return was lower than the actual rate based on the Pension Fund's financial statements, which has resulted in a reduction of the pension fund liability. The Authority has requested a revised report from the actuary to assess the impact. As a result of these findings, the pension fund actuary has issue a revised IAS19 actuarial report in respect to the Authority, which has resulted in a reduction in the net benefit liability by £778k, for which the authority has updated its financial statements – this has been reported in Appendix B.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations (including Surplus Assets) – £144.857m	Other land and buildings comprises £136.714m of specialised assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£8.143m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged Wilks Head & Eve LLP to complete the valuation of properties as at 31st March 2022 on a five yearly cyclical basis. All assets were revalued during 2021/22. The total year end valuation of land and buildings was £144.857m, a net increase of £18.410m from 2020/21 (£126.447m).	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. This provided us with assurance over the completeness and accuracy of the underlying information used to determine the estimate • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuations were carried out • tested on a sample basis revaluations of the Authority's land and buildings during the year to ensure they have been input correctly into the Authority's asset register and financial statements • considered the appropriateness of the source date and key assumptions including comparable rental income and yields for the properties. At the time of writing this report, our work in relation to the valuation of the Authorities property assets (other land and buildings) is yet to be finalised and is subject to review. We estimate that the valuation is overstated by around £442k, which is not materially different to the current value, therefore we consider managements estimation process to contain assumptions that we consider optimistic.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

2. Financial Statements - key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Local Government Pension Scheme Net pension liability – £52.269m</td>
<td>The Authority's net pension liability at 31 March 2022 is £52.269m (PY £65.402m). This is in relation to the Authority's obligations as a member employer of the West Midlands Pension Fund, part of the Local Government Pension Scheme. The Authority uses Hymans Robertson LLP to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £12.627m net actuarial gain during 2021/22.</td>
<td>

We have no concerns over the assessment of management's expert
We have no concerns over the assessment o the actuary's approach taken
We have used PwC as auditors expert to assess assumptions made by the actuary – see table below for the comparison made
No issues were noted in the completeness and accuracy of the underlying information used to determine the estimate
We have confirmed that the Authorities' share of LGPS pension assets is in line with expectations
We have confirmed that the increase in the estimate is reasonable
The disclosure of the estimate in the financial statements is considered adequate

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>2.7%</td><td>2.7 – 2.75%</td><td>✓</td></tr>
<tr><td>Pension increase rate</td><td>3.2%</td><td>3.15 – 3.30%</td><td>✓</td></tr>
<tr><td>Salary growth</td><td>4.2%</td><td>3.65 – 5.8%</td><td>✓</td></tr>
<tr><td>Life expectancy – Males currently aged 45 / 65</td><td>22.9 / 21.2</td><td>21.4 – 24.3 / 20.1 – 22.7</td><td>✓</td></tr>
<tr><td>Life expectancy – Females currently aged 45 / 65</td><td>25.4 / 23.6</td><td>24.8 – 26.7 / 22.9 – 24.9</td><td>✓</td></tr>
</table>

As previously stated on page 10, the pension fund actuary has issue a revised IAS19 actuarial report in respect to the Authority, which has resulted in a reduction in the net benefit liability by £778k, for which the authority has updated its financial statements – this has been reported in Appendix C.
</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Fire Fighters Net pension liability – £1,790.83m	The Authority's net pension liability for Fire Fighter pensions at 31 March 2022 is £1,790.83m (P/Y £1,800.8m) comprising of all Firefighter Pension schemes. The Authority uses GAD to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. The results have been calculated by carrying out a detailed valuation of the most recent data provided to the actuary (as at 31 March 2020), which has then been rolled forward to reflect the position as at 2022. In particular the actuary has allowed for service accrued between 1 April 2021 and 31 March 2022 and known pension and salary increases that would have applied. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	We have: • Undertaken an assessment of management's expert • Reviewed and assessed the actuary's approach taken and detailed work undertaken to confirm reasonableness of approach • Used an auditors expert (PWC) to assess the actuary and assumptions made by the actuary. This led to further detailed discussions with the Pension Fund and Actuary whereby we challenged the assumptions and calculation methods applied • Identified no issues with the completeness and accuracy of the underlying information used to determine the estimate • Confirmed there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above. Our audit work is ongoing, however to date, we have not identified anything to suggest the estimate is materially misstated.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority. This may need to be amended subject to further findings from the audit.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to your bank. This permission was granted and the requests were sent and the appropriate confirmation was obtained.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	We have encountered significant delays and difficulties in obtaining floorplans to support the areas provided to the external valuer to support their calculations. Although the Authority has now produced the relevant floor plans, this has delayed the delivery of the audit.

2. Financial Statements - other communication requirements

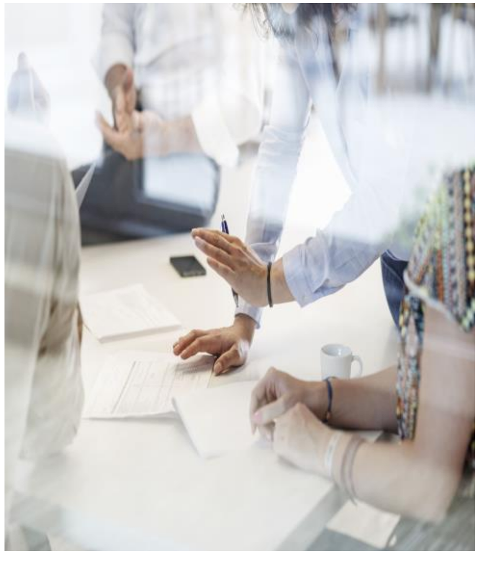
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Authority recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our review of Other Information is complete and no inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Authority does not exceed the reporting threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of West Midlands Fire and Rescue Authority in the audit report, as our work on VFM is still to be completed.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay has been shared with management and the Chair of the Audit and Risk committee. We expect to issue our Auditor's Annual Report by June 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authorities' arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work on this risk is underway and we have not identified any risks at this stage of the audit.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Authority's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Authority's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were charged from the beginning of the financial year to November 2022.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Appendices

A. Action plan – Audit of Financial Statements

Our audit is ongoing, however to date, we have identified 3 recommendation for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Review of the Fixed Asset Register** We have identified that the Authority have several assets within their asset register which are held at a nil net book value. The gross book value of these assets is £1.3m and whilst there is no impact on the balance sheet, this does increase the gross book value and accumulated depreciation in note 16. From the work that we have performed we have identified that these assets have been disposed/decommissioned. Although we have assurance that these assets are not materially misstating the financial statements, there is the risk that there are other items on the fixed asset register that are no longer in use.	The Authority should review their fixed asset register periodically to ensure that assets no longer in use by the authority, are removed in a timely manner. **Management have agreed this recommendation.**
Medium	**Completeness of the ledger** Given that there was a change in the financial ledger, the Authority had engaged with a third party consultant, to assist with the data migration. From our work around the completeness of journals, we identified that the ledger was imbalanced by £1.25. This was challenged with the Authority and despite several tests and rewrites of transactional reports, the third party consultant and the Authority were unable to identify the cause of this issue. We are satisfied that this is an isolated incident from the data migration.	The Authority should further investigate this incident with the ledger provider to understand how this has occurred to have a better understanding of the data migration process and ensure that ledger is complete. **Management response:** Significant efforts have been made to identify the cause of the £1.25 imbalance. Management will consider the value of undertaking any further work relating to this matter.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

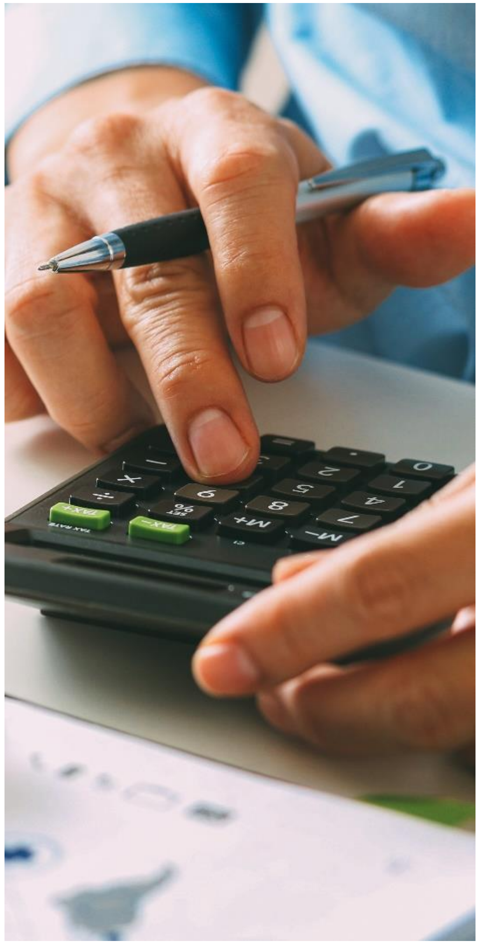
Assessment	Issue and risk	Recommendations
Medium	**Depreciation Policy** When reviewing the useful economic lives of assets, we have identified a number of assets for which their asset lives were inconsistent with the Authority's accounting policy, as per note 1.14.4 of the financial statements. For some assets, it was established that the asset had the correct useful economic lives, but were categorised incorrectly on the fixed asset register. However, for some assets, we identified that incorrect asset lives had been applied, resulting in premature depreciation. Although the differences are not considered material, there is the risk that the Authority may be inconstantly applying its accounting policies to numerous assets which may have a cumulative impact.	The Authority should review the useful economic lives applied to all assets to ensure that these are consistently being applied with the accounting policies disclosed in the accounts, and to ensure assets are categorised appropriately on the fixed asset register. Management have agreed this recommendation.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.



Impact of adjusted misstatements

All adjusted misstatements, to date, are set out in detail below along with the impact of any key statements and the reported cost of services for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Defined Benefit Pension Scheme – Net Liability As detailed on page 10, the net pension liability is overstated due to two errors, the known impact of these is £778k. Dr Other Long Term Liabilities Cr Re-measurement of the net defined benefit liability (Within Other Comprehensive Income)	(778)	778	0
Overall impact	(778)	778	0

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Reason for not adjusting
Valuation of land and buildings (PPE) As detailed on page 9, we estimate that the valuations are overstated by £442k due to incorrect data provided to the valuer. Dr Revaluation Reserve (within Other Comprehensive Income) - TBC Cr Property Plant and Equipment	442	(442)	This is deemed immaterial by the Authority, and would not impact the Authority's general fund balances
Overall impact	442	(442)	

B. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit to date, which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Misclassification of PPE	We have identified an asset of £275k that has been recorded as an Asset under construction within note 16, however this should be recorded as a Surplus Asset within the same note. This does not impact the overall figure of PPE per the balance sheet however is a misclassification issue. **Management response** This is not material and management will make this change as a post audit adjustment and restate the opening balances for the 2022/23 accounts.	No
Note 4 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	The Code states that this disclosure must include the nature of assumptions of the estimate and the carrying value. The Authorities disclosure was not complete and did not provide sufficient detail to be compliant with The Code, therefore we have recommended for this to be updated.	Yes
Financial Instruments	As per note 18.5.3, the Authority has disclosed an interest figure of £36k, however after the audit team recalculated this, we determine the figure to be £45k. Management have agreed to amend this figure within the final accounts.	Yes
Narrative Report	As per CIPFA Code ref 3.1.1.14 it is recommended that a local authority cross-refer to the outturn provided in the Expenditure and Funding Analysis required by paragraph 3.4.2.100. From our review of the narrative report, we have identified that there are no clear references. **Management response** This is a recommendation and not a statutory inclusion, therefore the audit team are satisfied that this does not materially impact the narrative report or financial statements.	No
Review of the financial statements	We have noted a number of typographical errors throughout the financial statements which have been agreed to be amended by management	Yes

C. Fees

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

Audit fees	2021/22 Proposed Fee	2021/22 Final fee
West Midlands Fire and Rescue Authority audit	£53,800	£61,300
Total audit fees (excluding VAT)	£53,800	£61,300

The proposed fees reconcile to the financial statements, as in note 30. We have requested a fee variation of £7,500 in respect to delays in receiving floorplans that support the valuation estimate and the revisions to the financial statements based on the updated IAS19 actuarial reports. The fee variations are subject to PSAA approval.

Appendix D.

IT Audit Findings

West Midlands Fire and Rescue Authority

Year ended : 31 March 2022

Issued Date : 26 January 2023

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Contents

Section 1: Executive summary

To support the financial statement audit of West Midlands Fire and Rescue Authority for year ended 31st March 2022, Grant Thornton has completed a design and implementation review of the IT General Controls (ITGC) for applications identified as relevant to the audit.

This report sets out the summary of findings, scope of the work, the detailed findings and recommendations for control improvements.

We would like to take this opportunity to thank all the staff at West Midlands Fire and Rescue Authority for their assistance in completing this IT Audit.

Section 2: Scope and summary of work completed

The objective of this IT audit was to complete a design and implementation review of West Midlands Fire and Rescue Authority's ITGC to support the financial statement audit. The following applications were in scope of this audit:

- Oracle Fusion
- Active Directory

We completed the following tasks as part of this ITGC review:

- Evaluated the design and implementation effectiveness for security management; change management and technology infrastructure controls
- Performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas
- Performed a detailed technical security and authorisation review of West Midlands Fire and Rescue Authority's Oracle system as relevant to the financial statements audit
- Performed an assessment of the processes and controls used as part of transitioning client onto new system during the audit period; and
- Documented the test results and provided evidence of the findings to West Midlands FRA's IT team for remediation actions where necessary.

Section 3: Summary of IT audit findings

Assessment	Number
Significant Deficiency (red)	4
Deficiency (amber)	2
Improvement Opportunity (green)	2

Section 4: Details of IT audit findings

Overview of IT audit findings

IT general controls assessment	The following IT general control weaknesses were identified for Oracle Fusion: • Inadequate control over self-assigning roles in Oracle Cloud by privileged users • User access within Oracle is not appropriately revoked for terminated employees • Inadequate control over privileged (individual and generic) accounts within Oracle • Lack of controls over granting user access within Oracle • Lack of review of information security/audit logs within Oracle • Lack of User Acceptance Testing completed for Oracle changes • Business users not involved in conducting User Acceptance Testing (UAT) in Oracle
	The following IT general control weaknesses were identified for Active Directory: • Inadequate control over privileged (individual and generic) accounts within Active Directory

IT general controls assessment findings – Oracle Fusion

	Assessment	Issue and risk	Recommendations
1.	●	**Inadequate control over self-assigning roles in Oracle Cloud by privileged users** In the Oracle system, users can self-assign roles. These roles should be approved through the formal authorisations process for user access management. Our audit identified that formal documented approvals were unavailable for the sampled user with job title – "Workforce Information Analyst" who self-assigned a role "WMFS Hiring Manager Custom" during the audit period. (Refer Appendix-1) **Risks** Users who self-assign roles without formally documented approvals from the line manager or equivalent, creates a risk of inappropriate access within the application or underlying database resulting in segregation of duties conflicts.	Management should put proper processes and controls in place for the self-assignment of user access for privileged users to ensure that the activities are consistently performed, logged and monitored. Where new roles are self-assigned, management should have a process in place to record, approve and action the request based on user role, team and access level. **Management response** This area is managed by business users and has been operating outside of our defined IT change management process. This will be resolved. As a result of the audit findings WMFS will further document and implement an access request process for our business users to follow. We will ask our service provider to monitor this until audit reports are in place.
2.	●	**User access within Oracle is not appropriately revoked for terminated employees** When an employee leaves the organisation, their access rights to a system/network should be terminated within a timely manner. Our audit identified that the sampled terminated user's account (Leaver's Title: Firefighter Fire Officer (Ops)) was still active/ enabled within Oracle after his leave date. From reviewing the last login date, we noted that the terminated users account was last logged in 46 days after his termination date. (Refer Appendix-2) **Risks** Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorised access transactions.	Management should ensure that a comprehensive user administration policy and associated procedures are in place to revoke application access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers. Management should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner. **Management response** Further investigation required, there will be occurrences whereby staff leave and return, or move between roles. When there is a leaving date in Oracle, it is automatically applied to the AD account which is replicated to Azure AD, the account is automatically disabled after the date of leaving. This prevents access as only AD accounts can log into Oracle. A review of the leaver process will be completed and automated processes implemented to revoke access for terminated employees within Oracle additionally.

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

IT general controls assessment findings – Oracle Fusion

	Assessment	Issue and risk	Recommendations
3.	●	**Inadequate control over privileged (individual and generic) accounts within Oracle** Only users with appropriate job title and role are provided with privileged access, as the privileged access provides users with enhanced access to create, modify or delete user accounts without authorization, read and modify sensitive data, change system configuration settings without authorization and approval and delete or disable system audit logs. <u>Individual Accounts</u> Our audit identified that there were 212 users from 3rd party support (NAMOS) who had admin access. It was further noted that 1 user was a senior member of IT management. We also noted 37 user accounts where the users were not a member of the IT team. (Refer Appendix-3 & 4 respectively) <u>Generic Accounts</u> Our audit identified 5 generic accounts where no information was able to be provided by client to confirm that the access is appropriately restricted for those users and how it was restricted. For 3 of the 5 accounts, we were not provided with information regarding their purpose. (Refer Appendix-5). **Risks** Users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data.	Management should undertake a review of all user accounts on Oracle to identify all individual accounts. For each account identified management should confirm the - requirement for the account to be active and be assigned privileged access - which users have access - controls in place to safeguard the account from misuse. **Management response** Generic accounts are against IT policy, though there are some exceptions (such as service accounts for integration). An exercise is underway to remove legacy generic accounts, followed by a review of individuals with privileged accounts. We will work with our service provider to consolidate and remove accounts that remain post implementation (which is ongoing) Senior IT management access will be reviewed, this is due to legacy skills in integration as well as access 24/7 in case of a significant event. This will be reviewed to an appropriate level. Training and guidance will be given to business system administrators on the creation of accounts. These will follow our IT change process. It should be noted that account existence in HCM does not mean that all people have access as accounts have to be accesses via AD integration (we have disabled direct access).

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

IT general controls assessment findings – Oracle Fusion

	Assessment	Issue and risk	Recommendations
4.	● (red)	**Lack of controls over granting user access within Oracle** When a new employee joins the organization, their access rights to a system/network should be approved by an appropriate individual before being granted according to his/her job role. Our audit identified for a new starter joining the organisation, the permissions were not specified on the request. The example we examined showed that a "Temporary Revenues Assistant" was granted the following roles – a) Accounts Payable Invoice Supervisor b) Accounts Payable Manager c) Accounts Payable Payment Supervisor d) Accounts Payable Specialist e) Accounts Payable Supervisor f) Accounts Receivable Manager g) Accounts Receivable Manager Segregated Role h) Accounts Receivable Specialist i) Accounts Receivable Specialist Segregated Role j) Application Administrator k) Budget Manager l) Collections Manager m) Cost Accountant n) Financial Application Administrator o) General Accountant p) Next Gen Human Resource Help Desk User q) Supplier Administrator r) Supplier Manager	Management should develop formal user access management procedures to ensure activities are consistently performed, logged and monitored. Management should grant permissions based upon the role and responsibilities of the users and on the principle of least privilege. These should be reviewed regularly. Where new user access requests are initiated, management should have a process in place to record, approve and action the request based on user role, team and access level. **Management response** Process for new/amended starter to be reviewed and consideration to how staff request access to Oracle is incorporated in the process. Privileged roles to be reviewed with our Implementation partner and to reduce the number of privileged accounts applied to staff.

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

IT general controls assessment findings – Oracle Fusion

Assessment	Issue and risk	Recommendations
●	s) WMFS BI Admin Custom t) WMFS Employee Custom u) WMFS_NETTING The users job title is not compatible with the permissions granted. We were unable to obtain evidence as to who approved and granted the access rights. (Refer Appendix-6) **Risks** User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	

Assessment

- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

IT general controls assessment findings – Oracle Fusion

	Assessment	Issue and risk	Recommendations
5.	🟡	**Lack of review of information security/audit logs within Oracle** The applications are configured to generate audit logs which are proactively reviewed to detect any unauthorised access attempts or inappropriate use of the application. Our audit identified that the audit logs are not monitored and reviewed periodically. We were further informed that the monitoring is done only on need basis (ad hoc monitoring). **Risks** Without formal and routine reviews of security event logs, inappropriate and anomalous activity may not be detected and resolved in a timely manner. Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.	It is recommended that security event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating [the application] and its underlying database. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence. **Management response** Work is underway with our delivery partner to build the necessary audit reports to audit user activity in Oracle.
6.	🟢	**Lack of User Acceptance Testing completed for Oracle changes** Changes to an application undergoes the User Acceptance Testing which is performed and signed off by business users confirming that the change proposed by the vendor does not adversely impact the existing operation of the application. Our audit identified that the evidence was not available for a sample change (ticket #SR-9293) being tested (i.e., UAT being performed) and approved prior to moving into production was not available. **Risks** Failure to adequately perform change management testing prior to releasing the change into the production environment could lead to a loss of data integrity, processing integrity and/or system down-time.	Management should ensure that change management procedures are recommunicated to staff so that testing is performed and approved prior to introducing a change into the live environment. Documentation should be retained in order to identify who and when changes have occurred in the system. **Management response** Oracle governance is an area that had already been identified and a Oracle Governance Board with key stakeholders from around the service has been setup. This will be a centralised place that will ensure that changes are managed in this project board. Recent strategic structure changes will align Oracle with the Enabling Service Directorate, to bring these elements under the control of the IT teams.

Assessment
- 🔴 Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- 🟡 Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- 🟢 Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

IT general controls assessment findings – Oracle Fusion

	Assessment	Issue and risk	Recommendations
7.	●	**Business users not involved in conducting User Acceptance Testing in Oracle** User Acceptance Testing for a change in an application must include business users who can confirm that there are no functionality errors, and the change is ready to be put into live environment. Our audit identified that the no evidence was available to show that the testing for a sample of Quarterly Patch – "21D" was re-performed by appropriate business and system administration users. **Risks** Without involving business users in UAT before implementing the changes into the live environment, there is a risk that functionality errors will not be detected. This could further lead to a loss of data integrity, processing integrity and/or system down-time.	Management should ensure that change management procedures are recommunicated to staff so that business users perform UAT prior to introducing a change into the live environment. Changes should be approved by business users to ensure the changes being made have been appropriately tested and approved. **Management response** WMFS have utilised business users as part of patching and change process, this is a new responsibility for them. We are restructuring our IT teams to include an Applications Support Team who will provide help and support for our users and coordinate activity around testing. Part of this process will include the creations of documentation and processes as well as alignment to the Oracle Governance Board. Formalisation through the It change process will ensure recording of testing outcomes before the changes are passed.

Assessment

- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

IT general controls assessment findings – Active Directory

	Assessment	Issue and risk	Recommendations
8.	● (Deficiency)	**Inadequate control over privileged (individual and generic) accounts within Active Directory** Only users with appropriate job title and role are provided with privileged access, as the privileged access provides users with enhanced access to create, modify or delete user accounts without authorization, read and modify sensitive data, change system configuration settings without authorization and approval and delete or disable system audit logs. <u>Individual Accounts</u> Our audit identified that – • For 1 user account "Adm.SimonB", the user was a member of senior IT management. (Refer Appendix-7) • For 1 user account "Adm Cygnia", no information was provided by the client if that user is a member of the IT team or not. (Refer Appendix-8) <u>Generic Accounts</u> Our audit identified 17 generic user accounts where the passwords were not changed after each use. Further, no information was provided if the generic user activity is logged and monitored. Further, for 10 out of those 17 generic user accounts, no information was provided if the password is held in secure location/password manager. (Refer Appendix-9) **Risks** Users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data. The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.	Management should undertake a review of all user accounts on Oracle to identify all individual accounts. For each account identified management should confirm the - requirement for the account to be active and be assigned privileged access - which users have access - controls in place to safeguard the account from misuse. Management should implement suitable controls to limit access and monitor the usage of these accounts (i.e., through increased use of password vault tools / logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded. **Management response** Privileged accounts are manged for the IT Team, the account identified as being a member of the senior management team is due to the manager being part of our on-call arrangements. As part of our security review project, we intend on implementing the Microsoft least trust privilege which will remove accounts of this this type. Adm Cygnia was an account created for a specific piece of work and was disabled after the work was completed. However, a review of accounts is ongoing, and all legacy generic external accounts will be reviewed, with a view to removal to align with our IT Policies. All internal staff have named accounts, this will be reviewed and checked. All passwords are stored in a password safe as part of our Devolutions access management software.

Assessment

- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

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