

# **West Midlands Fire and Rescue Authority**

## **Audit and Risk Committee**

**You are summoned to attend the meeting of Audit and Risk Committee to be held on Monday, 20 March 2023 at 10:30**

**to be held at Fire Service Headquarters, 99 Vauxhall Road, Nechells,**

**Birmingham B7 4HW**

**and digitally via Microsoft Teams**

**for the purpose of transacting the following business:**

## **Agenda – Public Session**

### **Item No.**

<b>1</b>	<b>To receive apologies for absence (if any)</b>	
<b>2</b>	<b>Declarations of interests</b>	
<b>3</b>	<b>Minutes of the Audit and Risk Committee Meeting held on 28 November 2022</b>	<b>5 - 14</b>
<b>4</b>	<b>Matters Arising</b>	
<b>5</b>	<b>Audit Findings Report - 2021-22</b>	<b>15 - 56</b>
<b>6</b>	<b>Statement of Accounts 2021-2022</b>	<b>57 - 166</b>
<b>7</b>	<b>Informing the Audit Risk Assessment 2022-23</b>	<b>167 - 202</b>
<b>8</b>	<b>Addition of Fire Investigation - Corporate Risk</b>	<b>203 - 206</b>
<b>9</b>	<b>Internal Audit - Progress Report</b>	<b>207 - 216</b>
<b>10</b>	<b>Internal Audit Plan 2023-24</b>	<b>217 - 234</b>
<b>11</b>	<b>Internal Audit Charter - Annual Review</b>	<b>235 - 242</b>
<b>12</b>	<b>Annual Report of the Senior Information Risk Owner</b>	<b>243 - 268</b>
<b>13</b>	<b>Information Governance Audit Outcomes</b>	<b>269 - 280</b>
<b>14</b>	<b>Pension Board Update</b>	<b>281 - 304</b>

15	<b>Pension Scheme Key Performance Indicators</b>	<b>305 - 310</b>
16	<b>Pension Board Membership</b>	<b>311 - 314</b>
17	<b>Update on Topical, Legal and Regulatory Issues (Verbal Report).</b>	
18	<b>Audit and Risk Committee Work Programme 2022-2023</b>	<b>315 - 322</b>
19	<b>Exclusion of the public and press</b> <i>Chair to move:- "That the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Paragraph 3 of the Schedule 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006."</i>	

## **Agenda – Private Session**

### **Item No.**

- |    |   |
|----|---|
| 20 | <b>Fraud Awareness Training</b>               |
| 21 | <b>Private Meeting with Internal Auditors</b> |

### **Distribution:**

David Barrie - Member, Rizwan Jalil - Vice Chair, Catherine Miks - Chair, Peter Miller - Member, Sybil Spence - Member

This meeting of the West Midlands Fire and Rescue Authority will be held at Fire Service Headquarters. However, please note that although the meeting will be open to the public, there will be limited capacity due to ongoing social distancing measures.

The meeting will also be held digitally via Microsoft Teams allowing observers to access remotely. To access the meeting, please contact a member of the Strategic Hub, West Midlands Fire Service, who will be able to provide login details (please note that Microsoft Teams is not required to join a meeting) or provide guidance if you wish to attend in person at HQ.

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**This agenda and supporting documents are also available  
electronically on the**

**[West Midlands Fire Service Committee Management Information  
System](#)**



<b>Minutes of the Audit and Risk Committee</b>
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**28 November 2022 at 14:00 hours**

Conducted as a public meeting at Headquarters and digitally via  
Microsoft Teams

**Present:** Councillor Miks (Chair), Councillor Atwal, Councillor Barrie  
and Councillor Jalil

**Virtually:** Councillor Miller, John Mathews (Internal Audit), Avtar Sohal  
(Grant Thornton), Harkamal Vaid (Grant Thornton)

**Officers:** Gary Taylor, Kal Shoker, Kirsty Tuffin, Mike Griffiths, Paul  
Gwynn and Tom Embury

**Please note:** Councillor Jalil joined the meeting at 2:33pm, item 5 of the  
agenda.

94/22 **Apologies for Absence**

Apologies for absence were received from Councillor Spence,  
substituted by Councillor Atwal, and Mike Ager.

95/22 **Declarations of Interest**

There were no declarations of interest registered.

96/22 **Minutes of the Audit and Risk Committee held on 26  
September 2022**

Resolved:

1. That the minutes of the Audit and Risk Committee held on 06  
June 2022 were approved as a correct record.

97/22 **Approach to be Taken in Respect of Immediate Detriment  
(‘Reverse Detriment’) Cases Under the McCloud/Sargeant  
Ruling**

Mike Griffiths presented the Approach to be Taken in Respect of  
Immediate Detriment (‘Reverse Detriment’) Cases Under the

McCloud/Sargeant Ruling report that outlined the Scheme Administrator request for action to be taken with regard to members who may benefit from being given access to the 2015 Firefighters' Scheme from 1 April 2015 ('reverse discrimination' cases).

The Committee were advised that following the decision by Audit and Risk Committee to lift the pause in processing Immediate Detriment cases on the 6 June 2022, a staged approach was underway to process payments. There had been additional members who had been denied access to the 2015 Firefighters scheme as a result of remedy. These members were denied access due to their age, referred to as 'reverse discrimination'. The service wished to avoid any discrimination in regard to one's age, so it had been recommended that the small number of those impacted be processed in line with category one immediate detriment cases. Paul Gwynn emphasised that the government have acknowledged those impacted by Immediate Detriment and options would be given following the publication of their legislation. The service had decided to act before the legislation was published to prevent any discrimination from taking place.

Following a query on timescales, Mike advised the Committee that if approved, cases would be processed in line with category one timescales, which had been at the point of retirement. As those affected had been existing staff, correspondence would be circulated to them in the lead up to their retirement.

Resolved:

1. That action be taken with regard to members who may benefit from being given access to the 2015 Firefighters' Scheme from 1 April 2015 ('reverse discrimination' cases). be approved.

## 98/22 **Corporate Risk Update**

Gary Taylor, Assistant Chief Fire Officer, presented the Corporate Risk Update that provided a six-monthly update for quarter one and quarter two – 2022/2023 and the management of the Authority's corporate risks.

The Committee were advised that corporate risks had been deemed as risks that if they occurred would seriously affect the Authority's ability to carry out its core function or deliver strategic objectives, as per 'The Plan'. There are eight corporate risks, each with an assigned risk owner, who was a member of the Strategic Enabling Team (SET). The risk owner had overall responsibility of their risk and reviewed them on a monthly basis/reported into SET on a quarterly basis.

The Committee were advised that in quarter one, risk 5.2 had decreased to likelihood 3 from 4, impact 3, providing an overall rating of 9 – Satisfactory Assurance. This decrease had been the result of the recently updated command and control system within Fire Control becoming more reliable. During quarter two, risk 5.2 decreased further from the likelihood of 3 to 2, impact 3, providing an overall score of 6 – substantial assurance. This had been the result of the command-and-control system being fully embedded within Fire Control.

The Committee were advised that Corporate Risk 6.1 remained at the highest scoring of 16 (impact 4, likelihood 4), as advised at the last Audit and Risk Committee, as the service felt it did not have confidence that services could be provided should there be strike action. It was emphasised that this not only impacted business continuity but also had an impact on staff and relationships. Following a query around the Scrutiny Review on business continuity and industrial action, Tom Embury, Deputy Clerk, advised the Committee that the Scrutiny Committee had concluded their review of business continuity arrangements and their recommendations would be discussed at the next Fire Authority in December 2022.

A new risk had also been established that focused upon cyber security as a result of the Ukraine/Russia situation. New systems had been put in place to protect the service from cyber-attacks as the impact of this would be significant to the service and its reputation.

Following queries around absentees and drivers, as per the report, Gary Taylor advised the Committee that an action plan had been developed for absentees and although work would still

need to be done, there had been improvements. He reassured members that SET had been focused upon the situation around absentees and the number of drivers. It was agreed that the action plan would be brought to a future meeting of the Audit and Risk Committee.

Resolved:

1. That the corporate risk summaries (quarter one, 2022/23, appendix 1 and quarter two 2022/23, appendix 2) be approved.
2. That the management of corporate risk be noted.
3. That it be agreed that the action plan for absentees be brought to the next Audit and Risk Committee meeting.

#### 99/22 **Audit Findings Report 2021-2022**

Avtar Sohal, Grant Thornton, presented the Audit Findings Report 2021-2022 report that outlined the audit work undertaken by the external auditors and any findings as a consequence. All Members confirmed receipt of appendix A, that had been issued as a supplementary.

The Committee were advised that work had been underway to rectify two misstatements within the pension fund net liability, highlighted by the pension fund auditor. It was highlighted that previous Audit and Risk Committee reports would have included this incorrect information and therefore, the Authority would need to update its financial statements to reflect this. There was outstanding information on the Authority's floor plans for a number of premises as they had been identified mid-audit (August 2022) and until all had been received, figures could not be concluded to confirm they were free from material impact. It was anticipated that the audit opinion would be issued by the end of December 2022, subject to this information being provided. Mike Griffiths reassured members that information had to be provided from different sections of the Service, with 10-12 floor plans provided to Grant Thornton so far. He expressed that this was viewed as a priority.

The Committee were advised that although the value for money work had not been completed, it was anticipated that the Auditors Annual Report would be issued by 31 January 2023, in

line with the national audit office deadline of three months after the date of opinion on the financial statements. So far, there had been no material impact identified. It was anticipated that subject to the completion of work, an unqualified opinion would be issued.

Resolved:

1. That the contents of the Audit Findings Report 2021-2022 be noted.

## 01/22 **Treasury Management – Mid-Year Review – 2022-23**

Kal Shoker, Finance Manager, presented the Treasury Management – Mid-Year Review – 2022-2023 that outlined the treasury activity and the actual prudential indicators for the current financial year.

The Committee were advised that the Treasury Management strategy was approved in February 2022 with the requirement for a mid-year update to the Committee. The three key indicators highlighted were Capital Expenditure, the Authority debt and investment. The Committee were advised that following approval in February 2022 for a capital programme of £5.2m for the current financial year, this had been updated to £6.6m. This increase had been to reflect the outturn position and financial decisions for 2021-2022. As reported in Fire Authority on 10 October 2022, the forecast outturn as at 30 September was £5.6m, a variance of £1m. The main reasons for this highlighted were:

- vehicle replacement programme (£0.5m) – delayed purchasing
- drill tower/training facilities (£0.5m) – tower refurbishments that were subject to a training review in the new year.

No borrowing had been undertaken to finance any capital expenditure during the first half of the financial year.

The Committee were advised that the Authority external debt had decreased from £31.5m to £31.1m following a repayment of a Public Works Loan Board loan. £29.2m of the total debt had been borrowing undertaken with PWLB and £1.9m of the total had been the Authority's shared West Midlands County Council

debt. The estimated average interest rate payable on the debt had been 5.2%. As at 30 September 2022 the Authority's investments totalled £52.2m which were invested with Sandwell Metropolitan Borough Council (MBC) as part of the treasury management arrangement the Authority had with them. Interest had been received on the Authority's daily cash balance and was based on the average return achieved by Sandwell MBC plus ten basis points which for 2022/23 was 1.35%. This compared favourably to the benchmark, the SONIA (Sterling Overnight Index Average) uncompounded rate of 1.22%. It was estimated that the interest received would be above the anticipated £0.1m previously budgeted, to circa £0.4m above budget.

Following queries around the delay in the vehicle replacements programme, Mike Griffiths advised the Committee that both supply chains and ongoing work in the Community Risk Management Plan (CRMP) around blended fleet regarding the number of vehicle(s) required had resulted in the delays. A further report on CRMP and potential impacts as a result of funding, would be discussed at Fire Authority in December 2022.

Resolved:

1. That the treasury management – Mid-Year Review 2022-2023 be noted, and the prudential/treasury indicators be approved.

## 02/22 **Internal Audit – Progress Report**

John Mathews, Internal Auditor, presented the Internal Audit – Progress Report that outlined the progress made against the delivery of the 2022-2023 Internal Audit Plan, approved in March 2022. All Members confirmed receipt of the report and appendix A, that had been issued as a supplementary.

The Committee were advised of the assessment of assurance need/risk analysis and RAG rating required for each category. The level of assurance provided in the annual report would be included in the Statement of Accounts (SOA). Work had been conducted on the Freedom of Information (FOI) requests to ensure adequate controls had been in place for dealing/responding to requests and on Fixed Asset

Accounting/Asset Planning in respect of capital expenditure. Both pieces of work had been positive, and a substantial level of assurance had been provided. It was anticipated that the issues around FOI requests, as per report, would be rectified with the new automated system that had now been implemented.

The Committee were advised that audit work on Risk Management had been pushed to quarter four due to the implementation of new systems. Meetings would be scheduled with finance on reviews. It was anticipated that these audits would be completed by the end of 2022, with the Internal Audit - Annual Report to be issued to the Committee in June 2023.

Resolved:

1. That the issues raised from the work undertaken by Internal Audit, so far in the current financial year, be noted.

#### 03/22 **Regulatory Supervisory Report – Update**

Tom Embury, Deputy Clerk to the Authority, presented the Regulatory Supervisory Report – Update that outlined the final Pension Regulator Action Plan, drafted as a result of the Supervisory Report.

The Committee were advised that as agreed at the last Audit and Risk Committee, an action plan had been developed with input from both Pension Board and the Committee. The action plan had been circulated to the Regulator by their deadline of 11 November 2022. The Regulator had confirmed their approval of the proposed plan so all actions could now be progressed. As per report, actions had been categorised with those responsible listed. The Audit and Risk Committee's actions were highlighted. It was agreed that updates on the actions be circulated via email, with a full update to be provided at the March Committee meeting. This aligned with the required six-month timescale set by the Regulator. It was agreed that following their appointment, an informal meeting be scheduled with the Independent Chair of Pension Board, Pension Board Members, Audit and Risk Committee and the Pension Regulator.

The Chair of the Committee advised the Committee that should they have any questions on the action plan to make contact with herself or Tom Embury, who would provide clarity.

Resolved:

1. That the agreed Action Plan shared with The Pension Regulator on 11 November 2022 (Appendix 1), including specific Actions for the Committee, be noted.
2. That updates on progress and input be provided on the action plan over the next three months via e-mail, with a full update to be received at the March 2023 Audit and Risk Committee meeting, be approved.
3. That the Pension Regulator (the Regulator) to attend the March 2023 Audit and Risk Committee Meeting to participate in the update discussion, be approved.

04/22 **Annual Report of the Pension Board 2021-2022**

Kal Shoker presented the Annual Report of the Pension Board 2021-2022 that outlined the work conducted and achievements by the Pension Board throughout 2021-2022. It was acknowledged that recent issues raised around Pensions would be covered in the Annual Report for 2022-2023.

Resolved:

1. That the Annual Report of the Pension Board for 2021-2022 be approved.

05/22 **Minutes of the Previous Pension Board held on 28 March 2022**

Resolved:

1. That the minutes of the Previous Pension Board held on 28 March 2022 be noted.

06/22 **Minutes of the Previous Pension Board held on 10 June 2022**

Resolved:

1. That the minutes of the Previous Pension Board held on 10 June 2022 be noted.

07/22 **Update on Topical, Legal and Regulatory Issues (Verbal Report)**

Tom Embury provided an update on the Audit and Risk Committees independent investigation, at the request of the Chair of the Committee. He advised the Committee that the investigation had commenced, and the Terms of Reference had been agreed. Thanks was given to the Internal Auditors on their contributions in its development. Louise Wagstaff, an independent consultant sourced through West Midlands Employers, had been appointed to lead on the investigation as she had relevant background experience and knowledge. It was anticipated that an update would be provided by Louise in a months' time. The Chair of the Committee confirmed that she had met with Louise directly to assist with the establishment of the investigation. She thanked officers for the hard work they had put in. Gary Taylor echoed his thanks to Tom Embury.

The Committee were advised that the advertisement for the appointment of an Independent Chair of Pension Board would close Mid-December. A sub-committee of the Audit and Risk Committee would need to be established to lead on the interview stage once applications were received. Election process for the employee representative would also take place after Christmas, with the application process due to close mid-December. The Chair of the Committee advised that she had denied a request for an interim chair to be appointed to Pension Board and for the current process, as per the Pension Board terms of reference, be continued until a formal appointment could be made in the new year.

08/22 **Audit and Risk Committee Work Plan 2022-2023**

Tom Embury, Deputy Clerk, presented the Audit and Risk Committee Work Plan for 2022-2023 that outlined the planned agenda items for future scheduled Audit and Risk Committee meetings.

The Committee were advised that as discussed under item 9 of the agenda, a report to update on the Pension Regulator Supervisory report will be added for the March 2023 meeting.

Following queries, the Chair of the Committee advised that items had been deferred as a result of July's Committee meeting being non-quorate. Kal Shoker advised that the Statement of Accounts had been deferred, as discussed under item 6 of the agenda.

Resolved:

1. That the Audit and Risk Committee Work Plan 2022-2023 be approved.

The meeting closed at 15:20 hours.

Kirsty Tuffin  
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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****AUDIT AND RISK COMMITTEE****20 MARCH 2023****1. AUDIT FINDINGS REPORT 2021/2022**

Report of the Treasurer.

RECOMMENDED

- 1.1 THAT the content of the Audit Findings Report (AFR) be noted.

**2. PURPOSE OF REPORT**

- 2.1 This report is submitted to advise Members of the Audit and Risk Committee that Grant Thornton has produced the AFR. The AFR is submitted to inform Members of the audit work undertaken by the external auditors and the findings as a consequence of this work.

**3. BACKGROUND**

- 3.1 The AFR sets out and reports the key messages arising from the external audit work undertaken during the year. The AFR is designed to support the Auditor's opinions and conclusions and is a requirement of the Code of Audit Practice.
- 3.2 Representatives from Grant Thornton will present and explain the findings detailed in the AFR to Members.
- 3.3 The AFR is attached as an Appendix.

**4. EQUALITY IMPACT ASSESSMENT**

- 4.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report do not relate to a policy change.

## 5. **LEGAL IMPLICATIONS**

- 5.1 The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

## 6. **FINANCIAL IMPLICATIONS**

- 6.1 The scale of fees for undertaking West Midlands Fire and Rescue Authority's external audit work for 2021/2022 was budgeted at £54k.

## **BACKGROUND PAPERS**

Statement of Accounts 2021/2022, Audit and Risk Committee – 26 September 2022.

Audit Findings Report 2021/2022, Audit and Risk Committee – 28 November 2022.

The contact officer for this report is Assistant Chief Fire Officer, Karen Gowreesunker, telephone number 0121 380 6006.

MIKE GRIFFITHS  
TREASURER

# Audit Findings for West Midlands Fire and Rescue Authority

**Year ended 31 March 2022**

March 2023



# Contents



## Your key Grant Thornton team members are:

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## Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

## Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. IT Audit Findings

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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

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# 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: <ul style="list-style-type: none"> <li>• We are not aware of a history of deficiencies in the control environment.</li> <li>• Senior financial management and key reporting personnel have remained stable from the prior - year audit</li> </ul>
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
<p><b>Management override of controls</b></p> <p>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.</p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• 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</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• identified and tested 55 unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> <li>• reviewed material estimates and judgements for evidence of material bias</li> <li>• reviewed the accounting policies adopted by the Authority which were deemed reasonable.</li> </ul> <p>We have not identified any issues in respect of management override of controls.</p> <p>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.</p>

## 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 issued 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	<p>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.</p> <p>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 &amp; Eve LLP to complete the valuation of properties as at 31<sup>st</sup> March 2022 on a five yearly cyclical basis. All assets were revalued during 2021/22.</p> <p>The total year end valuation of land and buildings was £144.857m, a net increase of £18.410m from 2020/21 (£126.447m).</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>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</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuer to confirm the basis on which the valuations were carried out</li> <li>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</li> <li>considered the appropriateness of the source data and key assumptions including comparable rental income and yields for the properties.</li> </ul> <p>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.</p>	<p>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic</p>

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Local Government Pension Scheme Net pension liability – £52.269m	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>We have no concerns over the assessment of management's expert</li> <li>We have no concerns over the assessment of the actuary's approach taken</li> <li>We have used PwC as auditors expert to assess assumptions made by the actuary – see table below for the comparison made</li> <li>No issues were noted in the completeness and accuracy of the underlying information used to determine the estimate</li> <li>We have confirmed that the Authorities' share of LGPS pension assets is in line with expectations</li> <li>We have confirmed that the increase in the estimate is reasonable</li> <li>The disclosure of the estimate in the financial statements is considered adequate</li> </ul> <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> <p>As previously stated on page 10, the pension fund actuary has issued 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.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.7 – 2.75%	✓	Pension increase rate	3.2%	3.15 – 3.30%	✓	Salary growth	4.2%	3.65 – 5.8%	✓	Life expectancy – Males currently aged 45 / 65	22.9 / 21.2	21.4 – 24.3 / 20.1 – 22.7	✓	Life expectancy – Females currently aged 45 / 65	25.4 / 23.6	24.8 – 26.7 / 22.9 – 24.9	✓	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.7%	2.7 – 2.75%	✓																								
Pension increase rate	3.2%	3.15 – 3.30%	✓																								
Salary growth	4.2%	3.65 – 5.8%	✓																								
Life expectancy – Males currently aged 45 / 65	22.9 / 21.2	21.4 – 24.3 / 20.1 – 22.7	✓																								
Life expectancy – Females currently aged 45 / 65	25.4 / 23.6	24.8 – 26.7 / 22.9 – 24.9	✓																								

## 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	<p>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.</p> <p>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.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Undertaken an assessment of management's expert</li> <li>Reviewed and assessed the actuary's approach taken and detailed work undertaken to confirm reasonableness of approach</li> <li>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</li> <li>Identified no issues with the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Confirmed there have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.</li> </ul> <p>Our audit work is ongoing, however to date, we have not identified anything to suggest the estimate is materially misstated.</p>	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	<p data-bbox="871 464 2056 608">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.</p> <p data-bbox="871 620 2016 675">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2078 986" style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul> <p data-bbox="871 999 2074 1142">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:</p> <ul data-bbox="871 1155 1989 1300" style="list-style-type: none"> <li>• the nature of the Authority and the environment in which it operates</li> <li>• the Authority's financial reporting framework</li> <li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p data-bbox="871 1313 2051 1339">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1351 2056 1447" style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>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.</p> <p>Our review of Other Information is complete and no inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• 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,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>Note that work is not required as the Authority does not exceed the reporting threshold.</p>
Certification of the closure of the audit	<p>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.</p>



# 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 requires 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 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# 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	<b>Review of the Fixed Asset Register</b> <p>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.</p> <p>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.</p>	<p>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.</p> <p><b>Management have agreed this recommendation.</b></p>
Medium	<b>Completeness of the ledger</b> <p>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.</p>	<p>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.</p> <p><b>Management response:</b>            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.</p>

## 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	<p><b>Depreciation Policy</b></p> <p>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.</p>	<p>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.</p> <p><b>Management have agreed this recommendation.</b></p>

## 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
<b>Defined Benefit Pension Scheme – Net Liability</b>	(778)	778	0
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)			
<b>Overall impact</b>	<b>(778)</b>	<b>778</b>	<b>0</b>

## Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Reason for not adjusting
<b>Valuation of land and buildings (PPE)</b>	442	(442)	This is deemed immaterial by the Authority, and would not impact the Authority's general fund balances
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			
<b>Overall impact</b>	<b>442</b>	<b>(442)</b>	

# 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	<p>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.</p> <p><b>Management response</b></p> <p>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.</p>	No
Note 4 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	<p>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.</p>	Yes
Financial Instruments	<p>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.</p>	Yes
Narrative Report	<p>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.</p> <p><b>Management response</b></p> <p>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.</p>	No
Review of the financial statements	<p>We have noted a number of typographical errors throughout the financial statements which have been agreed to be amended by management</p>	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.

<b>Audit fees</b>	<b>2021/22 Proposed Fee</b>	<b>2021/22 Final fee</b>
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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3. Overview of IT Audit findings	5
4. Detail of IT audit findings	7

# Section 1: Executive summary

## 01. Executive summary

## 02. Scope and summary of work completed

## 03. Summary of IT audit findings

## 04. Detail of IT audit findings

To support the financial statement audit of West Midlands Fire and Rescue Authority for year ended 31<sup>st</sup> 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

01. Executive summary

**02. Scope and summary of work completed**

03. Summary of IT audit findings

04. Detail of IT audit findings

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

- 01. Executive summary
- 02. Scope and summary of work completed
- 03. Summary of IT audit findings
- 04. Detail of IT audit findings

Assessment	Number
Significant Deficiency 	4
Deficiency 	2
Improvement Opportunity 	2

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# Section 4: Details of IT audit findings

- 01. Executive summary
- 02. Scope and summary of work completed
- 03. Summary of IT audit findings
- 04. Details of IT audit findings**

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# Overview of IT audit findings

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## 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.	<p><b>Inadequate control over self-assigning roles in Oracle Cloud by privileged users</b></p> <p>In the Oracle system, users can self-assign roles. These roles should be approved through the formal authorisations process for user access management.</p> <p>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)</p> <p><b>Risks</b></p> <p>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.</p>	<p>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.</p> <p>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.</p> <p><b>Management response</b></p> <p>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.</p>
2.	<p><b>User access within Oracle is not appropriately revoked for terminated employees</b></p> <p>When an employee leaves the organisation, their access rights to a system/network should be terminated within a timely manner.</p> <p>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)</p> <p><b>Risks</b></p> <p>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.</p>	<p>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.</p> <p>Management should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner.</p> <p><b>Management response</b></p> <p>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.</p> <p>A review of the leaver process will be completed and automated processes implemented to revoke access for terminated employees within Oracle additionally.</p>




## 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. 	<p><b>Inadequate control over privileged (individual and generic) accounts within Oracle</b></p> <p>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.</p> <p><u>Individual Accounts</u></p> <p>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 &amp; 4 respectively)</p> <p><u>Generic Accounts</u></p> <p>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).</p> <p><b>Risks</b></p> <p>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.</p>	<p>Management should undertake a review of all user accounts on Oracle to identify all individual accounts. For each account identified management should confirm the</p> <ul style="list-style-type: none"> <li>- requirement for the account to be active and be assigned privileged access</li> <li>- which users have access</li> <li>- controls in place to safeguard the account from misuse.</li> </ul> <p><b>Management response</b></p> <p>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.</p> <p>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.</p> <p>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 accessed via AD integration (we have disabled direct access).</p>




## 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. 	<p><b>Lack of controls over granting user access within Oracle</b></p> <p>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.</p> <p>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 –</p> <ul style="list-style-type: none"> <li>a) Accounts Payable Invoice Supervisor</li> <li>b) Accounts Payable Manager</li> <li>c) Accounts Payable Payment Supervisor</li> <li>d) Accounts Payable Specialist</li> <li>e) Accounts Payable Supervisor</li> <li>f) Accounts Receivable Manager</li> <li>g) Accounts Receivable Manager Segregated Role</li> <li>h) Accounts Receivable Specialist</li> <li>i) Accounts Receivable Specialist Segregated Role</li> <li>j) Application Administrator</li> <li>k) Budget Manager</li> <li>l) Collections Manager</li> <li>m) Cost Accountant</li> <li>n) Financial Application Administrator</li> <li>o) General Accountant</li> <li>p) Next Gen Human Resource Help Desk User</li> <li>q) Supplier Administrator</li> <li>r) Supplier Manager</li> </ul>	<p>Management should develop formal user access management procedures to ensure activities are consistently performed, logged and monitored.</p> <p>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.</p> <p>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.</p> <p><b>Management response</b></p> <p>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.</p>


## 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
	<p>s) WMFS BI Admin Custom t) WMFS Employee Custom u) WMFS_NETTING</p> <p>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)</p> <p><b>Risks</b></p> <p>User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.</p>	

**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.	<p><b>Lack of review of information security/audit logs within Oracle</b></p> <p>The applications are configured to generate audit logs which are proactively reviewed to detect any unauthorised access attempts or inappropriate use of the application.</p> <p>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).</p> <p><b>Risks</b></p> <p>Without formal and routine reviews of security event logs, inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p> <p>Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.</p>	<p>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 administering [the application] and its underlying database.</p> <p>Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence.</p> <p><b>Management response</b></p> <p>Work is underway with our delivery partner to build the necessary audit reports to audit user activity in Oracle.</p>
6.	<p><b>Lack of User Acceptance Testing completed for Oracle changes</b></p> <p>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.</p> <p>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.</p> <p><b>Risks</b></p> <p>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.</p>	<p>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.</p> <p>Documentation should be retained in order to identify who and when changes have occurred in the system.</p> <p><b>Management response</b></p> <p>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.</p>

## 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.	<p><b>Business users not involved in conducting User Acceptance Testing in Oracle</b></p> <p>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.</p> <p>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.</p> <p><b>Risks</b></p> <p>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.</p>	<p>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.</p> <p>Changes should be approved by business users to ensure the changes being made have been appropriately tested and approved.</p> <p><b>Management response</b></p> <p>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.</p>




## 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. 	<p><b>Inadequate control over privileged (individual and generic) accounts within Active Directory</b></p> <p>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.</p> <p><u>Individual Accounts</u></p> <p>Our audit identified that –</p> <ul style="list-style-type: none"> <li>For 1 user account “Adm.SimonB”, the user was a member of senior IT management. (Refer Appendix-7)</li> <li>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)</li> </ul> <p><u>Generic Accounts</u></p> <p>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.</p> <p>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)</p> <p><b>Risks</b></p> <p>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.</p> <p>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.</p>	<p>Management should undertake a review of all user accounts on Oracle to identify all individual accounts. For each account identified management should confirm the</p> <ul style="list-style-type: none"> <li>- requirement for the account to be active and be assigned privileged access</li> <li>- which users have access</li> <li>- controls in place to safeguard the account from misuse.</li> </ul> <p>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.</p> <p><b>Management response</b></p> <p>Privileged accounts are managed 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 type.</p> <p>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.</p> <p>All internal staff have named accounts, this will be reviewed and checked.</p> <p>All passwords are stored in a password safe as part of our Devolutions access management software.</p>

## 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



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****AUDIT AND RISK COMMITTEE****20 MARCH 2023****1. STATEMENT OF ACCOUNTS 2021/2022**

Report of the Treasurer.

**RECOMMENDED**

- 1.1 THAT the Statement of Accounts for 2021/2022 as set out in Appendix A be approved.
- 1.2 THAT the Statement of Accounts summary for 2021/2022 set out in Appendix B be noted.

**2. PURPOSE OF REPORT**

- 2.1 This report is submitted for Members of the Audit and Risk Committee to approve the Authority's Statement of Accounts for the financial year ended 31 March 2022.

**3. BACKGROUND**

- 3.1 The Accounts and Audit Regulations 2015 require that the accounts be submitted to Members for approval by the end of July. However, for 2020/21 and 2021/22 only, the Regulations have been amended by the Accounts and Audit (Amendment) Regulations 2021. The deadline to publish the Authority's audited accounts for 2021/22 being pushed back from 31 July 2022 to 30 September 2022. At its meeting on 26 September 2022, Members approved the draft 2021/2022 Statement of Accounts.
- 3.2 In December 2021, the Department for Levelling Up, Housing and Communities announced a new package of measures to support the improved timeliness of local audit and the ongoing stability of the local audit market. The proposals included extending the published/audited deadline to 30 November 2022 for the 2021/22 accounts, then reverting to 30 September for the next six years.

- 3.3 It is a further requirement of the Regulations that Members are informed of any material changes required by the external auditors. Audit work on the Statement of Accounts by Grant Thornton commenced in July 2022 and the Audit Findings Report was submitted at the 28 November 2022 meeting. Following that report, amendments have been made to the draft Statement of Accounts, previously approved by the Audit & Risk Committee on the 26 September 2022, predominately relating to pension matters.
- 3.4 The Accounts show net cost of services in 2021/2022 of £126.1 million including an appropriation from Earmarked Reserves which have decreased by £7.101 million to £29.816 million and General Reserves have decreased by £1.980 million to £3.858 million.
- 3.5 The total Provision of Services in 2021/2022 shows a deficit of £61.777 million, after allowing for the required accounting treatment of pensions governed by International Accounting Standard – Nineteen (IAS19). Capital expenditure totalled £3.189 million.
- 3.6 The 2021/2022 Statement of Accounts is attached as Appendix A and a Summary of Accounts is attached as Appendix B, both are also available on the Fire Service website and can be viewed at <https://www.wmfs.net/documents/>

#### 4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out because the matters contained in this report do not relate to a policy change.

#### 5. **LEGAL IMPLICATIONS**

- 5.1 The course of action recommended in this report will enable the Authority to meet its statutory obligations under the Accounts and Audit Regulations 2015 and Accounts and Audit (Amendment) Regulations 2021.

#### 6. **FINANCIAL IMPLICATIONS**

- 6.1 There are contained in the report and the 2021/22 Statement of Accounts.

## **BACKGROUND PAPERS**

Accounts and [Audit Regulations 2015](#).

Accounts and Audit (Amendment) Regulations 202<sup>1</sup>.

Code of Practice on Local Authority Accounting 2021/2022.

Statement of Accounts 2021/2022, Audit and Risk Committee –  
26 September 2022.

Audit Findings Report 2021/2022, Audit and Risk Committee –  
28 November 2022.

Final Accounts Files – Finance Office.

The contact officer for this report is Assistant Chief Fire Officer, Karen Gowreesunker, telephone number 0121 380 6006.

MIKE GRIFFITHS  
TREASURER



**WEST MIDLANDS FIRE SERVICE**

# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**



## **Financial Statements & Notes to the Accounts**

# **2021/2022**

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## **Auditors Report**

# NARRATIVE REPORT BY THE TREASURER

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## 1. Introduction

The West Midlands Fire Service (WMFS) covers an area approaching 92,000 hectares (350 sq. miles) and provides a fire and rescue service to a population of approximately 3 million people living in a million dwellings. It covers the cities of Birmingham, Coventry and Wolverhampton and the Metropolitan Boroughs of Dudley, Sandwell, Solihull and Walsall.

WMFS is accountable to the public via the West Midlands Fire and Rescue Authority (WMFRA), made up of 15 Councillors representing the local authorities. They are also joined by West Midlands Police and Crime Commissioner and two co-opted Members. Headed by the Chair of the Fire Authority they set the direction for the Service in the best interests of the community. The Service is managed directly by four Brigade Managers – the Chief Fire Officer (CFO), Deputy CFO and two Assistant CFO's.

The Service's activities are governed by the Home Office and legislative responsibilities are set out in the Fire and Rescue Services Act 2004 and the Fire and Rescue National Framework for England.

WMFS works towards 'Making the West Midlands Safer, Stronger and Healthier'. The CFO together with the Strategic Enabling Team (SET) and Authority work towards achieving three priorities:

Prevention: Delivering interventions which support safer and healthier communities.

- We will prevent fires, road traffic collisions and other emergencies.
- We will focus on reducing health inequalities for our most vulnerable as a means of reducing risk and vulnerability to fires and other emergencies.
- We will educate the community to reduce their risk and vulnerability to fires and other emergencies.
- We will collaborate, and work in partnership with other organisations to reduce the risk and vulnerability to fires and other emergencies.

Protection: Protecting life and property to make businesses stronger and communities safer.

- We will protect you and your property by targeting high-risk buildings and vulnerable businesses.
- We will make our communities safer by implementing the learning from independent and sector-led reviews.
- We will improve community safety by developing innovative and smarter approaches to help keep your business in business.

- We will promote economic growth through the development of sustainable solutions and education to support businesses.
- We will reduce disruption to businesses and communities of the West Midlands.

Response: Dealing excellently with incidents.

- We will respond with the resources you need when you need them to protect what matters to you, to save life, reduce harm and protect homes and businesses.
- We will be ready to respond in an assertive, effective and safe way to meet our vision and your expectations.
- We will lead rescue operations, working with others to help make you safer.
- We are ready to respond locally, nationally and internationally.

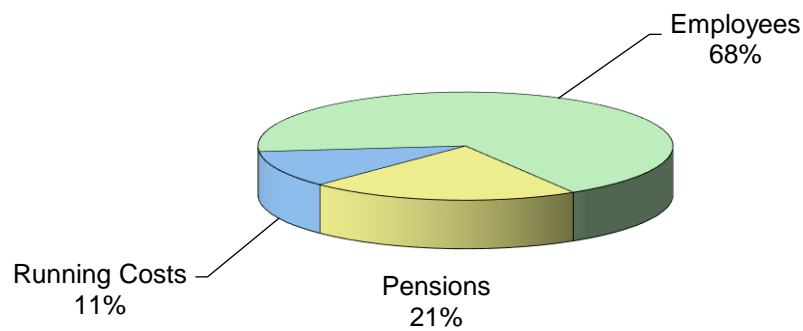
Further information can be found on our website [www.wmfs.net](http://www.wmfs.net)

2. This narrative report provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.
3. The Authority's accounts for the financial year 2021/2022 are set out on the following pages and consist of:
  - The Comprehensive Income and Expenditure Statement (CIES), the Authority's main revenue account, covering income and expenditure on all services.
  - The Movement in Reserves Statement (MIRS), which shows the movement in the year on the different reserves held by the Authority.
  - The Balance Sheet, which sets out the financial position of the Authority at 31<sup>st</sup> March 2022.
  - The Cash Flow Statement, showing movements in cash and cash equivalents during the year and the cash position at the year-end.
  - The Pension Fund Account, which summarises the movements relating to the firefighters pension schemes (FPS).

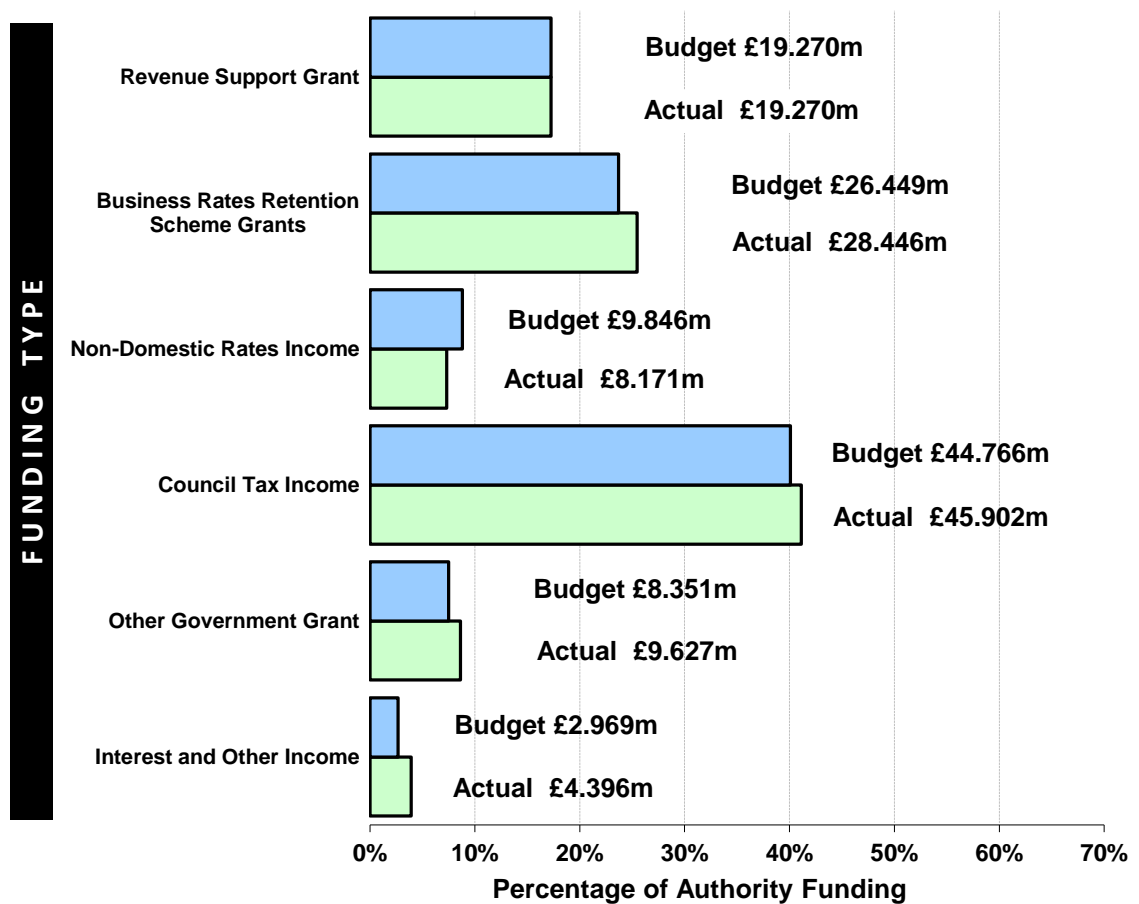
The accounts are supported by notes to the core financial statements.

4. The accounting policies adopted by the Authority comply with the relevant accounting standards except where indicated in notes to the accounts.
5. After statutory adjustments, such as the removal of depreciation and impairments and applying International Accounting Standard Nineteen (IAS19) entries in relation to pension costs, the CIES for the Authority shows a deficit on provision of services of £61.777m and an overall surplus of £42.131m.

6. The total expenditure of the Authority in 2021/22 was £177.589m. The types of costs incurred were:



7. The total income of the Authority to fund expenditure in 2021/22 was £115.812m, which came from:



8. In 2021/22 the Authority spent £3.189m on capital projects, the largest of these being £2.345m on vehicle replacements, £0.279m on health & safety adaption works and £0.185m on electrical rewires. The total expenditure on capital schemes was financed by Direct Revenue Financing. Note 33 provides details of capital expenditure and capital financing.
9. In 2021/22 appropriations of £7.101m were made from earmarked general fund reserves and £1.980m from un-earmarked general fund reserves.
10. The Authority, at its February 2021 meeting authorised the limit for external debt at £38m and the statutory limit for external debt at £42m. As at 31<sup>st</sup> March 2022, the Authority's actual long-term principal borrowing was £30.707m and short-term principal borrowing was £0.827m as per Note 18.3.
11. The 2021/22 accounts include the impact of IAS19. The effects of IAS19 are shown within the CIES and Balance Sheet. There is no effect on council tax from the implementation of this standard. The figures disclosed represent a snapshot in time. The accounts show that there is a significant shortfall between the forecast cost of pensions and the current level of assets built up in the pension fund. The Government Actuaries Department (GAD) review the defined benefit arrangements and appropriate levels of employer & employee contributions.

## 12. **Financial Outlook**

On 16 December 2021, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) announced the provisional settlement for 2022/23 at £53.590m, resulting in a funding increase of £0.588m (1.1%). In addition, it was indicated A new 'one off' Services Grant would be distributed through the existing Settlement Funding Assessment formula amounting to approximately £2.3M for this Authority (additional national insurance contribution costs of approximately £650k are to be funded from this). The Government also proposed a general Council Tax referendum threshold of 2% for Fire and Rescue Authorities. However, for one year only (2022/23), for the Fire and Rescue Authorities in the lowest charging quartile, there would be flexibility to increase Band D precepts by £5. On 7 February 2022, DLUHC confirmed the Authority's 2022/23 total core funding.

The Authority set its 2022/23 budget on 14 February 2022, setting a council tax requirement of £49.405m which resulted in a council tax Band D precept increase of £4.99 (7.92%).

The Corporate Risk Register has identified a number of major risks that would seriously affect the Authority's ability to carry out its functions. The very nature of the risks have made it extremely difficult to quantify any funding impact that would arise were the risk to materialise and in the short term would result in a demand on the Authority's General Balances.

In addition, there are ongoing budget uncertainties, particularly Firefighter pension related issues, that have significant funding implications but at this stage still remain unclear in terms of ongoing cost and whether those costs will need to be found by Fire and Rescue Authorities and/or by Government funding.

Furthermore, the Service is likely to continue to be directly impacted to some degree by the effects of COVID during 2022/23 together with the linked requirement to invest in the health, safety and wellbeing of all staff.

Therefore, whilst the Government funding allocation in 2022/23 is marginally higher in cash terms compared to 2021/22, a high level of caution still needs to be applied to future financial years as the funding position remains volatile for the Fire sector.

The Business Rates Retention Scheme was introduced in April 2013 and provides a direct link between business rates growth and the amount of money local authorities have to spend on local people and services. In September 2019, the Secretary of State for DLUHC announced that the implementation of changes to local government funding including business rates retention had been postponed. Authorities were notified that in order to provide certainty and stability for 2020/21, there would be a delay to the introduction of the scheme until 2021/22, a year later than planned. These plans have subsequently been deferred again, until at least 2022/23. In November 2021, the Government's Communities Secretary announced that the 75% business rates retention approach would conflict with the Government's 'levelling up agenda' and that the Government would now look at the mechanism for redistributing funding to those Authorities most in need, effectively appearing to abandon plans to allow councils to retain 75% of their business rates.

The Government considered the need for a 'Fair Funding Review' a number of years ago. The outcome of such an exercise would affect how funding is allocated and redistributed between local authorities and was originally intended to determine the relative share received by each individual fire and rescue authority from the total fire service funding received from Central Government. It was originally proposed that the new arrangements would be introduced from 2021/22 but the introduction was subsequently deferred until at least 2022/23. It is now the Government's intention to undertake a Fair Funding Review across local authorities, although it is not now intended to include fire and rescue authorities directly within the process. The timescales, to achieve an appropriate outcome in time to affect finance settlements from 2023/24 onwards, are challenging. Whilst it is not intended for the fire sector to be directly part of the exercise, issues such as the scale of council tax revenue generated by individual local authorities could have an indirect impact on resource allocations within the fire sector and so this review adds another complexity and volatility to long term financial planning.

### **13. COVID-19 Government Grants**

The Government has provided a range of financial support packages throughout the COVID-19 pandemic. Since March 2020 the Authority has received £7m COVID-19 Government Grants. This funding has covered the additional costs incurred as a result of the COVID-19 pandemic, to support the cost of services and offset other income losses.

#### 14. **Public Service Pensions – Changes to the transitional arrangements to the 2015 schemes**

On 16 July 2020 Her Majesty's Treasury (HMT) published their Public service pension schemes consultation: changes to the transitional arrangements to the 2015 schemes. The consultation closed on 11th October 2020 and the Government's response was published on 4th February 2021.

The response proposes that scheme members with benefits in the legacy schemes, those that existed before 1st April 2015, should have the opportunity to have their benefits calculated as if their membership of those schemes had continued until 31st March 2022. From 1st April 2022 all employees were moved into the reformed pension scheme. In the case of firefighters this will be the 2015 FPS. The estimated pension obligations from this matter have been captured within the defined pension liability. The shortfall in employer contributions will be captured in future scheme valuations as an unfunded, past service deficit and reflected in the employer contribution rates going forward.

The situation regarding immediate detriment cases i.e. those staff affected by the introduction of the 2015 FPS, is still affected by a number of legal and financial uncertainties. As a result, this still represents another complexity to the Authority's pension and budgetary considerations.

On 7 December 2020, the Audit and Risk Committee, in its role as Scheme Manager for the FPS, took the decision to instruct the scheme administrator to act upon guidance issued by the Home Office in August 2020 to make payment to immediate detriment cases.

West Midlands Fire Service began making payment to affected members, who retired from service on or after 1 February 2021. Whilst payments were being made, there were still a number of outstanding technical questions being considered nationally.

In October 2021, the Local Government Association and the Fire Brigades' Union signed a Memorandum of Understanding which provided a more substantial framework for the processing of cases.

On 29 November 2021, the Home Office withdrew their guidance. The key reason for withdrawal of the guidance was uncertainty on the power of Section 61 of the Equalities Act 2010 to support correction of immediate detriment cases before the new legislation was in place, with specific reference to tax relief on the contributions that a member would need to make to reinstate their membership of the 1992 Pension scheme. They further felt that there was a significant risk to scheme members that Her Majesty's Revenue and Customs may reclaim any tax relief which had been given in this situation.

The withdrawal guidance quoted further concerns from HMT and the covering letter from the Home Office outlined the funding position and confirmed that services would not be provided with additional funding for costs associated with immediate detriment, which are paid outside of the pension account. This means that, were services to try and compensate members for lost tax or pension outside of the regulations, they would not be funded, and this would

come from operational budgets only.

At the Audit and Risk Committee meeting on the 6 December 2021, a verbal update was received, advising of the withdrawal of the Home Office guidance and the associated legal and financial issues this raised. As a result of this update, the decision was taken to pause the payment of immediate detriment cases.

There is no question that eligible members are entitled to receive a choice of legacy or reformed benefits for the period between 1 April 2015 and 31 March 2022, nor is there any doubt that this will be available. Section 2 of the Public Service Pensions and Judicial Offices Act 2022, which came into place in April 2022, has the effect that on the coming into force of the secondary regulations, which must be enacted by 1 October 2023, members will be reverted to their legacy schemes for the remedy period. Those who have retired before the coming into force of the secondary regulations will be treated as 'Immediate Choice' members under sections 6 to 9 of the Act 2022 and given a choice of benefits to receive.

Immediate detriment payments were being made by the Authority prior to 7 December 2021 based on the legal considerations leading up to that date alongside guidance for making payments provided by the Home Office. The removal of the Home Office guidance and the legal and financial risks and uncertainties associated with making payments prior to 1 October 2023 has resulted in changes to the basis of making immediate detriment payments, which requires appropriate consideration in terms of the ongoing arrangements relating to this matter.

The Public Service Pensions and Judicial Offices Bill has now received royal assent and has been made into an Act, The Public Service Pensions and Judicial Offices Act 2022. Part 1, Chapter 1 of the Act will come into force no later than 1 October 2023 and will remedy the discrimination between 1 April 2015 and 31 March 2022, by moving members back to the legacy scheme for the remedy period. The Act will be supported in due course by HMT directions which specify certain aspects such as the rate of interest to apply to payments owed and due.

Secondary regulation amendments to the Firefighters' Pension Schemes will be required that are in keeping with the primary legislation. It is the responsibility of Home Office to draft and lay these regulations by 1 October 2023. Section 11 of the Finance Act 2022 requires treasury to make changes to the Finance Act 2004, in connection with the discrimination rectification provisions. It is expected these will be retrospective from 1 April 2022, however they are not yet available, and drafts are expected in Autumn of 2022.

On 6 June 2022, the Audit and Risk Committee, in its role as Scheme Manager for the FPS, took the decision to instruct the scheme administrator to lift the current pause and process immediate detriment payments.

## 15. Performance Indicators (PI)

The Authority has an established Scrutiny Committee whose role is to scrutinise performance information including progress made against the 'The Plan'.

The setting of targets against operational and other performance indicators enables the Service to identify key areas for improvement which contribute to making the West Midlands safer, stronger and healthier. During 2021/22 the Scrutiny Committee received quarterly updates of the organisation's performance.

The five-minute attendance standard lies at the heart of the Service Delivery Model which shows how staff based mainly at fire stations deliver the three strategic objectives of prevention, protection and response.

A summary of the performance indicators for prevention, protection and response is provided below and further details of Authority's performance monitoring through the Scrutiny Committee can be found at <https://wmfs.cmis.uk.com/cmis5/>.


Key:
Blue
Green
Red

**Over performance against the tolerance levels**


**Performance is within the tolerance levels**









**Under performance against the tolerance levels**


### Response


PI 1		<b>The Risk Based Attendance Standard</b> Target: under 5 minutes Actual: 4 minutes 43 seconds <b>Over performance against the tolerance levels</b>
Category 2 – 5 minutes 26 seconds (target of 7 minutes) Category 3 – 4 minutes 59 seconds (target of 10 minutes) Category 4 – 7 minutes 8 seconds (target of 20 minutes)		

### Prevention


PI 2		<b>The number of accidental dwelling fires</b> Target YTD: 1623 (1543 – 1655) Actual to date: 1506 <b>Over performance against the tolerance levels</b>
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PI 3		<b>Injuries from accidental fires in dwellings (taken to hospital for treatment)</b> Target YTD: 52 (41 – 57) Actual to date: 43 <b>Performance is within the tolerance levels</b>
PI 4		<b>The number of deaths from accidental dwelling fires</b> Target YTD: N/A Actual to date: 14
PI 5		<b>The percentage of Safe and Well visits referred by our partners</b> Target YTD: 45% (45% - 47.25%) Actual to date: 41.1% <b>Under performance against the tolerance levels</b>
PI 6		<b>The number of Safe &amp; Well points achieved by the Brigade</b> Target YTD: 259,680 (259,680 – 272,664) Actual to date: 252,269 <b>Under performance against the tolerance levels</b>
PI 7		<b>The number of people killed or seriously injured (KSI) in road traffic collisions</b> Target YTD: Not applicable Actual to date: 701
PI 8		<b>The number of deliberate fires in dwellings</b> Target YTD: 202 (180 – 212) Actual to date: 193 <b>Performance is within the tolerance levels</b>
PI 9		<b>The number of deliberate fires in non-domestic premises</b> Target YTD: 119 (107 – 119) Actual to date: 115 <b>Performance is within the tolerance levels</b>
PI 10		<b>The number of deliberate vehicle fires</b> Target YTD: 698 (629 – 733) Actual to date: 519 <b>Over performance against the tolerance levels</b>

<b>PI 11</b>		<b>The number of deliberate rubbish fires</b> Target YTD: 1448 (1375 – 1476) Actual to date: 1356 <b>Over performance against the tolerance levels</b>
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<b>PI 12</b>		<b>The number of deliberate fires in derelict buildings</b> Target YTD: 108 (98 – 113) Actual to date: 121 <b>Under performance against the tolerance levels</b>
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## Protection

<b>PI 13</b>		<b>The number of accidental fires in non-domestic premises</b> Target YTD: 406 (366 – 426) Actual to date: 390 <b>Performance is within the tolerance levels</b>
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<b>PI 14</b>	 <b>Fire alarm</b>	<b>The number of false alarm calls due to fire alarm equipment in dwellings and non-domestic premises</b> Target YTD: 5797 (5508 – 5912) Actual to date: 5930 <b>Under performance against the tolerance levels</b>
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16. Further information about the accounts is available from:

Finance Manager,  
 West Midlands Fire Service Headquarters,  
 99 Vauxhall Road,  
 Birmingham. B7 4HW.

Telephone : 0121-380-6920  
 or E-Mail : kal.shoker@wmfs.net

17. Interested members of the public also have the right to inspect the accounts before the Audit is completed. The availability of the accounts for inspection is advertised on the Authority's website.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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### ***The Authority's Responsibilities***

The Authority is required to:

- (i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.
- (ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) approve the statement of accounts.

### ***The Treasurer's Responsibilities***

The Treasurer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the C.I.P.F.A. / L.A.S.A.A.C. Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Treasurer has:

- (i) selected suitable accounting policies and then applied them consistently
- (ii) made judgements and estimates that were reasonable and prudent
- (iii) complied with the local authority Code.

The Treasurer has also:

- (iv) kept proper accounting records which were up to date.
- (v) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this statement of accounts gives a true and fair view of the financial position and expenditure and income of the WMFRA for the year ending 31 March 2022.

Mike Griffiths, C.P.F.A  
Treasurer

Date: 20<sup>th</sup> March 2023

## STATEMENT OF APPROVAL FOR THE STATEMENT OF ACCOUNTS

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The statement of accounts for the year 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 was approved by the West Midlands Fire & Rescue Authority's Audit and Risk Committee on 20<sup>th</sup> March 2023.

Cllr Catherine Miks  
Chair of the Audit and Risk Committee

Date: 20<sup>th</sup> March 2023

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the MIRS and the Expenditure Funding Analysis (EFA).

2020/2021 * Restated				2021/2022		
Gross Exp. £000	Gross Income £000	Net Exp. £000		Gross Exp. £000	Gross Income £000	Net Exp. £000
1,590	-	1,590	Democratic Representation & Brigade Managers	1,593	-	1,593
(788)	(5,734)	(6,522)	Corporate Charges	(48)	(5,736)	(5,784)
4,853	(65)	4,788	Portfolio & Organisational Intelligence	5,209	(67)	5,142
35,264	(748)	34,516	Operations North, Preparedness & Response	36,020	(1,254)	34,766
52,151	(1,944)	50,207	Operations South & Fire Control	52,378	(1,962)	50,416
2,350	(124)	2,226	Prevention	2,666	(182)	2,484
6,898	(1,178)	5,720	Protection	7,238	(839)	6,399
9,712	(1,284)	8,428	Resourcing	11,422	(1,134)	10,288
6,747	(599)	6,148	Digital & Data	8,663	(488)	8,175
1,207	(84)	1,123	Policy & Organisational Assurance	1,213	(18)	1,195
963	(69)	894	Communications & Engagement	1,366	(60)	1,306
9,600	(441)	9,159	People Services	10,598	(478)	10,120
130,547	(12,270)	118,277	Cost of Services	138,318	(12,218)	126,100
350	(88)	262	Other Operating Expenditure (Note 13)	341	(34)	307
39,818	(118)	39,700	Financing and investment income & expenditure (Note 14)	38,930	(73)	38,857
		(103,028)	Taxation and non-specific grant income (Note 15)			(103,487)
		55,211	(Surplus)/Deficit on Provision of Services			61,777
10,768	(8,391)	2,377	Surplus or deficit on revaluation of Property, Vehicles, Plant and	4,210	(21,636)	(17,426)
		116,026	Re-measurements of the net defined benefit liability/(asset)			(86,482)
		118,403	Other Comprehensive Income and Expenditure			(103,908)
		173,614	Total Comprehensive Income and Expenditure			(42,131)

## MOVEMENT IN RESERVES STATEMENT

This shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory amounts required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	Un-earmarked General Fund Reserves £000	Earmarked General Fund Reserves £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020	(5,823)	(30,137)	(35,960)	(2,249)	(74)	(38,283)	1,590,123	1,551,840
Movement in Reserves During 2020/21								
Total Comprehensive Income and Expenditure *	55,211	-	55,211	-	-	55,211	118,403	173,614
Adjustments between accounting basis and funding basis under regulations (Note 10)	(62,006)	-	(62,006)	-	-	(62,006)	62,006	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(6,795)	-	(6,795)	-	-	(6,795)	180,409	173,614
Transfers to/from Earmarked Reserves (Note 11)	6,780	(6,780)	-	-	-	-	-	-
(Increase)/Decrease in 2020/21	(15)	(6,780)	(6,795)	-	-	(6,795)	180,409	173,614
Balance at 31 March 2021	(5,838)	(36,917)	(42,755)	(2,249)	(74)	(45,078)	1,770,532	1,725,454
Movement in Reserves During 2021/22								
Total Comprehensive Income and Expenditure *	61,777	-	61,777	-	-	61,777	(103,908)	(42,131)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(52,696)	-	(52,696)	-	-	(52,696)	52,696	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	9,081		9,081	-	-	9,081	(51,212)	(42,131)
Transfers to/from Earmarked Reserves (Note 11)	(7,101)	7,101	-	-	-	-	-	-
(Increase)/Decrease in 2021/22	1,980	7,101	9,081	-	-	9,081	(51,212)	(42,131)
Balance at 31 March 2022	(3,858)	(29,816)	(33,674)	(2,249)	(74)	(35,997)	1,719,320	1,683,323

- \* The total comprehensive income and expenditure is now shown as one line on the basis that the columnar analysis of the usable and unusable reserves automatically separates the movements between the surplus and deficit on the provision of services and other comprehensive income and expenditure.

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the MIRS line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2021 £000		Note	31 March 2022 £000
135,064	Property, Vehicles, Plant & Equipment	16	154,348
66	Heritage Assets		66
81	Intangible Assets	17	54
135,211	Long Term Assets		154,468
-	Assets Held for Sale	16	500
983	Inventories	19	933
20,892	Short Term Debtors	20	18,949
36,614	Cash and Cash Equivalents	21	32,864
58,489	Current Assets		53,246
(2,256)	Short Term Borrowing	18	(904)
(18,497)	Short Term Creditors	22	(16,441)
(20,753)	Current Liabilities		(17,345)
(664)	Provisions	23	(664)
(31,535)	Long Term Borrowing	18	(30,707)
(1,866,202)	Other Long Term Liabilities	34	(1,842,321)
(1,898,401)	Long Term Liabilities		(1,873,692)
(1,725,454)	Net Assets		(1,683,323)
(45,078)	Usable Reserves		(35,997)
1,770,532	Unusable Reserves	12	1,719,320
1,725,454	Total Reserves		1,683,323

Mike Griffiths, C.P.F.A  
Treasurer

Date: 20<sup>th</sup> March 2023

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2020/2021 £000		2021/2022 £000
55,211	Net (surplus) or deficit on the provision of services	61,777
(51,108)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24.2)	(63,782)
77	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24.3)	34
4,180	Net cash flows from Operating Activities	(1,971)
2,281	Investing Activities (Note 25)	3,581
2,022	Financing Activities (Note 26)	2,140
8,483	Net (increase)/decrease in cash and cash equivalents	3,750
45,097	Cash and cash equivalents at the beginning of the reporting period	36,614
36,614	Cash and cash equivalents at the end of the reporting period (Note 21)	32,864

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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### **1. ACCOUNTING POLICIES**

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#### **1.1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position as at the year-end, 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices.

It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been prepared on a going concern basis. The Treasurer expects that this will continue for the foreseeable future. Using reserves the Authority has a balanced budget for the Medium Term Financial Plan period and robust and deliverable plans for a balanced budget going forward.

#### **1.2. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when or as the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed — where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as Income and Expenditure.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals of income and expenditure are subject to a de minimis level of £1,000.

### **1.3. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period; no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **1.5. Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance within England.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting Minimum Revenue Provision (MRP) transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

## **1.6. Council Tax and Non-domestic Rates (NDR)**

Billing authorities act as agents, collecting council tax and NDR on behalf of the major preceptors. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR included in the CIES is the Authority's share of accrued income for the year. Regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MIRS. The effect on the Surplus or Deficit on the Provision of Services for the year 2021/22 in the CIES is a surplus of £3.986m which is also reflected in the MIRS.

The Balance Sheet includes the Authority's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **1.7. Employee Benefits**

### **1.7.1 Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the MIRS so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### 1.7.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### 1.7.3 Post-Employment Benefits

Employees of the Authority are members of four separate pension schemes:

- Uniformed Firefighters – Original (1992) Scheme

This is an unfunded scheme, which is administered by the Authority in accordance with Government regulations. For such schemes, as there are no investment assets, IAS19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the CIES for movements in the liability and reserve. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the pension fund for these employees. The scheme was only open to those firefighters in the scheme as at 31<sup>st</sup> March 2006 and the employer's contribution is higher than for the new FPS. All contributions are made into a pension fund and equally the payments to pensioners are paid out of the same fund. This is then balanced by a contribution to or from the fund by the Government each year.

- Uniformed Firefighters – (2006) Scheme

On 1<sup>st</sup> April 2006 a new FPS was established for new firefighters, retained firefighters and for uniformed employees carrying out operational duties in the old pension scheme who wished to transfer to the new scheme. This scheme is an unfunded scheme and operates in the same way as the old scheme except for the reduced level of contribution from employees and employers which reflects the different conditions and benefits of the new scheme. All contributions are made into a pension fund and equally the payments to pensioners are paid out of the same fund. This is then balanced by a contribution to or from the fund by the Government each year.

On 1<sup>st</sup> April 2015 a new modified section was established for employees who were employed as retained firefighters between 1<sup>st</sup> April 2000 and 5<sup>th</sup> April 2006.

- Uniformed Firefighters – (2015) Scheme

On 1<sup>st</sup> April 2015 a new FPS was established. This scheme is a career average revalued earnings scheme for members starting after the 1<sup>st</sup> April 2015. Members of the 1992 and 2006 final salary schemes moved into this scheme, unless protection applied. This scheme is an unfunded scheme. All contributions are made into a pension fund and equally the payments to pensioners are paid out of the same fund. This is then balanced by a contribution to or from the fund by the Government each year.

The combined pension fund for uniformed firefighters as at 31<sup>st</sup> March 2022 had a net deficit value of £1,791m.

- The Local Government Pension Scheme (LGPS)

Other employees, subject to certain qualifying criteria, are eligible to join the LGPS, administered by City of Wolverhampton Council. The pension costs that are charged to the Authority's accounts, £2.802m in 2021/22 in respect of these employees, are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. The scheme is, however, funded.

These schemes provide defined benefits to members (retirement lump sums and pensions), which are earned as employees work for the Authority.

These schemes are accounted for as defined benefits schemes:

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund (WMMAPF) and the liabilities of the FPS attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method — i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.65% for the FPS and 2.7% for the LGPS.
- The assets of WMMAPF attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities — current bid price
  - unquoted securities — professional estimate
  - unitised securities — current bid price
  - property — market value.

- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - Current service cost - the increase in liabilities because of years of service earned this year — allocated in the CIES to the services for which the employees worked.
    - Past service cost — the increase in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years — debited to the Surplus or Deficit on the Provision of Services in the CIES within the corporate charges Service line.
    - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority — the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - The return on plan assets — excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - Changes in demographic and financial assumptions — changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions — charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the Pension Fund — cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

The top up grant is accounted for as a remeasurement of the net defined benefit liability.

#### **1.7.4 Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

### **1.8. Events after the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period — the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period — the Statement of Accounts is not adjusted to reflect such events but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **1.9. Financial Instruments**

#### **1.9.1 Financial Liabilities**

The Authority has its own portfolio of loans payable directly to the Public Works Loan Board (PWLB); these are initially measured at fair value and carried at their amortised cost except for Other Local Authority debt inherited from the former West Midlands County Council (WMCC) which is held at historic cost. Annual charges are made to the CIES based on the carrying value of the liability multiplied by the effective rate of interest for the instrument.

Debt inherited from the former WMCC is managed by Dudley MBC and redeemed over a period of 40 years from 1<sup>st</sup> April 1986. Annual charges to the CIES for interest payable were charged on this debt in 2021/22 at a rate of 5.4%.

Creditors are carried on the balance sheet at amortised cost.

#### **1.9.2 Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss, and
- Fair value through other comprehensive income

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest i.e. where the cash flows do not take the form of a basic debt instrument.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Debtors are carried on the balance sheet at amortised cost.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **1.9.3 Fair Value Measurement**

IFRS 13 requires that local authorities measure some of their non-financial and some of their financial instruments at fair value.

The objective of the fair value approach is to estimate the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date. The measurement assumes that the transaction takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, the most advantageous market.

The Authority measures fair value using the same assumptions that market participants would use when pricing an asset or liability assuming that they will act in their own economic best interest.

For non-financial assets the Authority considers the participant's ability to generate economic benefits by using the asset in its highest and best use.

When determining fair value the Authority's valuers use techniques that are appropriate in the circumstances and for which sufficient data is available maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

These inputs are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can assess at the measurement date.
- Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

## **1.10. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the CIES until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital Expenditure.

## **1.11. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired — any losses recognised are posted to the

relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Software licences are depreciated on a straight line basis over a period of five years.

## **1.12. Inventories**

Inventories are included in the Balance Sheet at the latest price. This does not comply with the standard which requires the lower of cost and net realisable value. The total value of stocks held is approximately £0.933m (2020/21 £0.983m) and therefore any difference in accounting treatment will not materially affect the reasonableness of the figures disclosed within the accounts.

## **1.13. Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

The costs of support services provided to the Authority by Sandwell MBC have been recharged in accordance with Service Level Agreements. These specify the level of service to be provided and the charge.

## **1.14. Property, Vehicles, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, vehicles, plant and equipment.

### **1.14.1 Recognition**

Expenditure on the acquisition, creation or enhancement of property, vehicles, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Expenditure along with associated grant income on non-current assets are capitalised subject to a de minimis level of £10,000.

### 1.14.2 Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction — held at historical cost.
- Residential Homes — the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective. The Authority no longer provides residential homes to new tenants and any properties which become or are vacant, are held as surplus assets.
- All other assets — current value, determined on the basis of market value.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued annually to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. If an event occurs, such as a dramatic fall in land and property prices, which mean the current values are no longer appropriate, the assets will be revalued again. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the corporate charges service line in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **1.14.3 Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the corporate charges service line in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the corporate charges service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **1.14.4 Depreciation**

Depreciation is provided for on all property, vehicles, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

The following depreciation policies have been adopted:

- Operational Vehicles - straight line over 10 years.
- Ancillary Vehicles - straight line over 5 years.
- Equipment - straight line over 5 years.
- All property assets have been depreciated in line with their life expectancies.
- Freehold land is not depreciated.
- No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.

Wilks Head & Eve (WH&E), of 55 New Oxford Street, London, WC1A 1BS is a RICS (Royal Institution of Chartered Surveyors) Regulated Firm, are the Authority's valuers and were instructed to provide valuations for all land and property assets and recommend the appropriate life expectancies. A full valuation of all land and property assets was completed as at 31<sup>st</sup> March 2022. The Code requires that land and property assets must be revalued every five years as a minimum but must be revalued more regularly where a five year valuation is insufficient to keep pace with material changes in fair value.

WHE also provide valuations for splitting land and building assets into individual components. Where an asset has major components whose cost is significant in relation to the total cost of the item and which have differing estimated useful lives, these components are depreciated separately. The Authority has adopted this as the basis for depreciation from 1<sup>st</sup> April 2011.

Where an asset it is deemed to be material for component accounting purposes, i.e. valued in excess of £1m, the following individual components have been identified:

- Main structure
- Roof
- Heating and associated systems
- Tower and associated functions
- Electrical
- Lift
- External

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### **1.14.5 Non-Current Assets Held for Sale**

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continued use. The following criteria must be met before an asset can be classified as held for sale under this section of the Code:

- The asset must be available for immediate sale in its present condition.
- The sale must be highly probable; with an active programme to dispose of the asset.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale should be expected to complete within one year of the date of classification.

Assets Held for Sale are valued at the lower of their carrying amount and fair value (market value) less costs to sell at initial reclassification and at the end of each reporting date and are not subject to depreciation. Investment Properties that are to be disposed of are not reclassified as an Asset Held for Sale and remain as Investment Properties until disposed of, reclassified to short term investment properties where they are expected to be disposed of within a year of the balance sheet date.

## **1.15. Minimum Revenue Provision**

Under the Local Government Act 2003, the Authority is required to set aside an amount from revenue as a provision for debt repayment. This amount is known as the MRP.

The calculation is based on Asset Life Method, which is to make a provision over the estimated life of the asset for which borrowing was undertaken.

From 2015/16 onwards the proposed MRP policy was amended to an Annuity base.

The Treasurer has the discretion to make an additional provision.

## **1.16. Provisions and Contingent Liabilities**

### **1.16.1 Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year — where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

### **1.16.2 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **1.17. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the Un-earmarked General Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then transferred back into the Un-earmarked General Fund Balance in the MIRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, local taxation, retirement and employee benefits and do not represent usable resources for the Authority — these reserves are explained in the relevant policies.

### **1.18. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **1.19. Restated Figures**

For comparative purposes 2020/2021 figures are provided.

The CIES cost of services, notes 7, 8 and 11 show 2020/2021 restated figures for service expenditure and income as some sections have moved service areas.

### **1.20. Roundings**

Unless otherwise stated, the figures that follow have been rounded to the nearest £'000.

## **2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

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The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Authority.

The standards introduced in the 2022/23 Code that are relevant to the above are:-

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

The Code requires implementation from 1 April 2022 and there is therefore no impact on the 2021/22 Statement of Accounts.

The Authority has concluded that there will be no material impact upon the 2022/23 Statement of Accounts.

IFRS 16 Leases – This will require lessees to recognise most leases on their balance sheet as right of use assets with corresponding lease liabilities (there is recognition for low value and short-term leases). The Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee Local Authority Accounting Code Board has agreed to defer the implementation of IFRS 16 Leases to 1st April 2024, however the Authority is allowed to adopt the standard before that date. The Authority chooses not to adopt the standard early and therefore this will not have any impact in 2022/23.

### **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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In applying the accounting policies set out in the Accounts, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Statement of Accounts are:-

- **No Residual Value of Assets** – The Authority assumes that the residual value of plant and equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than for resale at the end of their useful life. The Authority has determined that the amounts received when assets are decommissioned are negligible and depend on the market demand for the assets at time of disposal.
- **Property valued at Current Value** – The Authority has had all its land and property assets valued on the basis of current value as at 31<sup>st</sup> March 2022. The Code requires that land and property assets must be revalued every five years as a minimum but must be revalued more regularly where a five year valuation is insufficient to keep pace with material changes in fair value. In 2011 the Authority introduced component accounting to its land and property assets as part of its valuations.
- **Government Funding** - There remains a degree of uncertainty about future levels of core funding for local government. The funding settlement for 2022/2023 is a one year only arrangement. There is no clarity over funding levels, nationally and/or locally, after that date which hampers meaningful financial planning over the longer term. The Authority has however determined that the level of uncertainty is not yet sufficient to indicate that the assets of the Authority may be significantly impaired because of a need to close facilities and reduce levels of service provision.

## 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2022 for which there is a risk of a material adjustment in the following financial year are:

- Pensions Liability - Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes to retirement age, mortality rates and expected return on pension fund assets. The Government Actuary's Department (GAD) and Hymans Robertson provide the Authority with expert advice about the assumptions to be applied (Note 34).

The effect of the net pensions' liability of changes in individual assumptions can be measured. For instance, all other factors remaining equal, a 0.5% decrease in the discount rate assumption on the Fire fighters Pension would result in an increase in the pensions liability of £161m, similarly a 0.1% decrease would impact the LGPS by £3.5m.

- Property, Plant and Equipment – The Authority's assets are depreciated over the useful life assigned by the external valuer. Assumptions are made about the level of repairs and maintenance which could affect the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation would increase and the carry amount of the assets would fall. It is estimated that based on the current carrying value of depreciated assets of £121m at 31<sup>st</sup> March 2022 the annual depreciation charge for property, plant & equipment assets would increase by approx. £0.5m for every year that the useful life had been reduced. However, the assets are revalued annually and the asset lives are kept under regular review.

## 5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

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### 5.1 WMMAPF – Employer Pension Contributions 2020/21 to 2022/23

On 30 April 2020 the Authority made a payment of £7.9m to the WMMAPF in respect of pension contributions for the three years from 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2023. The full payment has been accounted for as a reduction in the Authority's net pension liability and accounting regulations require that only the amount due in relation to 2021/22 of £2.6m is recognised as a cost to the General Fund this year. Until 2022/23, there will be a difference between the net pension liability and the pension reserve, equal to the amount that has been paid in relation to future years. This difference will remain until the 2022/23 accounts.

## **6. EVENTS AFTER THE REPORTING PERIOD**

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### **6.1 FPS Immediate Detriment Payments**

On 6 June 2022, the Audit and Risk Committee, in its role as Scheme Manager for the FPS, took the decision to instruct the scheme administrator to lift the current pause and process immediate detriment payments.

The Authority has 37 pensioners who are affected by this situation, and it is predicted that approximately a further 100 members will retire before the new regulations are in place. 30 of the 37 pensioners retired by 31 March 2022 and the net cost to the Pension Fund account at 31 March 2022 is £252k.

An exercise has been undertaken to forecast the potential scale of the financial risk by proceeding with remedy prior to legislation being in place and/or further clarity being provided in relation to potential arrangements prior to October 2023. The scale of impact has been estimated at circa £2m based predominantly on the tax related issues associated with pension contributions but it must be highlighted that there are significant legal and financial uncertainties relating to this matter and so a high degree of caution should be applied to this indicative figure. It is feasible that making payments with no clear legal mechanism in place together with the associated tax issues that could arise in advance of retrospective legislation may mean the scale of potential financial risk significantly exceeds the £2m figure, given all the uncertainties around this matter and the range of assumptions that can be used to calculate the scale of potential financial exposure. As at 31 March 2022 an earmarked reserve of £2m has been provided for this.

## 7. EXPENDITURE AND FUNDING ANALYSIS

This shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2020/2021 * Restated				2021/2022		
Net Expenditure Chargeable to the General Fund ** £000	Adjustments Between Funding and Accounting Basis (Note 7.1) £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the General Fund* £000	Adjustments Between Funding and Accounting Basis (Note 7.1) £000	Net Expenditure in the CIES £000
1,258	332	1,590	Democratic Representation & Brigade Managers	1,237	356	1,593
(5,331)	(1,191)	(6,522)	Corporate Charges	(5,112)	(672)	(5,784)
4,520	268	4,788	Portfolio & Organisational Intelligence	4,741	401	5,142
27,559	6,957	34,516	Operations North, Preparedness & Response	27,872	6,894	34,766
40,031	10,176	50,207	Operations South & Fire Control	40,072	10,344	50,416
1,932	294	2,226	Prevention	2,012	472	2,484
4,439	1,281	5,720	Protection	4,978	1,421	6,399
7,787	641	8,428	Resourcing	9,091	1,197	10,288
5,777	371	6,148	Digital & Data	7,327	848	8,175
895	228	1,123	Policy & Organisational Assurance	937	258	1,195
768	126	894	Communications & Engagement	1,056	250	1,306
7,827	1,332	9,159	People Services	8,272	1,848	10,120
97,462	20,815	118,277	Cost of Services	102,483	23,617	126,100
(104,257)	41,191	(63,066)	Other Income and Expenditure	(93,402)	29,079	(64,323)
(6,795)	62,006	55,211	(Surplus)/Deficit on Provision of Services	9,081	52,696	61,777
(35,960)			Opening General Fund Balance	(42,755)		
(42,755)			Closing General Fund Balance @ 31 March	(33,674)		

\*\* As reported to the SET.

<b>2020/2021 * Restated</b>	<b>Adjustments for capital purposes (Note 7.2)</b>	<b>Net change for the pension adjustments (Note 7.3)</b>	<b>Other statutory differences (Note 7.4)</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Democratic Representation & Brigade Managers	-	311	21	332
Corporate Charges	265	(1,456)	0	(1,191)
Portfolio & Organisational Intelligence	-	238	30	268
Operations North, Preparedness & Response	-	6,848	109	6,957
Operations South & Fire Control	-	10,068	108	10,176
Prevention	-	292	2	294
Protection	-	1,311	-30	1,281
Resourcing	-	588	53	641
Digital & Data	-	332	39	371
Policy & Organisational Assurance	-	226	2	228
Communications & Engagement	-	86	40	126
People Services	-	1,360	-28	1,332
<b>Cost of Services</b>	<b>265</b>	<b>20,204</b>	<b>346</b>	<b>20,815</b>
Other Income and Expenditure	(3,223)	37,988	6,426	41,191
<b>Total</b>	<b>(2,958)</b>	<b>58,192</b>	<b>6,772</b>	<b>62,006</b>

<b>2021/2022</b>	<b>Adjustments for capital purposes (Note 7.2)</b>	<b>Net change for the pension adjustments (Note 7.3)</b>	<b>Other statutory differences (Note 7.4)</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Democratic Representation & Brigade Managers	-	313	43	356
Corporate Charges	858	(1,530)	-	(672)
Portfolio & Organisational Intelligence	-	420	(19)	401
Operations North, Preparedness & Response	-	6,914	(20)	6,894
Operations South & Fire Control	-	10,330	14	10,344
Prevention	-	468	4	472
Protection	-	1,426	(5)	1,421
Resourcing	-	1,189	8	1,197
Digital & Data	-	848	-	848
Policy & Organisational Assurance	-	256	2	258
Communications & Engagement	-	238	12	250
People Services	-	1,845	3	1,848
<b>Cost of Services</b>	<b>858</b>	<b>22,717</b>	<b>42</b>	<b>23,617</b>
Other Income and Expenditure	(4,184)	37,249	(3,986)	29,079
<b>Total</b>	<b>(3,326)</b>	<b>59,966</b>	<b>(3,944)</b>	<b>52,696</b>

## 7.2 Adjustments for capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the corporate charges services line, and within other income and expenditure:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. MRP and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The taxation and non-specific grant income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## 7.3 Net change for the pension adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

## 7.4 Other statutory differences

Other statutory differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For services this represents the impact of accruals for accumulating compensated absences.
- The adjustment under other income and expenditure for taxation and non-specific grant income represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 8. PRIOR PERIOD RESTATEMENTS

### Prior Period Restatement of Service Expenditure and Income

The Code requires that the Authority shows its expenditure and income on a service basis. During the year some sections have moved service areas. This note sets out how the net expenditure and income has been restated.

Service	As reported CIES 2020/21 £000	Adjustments £000	2020/21 Restated £000	Service
Democratic Representation & Brigade Managers	1,659	(69)	1,590	Democratic Representation & Brigade Managers
Corporate Charges	(4,295)	(2,227)	(6,522)	Corporate Charges
Strategy & Organisational Intelligence	4,812	(24)	4,788	Portfolio & Organisational Intelligence
Communications	894	-	894	Communications & Engagement
Finance & Resources	8,059	369	8,428	Resourcing
Digital & Data	6,148	-	6,148	Digital & Data
People Services	935	8,224	9,159	People Services
Training, Health & Wellbeing	6,707	(6,707)		
Prevention, Preparedness & Response	3,703	(1,477)	2,226	Prevention
		1,123	1,123	Policy & Organisational Assurance
Protection & Organisational Assurance	7,118	(1,398)	5,720	Protection
Command Delivery, Fire Control & Workforce	82,537	(48,021)	34,516	Operations North, Preparedness & Response
		50,207	50,207	Operations South & Fire Control
<b>Net Expenditure</b>	<b>118,277</b>	<b>-</b>	<b>118,277</b>	

Service	As reported CIES 2020/21 £000	Adjustments £000	2020/21 Restated £000	Service
Democratic Representation & Brigade Managers	1,659	(69)	1,590	Democratic Representation & Brigade Managers
Corporate Charges	1,439	(2,227)	(788)	Corporate Charges
Strategy & Organisational Intelligence	4,957	(104)	4,853	Portfolio & Organisational Intelligence
Communications	963	0	963	Communications & Engagement
Finance & Resources	9,263	449	9,712	Resourcing
Digital & Data	6,747	0	6,747	Digital & Data
People Services	1,116	8,484	9,600	People Services
Training, Health & Wellbeing	6,962	(6,962)		
Prevention, Preparedness & Response	4,295	(1,945)	2,350	Prevention
		1,207	1,207	Policy & Organisational Assurance
Protection & Organisational Assurance	8,380	(1,482)	6,898	Protection
Command Delivery, Fire Control & Workforce	84,766	(49,502)	35,264	Operations North, Preparedness & Response
		52,151	52,151	Operations South & Fire Control
<b>Gross Expenditure</b>	<b>130,547</b>	<b>-</b>	<b>130,547</b>	
Democratic Representation & Brigade Managers	-	-	-	Democratic Representation & Brigade Managers
Corporate Charges	(5,734)	0	(5,734)	Corporate Charges
Strategy & Organisational Intelligence	(145)	80	(65)	Portfolio & Organisational Intelligence
Communications	(69)	0	(69)	Communications & Engagement
Finance & Resources	(1,204)	(80)	(1,284)	Resourcing
Digital & Data	(599)	0	(599)	Digital & Data
People Services	(181)	(260)	(441)	People Services
Training, Health & Wellbeing	(255)	255		
Prevention, Preparedness & Response	(592)	468	(124)	Prevention
		(84)	(84)	Policy & Organisational Assurance
Protection & Organisational Assurance	(1,262)	84	(1,178)	Protection
Command Delivery, Fire Control & Workforce	(2,229)	1,481	(748)	Operations North, Preparedness & Response
		(1,944)	(1,944)	Operations South & Fire Control
<b>Gross Income</b>	<b>(12,270)</b>	<b>-</b>	<b>(12,270)</b>	

## 9. EXPENDITURE AND INCOME ANALYSED BY NATURE

9.1 The Authority's expenditure and income is analysed as follows:

2020/2021 £000		2021/2022 £000
	<b>Expenditure</b>	
115,087	Employee expenses	120,541
15,196	Other services expenses	16,920
264	Depreciation, amortisation and impairment	858
37,988	Pensions interest cost and expected return on pension assets	37,249
1,830	Interest payments	1,681
350	Other operating expenditure	340
170,715	<b>Total Expenditure</b>	<b>177,589</b>
	<b>Income</b>	
(3,727)	Fees, charges and other service income	(4,289)
(118)	Interest and investment income	(73)
(43,516)	Council tax income	(45,902)
(5,099)	Non-domestic rates income from West Midlands Local Authorities	(8,171)
(62,956)	Government grants and contributions	(57,343)
(88)	Disposal of non-current assets	(34)
(115,504)	<b>Total Income</b>	<b>(115,812)</b>
55,211	<b>(Surplus)/Deficit on the provision of services</b>	<b>61,777</b>

## 9.2 Revenue from contracts with service recipients

The Authority recognises revenue from contracts with service recipients in accordance with the provisions of IFRS 15 Revenue from Contracts with Customers as reflected in the Code of Practice. Revenue is recognised in the financial year that services are provided in accordance with the performance obligations of the contract.

Amounts included in the CIES for contracts with service recipients:

	2020/2021 £000	2021/2022 £000
<b>Revenue from contracts with service recipients:</b>		
<b>Service Delivery – provision of Fire Control</b>	<b>1,042</b>	<b>1,036</b>
<b>Total included in CIES</b>	<b>1,042</b>	<b>1,036</b>

Amounts included in the Balance Sheet for contracts with service recipients:

	2020/2021 £000	2021/2022 £000
<b>Receivables included in short term debtors</b>	<b>(26)</b>	<b>-</b>
<b>Payables included in short term creditors</b>	<b>-</b>	<b>-</b>
<b>Total Included in Net Assets</b>	<b>(26)</b>	<b>-</b>

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied at the end of the year is:

	2020/2021 £000	2021/2022 £000
<b>Not Later than one year</b>	<b>1,036</b>	<b>1,099</b>
<b>Later than one year</b>	<b>1,059</b>	<b>1,132</b>
<b>Amounts of transaction price fully unsatisfied</b>	<b>2,095</b>	<b>2,231</b>

Revenue relates to the recovery of 30% of the total running costs of the Fire Control function. The performance obligations of the contract are met when the services are rendered. An invoice is raised for a fixed amount each month for the service in the month that the service is provided and adjusted at year end for variations.

## **10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2020/2021	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
<b>Adjustments to Revenue Resources</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs transferred to/(from) the Pensions Reserve	(58,192)	-	-
Council tax and NDR transfers to/(from) Collection Fund Adjustment Account	(6,426)	-	-
Holiday pay transferred to the Accumulated Absences Reserve	(346)	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(283)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(65,247)</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	937	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,304	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>3,241</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-
Application of capital grants to finance capital expenditure	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>(62,006)</b>	<b>-</b>	<b>-</b>

2021/2022	Usable Reserves		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments to Revenue Resources	£000	£000	£000
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:			
Pension costs transferred to/(from) the Pensions Reserve	(59,966)	-	-
Council tax and NDR transfers to/(from) Collection Fund Adjustment Account	3,986	-	-
Holiday pay transferred to the Accumulated Absences Reserve	(42)	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(858)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(56,880)</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	995	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,189	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>4,184</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-
Application of capital grants to finance capital expenditure	-	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>(52,696)</b>	<b>-</b>	<b>-</b>

## 11. MOVEMENTS IN EARMARKED RESERVES

This note sets out the amounts set aside within the General Fund Balance for earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in both 2020/21 and 2021/22.

General Fund:	Balance at 31 March 2020 R £000	Transfers out 2020/21 R £000	Transfers in 2020/21 R £000	Balance at 31 March 2021 R £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000
<b>Portfolio &amp; Org Intelligence</b>							
Project Management/Support	107	236	238	109	220	111	-
Organisational Intel.	73	76	40	37	37	-	-
New Risks	41	-	-	41	41	-	-
<b>Ops North, Prep. &amp; Response</b>							
Procurement of Ops Equip	1,000	1,000	2,305	2,305	122	288	2,471
CBRN	260	236	260	284	411	376	249
Command Delivery	165	6	29	188	143	65	110
Project Management/Support	508	215	189	482	392	13	103
UK ISAR	18	3	11	26	31	50	45
Partnerships	46	6	-	40	4	-	36
<b>Ops South &amp; Fire Control</b>							
Tech Rescue	144	-	31	175	197	915	893
Command Delivery	80	279	240	41	225	211	27
<b>Prevention</b>							
Education Materials/Facilities	25	-	14	39	11	66	94
Community Partnerships	141	190	118	69	57	79	91
Project Management/Support	-	-	-	-	116	185	69
Community Safety	100	143	170	127	489	380	18
Youth Services	10	102	92	-	50	50	0
Fire Safety	22	84	62	-	64	64	0
<b>Protection</b>							
Building Risk Review Prog.	400	391	959	968	615	48	401
Protection Fund Grant	-	-	-	-	118	447	329
Fire Safety	-	-	75	75	-	16	91
Project Management/Support	-	-	70	70	-	15	85
<b>Resourcing</b>							
Property Maintenance	880	207	-	673	-	6	679
Pension Admin Grant	-	-	124	124	11	123	236
Vehicle Chargers	-	-	180	180	102	-	78
Agile Working	-	-	300	300	240	-	60
Loss of Use Recovery	66	69	13	10	6	6	10
Project Management/Support	14	113	99	-	75	76	1
Procurement of Ops Equip	66	66	-	-	-	-	-

General Fund: (Continued)	Balance at 31 March 2020 R £000	Transfers out 2020/21 R £000	Transfers in 2020/21 R £000	Balance at 31 March 2021 R £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000
<b>Digital &amp; Data</b>							
ESMCP	1,321	185	206	1,342	294	204	1,252
Other Digital Transformations	494	297	354	551	364	373	560
Enterprise Resource Planning	1,903	456	33	1,480	1,324	400	556
Incident Reporting System	200	56	250	394	5	-	389
Staffing	153	102	467	518	267	46	297
Enabling Future Technology	124	124	-	-	-	-	-
<b>Policy &amp; Org. Assurance</b>							
SSRI/RIDGE	-	64	328	264	129	-	135
COVID-19 Funding	459	3,455	4,332	1,336	3,260	1,943	19
Project Management/Support	97	165	162	94	94	-	-
Legal Services	90	90	-	-	-	-	-
<b>Communications &amp; Engagement</b>							
Community Engagement	159	142	38	55	93	48	10
Comms/Media Events	9	-	198	207	205	-	2
<b>Employee Relations</b>							
Project Management/Support	-	-	30	30	26	-	4
Safeguarding Arrangements	56	7	-	49	49	-	-
<b>Org. Learning &amp; People Dev.</b>							
Staff Training & Development	140	132	116	124	167	89	46
<b>Health, Safety &amp; Wellbeing</b>							
Health, Safety & Wellbeing	102	78	85	109	51	-	58
Staffing	-	-	-	-	-	37	37
<b>Corporate Funding</b>							
Capital Program Shortfall	13,645	1,981	675	12,339	2,971	-	9,368
Insurance Reserve	6,943	238	100	6,805	173	100	6,732
NNDR & Local Tax Income	-	-	4,857	4,857	4,857	1,995	1,995
Detriments	-	-	-	-	-	2,000	2,000
Sustainability	-	-	-	-	-	180	180
Occupational Health Relocation	76	132	56	-	-	-	-
<b>TOTAL</b>	<b>30,137</b>	<b>11,126</b>	<b>17,906</b>	<b>36,917</b>	<b>18,106</b>	<b>11,005</b>	<b>29,816</b>

## 12. UNUSABLE RESERVES

31 March 2021 £000		31 March 2022 £000
(42,072)	Revaluation Reserve	(58,661)
(66,523)	Capital Adjustment Account	(70,686)
1,871,451	Pensions Reserve	1,844,935
6,189	Collection Fund Adjustment Account	2,203
1,487	Accumulated Absences Account	1,529
1,770,532	Total Unusable Reserves	1,719,320

### 12.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, vehicles, plant, and intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

2020/2021 £000		2021/2022 £000
(45,321)	Balance 1 April	(42,072)
(8,391)	Upward revaluation of assets	(21,636)
10,768	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,210
(42,944)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(59,498)
872	Amount written off to the Capital Adjustment Account	837
(42,072)	Balance 31 March	(58,661)

## 12.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The note below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/2021 £000		2021/2022 £000
(62,693)	<b>Balance 1 April</b>	(66,523)
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
3,876	<b>Charges for depreciation and impairment of non-current assets</b>	3,989
(3,642)	<b>Revaluation losses on Property, Vehicles, Plant and current assets</b>	(3,158)
31	<b>Amortisation of intangible assets</b>	27
18	<b>Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES</b>	-
(62,410)		(65,665)
(872)	<b>Adjusting amounts written out of the Revaluation Reserve</b>	(837)
(63,282)	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	(66,502)
	<b>Capital financing applied in the year:</b>	
(937)	<b>Statutory provision for the financing of capital investment charged against the General Fund</b>	(995)
(2,304)	<b>Capital expenditure charged against the General Fund</b>	(3,189)
(66,523)	<b>Balance 31 March</b>	(70,686)

### 12.3 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/2021 £000		2021/2022 £000
1,697,233	Balance 1 April	1,871,451
116,026	Re-measurements of the net defined benefit liability/(asset)	(86,482)
75,583	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	77,522
(17,391)	Employer's pensions contributions and direct payments to pensioners payable in the year	(17,556)
1,871,451	Balance 31 March	1,844,935

### 12.4 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2020/2021 £000		2021/2022 £000
(237)	Balance 1 April	6,189
1,435	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,122)
4,991	Amount by which NDR income credited to the CIES is different from NDR income calculated for the year in accordance with statutory requirements	(2,864)
6,189	Balance 31 March	2,203

## 12.5 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2020/2021			2021/2022	
£000	£000		£000	£000
	1,141	Balance 1 April		1,487
(1,141)		Settlement or cancellation of accrual made at the end of the preceding year	(1,487)	
1,487		Amounts accrued at the end of the current year	1,529	
	346	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		42
	1,487	Balance 31 March		1,529

## 13. OTHER OPERATING EXPENDITURE

2020/2021 £000		2021/2022 £000
(70)	(Gains)/losses on the disposal of non-current assets	(34)
332	Levies	341
262	Total	307

## 14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/2021 £000		2021/2022 £000
1,830	Interest payable and similar charges	1,681
37,988	Net interest on the net defined benefit liability/(asset)	37,249
(118)	Interest receivable and similar income	(73)
39,700	Total	38,857

## 15. TAXATION AND NON SPECIFIC GRANT INCOMES

2020/2021 £000		2021/2022 £000
(43,516)	Council tax income	(45,902)
(5,099)	NDR income from West Midland Local Authorities	(8,171)
(19,164)	Revenue support grant	(19,270)
(30,430)	Business rates retention scheme grants	(28,446)
(4,037)	Covid-19 Emergency funding grant	(375)
-	Covid-19 Local council tax support grant	(1,419)
(624)	Covid-19 Local tax income guarantee grant	111
(158)	Covid-19 Sales, fees and charges grant	(15)
(103,028)	Total	(103,487)

## 16. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

### 16.1 Comparative Movements in 2020/2021

2020/2021	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2020	124,219	30,798	3,122	1,355	159,494
Additions	1,613	300	-	391	2,304
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(5,166)	-	338	-	(4,828)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	3,640	-	2	-	3,642
De-recognition – Disposals	-	(565)	(495)	-	(1,060)
Other movements in cost or valuation	-	(175)	210	(35)	-
At 31 March 2021	124,306	30,358	3,177	1,711	159,552
Accumulated Depreciation and Impairment					
At 1 April 2020	-	22,784	1,321	-	24,105
Depreciation charge	2,423	1,425	28	-	3,876
Depreciation written out to the Revaluation Reserve	(2,423)	-	(28)	-	(2,451)
De-recognition – Disposals	-	(547)	(495)	-	(1,042)
De-recognition – Other	-	(210)	210	-	-
At 31 March 2021	-	23,452	1,036	-	24,488
<b>Net Book Value</b>					
At 31 March 2020	124,219	8,014	1,801	1,355	135,389
At 31 March 2021	124,306	6,906	2,141	1,711	135,064

## 16.2 Movements on Balances 2021/2022

2021/22	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Assets Under Construction	Total Property, Vehicles, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000
At 1 April 2021	124,306	30,358	3,177	1,711	159,552
Additions	844	232	-	2,113	3,189
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	14,712	-	197	-	14,909
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	3,158	-	-	-	3,158
De-recognition – Disposals	-	(177)	-	-	(177)
Assets reclassified (to) / from Held for Sale	(500)	-	-	-	(500)
Other movements in cost or valuation	-	1,541	(218)	(1,323)	-
At 31 March 2022	142,520	31,954	3,156	2,501	180,131
Accumulated Depreciation and Impairment					
At 1 April 2021	-	23,452	1,036	-	24,488
Depreciation charge	2,484	1,472	33	-	3,989
Depreciation written out to the Revaluation Reserve	(2,484)	-	(33)	-	(2,517)
De-recognition – Disposals	-	(177)	-	-	(177)
De-recognition – Other	-	(58)	58	-	-
At 31 March 2022	-	24,689	1,094	-	25,783
<b>Net Book Value</b>					
At 31 March 2021	124,306	6,906	2,141	1,711	135,064
At 31 March 2022	142,520	7,265	2,062	2,501	154,348

### 16.3 Depreciation

The depreciation rates used in the table above are consistent with those described in the accounting policies statement.

### 16.4 Capital Commitments

As at the 31<sup>st</sup> March 2022, the Authority approved capital expenditure in future years of £17.239m of which £2.173m has been contractually committed leaving £15.066m as the uncommitted sum which relates to expenditure on property, plant and equipment.

The largest of these contractual commitments represents:

	£000
• Vehicle Replacements	1,791
• Roof Replacements	156

### 16.5 Revaluations

The Authority had all its property assets valued as at 31<sup>st</sup> March 2022 based on current value. The work was completed by qualified external valuers, WH&E. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Professional Standards manual (The Red Book) and is International Valuation Standards compliant. The use of the manual means there is certainty with the valuation process.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

## 17. INTANGIBLE ASSETS

The movement on Intangible Asset balances during 2020/21 and 2021/22 is as follows:

	2020/21 Other Assets £000	2021/22 Other Assets £000
<b>Balance at start of year:</b>		
Gross carrying amounts	797	797
Accumulated amortisation	(685)	(716)
<b>Net carrying amount at end of year</b>	<b>112</b>	<b>81</b>
<b>Amortisation for the period</b>	<b>(31)</b>	<b>(27)</b>
<b>Net carrying amount at end of year</b>	<b>81</b>	<b>54</b>
<b>Comprising of:</b>		
Gross carrying amounts	797	797
Accumulated amortisation	(716)	(743)
<b>Net carrying amount at end of year</b>	<b>81</b>	<b>54</b>

## 18. FINANCIAL INSTRUMENTS

### 18.1 Balance Sheet

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets	Non-Current				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised Cost	-	-	-	-	36,614	32,864	1,176	1,399	37,790	34,263
Total financial assets	-	-	-	-	36,614	32,864	1,176	1,399	37,790	34,263
Assets not defined as financial instruments	-	-	-	-	-	-	19,716	17,550	19,716	17,550
Total	-	-	-	-	36,614	32,864	20,892	18,949	57,506	51,813

Financial Liabilities	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised Cost	(31,535)	(30,707)	-	-	(2,256)	(904)	(4,494)	(5,006)	(38,285)	(36,617)
Total financial liabilities	(31,535)	(30,707)	-	-	(2,256)	(904)	(4,494)	(5,006)	(38,285)	(36,617)
Liabilities not defined as financial instruments	-	-	-	-	-	-	(14,003)	(11,435)	(14,003)	(11,435)
Total	(31,535)	(30,707)	-	-	(2,256)	(904)	(18,497)	(16,441)	(52,288)	(48,052)

## 18.2 Income, Expense, Gains and Losses

	2020/21		2021/22	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Amortised Cost:</b>				
<b>(Gains)/Losses on de-recognition</b>	<b>(70)</b>	<b>-</b>	<b>(34)</b>	<b>-</b>
<b>Interest revenue</b>	<b>(118)</b>	<b>-</b>	<b>(73)</b>	<b>-</b>
<b>Interest expense</b>	<b>1,830</b>	<b>-</b>	<b>1,681</b>	<b>-</b>
<b>Total</b>	<b>1,642</b>	<b>-</b>	<b>1,574</b>	<b>-</b>

## 18.3 Loans Outstanding

The Authority has its own portfolio of loans payable directly to the PWLB. Loans are also outstanding to Dudley MBC, which represent the Authority's share of the outstanding loan debt of the WMCC abolished in 1986.

Under accounting requirements, the financial instruments shown in the balance sheet are shown at "amortised cost". This is the carrying amount and comprises the principal amount borrowed and adjusted for breakage costs or stepped interest loans (measured by an effective interest rate calculation) and includes accrued interest.

The amounts owing are as follows:

	2020/2021		2021/2022	
	Long-Term £000	Short-Term £000	Long-Term £000	Short-Term £000
<b>PWLB</b>	<b>(29,653)</b>	<b>(1,772)</b>	<b>(29,231)</b>	<b>(422)</b>
<b>Dudley MBC</b>	<b>(1,882)</b>	<b>(369)</b>	<b>(1,476)</b>	<b>(405)</b>
<b>Total Principal Amount</b>	<b>(31,535)</b>	<b>(2,141)</b>	<b>(30,707)</b>	<b>(827)</b>
<b>Plus Accrued Interest</b>	<b>-</b>	<b>(115)</b>	<b>-</b>	<b>(77)</b>
<b>Total Amortised Cost</b>	<b>(31,535)</b>	<b>(2,256)</b>	<b>(30,707)</b>	<b>(904)</b>

## 18.4 Fair Value Measurement

IFRS 13 requires that local authorities measure some of their financial instruments at fair value and to apply the relevant input levels of the fair value hierarchy that are detailed in 1.9.3 of the Authority's accounting policies.

### 18.4.1 Fair Value of Assets and Liabilities at Amortised Costs

Except for the financial liabilities and financial assets carried at fair value, all other financial liabilities and financial assets held by the authority are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining life of the instruments, using the following assumptions:

- Actual ranges of interest rates at 31<sup>st</sup> March 2022 of 8.625% to 3.95% for loans from the PWLB;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than twelve months, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

### 18.4.2 Financial Liabilities

The fair values are as follows:

	2020/2021		2021/2022	
	Carry Amount £000	Fair Value £000	Carry Amount £000	Fair Value £000
<b>PWLB Short &amp; Long Term Loans</b>	<b>(31,425)</b>	<b>(57,239)</b>	<b>(29,653)</b>	<b>(51,739)</b>
<b>Dudley MBC (WMCC)</b>	<b>(2,251)</b>	<b>(2,251)</b>	<b>(1,881)</b>	<b>(1,881)</b>
<b>Total</b>	<b>(33,676)</b>	<b>(59,490)</b>	<b>(31,534)</b>	<b>(53,620)</b>

Overall, the fair value for 2021/2022 is greater than the carrying amount because the Authority's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The fair values for the financial liabilities have been determined by for loans from the PWLB, Link Asset Services provide fair value estimates using both redemption and new borrowing (certainty rate) discount rates. The fair value of WMCC debt is taken to be the same as the amount of principal outstanding.

### 18.4.3 Financial Assets

The carrying amount and the fair value of the Authority's financial assets are the same due to the short term nature of the transactions.

### 18.4.4 Fair Value Hierarchy for Financial Assets and Financial Liabilities

The fair value for financial liabilities and financial assets that are not measured at fair value included in Levels 2 in the table below have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate.

	Quoted prices in active markets for identical assets  (Level 1) £000	Other significant observable inputs  (Level 2) £000	Significant unobservable inputs  (Level 3) £000	TOTAL 31 March 2021  £000
<b><u>FINANCIAL LIABILITIES</u></b>				
Loans	-	(59,490)	-	(59,490)
Plus Accrued Interest	-	(115)	-	(115)
<b>Total Borrowing</b>	-	(59,605)	-	(59,605)
Creditors	-	(4,494)	-	(4,494)
<b>Total Financial Liabilities</b>	-	(64,099)	-	(64,099)
<b><u>FINANCIAL ASSETS</u></b>				
Cash & Cash Equivalents	-	36,614	-	36,614
<b>Total Investments</b>	-	36,614	-	36,614
Debtors	-	1,176	-	1,176
<b>Total Financial Assets</b>	-	37,790	-	37,790

	Quoted prices in active markets for identical assets  (Level 1) £000	Other significant observable inputs  (Level 2) £000	Significant unobservable inputs  (Level 3) £000	TOTAL 31 March 2022  £000
<b><u>FINANCIAL LIABILITIES</u></b>				
Loans	-	(53,620)	-	(53,620)
Plus Accrued Interest	-	(77)	-	(77)
<b>Total Borrowing</b>	-	(53,697)	-	(53,697)
Creditors	-	(5,006)	-	(5,006)
<b>Total Financial Liabilities</b>	-	(58,703)	-	(58,703)
<b><u>FINANCIAL ASSETS</u></b>				
Cash & Cash Equivalents	-	32,864	-	32,864
<b>Total Investments</b>	-	32,864	-	32,864
Debtors	-	1,399	-	1,399
<b>Total Financial Assets</b>	-	34,263	-	34,263

## 18.5 Nature and extent of risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.

Liquidity risk – the possibility that the Authority might not have the funds available to meet its commitments to make payments.

Market risk – the possibility that financial loss might arise for the Authority because of changes in such measurements as interest rates.

### 18.5.1 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The Authority does not generally allow credit for customers, such that £0.679m of the £18.949m Debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2021 £000	31 March 2022 £000
Less than three months	571	467
Three to six months	6	125
Six months to one year	19	20
More than one year	18	67
<b>Total</b>	<b>614</b>	<b>679</b>

### 18.5.2 Liquidity risk

As the Authority has ready access to borrowings, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

### 18.5.3 Market risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

During 2021/22, if interest rates on investments had been 0.1% lower with all other variables held constant, the impact on the CIES would be a fall in interest received of £45k (2020/2021 £48k). The impact of a 0.1% increase in interest rates would be the same but reversed, interest would increase by £45k (2020/2021 £48k).

The Authority's borrowing is at fixed rates, therefore there is little flexibility for any movement and impact on the CIES.

## 19. INVENTORIES

	General Stores		Mechanical Stocks		Heating Oil Petrol/ Diesel		Total	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Balance outstanding at start of year	441	722	162	160	86	101	689	983
Purchases	824	677	293	376	326	540	1,443	1,593
Recognised as an expense in the year	(544)	(773)	(295)	(375)	(311)	(509)	(1,150)	(1,657)
Written off balances	1	13	-	-	-	1	1	14
Balance outstanding at year-end	722	639	160	161	101	133	983	933

Inventories are valued at the year end and included in the balance sheet at latest price.

## 20. SHORT TERM DEBTORS

31 March 2021 £000		31 March 2022 £000
	<b>Financial Instruments</b>	
567	Trade receivables	672
527	Accrued income	717
82	Other receivable amounts	10
1,176	<b>Total Financial Instruments</b>	<b>1,399</b>
	<b>Other Debtors</b>	
6,304	Home Office - Pension Fund top up grant	6,946
1,845	Home Office – Covid-19 emergency funding grants	375
155	Home Office - Other grants	123
4,234	DLUHC - Section 31 business rates relief grant	1,994
624	DLUHC - Covid-19 Local tax income guarantee grant	-
5,489	Collection Fund	6,617
910	Prepayments	1,153
155	Sandwell MBC - VAT	342
19,716	<b>Total Other Debtors</b>	<b>17,550</b>
20,892	<b>Total Debtors</b>	<b>18,949</b>

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31 March 2021 £000	31 March 2022 £000
Less than one year	2,677	2,656
One to two years	1,227	1,414
Two to six years	1,421	1,816
More than six years	138	480
<b>Total</b>	<b>5,463</b>	<b>6,366</b>

## 21. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2021 £000		31 March 2022 £000
10	Cash held by the Authority	10
(138)	Bank current account	(601)
36,742	Bank call account	33,455
36,614	<b>Total Cash and Cash Equivalents</b>	<b>32,864</b>

## 22. CREDITORS

31 March 2021 £000		31 March 2022 £000
	<b>Creditors – Revenue</b>	
	<b>Financial Instruments</b>	
(3,455)	Other entities and individuals	(4,619)
(227)	Central government bodies	(193)
(247)	Other local authorities	(54)
(3,929)	<b>Total Financial Instruments</b>	<b>(4,866)</b>
	<b>Other Creditors</b>	
(11,678)	Collection fund	(8,821)
(2,217)	Her Majesty's Revenue and Customs	(2,538)
(108)	Deferred income	(76)
(14,003)	<b>Total Other Creditors</b>	<b>(11,435)</b>
(17,932)	<b>Total Creditors - Revenue</b>	<b>(16,301)</b>
	<b>Creditors – Capital</b>	
	<b>Financial Instruments</b>	
(565)	Other entities and individuals	(140)
(565)	<b>Total Creditors – Capital</b>	<b>(140)</b>
(18,497)	<b>Total Creditors</b>	<b>(16,441)</b>

## 23. PROVISIONS

An insurance provision of (£0.664m) has been provided for previous years' employee and public liability claims, it is held in line with recommendations of the actuarial valuation. Whilst the Actuary can give advice about the total value of claims they are not able to confirm when these will be submitted.

## 24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

24.1 The cash flows for operating activities include the following items:

2020/2021 £000		2021/2022 £000
(426)	Interest received	(118)
1,865	Interest paid	1,720

24.2 The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2020/2021 £000		2021/2022 £000
(3,876)	Depreciation	(3,989)
3,642	Impairment and downward valuations	3,158
(31)	Amortisation	(27)
(11)	(Increase)/decrease in impairment for doubtful debts	(44)
(4,408)	(Increase)/decrease in Creditors	1,669
6,243	Increase/(decrease) in Debtors	(1,898)
294	Increase/(decrease) in Inventories	(50)
(52,943)	Movement in pension liability	(62,601)
(18)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-
(51,108)	Net cash (inflows)/outflows from adjustments to net surplus or deficit on the provision of services for non-cash movements	(63,782)

- 24.3** The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

<b>2020/2021 £000</b>		<b>2021/2022 £000</b>
<b>77</b>	<b>Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets</b>	<b>34</b>
<b>77</b>	<b>Net cash (inflows)/outflows from adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>34</b>

## **25. CASH FLOW STATEMENT - INVESTING ACTIVITIES**

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<b>2020/2021 £000</b>		<b>2021/2022 £000</b>
<b>2,358</b>	<b>Purchase of property, vehicles, plant and equipment, investment property and intangible assets</b>	<b>3,615</b>
<b>(77)</b>	<b>Proceeds from the sale of property, vehicles, plant and equipment, investment property and intangible assets</b>	<b>(34)</b>
<b>2,281</b>	<b>Net cash (inflows)/outflows from investing activities</b>	<b>3,581</b>

## **26. CASH FLOW STATEMENT - FINANCING ACTIVITIES**

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<b>2020/2021 £000</b>		<b>2021/2022 £000</b>
<b>2,022</b>	<b>Repayments of short and long term borrowing</b>	<b>2,140</b>

## 27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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	31 March 2020 £000	Financing cash flows £000	Non-cash changes £000	31 March 2021 £000
Long term borrowings	(33,675)	-	2,140	(31,535)
Short term borrowings	(2,172)	2,022	(2,106)	(2,256)
Total liabilities from financing activities	(35,847)	2,022	34	(33,791)

	31 March 2021 £000	Financing cash flows £000	Non-cash changes £000	31 March 2022 £000
Long term borrowings	(31,535)	-	828	(30,707)
Short term borrowings	(2,256)	2,140	(788)	(904)
Total liabilities from financing activities	(33,791)	2,140	40	(31,611)

## 28. OFFICERS' REMUNERATION

The remuneration paid to the Authority's senior employees is as follows:

Total (Including pension) 2020/2021 £		Salary £	Expenses Allowances £	Total (excluding pension) £	Pension £	Total (including pension) 2021/2022 £
	<b>Senior Officer whose salary is £150,000 or more per year:</b>					
246,630	<b>CFO – Phil Loach</b>	184,961	1,339	186,300	67,556	253,856
	<b>Senior Officers' whose salary is less than £150,000 but equal or more than £50,000 per year:</b>					
188,782	<b>Deputy CFO – Community Risk Reduction Programme Executive</b>	148,195	1,339	149,534	41,793	191,327
186,713	<b>Assistant CFO – Enabling Services Programme Executive</b>	141,894	1,598	143,492	39,201	182,693
174,271	<b>Former Assistant CFO – People Programme Executive (Note 1)</b>	114,926	1,004	115,930	29,437	145,367
-	<b>Assistant CFO – People Programme Executive (Temporary - Note 2)</b>	102,211	1,339	103,550	23,734	127,284
129,378	<b>Strategic Enabler of Finance and Resources</b>	109,711		109,711	21,953	131,664
101,138	<b>Strategic Enabler Portfolio</b>	83,606	1,339	84,945	23,573	108,518
74,699	<b>Strategic Enabler Governance and Strategy</b>	67,420		67,420	13,439	80,859
1,101,611		952,924	7,958	960,882	260,686	1,221,568

Note 1 – Former Assistant CFO People Programme Executive retired on 31 December 2021.

Note 2 – Temporary promotion to Assistant CFO People Programme Executive 6 December 2021. 2020/2021 comparatives for this officer are shown in the table below.

Ref. AU/A&R/2023/Mar/10703235

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2020/21 Number of employees	2021/22 Number of employees
£ 50,000 to £ 54,999	42	51
£ 55,000 to £ 59,999	37	49
£ 60,000 to £ 64,999	10	15
£ 65,000 to £ 69,999	16	16
£ 70,000 to £ 74,999	2	4
£ 75,000 to £ 79,999	1	2
£ 80,000 to £ 84,999	3	5
£ 85,000 to £ 89,999	1	1
<b>Total</b>	<b>112</b>	<b>143</b>

The table above excludes the senior officers who are reported separately except for 2020/2021 comparatives which include the Assistant CFO People Programme Executive former position.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b) +(c)]		Total cost of exit packages in each band £	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	1	-	-	-	1	-	50,002	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	1	-	-	-	1	-	141,234
£150,001 - £200,000	-	-	-	1	-	1	-	194,277
<b>Total</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>50,002</b>	<b>335,511</b>

The Authority agreed to terminate the contract of two employees in 2021/22, incurring costs of £336k (£50k in 2020/21).

The total cost of £336k in the table above includes £141k for an exit package that has been agreed, accrued for and charged to the CIES in 2021/22.

## 29. MEMBERS' ALLOWANCES

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The Authority paid the following amounts to Members of the Authority as allowances incurred during the year:

2020/2021 £000		2021/2022 £000
168	Allowances	166
168	Total	166

## 30. EXTERNAL AUDIT COSTS

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Fees payable to the external auditor:

2020/2021 £000			2021/2022 £000
45	Grant Thornton UK LLP	Fees payable for the external planned audit work	32
10	Grant Thornton UK LLP	Additional audit fees	22
55		Total	54

## 31. RELATED PARTIES

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Letters have been sent to Brigade Managers, Statutory Officers and current and former Councillors asking them to identify whether they have any relationships with related parties. No members' of the Authority or Chief Officer or parties related to them have undertaken any disclosable related party transactions during the year.

The following material transactions with related parties took place during the year:

<b>2020/2021 £000</b>	<b>Related Party</b>	<b>Nature of Transaction</b>	<b>2021/2022 £000</b>
<b>30,430</b>	<b>Central Government</b>	<b>Business Rates Retention Scheme Grants</b>	<b>28,446</b>
<b>19,164</b>		<b>Revenue Support Grant</b>	<b>19,270</b>
<b>5,713</b>		<b>Pensions Grant</b>	<b>5,713</b>
<b>4,819</b>		<b>Covid-19 Grants</b>	<b>1,698</b>
<b>43,516</b>	<b>West Midland Local Authorities</b>	<b>Council Tax Income</b>	<b>45,902</b>
<b>5,099</b>		<b>NDR Income</b>	<b>8,171</b>

Grants received are set out in Note 32.

## 32. GRANT INCOME

32.1 The Authority credited the following grants, contributions and donations to the CIES in 2021/2022:

	2020/2021 £000	2021/2022 £000
<i>Credited to Taxation and Non Specific Grant Income:</i>		
Business rates retention scheme grants	30,430	28,446
Revenue support grant	19,164	19,270
Covid-19 Emergency funding grant	4,037	375
Covid-19 Local council tax support grant	-	1,419
Covid-19 Local tax income guarantee grant	624	(111)
Covid-19 Sales, fees and charges grant	158	15
<b>Total</b>	<b>54,413</b>	<b>49,414</b>
<i>Credited to Services:</i>		
Pensions grant	5,713	5,713
New dimension training crewing and accommodation	877	878
Fire protection board BRR and protection uplift funding	573	426
Home Office Grenfell infrastructure	328	-
Fire revenue firelink (Airwave new burden)	323	247
Fire reduction partnership	139	242
Home Office pension administration	124	124
Apprenticeship levy	122	122
ESMCP contingency	87	-
National resilience	78	80
Home Office protection board officers accreditation	70	-
ESMCP regional team expenses	68	-
New risks Section 29	29	55
DWP access to work	4	18
Redmond review	-	16
New burdens	8	8
<b>Total</b>	<b>8,543</b>	<b>7,929</b>

### 33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the CFR, a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

	2020/2021 £000	2021/2022 £000
<i>Opening CFR</i>	36,259	35,322
<b>Capital investment:</b>		
Property, Vehicles, Plant and Equipment	2,304	3,189
<b>Sums set aside from revenue:</b>		
Direct Revenue Contributions	(2,304)	(3,189)
MRP/the Statutory Repayment of Loans Fund Advances	(937)	(995)
<i>Closing CFR</i>	35,322	34,327

	2020/2021 £000	2021/2022 £000
<i>Movements in year</i>		
MRP/the Statutory Repayment of Loans Fund Advances	(937)	(995)
<i>Increase/(decrease) in CFR</i>	(937)	(995)

## **34. DEFINED BENEFIT PENSION SCHEMES**

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### **34.1 Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

At the 31<sup>st</sup> March 2022 the Authority participated in four post-employment schemes:

- The WMMAPF for civilian and fire control employees, administered locally by City of Wolverhampton Council — this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- The 1992, 2006 and 2015 FPS for fire officers — these are unfunded defined benefit arrangements, there are no investment assets built up to meet the pensions liabilities. Fund Accounts have been set up, into which the Authority and scheme members make contributions and pension payments are made from the fund.

### **34.2 Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

2020/2021	LGPS £000	Firefighters				Total £000
		Pension Scheme 1992 £000	Pension Scheme 2006 £000	Pension Scheme 2015 £000	Compensation Scheme £000	
<b>CIES</b>						
<i>Cost of services:</i>						
Current service cost	4,675	2,470	100	29,280	740	37,265
Past service costs, including curtailments	-	-	120	140	-	260
Administration Expenses	70	-	-	-	-	70
Financing and Investment Income and Expenditure:						
Net interest expense	898	31,920	1,580	2,720	870	37,988
<b>Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,643</b>	<b>34,390</b>	<b>1,800</b>	<b>32,140</b>	<b>1,610</b>	<b>75,583</b>
<i>Other post-employment benefits charged to the CIES:</i>						
Remeasurement of the net defined benefit liability comprising:						
Changes in demographic assumptions	(1,862)	-	-	-	-	(1,862)
Changes in financial assumptions	46,155	137,770	13,610	16,860	2,610	217,005
Experience (gains) and losses	(1,547)	(17,070)	770	(32,370)	(440)	(50,657)
Return on fund assets in excess of interest	(17,191)	-	-	-	-	(17,191)
Other	-	(47,502)	98	16,135	-	(31,269)
<b>Total post-employment benefits charged to the CIES</b>	<b>31,198</b>	<b>107,588</b>	<b>16,278</b>	<b>32,765</b>	<b>3,780</b>	<b>191,609</b>
<b>MIRS</b>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(5,643)	(34,390)	(1,800)	(32,140)	(1,610)	(75,583)
<b>Actual amount charged against the General Fund Balance for Pensions in the year:</b>						
Employers' contributions payable to the scheme	2,678	1,638	88	11,305	-	15,709
Retirement benefits payable to pensioners	62	-	-	-	1,620	1,682

2021/2022	LGPS £000	Firefighters				Total £000
		Pension Scheme 1992 £000	Pension Scheme 2006 £000	Pension Scheme 2015 £000	Compensation Scheme £000	
<b>CIES</b>						
<i>Cost of services:</i>						
Current service cost	* 7,374	1,230	20	30,490	740	39,854
Past service costs, including curtailments	109	-	10	300	-	419
Financing and Investment Income and Expenditure:						
Net interest expense	1,379	30,460	1,730	2,860	820	37,249
Total post-employment benefits charged to the Surplus or Deficit on the Provision of Services	8,862	31,690	1,760	33,650	1,560	77,522
Other post-employment benefits charged to the CIES:						
Remeasurement of the net defined benefit liability comprising:						
Changes in demographic assumptions	(1,060)	-	-	-	-	(1,060)
Changes in financial assumptions	(12,752)	(16,510)	(1,660)	(3,050)	(370)	(34,342)
Experience (gains) and losses	335	(19,420)	(3,280)	14,110	(800)	(9,055)
Return on fund assets in excess of interest	(9,067)	-	-	-	-	(9,067)
Other	-	(50,195)	(60)	17,297	-	(32,958)
Total post-employment benefits charged to the CIES	(13,682)	(54,435)	(3,240)	62,007	390	(8,960)
<b>MIRS</b>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(8,862)	(31,690)	(1,760)	(33,650)	(1,560)	(77,522)
Actual amount charged against the General Fund Balance for Pensions in the year:						
Employers' contributions payable to the scheme	2,802	1,005	30	12,007	-	15,844
Retirement benefits payable to pensioners	62	-	-	-	1,650	1,712

\* LGPS current service cost includes an allowance for administration expenses of 0.5% of payroll (£70k).

### 34.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

<b>2020/2021</b>	<b>Funded liabilities: LGPS</b>	<b>Unfunded liabilities: LGPS</b>	<b>Unfunded liabilities: FPS 1992</b>	<b>Unfunded liabilities: FPS 2006</b>	<b>Unfunded liabilities: FPS 2015</b>	<b>Unfunded liabilities: Firefighters Compensation Scheme</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Present value of the defined benefit obligation</b>	<b>(189,027)</b>	<b>(626)</b>	<b>(1,547,750)</b>	<b>(86,520)</b>	<b>(125,270)</b>	<b>(41,260)</b>	<b>(1,990,453)</b>
<b>Fair value of plan assets</b>	<b>124,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,251</b>
<b>Net liability arising from defined benefit obligation</b>	<b>(64,776)</b>	<b>(626)</b>	<b>(1,547,750)</b>	<b>(86,520)</b>	<b>(125,270)</b>	<b>(41,260)</b>	<b>(1,866,202)</b>

<b>2021/2022</b>	<b>Funded liabilities: LGPS</b>	<b>Unfunded liabilities: LGPS</b>	<b>Unfunded liabilities: FPS 1992</b>	<b>Unfunded liabilities: FPS 2006</b>	<b>Unfunded liabilities: FPS 2015</b>	<b>Unfunded liabilities: Firefighters Compensation Scheme</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Present value of the defined benefit obligation</b>	<b>(184,443)</b>	<b>(568)</b>	<b>(1,492,310)</b>	<b>(83,250)</b>	<b>(175,270)</b>	<b>(40,000)</b>	<b>(1,975,841)</b>
<b>Fair value of plan assets</b>	<b>133,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133,520</b>
<b>Net liability arising from defined benefit obligation</b>	<b>(50,923)</b>	<b>(568)</b>	<b>(1,492,310)</b>	<b>(83,250)</b>	<b>(175,270)</b>	<b>(40,000)</b>	<b>(1,842,321)</b>

#### 34.4 Reconciliation of the movements in the fair value of scheme (plan) assets:

2020/2021	Funded assets: LGPS £000	Unfunded assets: LGPS £000	Unfunded assets: FPS 1992 £000	Unfunded assets: FPS 2006 £000	Unfunded assets: FPS 2015 £000	Unfunded assets: Firefighters Compensation Scheme £000	Total £000
Opening fair value of scheme assets	98,789	-	-	-	-	-	98,789
Interest income	2,391	-	-	-	-	-	2,391
Remeasurement gain/(loss):							
Return on assets less interest	17,191	-	-	-	-	-	17,191
Other	-	-	47,502	(98)	(16,135)	-	31,269
Contributions from Employer	7,927	62	1,638	88	11,305	1,620	22,640
Contributions from employees into the scheme	898	-	700	40	4,960	-	6,598
Benefits paid	(2,875)	(62)	(49,840)	(30)	(130)	(1,620)	(54,557)
Administration expenses	(70)	-	-	-	-	-	(70)
Closing fair value of scheme assets	124,251	-	-	-	-	-	124,251

2021/2022	Funded assets: LGPS £000	Unfunded assets: LGPS £000	Unfunded assets: FPS 1992 £000	Unfunded assets: FPS 2006 £000	Unfunded assets: FPS 2015 £000	Unfunded assets: Firefighters Compensation Scheme £000	Total £000
Opening fair value of scheme assets	124,251	-	-	-	-	-	124,251
Interest income	2,461	-	-	-	-	-	2,461
Remeasurement gain/(loss):							
Return on assets less interest	9,067	-	-	-	-	-	9,067
Other	-	-	50,195	60	(17,297)	-	32,958
Contributions from Employer	167	62	1,005	30	12,007	1,650	14,921
Contributions from employees into the scheme	947	-	390	30	5,300	-	6,667
Benefits paid	(3,373)	(62)	(51,590)	(120)	(10)	(1,650)	(56,805)
Closing fair value of scheme assets	133,520	-	-	-	-	-	133,520

### 34.5 Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2020/2021	Funded liabilities: LGPS	Unfunded liabilities: LGPS	Unfunded liabilities: FPS 1992	Unfunded liabilities: FPS 2006	Unfunded liabilities: FPS 2015	Unfunded liabilities: Firefighters Compensation Scheme	Total
	£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(140,350)	(632)	(1,441,800)	(70,330)	(103,810)	(39,100)	(1,796,022)
Current service cost	(4,675)	-	(2,470)	(100)	(29,280)	(740)	(37,265)
Interest cost	(3,275)	(14)	(31,920)	(1,580)	(2,720)	(870)	(40,379)
Contributions from scheme participants	(898)	-	(700)	(40)	(4,960)	-	(6,598)
Remeasurement gains and (losses):							
Changes in demographic assumptions	1,853	9	-	-	-	-	1,862
Changes in financial assumptions	(46,096)	(59)	(137,770)	(13,610)	(16,860)	(2,610)	(217,005)
Experience gains/(losses)	1,539	8	17,070	(770)	32,370	440	50,657
Past service costs, including curtailments	-	-	-	(120)	(140)	-	(260)
Benefits paid	2,875	62	49,840	30	130	1,620	54,557
Closing balance at 31 March	(189,027)	(626)	(1,547,750)	(86,520)	(125,270)	(41,260)	(1,990,453)

<b>2021/2022</b>	<b>Funded liabilities: LGPS</b>	<b>Unfunded liabilities: LGPS</b>	<b>Unfunded liabilities: FPS 1992</b>	<b>Unfunded liabilities: FPS 2006</b>	<b>Unfunded liabilities: FPS 2015</b>	<b>Unfunded liabilities: Firefighters Compensation Scheme</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1 April</b>	<b>(189,027)</b>	<b>(626)</b>	<b>(1,547,750)</b>	<b>(86,520)</b>	<b>(125,270)</b>	<b>(41,260)</b>	<b>(1,990,453)</b>
<b>Current service cost</b>	<b>(7,374)</b>	<b>-</b>	<b>(1,230)</b>	<b>(20)</b>	<b>(30,490)</b>	<b>(740)</b>	<b>(39,854)</b>
<b>Interest cost</b>	<b>(3,840)</b>	<b>-</b>	<b>(30,460)</b>	<b>(1,730)</b>	<b>(2,860)</b>	<b>(820)</b>	<b>(39,710)</b>
<b>Contributions from scheme participants</b>	<b>(947)</b>	<b>-</b>	<b>(390)</b>	<b>(30)</b>	<b>(5,300)</b>	<b>-</b>	<b>(6,667)</b>
<b>Remeasurement gains and (losses):</b>							
<b>Changes in demographic assumptions</b>	<b>1,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,060</b>
<b>Changes in financial assumptions</b>	<b>12,756</b>	<b>(4)</b>	<b>16,510</b>	<b>1,660</b>	<b>3,050</b>	<b>370</b>	<b>34,342</b>
<b>Experience gains/(losses)</b>	<b>(335)</b>	<b>-</b>	<b>19,420</b>	<b>3,280</b>	<b>(14,110)</b>	<b>800</b>	<b>9,055</b>
<b>Past service costs, including curtailments</b>	<b>(109)</b>	<b>-</b>	<b>-</b>	<b>(10)</b>	<b>(300)</b>	<b>-</b>	<b>(419)</b>
<b>Benefits paid</b>	<b>3,373</b>	<b>62</b>	<b>51,590</b>	<b>120</b>	<b>10</b>	<b>1,650</b>	<b>56,805</b>
<b>Closing balance at 31 March</b>	<b>(184,443)</b>	<b>(568)</b>	<b>(1,492,310)</b>	<b>(83,250)</b>	<b>(175,270)</b>	<b>(40,000)</b>	<b>(1,975,841)</b>

### 34.6 LGPS assets comprised:

Asset category	31 March 2021 £000	%	31 March 2022 £000	%
Equities	74,836	60	80,974	61
Gilts	10,342	8	8,264	6
Other bonds	7,881	6	7,767	6
Property	9,324	8	9,576	7
Cash	6,075	5	5,243	4
Other	15,793	13	21,696	16
<b>Total Assets</b>	<b>124,251</b>	<b>100</b>	<b>133,520</b>	<b>100</b>

### 34.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The FPS have been assessed using an approach and model supplied by GAD and certified by them on 19 May 2022. The WMMAPF has been based on triennial actuarial valuations, the last review being 31 March 2019 and assessed by Hymans Robertson. In calculating the IAS19 figures for the WMMAPF the actuary assumed an investment return of 9.4%.

The significant assumptions used by the actuary have been:

	LGPS		FPS	
	2020/2021	2021/2022	2020/2021	2021/2022
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners:</b>				
• Males	21.6	21.2	21.4	21.5
• Females	23.9	23.6	21.4	21.5
<b>Longevity at 65 for future pensioners:</b>				
• Males	23.4	22.9	23.1	23.2
• Females	25.8	25.4	23.1	23.2
<b>Rate of inflation CPI</b>	2.85%	3.2%	2.4%	3.0%
<b>Rate of increase in salaries</b>	3.85%	4.2%	4.15%	4.75%
<b>Rate of increase in pensions</b>	2.85%	3.2%	2.4%	3.0%
<b>Rate for discounting scheme liabilities</b>	2.0%	2.7%	2.0%	2.65%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the schemes i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

A sensitivity analysis for the WMMAPF as at 31 March 2022 is shown below:

Change in assumptions:	Approximate increase to defined benefit obligation	
	%	£000
<b>0.1% decrease in real discount rate</b>	<b>2%</b>	<b>(3,487)</b>
<b>1 year increase in member life expectancy</b>	<b>4%</b>	<b>(7,400)</b>
<b>0.1% increase in the salary increase rate</b>	<b>0%</b>	<b>(489)</b>
<b>0.1% increase in the pension increase rate (CPI)</b>	<b>2%</b>	<b>(2,967)</b>

The tables below show the sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions and the impact on the total liability as at 31 March 2022 for the FPS:

<b>FPS 1992</b> Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
<b>0.5% increase in real discount rate</b>	<b>-8.0%</b>	<b>122</b>
<b>0.5% increase in long term salaries rate</b>	<b>0.5%</b>	<b>(10)</b>
<b>0.5% increase in the pensions increase rate</b>	<b>7.5%</b>	<b>(109)</b>
<b>1 year increase in member life expectancy</b>	<b>3.5%</b>	<b>(54)</b>

The weighted average duration of the defined benefit obligation for scheme members is approximately 18 years.

<b>FPS 2006</b> Change in assumption*	Approximate % increase to Employer liability	Approximate effect on total liability £m
<b>0.5% increase in real discount rate</b>	<b>-16%</b>	<b>13</b>
<b>0.5% increase in salaries rate</b>	<b>7.5%</b>	<b>(6)</b>
<b>0.5% increase in the pensions increase rate</b>	<b>10%</b>	<b>(8)</b>
<b>1 year increase in member life expectancy</b>	<b>3%</b>	<b>(3)</b>

The weighted average duration of the defined benefit obligation for scheme members is approximately 36 years.

<b>FPS 2015 Change in assumption*</b>	<b>Approximate % increase to Employer liability</b>	<b>Approximate effect on total liability £m</b>
<b>0.5% increase in real discount rate</b>	<b>-15.0%</b>	<b>26</b>
<b>0.5% increase in salaries rate</b>	<b>6.5%</b>	<b>(11)</b>
<b>0.5% increase in the pensions increase rate</b>	<b>9.5%</b>	<b>(17)</b>
<b>1 year increase in member life expectancy</b>	<b>3%</b>	<b>(5)</b>

The weighted average duration of the defined benefit obligation for scheme members is approximately 33 years.

\* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

### **34.8 Impact on the Authority's Cash Flows**

The objective of the LGPS is to keep employers' contributions at as constant a rate as possible. The WMMAPF has agreed a strategy with the scheme's actuary to achieve a funding level of 100% by no more than 17 years with effect from the 2019 valuation.

The LGPS will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the LGPS in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings scheme to pay pensions and other benefits to certain public servants.

The £7.9m payment to the WMMAPF in April 2020 for employer pension contributions for the LGPS, included payments for the 1st April 2020 to 31<sup>st</sup> March 2021 £2.66m, 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 £2.63m and 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023 £2.61m.

Expected employers' contributions for the FPS in the year to 31 March 2023 are approximately £13m. On 28 February 2019, GAD published the final reports in relation to the 2016 valuation of the FPS. This included the scheme specific employer contribution rates for the period April 2019 to March 2023. Employer contribution rates increased significantly because of the valuation. To cover approximately 90% of the additional cost, a section 31 government grant of £5.7m was received in 2019/20. In a letter dated 6 February 2020, the Home Office confirmed that a section 31 government grant would be paid to the Authority at the same level in 2020/21 but gave no commitment for future years. The Authority received in May 2022 the same level of government grant of £5.7m for 2021/2022 and will receive this amount in 2022/2023.

## **35. CONTINGENT LIABILITIES**

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### **35.1 Municipal Mutual Insurance Limited (MMI)**

MMI, through which the Authority had part of its insurance, ceased writing new insurance business in 1992 and is currently using its available resources to meet outstanding claims. MMI may not know the full extent of its liability claims as it may take several years for them to arise, however the Company has continued to settle claims in an orderly manner. To prevent the costs associated with an insolvent run off, the Company entered into a scheme of arrangement with its creditors. Following a Supreme Court judgement on 28<sup>th</sup> March 2012 which found against the Company, it is now highly likely that the scheme of arrangement will be triggered. Once the scheme is implemented, the Authority and others will be called upon to reimburse the company with a proportion (up to 100%) of its claims settled since 1<sup>st</sup> October 1993. The Contingent Liability is for approximately 50% (£2.060m). Payments of £0.402m (2013/14) & £0.268m (2016/17) have been made and an earmarked reserve is provided for £0.038m. The balance is held in the insurance earmarked reserve (£1.352m).

### **35.2 Public Service Pensions – Changes to the transitional arrangements to the 2015 schemes**

From 1st April 2022 all employees will be moved into the reformed pension scheme. In the case of firefighters this will be the 2015 FPS. The estimated pension obligations from this matter have been captured within the defined pension liability. The shortfall in employer contributions will be captured in future scheme valuations as an unfunded, past service deficit and reflected in the employer contribution rates going forward.

The Authority is aware of the lodging of the “injury to feelings” claim concerning the transitional arrangements that were put in place when the 2015 FPS came into effect on 1 April 2015. The claim seeks compensation for individual claimants in respect of non-financial damage. If the claim is successful it is possible that the Authority may be liable to make compensation payments. At this stage the value and quantum of any impact is unknown.

## PENSION FUND ACCOUNT

2020/2021 £000					2021/2022 £000			
1992	2006	Modified	2015		1992	2006	Modified	2015
				<b>Contributions Receivable</b>				
				<b>From Fire Authority</b>				
(1,559)	(40)	(28)	(11,305)	<b>Contributions in relation to pensionable pay</b>	(826)	(16)	(14)	(12,007)
(79)	(20)	-	-	<b>Ill health retirements</b>	(179)	-	-	-
(659)	(16)	(20)	(4,996)	<b>From firefighters contributions</b>	(1,433)	(7)	(26)	(4,390)
				<b>Transfers in</b>				
-	(123)	-	(149)	<b>Individual</b>	-	(8)	-	(316)
				<b>Benefits Payable</b>				
42,078	26	8	12	<b>Pensions</b>	42,727	48	23	14
7,947	-	-	110	<b>Commutations and lump sum retirement benefits</b>	9,156	-	54	22
				<b>Payments to and on account of leavers</b>				
-	-	-	28	<b>Individual transfers</b>	-	-	-	-
47,728	(173)	(40)	(16,300)	<b>Net amount payable for the year</b>	49,445	17	37	(16,677)
(47,728)	173	40	16,300	<b>Top up Grant payable by the Government</b>	(49,445)	(17)	(37)	16,677
-	-	-	-					

2020/2021 £000	NET ASSETS STATEMENT	2021/2022 £000
-	<b>From firefighters contributions</b>	<b>45</b>
-	<b>Pensions</b>	<b>(46)</b>
(468)	<b>Commutations and lump sum retirement benefits</b>	<b>(912)</b>
6,304	<b>Top-up receivable from the Government</b>	<b>6,946</b>
(5,836)	<b>Amount owing to General Fund</b>	<b>(6,033)</b>
-		-

## NOTES TO THE PENSION FUND ACCOUNT

The fund was established at 1<sup>st</sup> April 2006 under the FPS (Amendment) England Order 2006 and covered both the 1992 and 2006 FPS. From 1<sup>st</sup> April 2015, a new FPS and a modified section in the 2006 scheme was established. The fund now includes the 1992, 2006 and 2015 schemes. Before 1<sup>st</sup> April 2006 the Authority was responsible for paying the pensions of its own former employees on a pay as you go basis. The FPS remain unfunded and consequently the fund has no investment assets. Benefits are funded by contributions from the Authority and employees and any difference between benefits payable and contributions receivable is met by top-up grant from the Home Office.

Government funding by top-up grant is paid in two instalments, 80% of the estimated annual amount is received in August of the relevant year with the balance paid once actual figures have been determined.

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Government and are subject to revaluation every four years' by GAD. The contribution rates for 2021/22 are shown in the tables below:

	1992 Scheme %	2006 Scheme %	Modified %
<b>Employer's</b>	<b>37.3</b>	<b>27.4</b>	<b>37.3</b>
<b>Employees' Pensionable pay band</b>			
<b>Up to £15,609</b>	<b>11.0</b>	<b>8.5</b>	<b>11.0</b>
<b>&gt; £15,609 to £21,852</b>	<b>12.2</b>	<b>9.4</b>	<b>12.2</b>
<b>&gt; £21,852 to £31,218</b>	<b>14.2</b>	<b>10.4</b>	<b>14.2</b>
<b>&gt; £31,218 to £41,624</b>	<b>14.7</b>	<b>10.9</b>	<b>14.7</b>
<b>&gt; £41,624 to £52,030</b>	<b>15.2</b>	<b>11.2</b>	<b>15.2</b>
<b>&gt; £52,030 to £62,436</b>	<b>15.5</b>	<b>11.3</b>	<b>15.5</b>
<b>&gt; £62,436 to £104,060</b>	<b>16.0</b>	<b>11.7</b>	<b>16.0</b>
<b>&gt; £104,060 to £124,872</b>	<b>16.5</b>	<b>12.1</b>	<b>16.5</b>
<b>&gt; £124,872</b>	<b>17.0</b>	<b>12.5</b>	<b>17.0</b>

	2015 Scheme %
<b>Employer's</b>	<b>28.8</b>
<b>Employees' Pensionable pay band</b>	
<b>Up to £27,818</b>	<b>11.0</b>
<b>£27,819 to £51,515</b>	<b>12.9</b>
<b>£51,516 to £142,500</b>	<b>13.5</b>
<b>£142,501 or more</b>	<b>14.5</b>

The fund is administered by the Authority and managed by the Strategic Enabler of Finance and Resources. Benefits are paid to retired officers, their survivors and others who are eligible for benefits under both the 1992, 2006 and 2015 FPS.

The fund is statutorily prevented from including interest on cashflows and administration expenses in the pension fund. These expenses are borne by the Authority in its main accounts.

The Net Assets Statement does not include liabilities to pay pensions and other benefits after the 31<sup>st</sup> March 2022. For further information on the liability to pay pensions see Note 34.

The account is prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting Policies, with one exception that accounting for transfer values are on a cash basis rather than accruals basis.

## ANNUAL GOVERNANCE STATEMENT

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### 1. Scope of Responsibility

- 1.1 West Midlands Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.
- 1.3 The Authority has complied with the code of corporate governance which is consistent with the principles of the revised CIPFA/SOLACE Framework 2016 published by CIPFA in association with the International Federation of Accountants (IFAC) – Delivering Good Governance in Local Government. The Authority has also complied with the requirements of CIPFA's statement on the role of the Chief Financial Officer in Local Government. This Annual Governance Statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 which require the Authority to prepare an Annual Governance Statement.

### 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31<sup>st</sup> March 2022 and up to the date of the approval of the annual report and statement of accounts.

### 3. The Governance Framework

The key elements of the systems and processes that comprise the Authority's governance arrangements include the following (adjustments required due to the COVID-19 pandemic are reflected in paragraph 5.11):-

- 3.1 The Authority has produced a Corporate Strategy setting out its objectives and there is regular performance monitoring in which achievement of the Authority's objectives is measured and monitored.
- 3.2 The Authority has established clear channels of communication with the community and stakeholders regarding the production of the Annual Report and consultation on the key priorities of the Service. This also encourages open communication.
- 3.3 The Authority facilitates policy and decision-making via regular Policy Planning Forums and Authority meetings. An Audit and Risk Committee provides independent assurance to the Authority on risk management and internal control and the effectiveness of the arrangements the Authority has for these matters. The constitution of the Committees including the terms of reference is reviewed annually and available on the Internet.
- 3.4 The Authority ensures compliance with established strategies, procedures, laws and regulations – including risk management. The Authority also maintains and reviews regularly its code of conduct and whistle blowing policy. There is a comprehensive induction programme in place and information regarding strategies and procedures are held on the intranet, which continues to be developed. The Authority has a strong Internal Audit function and established protocols for working with External Audit.
- 3.5 West Midlands Fire and Rescue Authority will continue to enhance and strengthen its internal control environment through the review of current policies and procedures.
- 3.6 The Authority has corporate risk management arrangements in place which are supported by an approved Risk Management Strategy enabling Managers and other senior officers to identify, assess and prioritise risks within their own work areas which impact on the ability of the Authority and its services to meet objectives. To consider the effectiveness of the Authority's risk management arrangements is a specific term of reference for the Audit and Risk Committee and risk management is a specific responsibility of both the Chair and Vice Chair.
- 3.7 The Authority's Corporate Risk Register identifies the principal risks to the achievement of the Authority's objectives and assesses the nature and extent of those risks (through assessment of likelihood and impact). The Register identifies risk owners whose responsibility includes the identification of controls and actions to manage them efficiently, effectively and economically.

- 3.8 The Authority ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised, by having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. The Authority plans its spending on an established planning cycle for policy development, budget setting and performance management through the business planning process. This ensures that resources are aligned to priorities and secures best value from the resources that are available.
- 3.9 The Chief Financial Officer is a key member of the leadership team, helping to develop and implement the Authority's strategy. The Authority's financial system is an ORACLE based general ledger and management information system, which integrates the general ledger function with those of budgetary control and payments. Financial Regulations and Contract Procedure Rules are approved and regularly reviewed by the Authority. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action initiated.
- 3.10 The Authority's performance management and reporting of performance management continues to be improved with a more focused Corporate Strategy, the setting of priorities and is supported by regular performance monitoring. Corporate performance is reported on a quarterly basis and this process provides officers and Members with the opportunity to share knowledge and understanding about key performance issues affecting services.
- 3.11 The Authority within its committee framework has an Appointment, Standards and Appeals Committee to promote high ethical standards amongst Members. This Committee leads on developing policies and procedures to accompany the Code of Conduct for Members and is responsible for local assessment and review of complaints about members' conduct. The Authority also has a Scrutiny Committee which undertakes performance management functions, informs policy development and holds officer and the Authority to account.
- 3.12 The Fire and Rescue National Framework for England sets out a requirement for Fire and Rescue Authorities to publish 'Statements of Assurance'. Specifically, Fire and Rescue Authorities must provide assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their integrated risk management plan and the requirements included in this Framework. The Authority has approved the Statement of Assurance which is available on the Service's website.

#### 4. Review of Effectiveness

- 4.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the statutory officers and principal managers of the Authority who have responsibility for the development and maintenance of the governance environment, the internal audit annual report and comments made by the external auditor in their Auditor's Annual Report and other reports.
- 4.2 Section unit business plans contain a variety of performance indicators and targets that are regularly reviewed.
- 4.3 The Authority's political governance arrangements, which are appropriately reviewed by officers, set out the responsibilities of both Members and senior managers. In particular, the Authority has identified the following statutory post holders:-
- Chief Fire Officer
  - Treasurer
  - Monitoring Officer

In addition to the statutory posts, the post of Clerk to the Authority has been maintained.

- 4.4 The arrangements for the provision of internal audit are contained within the Authority's Financial Regulations. The Treasurer is responsible for ensuring that there is an adequate and effective system of internal audit of the Authority's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The internal audit provision operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The Authority's Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Authority's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Authority establishments and fraud investigations. Internal Audit leads on promoting a counter-fraud culture within the Authority.
- 4.5 The resulting Audit Plan is discussed and agreed with officers of the Strategic Enabling Team and the Audit and Risk Committee and shared with the Authority's external auditor. Meetings between the internal and external auditor ensure that duplication of effort is avoided. All Authority Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.

4.6 The Authority's review of the effectiveness of the system of internal control is informed by:-

- The work undertaken by Internal Audit during the year;
- The work undertaken by the external auditor reported in their annual audit;
- Other work undertaken by independent inspection bodies.

4.7 From the work undertaken by Internal Audit in 2021/2022 the Internal Audit has given a 'reasonable assurance' that the Authority has adequate and effective governance, risk management and internal control processes. This represents an unqualified opinion and the highest level of assurance available to Audit Services. In giving this opinion it is recognised that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes.

4.8 The Authority is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

4.9 Audit Services have reported and advised on the implications of the result of the review of effectiveness of the governance framework by the sources noted above and that the arrangements continue to be regarded as fit for purpose in accordance with the Authority's governance framework. The areas to be specifically addressed are outlined in 5.5.

## 5. Significant governance arrangements within the Authority

5.1 West Midlands Fire & Rescue Authority has a legal duty to provide an efficient, safe and effective fire and rescue service. The key priorities are:-

- Prevention – Safer and healthier communities
- Protection – stronger business communities
- Response – dealing effectively with emergencies

5.2 These formed the basis of the Authority's Annual Plan 2021-24 which set out the outcomes and priorities based on the Community Risk Management Plan and Medium-Term Financial Plan. The five-minute attendance standard lies at the heart of the Service Delivery Model. The model shows how staff provide the core prevention, protection and response services to make the West Midlands safer, stronger and healthier.

5.3 Grant Thornton, the Authority's External Auditors, published the Audit Findings Report for its 2020/2021 audit work which reported an unqualified opinion on the financial statements. It also issued an unqualified value for money conclusion stating that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in the use of resources.

5.4 Based on audit work undertaken during the year an Annual Internal Audit Report was presented to the Audit and Risk Committee on 6 June 2022, Audit work which was completed in 2021/2022 included:-

- Data Protection
- Fire Stations – Management of Fuel
- Environmental Protection Targets
- Workforce Planning
- Fixed Asset Accounting
- Accounts Payable
- Budgetary Control
- Accounts Receivable
- Governance
- Risk Management

5.5 As a result of these audits the following was identified as the main issue:-

#### **Data Protection**

A review was undertaken to provide assurance that the necessary safeguards were in place to ensure the appropriate use of personal and corporate information. Internal Audits review of five subject access requests (SARs) in order to ensure they had been processed within the designated timescales, highlighted that in three cases, there was no documentarian to enable the timescales to be confirmed.

#### **Management of Fuel**

A review was undertaken to provide assurance on compliance with established controls over ordering, receipt and dispensing of fuel at a sample of five stations. The review identified issues relating to:

- Examples were found of fuel orders being placed when the storage tanks were below the specified re-order level.
- Written records relating to fuel deliveries and issues were not always maintained in accordance with the relevant standing order and therefore, not all information was recorded and there were arithmetical errors in the fuel balance figures.
- The issues identified above do increase the risk that fuel levels are not accurately monitored.

## **Workforce Planning**

Workforce planning is integral to the operation of the Fire Authority and the delivery of its strategic plan. The purpose of the review was to assess the adequacy of the workforce planning processes and to provide assurance on how well they were embedded within the Fire Authority. In general, the processes in place effectively support the Fire Authority in delivering its strategic plan. The review did identify two issues relating to:

A system of multiple spreadsheets is used to maintain and monitor the staffing establishment. It was identified that process notes had not been established to document the system to be followed to maintain and monitor the various spreadsheets. As such, there was a risk of inconsistencies in approach, or loss of knowledge should key staff be unavailable. They would also be a useful training aid for any new staff.

- The policies which formed part of the appraisal/performance management/appraisal framework had not been reviewed on a regular basis. It is acknowledged that these documents were currently under review by relevant officers, but there was no set timescale for completion.
- Due to issues experienced with the reporting functionality in respect of the new Oracle Fusion system, it had not been possible to produce and publish the performance indicators which are required to support the management of absence within the Fire Authority. As such, there is a risk that absences may not be effectively managed.

- 5.6 The issues outlined above, together with any other issues highlighted in the Annual Internal Audit Report have been raised with relevant managers and actions have been taken to achieve improvements.
- 5.7 In February 2021, the Secretary of State for the Ministry for Housing, Communities and Local Government (MHCLG), now the Department for Levelling Up, Housing and Communities (DLUHC) confirmed the Authority's funding settlement for 2021/22 at £53.002M, which was a one-year only settlement.
- 5.8 In December 2021, the Secretary of State for DLUHC announced the provisional settlement for 2022/23 at £53.590m, resulting in a funding increase of £0.588m (1.1%). In addition, it was indicated a new 'one-off' Services Grant would be distributed through the existing Settlement Funding Assessment formula amounting to approximately £2.3M for this Authority (additional national insurance contribution costs of approximately £650k are to be funded from this). The Government also proposed a general Council Tax referendum threshold of 2% for Fire and Rescue Authorities. However, for one year only (2022/23), for the Fire and Rescue Authorities in the lowest charging quartile, there would be flexibility to increase Band D precepts by £5.

- 5.9 The 2022/23 Local Government Finance Settlement was a one year only Settlement, rather than the anticipated three-year Comprehensive Spending Review period. Multi-year settlements are a more effective way of managing resources, aligned to longer term planning and this uncertainty needs to be factored into the Medium-Term Financial Strategy. Every 1% increase/reduction in core funding represents an increase/loss of circa £0.536m funding for the Authority.
- 5.10 In addition, there are ongoing budget uncertainties, particularly Firefighter pension related issues, that have significant funding implications but at this stage still remain unclear in terms of ongoing cost and whether those costs will need to be found by Fire and Rescue Authorities and/or by Government funding. Furthermore, the Service is likely to continue to be directly impacted to some degree by the effects of COVID during 2022/23 together with the linked requirement to invest in the health, safety and wellbeing of all staff. General supply chain issues and the 'cost of living' crisis are also likely to present budget pressures. Therefore, whilst the Government funding allocation in 2022/23 is higher in cash terms compared to 2021/22, a high level of caution still needs to be applied to future financial years as the funding position remains volatile for the Fire Sector.

#### 5.11 Covid-19 Governance Impact 2021/22

Since March 2020, the Coronavirus pandemic resulted in two nationwide lockdowns and an emergency response, which had impacts on the Authority's "business as usual" during 2020/21 and 2021/22

During both municipal years the Authority invoked Decisions under Matters of Urgency (Section 17.1 Authority Standing Orders) enabling the continuity of decision making by the Chief Fire Officer and Chair of the Authority on items of strategic importance or reverted to hybrid meetings enabling decision making with immediate effect following expiry of temporary legislation (The Local Authorities (Coronavirus) (Flexibility of Local Authority Meetings) (England) Regulations 2020).

During the original phase of the COVID-19 pandemic commencing in March 2020, a Business Continuity Management Team (BCMT) was established which comprised the Strategic Leadership Team and was COVID-19 specific in activity. This was supported by a Business Continuity Planning Team (BCPT) which comprised a cohort of Middle Managers who project managed the response to the pandemic across the Service. This infrastructure continued throughout each response and recovery phase of the pandemic; both were stood down in April 2022 for COVID-19 purposes.

## 6. **Certification**

- 6.1 To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Greg Brackenridge  
Chair  
West Midlands Fire & Rescue Authority

Phil Loach  
Chief Fire Officer

## GLOSSARY OF TERMS

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### ***Accruals***

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

### ***Accumulated Absences Account***

The estimated cost of any untaken employee benefits.

### ***Balance Sheet***

A statement of assets, liabilities and other balances at the end of an accounting period.

### ***Capital Adjustment Account***

The fundamental principal of capital accounting is that accounting for non-current assets is separated from accounting for their financing. This is one of two reserves that help to manage this separation. It provides a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.

### ***Capital Expenditure***

Expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains the value of an existing fixed asset.

### ***Capital Receipt***

Money received from the disposal of land and other assets. Capital receipts can only be used to fund capital expenditure.

### ***Chartered Institute of Public Finance and Accountancy (CIPFA)***

The only leading professional accountancy body in the UK specialising in the public sector. It has responsibility for setting accounting standards for local government.

### ***Code – code of practice on local authority accounting***

The rules and regulations governing the information and layout of the financial reporting statement of the Authority.

### ***Creditor***

An amount owed by an authority for work done, goods received or services rendered but for which payment has not been made at the end of the year.

### ***Current Assets***

Items from which the Authority derives a benefit but which will be consumed or realised during the next accounting period, e.g. stocks, debtors, cash.

### ***Current Liabilities***

Amounts falling due for payment in the next accounting period.

### ***Current Service Cost (Pensions)***

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**Debtor**

A sum due to the Authority but not received at the financial year end.

**Deferred Liability**

Amounts owed to outside bodies to be paid in predetermined instalments over more than one accounting period; e.g. leasing charges.

**Defined Benefit Pension Scheme**

A scheme in which the rules specify the benefits to be paid and the scheme is financed accordingly.

**Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**Emoluments**

These are payments received from employment, usually in the form of wages, salaries or fees.

**Employee Benefits**

This is the net cost of any untaken benefit e.g. annual leave at the end of the financial year. This figure is shown in the Provision for Accumulated Absences and Accumulated Absences Accounts. The difference between the amounts held on the two balance sheet dates represents the movement in the Comprehensive Income and Expenditure Account.

**Fixed Asset**

An item from which the Authority will derive a benefit over several accounting periods.

**General Fund**

The total services of the Authority, the net cost of which is met by Council Tax, NDR and Government Grants.

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority, in return for past or future compliance with certain conditions relating to the activities of the Authority.

**Heritage Assets**

Assets which are primarily held and maintained for knowledge and cultural purposes.

**Impairment**

A diminution in value of a fixed asset resulting from, inter alia, obsolescence or physical damage.

**Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

***International Financial Reporting Standards (IFRS)***

The set of accounting standards that has been introduced across the private and public sector from 1<sup>st</sup> April 2010.

***Inventories***

The value of those items of raw materials and stores the Authority has procured to use on a continuing basis, but which are not used at the balance sheet date.

***Liabilities***

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are payable within one year of the balance sheet date.

***Long term Borrowing***

The total amounts borrowed from external lenders for capital purposes but not repaid at the balance sheet date.

***Long term Debtors***

Amounts due to the Authority to be paid in predetermined instalments over more than one accounting period; e.g. car loans to staff.

***Materiality***

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

***Minimum Revenue Provision***

An amount that is considered prudent which must be set aside from revenue as provision for the repayment of loan debt.

***NDR***

Rates which are levied on business properties.

***Net Book Value***

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

***Net Realisable Value***

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

***Non Operational Assets***

Non-current assets held by the Authority but not used or consumed in the delivery of services.

***Operational Assets***

Non-current assets held and occupied, used or consumed by the Authority in the delivery of services for which it has either a statutory or discretionary responsibility.

***Past Service Cost (Pensions)***

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in the prior periods arising in the current period because of the introduction of, or improvement to, retirement benefits.

***Payment in Advance***

Amounts actually paid in a given accounting period prior to the period for which they were payable

***Precept***

The amount levied upon local authorities in the West Midlands by the Fire Authority.

***Provisions***

Amounts set aside to meet future liabilities arising from past events but the exact amount and date on which it will arise is uncertain.

***Receipts in Advance***

Amounts actually received in a given accounting period prior to the period for which they were receivable.

***Related Party***

The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority, related parties are deemed to include:

Central Government.

West Midlands Local Authorities.

Members of the Authority or parties related to them.

Chief Officer or parties related to them.

***Reserves***

Amounts set aside to meet future contingencies but whose use does not affect the Authority's net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account. This is a crucial distinction between provisions and reserves.

***Revaluation Reserve***

The fundamental principal of capital accounting is that accounting for non-current assets is separated from accounting for their financing. This is one of two reserves that help to manage this separation. It records unrealised revaluation gains arising (since 1<sup>st</sup> April 2007) from holding non-current assets.

***Revenue Expenditure***

Revenue Expenditure is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent assets.

***Revenue Support Grant (RSG)***

A grant from central Government towards the cost of providing services.

***Temporary Loans***

This represents money borrowed for a period of less than one year

***Useful Life***

The period over which the Authority will derive benefits from the use of a fixed asset.

# SUMMARY OF ACCOUNTS

Item 6



# 2021-2022

## INTRODUCTION

This document is a summary of the Authority's Statement of Accounts for 2021/22.

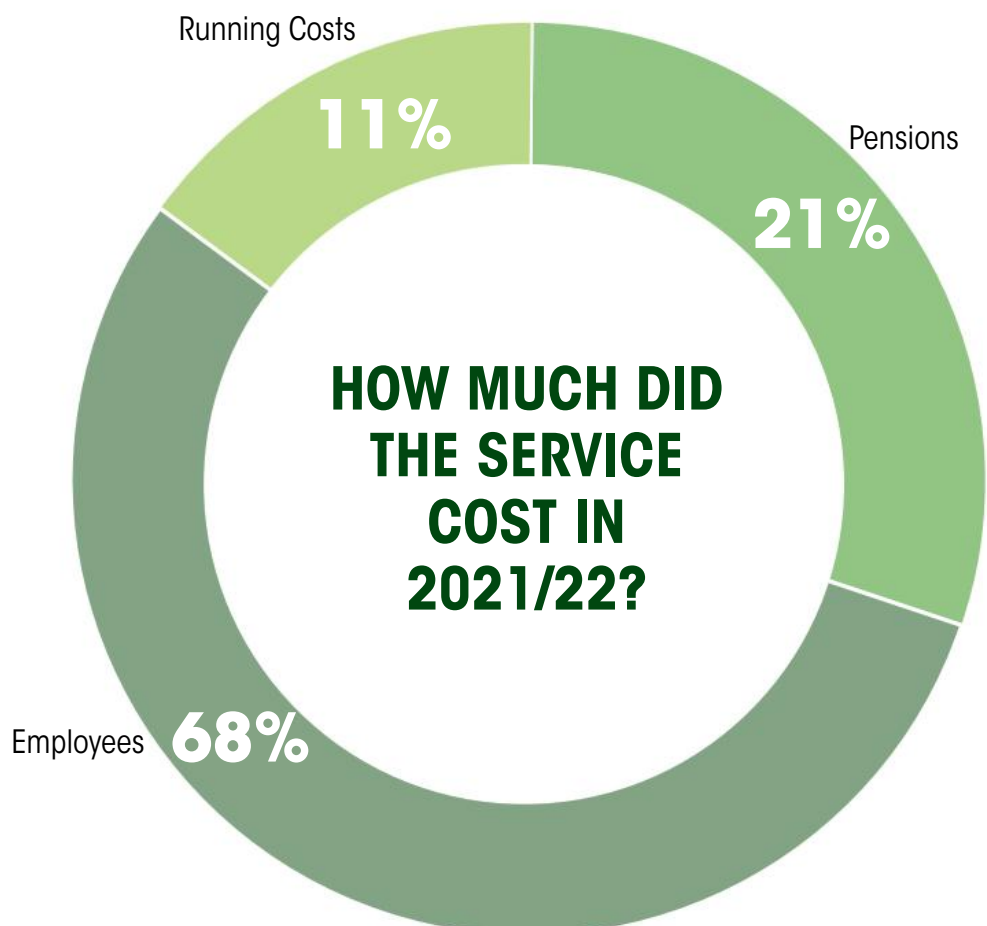
The Authority is responsible for the stewardship of public money and the production of summary accounts allows it to enhance its accountability to the residents of the West Midlands.

The Authority's 2021/22 Statement of Accounts is prepared in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, under International Financial Reporting Standards.

These summary accounts have no legal standing and are not subject to external audit.

The majority of the net cost of Fire Service expenditure relates to the cost of services £126.1m.

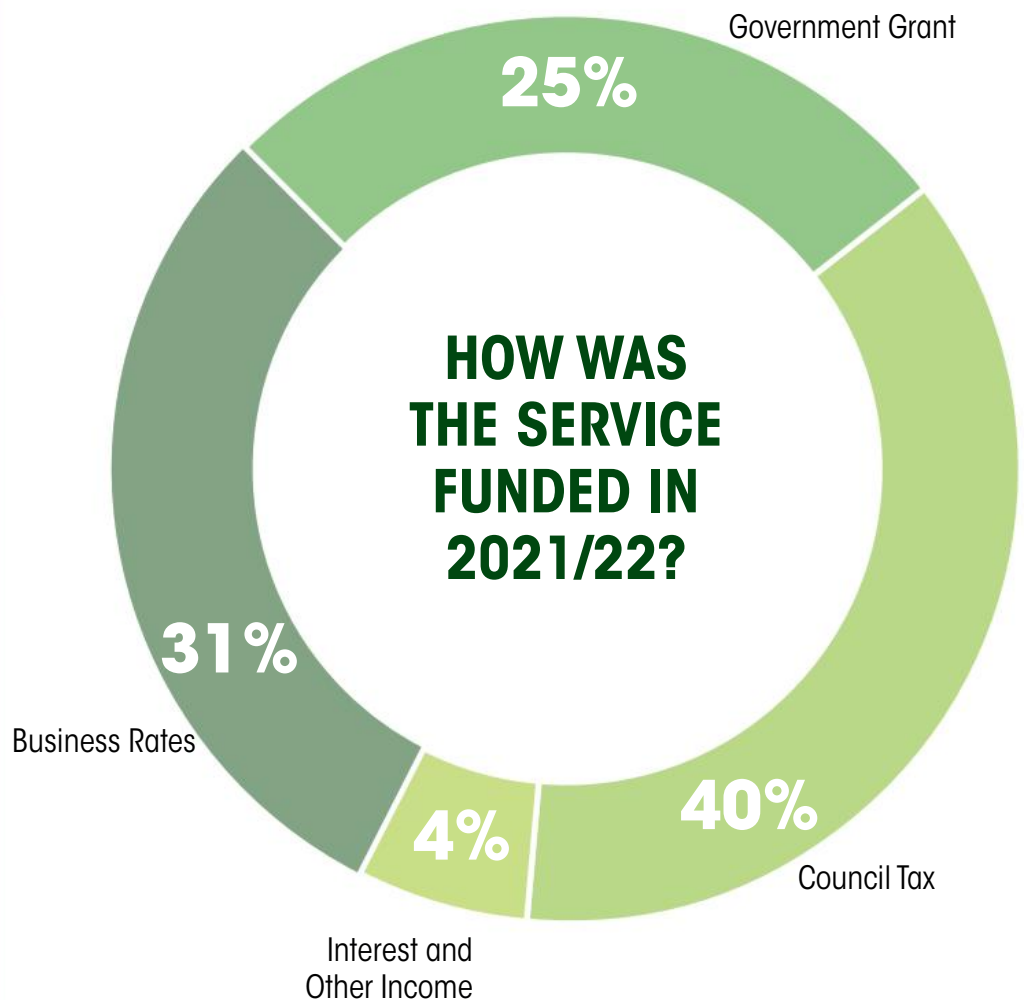
The total Provision of Services in 2021/22 shows a deficit of £61.777m. Within this deficit is the expenditure of the Authority which for 2021/22 was £177.589m. The type of costs can be broken down as shown opposite:



# 2

The total income of the Authority in 2021/22 was £115.812m. The majority of funding came from the government in the form of grant and a share of business rates.

The main sources of funding are shown opposite.



## BALANCES AND RESERVES

The Fire Authority must consider the level of general balances it wishes to maintain before it can decide the level of Council Tax to charge in any year.

In order to set a balanced budget in 2021/22 the Authority assumed no movement in general balances. The actual level of general balances decreased in the year by £1.980m, leaving £3.858m general balances at the end of the financial year. The Authority holds general balances as funding to meet any unforeseen events which it may need to respond to. Interest is earned on any unused balances.

In addition, as part of the closedown of accounts process, consideration needs to be given to the level of earmarked reserves required. These are amounts set aside to meet specific anticipated future demands. The level of earmarked reserves decreased by £7.101m, this brought the total level of these reserves to £29.816m. Interest is earned on any balances until expenditure is committed against the demands identified.

## CAPITAL EXPENDITURE AND FUNDING

In 2021/22, the Authority spent £3.189 million on capital projects.

The expenditure was incurred on the following:

Items	£m
Vehicles	2.345
Land and buildings	0.843
ICT & Equipment	0.001

The total expenditure was financed directly by the application of direct revenue contributions (£3.189m).

No borrowing was undertaken to assist with purchase of assets during 2021/22. Borrowing in earlier years meant that at the end of 2021/22 the Authority had total loans of £31.5m (the interest and principal on any loans needs to be met from future revenue budgets). The value of long-term assets held by the Authority as at 31 March 2022 which the loans had helped fund was £154.5m, of which approximately 94% related to land and buildings and 6% related to vehicles and equipment.

Further information can be found by contacting the Finance Manager at  
West Midlands Fire Service Headquarters,  
99 Vauxhall Road,  
Birmingham, B7 4HW.

Telephone: 0121 380 6920 or e-mail [kal.shoker@wmfs.net](mailto:kal.shoker@wmfs.net)

The Authority's full 2021/22 audited Statement of Accounts can be found on our website [www.wmfs.net](http://www.wmfs.net).

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**20 MARCH 2023**

1. **INFORMING THE AUDIT RISK ASSESSMENT - WEST MIDLANDS FIRE AND RESCUE AUTHORITY 2022/2023**

Joint report of the Chief Fire Officer and Treasurer

RECOMMENDED

- 1.1 THAT the Committee note the content of the Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2022/2023 attached as an Appendix.

2. **PURPOSE OF REPORT**

- 2.1 The report is provided to keep the Audit and Risk Committee Members informed upon the progress of the external auditor (Grant Thornton UK LLP) in delivering their responsibilities.

3. **BACKGROUND**

- 3.1 In order to ensure that the Audit and Risk Committee Members continue to remain informed upon audit matters, the external auditor has provided a report to the Audit and Risk Committee. It is the intention of the external auditor to provide an update at all Audit and Risk Committee meetings.
- 3.2 The report provides the Audit and Risk Committee with an update on Grant Thornton's progress in delivering their responsibilities and includes:
- General enquires of management.
  - Matters in relation to fraud.
  - Matters in relation to law and regulations.
  - Matters in relation to related parties.
  - Matters in relation to going concern.
  - Matters in relation to accounting estimates.

- 3.3 Representatives from Grant Thornton will be in attendance at the meeting to discuss the report with Members.

4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to a policy change.

5. **LEGAL IMPLICATIONS**

- 5.1 The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

6. **FINANCIAL IMPLICATIONS**

- 6.1 The scale of fees for undertaking West Midlands Fire and Rescue Authority's external audit work for 2022/2023 is budgeted at £54,500.

**BACKGROUND PAPERS**

None.

The contact officer for this report is Assistant Chief Fire Officer, Karen Gowreesunker, telephone number 0121 380 6006.

WAYNE BROWN  
CHIEF FIRE OFFICER

MIKE GRIFFITHS  
TREASURER

# Informing the audit risk assessment for West Midlands Fire and Rescue Authority 2022/23

**Jim McLarnon**  
Director  
+44 (0)121 232 5219  
[James.a.mclarnon@uk.gt.com](mailto:James.a.mclarnon@uk.gt.com)

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between West Midlands Fire and Rescue Authority's external auditors and West Midlands Fire and Rescue Authority's Audit and Risk Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Risk Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Risk Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Risk Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Committee and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from West Midlands Fire and Rescue Authority's management. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	On-going Pension related issues and valuations Asset valuations
2. Have you considered the appropriateness of the accounting policies adopted by West Midlands Fire and Rescue Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes – Accounting policies are reviewed annually  No events or transactions
3. Is there any use of financial instruments, including derivatives? If so, please explain	None known
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	None known

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None known
6. Are you aware of any guarantee contracts? If so, please provide further details	None known
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None known
8. Other than in house solicitors, can you provide details of those solicitors utilised by West Midlands Fire and Rescue Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The Authority's legal services are provided by the Monitoring Officer, Birmingham City Council and Sandwell MBC Legal Services</p> <p>Any specific specialist legal advice is obtained from external professional legal firms.</p>

## General Enquiries of Management

Question	Management response
9. Have any of the West Midlands Fire and Rescue Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None known
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Pensions – West Midlands Pension Fund & Government Actuaries Department Asset Valuations – Sandwell MBC & Wilks Head & Eve
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	None known/Identified

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As West Midlands Fire and Rescue Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Risk Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West Midlands Fire and Rescue Authority's management.

## Fraud risk assessment

Question	Management response
<p>1. Has West Midlands Fire and Rescue Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>Although there is an on-going risk of fraud being committed against the Authority, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas. However, the risk of material misstatement of the accounts due to undetected fraud is considered to be low.</p> <p>The Authority has a Anti Fraud &amp; Corruption policy in place. This is also supported by a Whistleblowing Policy which includes a confidential reporting framework; these are reviewed in a timely manner. Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Regular reports are made to Audit and Risk Committee. In addition, the Authority receives advice from the Audit Fraud Team at Sandwell Metropolitan Borough Council.</p> <p>In February 2023, WMFS commenced working with "Say So", a 3rd party, independent and impartial service for staff to confidentially report workplace issues or concerns whenever they feel they can't report in the normal way through line management.</p> <p>Regular monthly monitoring of finances are reported to the Strategic Enabling Team (SET).</p> <p>Monitoring of Finances report at the Fire Authority meeting.</p> <p>Internal Audit provide an update of their work to the Audit &amp; Risk Committee.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>None known</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West Midlands Fire and Rescue Authority as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>There are no known instances of fraud that have been identified during the year.</p>

## Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Internal and External Audit reports to the Audit and Risk Committee Corporate Risk Update reports to the Audit and Risk Committee
5. Have you identified any specific fraud risks? If so, please provide details  Do you have any concerns there are areas that are at risk of fraud?  Are there particular locations within West Midlands Fire and Rescue Authority where fraud is more likely to occur?	None known. Head of Internal Audit Opinion in 2022/23 did not highlight any weaknesses  No Specific concerns. Head of Internal Audit Opinion in 2022/23 did not highlight any weaknesses  None known. Head of Internal Audit Opinion in 2022/23 did not highlight any weaknesses
6. What processes do West Midlands Fire and Rescue Authority have in place to identify and respond to risks of fraud?	The Authority has a Anti Fraud & Corruption policy in place. This is also supported by a Whistleblowing Policy which includes a confidential reporting framework; these are reviewed in a timely manner. Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Regular reports are made to Audit and Risk Committee. The Corporate Risk is continually monitored throughout the year. In addition, the Authority receives advice from the Audit Fraud Team at Sandwell Metropolitan Borough Council. In February 2023, WMFS commenced working with “Say So”, a 3rd party, independent and impartial service for staff to confidentially report workplace issues or concerns whenever they feel they can’t report in the normal way through line management.

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for West Midlands Fire and Rescue Authority, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>There are adequate processes in place for reviewing the system of internal control via the work of Internal Audit. Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud.</p> <p>Financial Regulations Anti fraud and corruption policy Internal controls and segregation of duties</p> <p>None known. Head of Internal Audit Opinion in 2022/23 did not highlight any weaknesses in this area.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None known</p>

## Fraud risk assessment

Question	Management response
<p>9. How does West Midlands Fire and Rescue Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>There is an Employee Code of Conduct and Financial Regulations. Staff are regularly reminded of these.</p> <p>There is a Anti Fraud &amp; Corruption policy in place and a Whistleblowing procedure in place which explain the procedures to follow. No significant issues have been reported under the Bribery Act</p> <p>No issues of significant fraud have been reported.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts within Financial Management, Revenues and Payroll &amp; Pensions</p> <p>Compliance with Financial Regulations and Policies (Standing Orders) Internal Audit Reports Segregation of duties</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The financial statement disclosure of related party transactions does not identify potential fraud risk. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Authority and Committee meetings.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Risk Committee?</p> <p>How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Regular reports are made to Audit and Risk Committee.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The Monitoring Officer / People Support Services have confirmed that there were no allegations of whistle blowing in 2022/23 (as at end of February 2023).</p> <p>An update to be provided at the Audit &amp; Risk Committee meeting in June 2023 - Monitoring Policies on Raising Concerns at Work – Whistle Blowing Standing Order 2/20 and Regulation of Investigatory Power Act 2000.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>There are no known instances that have been identified during the year.</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Committee, is responsible for ensuring that West Midlands Fire and Rescue Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Risk Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West Midlands Fire and Rescue Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>The Monitoring Officer is responsible for ensuring the Authority is compliant with laws and regulations. These responsibilities cover:</p> <ul style="list-style-type: none"> <li>•complying with the law of the land (including any relevant Codes of Conduct);</li> <li>•complying with any General Guidance issued, from time to time, by the Standards Committee and / or advice of the Monitoring Officer;</li> <li>•making lawful and proportionate decisions; and</li> <li>•generally, not taking action that would bring the Authority, their offices or professions into disrepute.</li> </ul> <p>This officer has access to all Authority Committee reports. The Monitoring Officer raises awareness on legal requirements at meeting where needed. In addition, in terms of any specific legal issues the Monitoring Officer would get involved at an early stage. Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</p> <p>The Strategic Enabler of Finance &amp; Resources, the Authority's s151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements.</p> <p>The Senior Financial Accountant also attends the West Midlands Support Group for Financial Matters to exchange information, share best practice and discuss the implementation of relevant changes. This is supplemented by the annual technical accounting workshops run by Grant Thornton.</p>
<p>2. How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>See response above</p>

## Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details	None noted
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	None noted
5. What arrangements does West Midlands Fire and Rescue Authority have in place to identify, evaluate and account for litigation or claims?	See response to 1 above
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None noted

# Related Parties

## Matters in relation to Related Parties

West Midlands Fire and Rescue Authority are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by West Midlands Fire and Rescue Authority;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any body that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in West Midlands Fire and Rescue Authority's 2021/22 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and West Midlands Fire and Rescue Authority.</li> <li>whether West Midlands Fire and Rescue Authority has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>None noted</p>
<p>2. What controls does West Midlands Fire and Rescue Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> <li>Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.</li> <li>Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests.</li> <li>Annual return from Members stating details of any known related party interests.</li> <li>Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.</li> <li>Review of related information with subsidiaries, companies and joint ventures, e.g. accounts.</li> <li>Review of the accounts payable system and identification of amounts paid to assisted or voluntary organizations.</li> </ul>

## Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	See response above
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	See response above

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

## Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by West Midlands Fire and Rescue Authority will no longer continue?	The Authority has prepared and approved a Budget and Precept Report 2023/24 (13 February 2023) which includes a Medium Term Financial Plan for 2024/25 to 2025/26. There are no known indications that the statutory service would no longer continue.
2. Are management aware of any factors which may mean for West Midlands Fire and Rescue Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None Known
3. With regard to the statutory services currently provided by West Midlands Fire and Rescue Authority, does West Midlands Fire and Rescue Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for West Midlands Fire and Rescue Authority to cease to exist?	The Authority is aware that a Government White Paper is being prepared which would consider the future governance arrangements of the WMF&RA.
4. Are management satisfied that the financial reporting framework permits West Midlands Fire and Rescue Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Risk Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance. Asset valuations are made in line with RICS guidance.
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	See response above The Principal Accountant also attends the West Midlands Support Group for financial matters to exchange information, share best practice and discuss the implementation of relevant changes. This is supplemented by the annual technical accounting workshops run by Grant Thornton.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Specialist advisors are consulted with and source data provided to enable key accounting estimates. These include: Pensions – Government Actuaries Department Pensions – West Midlands Pension Fund Asset Valuations – Sandwell MBC & Wilks Head & Eve
4. How do management review the outcomes of previous accounting estimates?	Consideration/recommendations within the previous years Audit Findings Report and Auditor's Annual Report.. Internal Audit recommendations.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	Other than additional scrutiny required for asset and pension estimated, no significant changes made to the estimation process in 2022/23.

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (Code), supported by International Financial Reporting Standards (IFRS), RICS and statutory guidance.</p> <p>Where estimates are required appropriate estimation methodology is utilised. Estimates are prepared by those who are best qualified e.g. for pension and asset valuations.</p>
<p>7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>See response above</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>See response above</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>See response above</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	There are no major changes in circumstances for accounting estimates in 2022/23. Any changes to the Code and IFRS are reflected within the Statement of Accounts.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Where estimates are required appropriate estimation methodology is utilised. Estimates are prepared by those who are best qualified e.g. for pension and asset valuations.
12. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Accounting policies provide details within the Authority's Statement of Accounts. The Treasurer provides assurance to the Audit and Risk Committee and signs the Statement of Accounts. Internal Audit and Grant Thornton also report to the Audit and Risk Committee.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment (PPE) valuations.	Valuations are made by the appointed Valuer (Wilkes, Head and Eve Chartered Surveyors and Town Planners) in line with RICS guidance on the basis of 5 year valuations with interim reviews. The Authority are having a full valuation in 2022/23.	Members of the Finance Team notifies the Valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation.	Valuer used for PPE valuations.	Valuations are made in line with RICS guidance - reliance on expert.	No
Estimated remaining useful lives of PPE	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Valuer used for PPE and estimated remaining useful life assessments.	Valuations are made in line with RICS guidance - reliance on expert.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Valuer used for PPE valuations	Valuations are made in line with RICS guidance - reliance on expert.	No
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing.	Members of the Finance Team calculate the provisions from the aged debt listing based upon prior experience.	No	A consistent proportion of the aged debt listing is applied after any specific debts have been provided for where circumstances of certainty are known. The proportion is based upon the type of debt and historic payment pattern.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	The Finance Team collate accruals of income and expenditure from sales ledger, purchase ledger and budget information. Activity is accounted for in the financial year that it takes place, not when the money is paid or received in line with the accounting policies.	Sales ledger, purchase ledger and management accounts information are assessed by the Finance Team.	No	Accruals for income and expenditure have been principally based on known values. Where estimates have to be made these are based upon the latest available information.	No
Measurement of Financial Instruments	The Authority values financial instruments at fair value based upon current conditions and Senior Finance team judgement.	An estimate is made by senior members of the finance team.	No	The Authority does not have many balances which are required to be disclosed as a financial instrument. Considered straight forward with a low degree of estimation required.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	<p>The following asset categories have general asset lives:</p> <ul style="list-style-type: none"> <li>•Operational Vehicles –straight line over 10 years.</li> <li>•Ancillary Vehicles -straight line over 5 years.</li> <li>•Equipment -straight line over 5 years.</li> </ul> <p>Depreciation is provided for all fixed assets with a finite life on a straight line basis. Asset lives for buildings are obtained from the Valuer. Freehold land is not depreciated.</p> <p>No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.</p>	Consistent asset lives applied to each asset category.	Valuer used for PPE and estimated remaining useful life assessments.	<p>The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS or CIB Member.</p>	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension liability	The Authority is an admitted body to the Local Government Pension Scheme (LGPS). The Uniformed Schemes are unfunded and are administered by the Authority based upon guidance from DLUHC. Information is passed from the Authority to the Actuaries upon which they base their assessment for the estimate.	The Actuary reports are reviewed by Finance Staff for reasonableness.	Yes – the Actuary for the LGPS and the Uniformed Schemes.	Reliance upon another auditor – PwC for their work on the Actuary of the LGPS through their audit of the City of Wolverhampton Council. Reliance upon the expertise of the Actuary of the Uniformed Pension Schemes.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement, by a transfer of economic benefits or service potential, and a reliable estimate made of the value. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year that the Authority becomes aware of the obligation. A Calculation is made by Senior members of the finance team based upon information from third parties e.g. insurers, solicitors.	No	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Authority.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non Adjusting events – events after the balance sheet date	The Treasurer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an adjusting event which is disclosed as a note to the accounts identifying the nature of the event and where possible estimates of the financial effect.	The Treasurer liaises with the Finance team and considers all known information.	Yes – the Actuary for the LGPS and the Uniformed Schemes.	This would be considered individually for each case.	No



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**20 MARCH 2023**

**1. ADDITION OF FIRE INVESTIGATION CORPORATE RISK**

Report of the Clerk to the Authority

RECOMMENDED

- 1.1. THAT the committee approve the addition of the identified Fire Investigation risk to the Corporate Risk Register.

**2. PURPOSE OF REPORT**

- 2.1. The West Midlands Fire Service (WMFS) Fire Investigation and Prevention Section (FIPS) are working towards accreditation under the Quality Standard ISO 17020. As part of this accreditation, we are required to identify and record our risks. This report proposes that a new corporate risk is added to the Corporate Risk Register in order to comply with the requirements of the accreditation.

**3. BACKGROUND**

- 3.1 There will be a requirement that any investigation into fire scenes that are declared a crime scene can only be carried out by forensic teams that are accredited to ISO 17020. This change is currently due to be implemented in October 2023. Accreditation to the quality standard will allow FIPS to continue to investigate fatal fire scenes, conduct joint investigations with Police, present evidence in Crown Court and continue to provide an excellent service to WMFS and other brigades.
- 3.2 As part of this accreditation, we are required to identify and record our risks. In a survey from the Forensic Regulator to assess progress towards the ISO accreditation, all Fire and Rescue Services who are striving towards the accreditation were requested to confirm if fire investigation risks are part of the Corporate Risk Register (CRR). We sent a return informing the Forensic

Regulator that we currently do not have the fire investigation risks on our CRR.

The recommendation is to create a new Prevention Corporate Risk number 3.3 worded as follows:

### Corporate Risk 3.3

*The Fire Authority is unable to complete and establish correct origin and cause of Tier 2 Fires (complex investigations) by the Fire Investigation and Prevention Section (FIPS) resulting in reduced confidence, credibility and increased litigation and reputational damage and a reduction in the evidence base to help define the prevention strategy.*

#### Risk Trigger 3.3.1

*There is a risk of WMFS not gaining ISO 17020 accreditation by October 2023 that would result in FIPS not being able to conduct joint investigations with Police or present evidence in Crown Court. WMFS will no longer be able to investigate some fatal fire scenes due to each sudden death being designated a crime scene. This would lead to a reduction in our ability to make accurate returns to IRS and make the communities we serve safer and target our prevention activities. A lack of accreditation would damage the WMFS reputation in the investigation of fires in general. WMFS will likely be excluded from any high-profile incidents of national interest if a criminal element is suspected.*

#### Risk Trigger 3.3.2

*Fire Investigation is an opinion-based science backed up with a broad understanding of scientific knowledge and principles. A wrong decision on origin or cause could lead to both reputational and financial risk*

## 4. **ADDITIONAL INFORMATION**

- 4.1 In addition to conducting Tier 2 fire investigations in the West Midlands, WMFS currently provides Fire Investigation services to both Staffordshire and Royal Berkshire FRSS. If WMFS are not able to achieve accreditation to the quality standard, we will no longer be able to provide these services after October 2023.

## 5. **EQUALITY IMPACT ASSESSMENT**

- 5.1 An Initial Equality Impact Assessment has been completed and no equality impacts have been identified.

6. **LEGAL IMPLICATIONS**

- 6.1 The addition of a corporate risk for Fire Investigation does not present any legal implications.

7. **FINANCIAL IMPLICATIONS**

- 7.1 The addition of a corporate risk for Fire Investigation to the Corporate Risk Register does not present any direct financial implications.

8. **ENVIRONMENTAL IMPLICATIONS**

- 8.1 The addition of a corporate risk for Fire Investigation does not impact on our environmental impact.

**BACKGROUND PAPERS**

None.

The contact for this report is Pete Wilson, Head of Prevention,  
07973810262

KAREN GOWREESUNKER  
CLERK TO THE AUTHORITY



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY** Item 9

**AUDIT AND RISK COMMITTEE**

**20 MARCH 2023**

1. **INTERNAL AUDIT – PROGRESS REPORT**

Report of the Audit Services Manager [Sandwell MBC].

RECOMMENDED

- 1.1 THAT the Internal Audit Progress Report be noted.

2. **PURPOSE OF REPORT**

- 2.1 To ask the Committee to note the issues raised from the work undertaken by Internal Audit so far in the current financial year.

3. **BACKGROUND**

- 3.1 The Internal Audit Progress Report contains details of the matters arising from internal audit work undertaken so far in the current year. The purpose of the report is to bring the Committee up to date with the progress made against the delivery of the 2022/23 Internal Audit Plan. The information included in the progress report will feed into, and inform, the overall opinion in the Internal Audit Annual Report issued at the year end.

- 3.2 It summarises the audit work undertaken in a tabular format, and includes:

- the areas subject to review (Auditable Area).
- the level of risk to the Authority assigned to each auditable area (high, medium or low).
- the number and type of recommendations made as a result of each audit review.
- the number of recommendations accepted by management.
- the level of assurance given to each system under review.
- details of any key issues arising from the above.

#### 4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and/or do not relate to a policy change.

#### 5. **LEGAL IMPLICATIONS**

- 5.1 The Accounts and Audit Regulations Act states that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

#### 6. **FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications arising from this report.

#### **BACKGROUND PAPERS**

None.

Peter Farrow  
Audit Services Manager, Sandwell MBC

# Internal Audit Progress Report as at 28 February 2023 Audit and Risk Committee – 20 March 2023



1. Introduction
2. Summary of work completed and in progress
3. Issues arising
4. Other activities
5. Service quality questionnaire feedback

# 1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2022/23 Internal Audit plan.

The information included in this progress report will feed into and inform our overall opinion in our Internal Audit annual report issued at the year end.

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

No Assurance	Limited	Reasonable	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

This is based upon the number and type of recommendations we make in each report. Each recommendation is categorised in line with the following:

Priority rating for issues identified		
<b>Fundamental</b> action is imperative to ensure that the objectives for the area under review are met.	<b>Significant</b> requires action to avoid exposure to significant risks in achieving the objectives for the area under review.	<b>Merits attention</b> action is advised to enhance risk mitigation, or control and operational efficiency.

## 2 Summary of work in progress as at 28 February 2023

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Completed:</b>							
Freedom of Information	Medium	0	1	1	2	2	Substantial
Fixed Asset Accounting/Asset Planning	KFS	0	0	0	0	NA	Substantial
<b>Completed and reported for first time:</b>							
Risk Management	High	0	0	0	0	NA	Substantial
Governance	High	0	1	0	1	Draft	Substantial
Accounts Payable	KFS	0	0	0	0	NA	Substantial
<b>In progress:</b>							
Payroll	KFS						
Accounts Receivable	KFS						
Partnerships	Medium						
Budgetary Control	KFS						
Data Protection	High						

[ILO: UNCLASSIFIED]

Key: KFS = Key Financial System  
ANA = Audit Needs Assessment  
Draft = Draft report issued to client and awaiting formal response  
NA = Not Applicable

[IL0: UNCLASSIFIED]

### 3 Issues arising

#### **Risk Management**

An audit of the risk management processes was undertaken to review the management of risk by the authority and to provide assurance that there is a clear understanding of how risk is to be managed and that risks are identified, recorded and effectively managed. No issues of concern were identified, and the report reflected that:

- There was a concise risk management policy which clearly identified the roles and responsibilities of those involved in the management and monitoring of risk and the policy was reviewed on a timely basis to ensure it remained fit for purpose.
- The corporate risk-register and monitoring reports provided sufficient detail to enable the effective management and monitoring of risk by officers and members and that the review of the risk-register was undertaken on a timely basis.
- There was a process in place to continually review working practices relating to risk management. It was explained during the review that the Fire Authority was seeking to further improve its review and monitoring of risk by introducing a system which would enable immediate update of changes in the risk profile to be reflected in the risk register so that risks could be managed in real-time. Such an upgrade would enhance what is already a sound system.

#### **Governance**

The objective of our review of governance for the current year was focussed upon the adoption, adequacy and application of the Local Government Transparency Code and to ensure that the control system in place mitigated risks to the achievement of the Authority's objectives in this area. The review identified one issue where improvement could be made, arising from the following:

- Detailed in both the Code of Conduct (which forms part of the Constitution) and the Anti-Fraud, Corruption and Bribery Policy, is a requirement that employees must declare to their line manager any financial or non-financial personal interests that could bring about conflict with the interests of the Authority. The review identified that this requirement is not being consistently complied with. There is evidence that interests are being declared in meetings, where appropriate, but that the annual returns are not being completed by employees. The declaration of interests' process is integral for promoting the transparency of the decision-making process throughout the Authority and for mitigating the risk of reputational loss.

[ILO: UNCLASSIFIED]

As part of the review of governance undertaken as part of the 2021/22 plan, two issues of significance were identified.

- The policies which formed part of the appraisal/performance management/appraisal framework had not been reviewed on a regular basis. It is acknowledged that these documents were currently under review by relevant officers, but there was no set timescale for completion.
- The Whistleblowing policy and Anti-fraud and Corruption policy had also not been subject to a recent review. It was understood that this document is also currently under review, but again there was no set timescale for completion.

As part of the current review, we have followed-up these matters and confirmed that they have been addressed and the policies have been reviewed and approved.

### **Accounts Payable**

A review of the accounts payable system was undertaken to ensure that adequate key controls were in place. Our review focused on the controls designed to prevent, overpayments, fraud and incorrect accounting. No issues of significance were identified.

## **4 Other activities**

### **Advice and Guidance**

We provide on-going advice and guidance to the authority to assist with the continuous improvement of the overall control environment.

### **CIPFA – Audit Committee Updates**

We continue to present the regular CIPFA Audit Committee Updates to the Audit and Risk Committee.

### **Internal Audit Plan 2022/23**

We submitted the Internal Audit annual plan for 2022/23 to the committee for approval at the March 2022 meeting.

### **Internal Audit Annual Report 2021/22**

We presented the Internal Audit annual report for 2021/22 to the committee for comment and approval at the June 2022 meeting.

## **Counter Fraud**

We continue to lead on the Cabinet Office's National Fraud Initiative and their other associated fraud related activity (such as the Annual Fraud Survey), on behalf of the authority and to provide the main point of contact for any investigations into potential fraudulent activity.

### **5 Service quality questionnaire (SQQ) feedback**

Feedback to be provided when completed SQQs are received.



**AUDIT AND RISK COMMITTEE**

**20 MARCH 2023**

1. **INTERNAL AUDIT PLAN – 2023/24**

Report of the Audit Services Manager [Sandwell MBC].

RECOMMENDED

- 1.1 THAT the Internal Audit Plan for 2023/24 be approved.

2. **PURPOSE OF REPORT.**

- 2.1 This report is submitted for member comment and approval.

3. **BACKGROUND**

- 3.1 The attached report details the proposed Internal Audit Plan for 2023/24, with an indicative plan covering the period 2024/25 to 2025/26.
- 3.2 The Internal Audit Plan is a fluid plan which may be updated periodically to reflect changes in the risks faced by the Authority. During the period covered by the plan, the priority and frequency of audit work may be subject to amendment in order to recognise alterations in the assessment of assurance need/risk analysis, caused by changes within the Authority and the requirements of the Audit and Risk Committee and senior managers.
- 3.3 During the year, regular meetings will be held with senior managers and the external auditors to review the plan and discuss the scope, nature and timescales of planned reviews. Any key changes to the plan will be brought before the Audit and Risk Committee for approval.

4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and/or do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

- 5.1 The Accounts and Audit Regulations Act states that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

6. **FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications arising from this report.

**BACKGROUND PAPERS**

Internal Audit Plan 2023/24 and indicative plan for 2024/25 to 2025/26.

Peter Farrow  
Audit Services Manager, Sandwell MBC

## Draft Internal Audit Plan 2023/24



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<b>9</b>	<b>Annual internal audit plan for 2023/24</b>	<b>10</b>

# A quick guide to the audit planning process

## Step 1 – audit universe/auditable areas and the Authority's objectives

Identify the audit universe (i.e. a list of areas that may require auditing) using a variety of methods:

- Areas of risk identified by the Authority as having the potential to impact upon its ability to deliver its objectives and its statutory responsibilities, captured through a strategic risk register.
- Areas such as the key financial systems work we do to, which where appropriate, help inform the work of the external auditors, grant claim certification etc.
- Areas where we use auditor's knowledge, management requests and past experience etc.



## Step 2 – ranking

Score each auditable area as high, medium or low risk using the CIPFA scoring methodology: materiality/business impact/audit experience/risk/potential for fraud.



## Step 3 – the 2023/24 audit plan

Identify the areas where assurance will be provided in 2023/24. High risk areas will generally be audited annually, while medium risks may be visited once in a three-year cycle. A watching brief will remain on the low risks.

# Glossary of terms

## Governance

The arrangements in place to ensure that the Authority fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

## Control environment

This comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the Authority's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the Authority and the reporting of financial management; and
- the performance management of the Authority and the reporting of performance management

## System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

## Risk management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

## Risk based audit

An audit that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks
- identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- determines an appropriate strategy to test the effectiveness of controls i.e. through compliance and/or substantive testing; and
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment

## Audit Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

## Internal audit

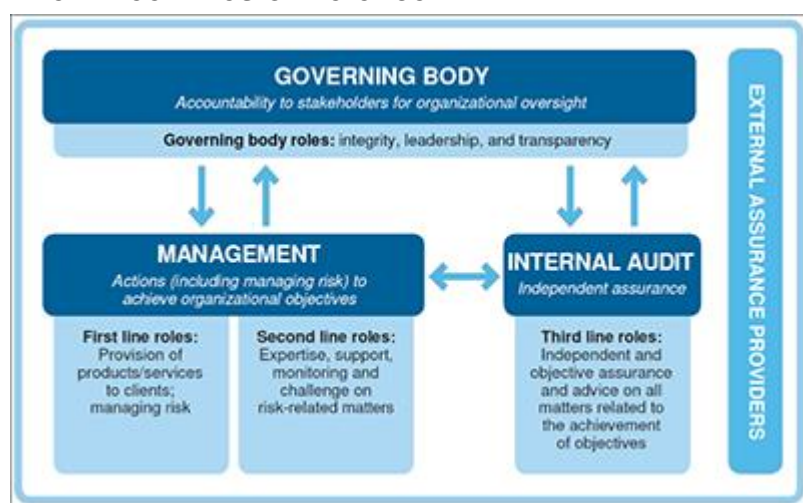
### Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

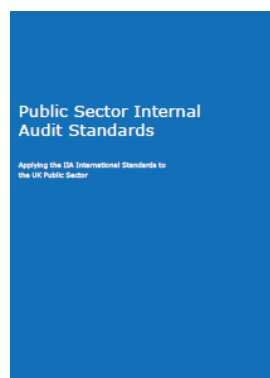
### Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the Authority's policies, processes and controls and the second being managers' own checks of this first line.

### The Three Lines of Defence



### Internal Audit standards



The Internal Audit team comply with the standards as laid out in the Public Sector Internal Audit Standards that came into effect on 1 April 2013.

# 1 Introduction

The purpose of internal audit is to provide the Authority with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Authority's agreed objectives. To provide this opinion, we need to review on a cyclical basis, the operation of internal control systems and where appropriate governance and risk management within the Authority. Internal audit is not a substitute for effective internal control. The proper role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.

There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Authority has an internal audit charter which was approved by the Audit and Risk Committee and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the Authority. This document sits alongside the charter and helps determine how the internal audit service will be developed.

The purpose of this document is to provide the Authority with an internal audit plan based upon an assessment of the Authority's audit needs. The assessment of assurance need exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Authority which are assessed as generating the greatest risk to the achievement of its objectives.

## 2 Assessing the effectiveness of risk management and governance

The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Authority. This opinion is reflected in the general level of assurance given in our annual report and within separate reports covering risk management and governance. This review will cover the elements of the risk analysis which we regard as essential for annual review to provide a positive, reasonable assurance to the Authority.

## 3 Assessing the effectiveness of the system of control

To be adequate and effective, management should:

•	establish and monitor the achievement of the Authority's objectives and facilitate policy and decision making
•	identify, assess and manage the risks to achieving the Authority's objectives
•	ensure the economical, effective and efficient use of resources
•	ensure compliance with established policies, procedures, laws and regulations
•	safeguard the Authority's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
•	ensure the integrity and reliability of information, accounts and data

These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control. The annual reviews of risk

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management and governance will cover the control environment and risk assessment elements, at a high level.

The internal audit plan contained within this report is our assessment of the audit work required to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

## 4 Assessment of assurance need methodology

Internal audit should encompass the whole internal control system and not be limited only to financial control systems, the scope of internal audit work should reflect the core objectives of the Authority and the key risks that it faces. As such, each audit cycle starts with an analysis of the whole system of internal control that ensures the achievements of the Authority's objectives.

Activities that contribute significantly to the Authority's internal control system and to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks not to try and measure the level of risk in activities, but to assign a relative risk value. The purpose of this approach is to enable the delivery of assurance to the Authority over the reliability of its system of control in an effective and efficient manner.

We have undertaken the assessment using the following process:

- We identified the core objectives of the Authority and, where available, the specific key risks associated with the achievement of those objectives.
- We then identified the auditable areas that impact significantly on the achievement of the control objectives.
- We assigned risk values to the auditable areas, based on the evidence we obtained.

The plan is drawn out of the assessment of audit need. The proposed internal audit plan covering the period 2023/24 is detailed towards the back of this document.

## 5 The assessment of internal audit assurance needs

### Identifying the Authority's objectives and the associated risks

The Authority's objectives are as follows:

- |   |   |
|---|---|
| • | Dealing excellently with incidents.   |
| • | Delivering interventions which support safer and healthier communities.         |
| • | Protecting life and property to make businesses stronger and communities safer. |

The key risks to the Authority in meeting these objectives, as identified through its risk management process, at the time this plan was prepared, were:

Risk Ref	Risk
CR1 1.2	The Fire Authority is unable to positively position itself within public service reform to sustain and create new services resulting in reduced confidence, credibility and/or reputational damage.
CR2 2.1	The Fire Authority is unable to maintain positive staff consultation and engagement, resulting in an inability to deliver strategic objectives, outcomes and continuous improvement.
CR2 2.2	The Fire Authority is unable to deliver its Service Delivery Model effectively, as a result of insufficient or ineffective employees, throughout the organisation, resulting in reduced confidence and credibility; and increased reputational damage.
CR2 2.3	The Fire Authority is unable to meet statutory duties to provide a safe and healthy workplace and protect the environment, resulting in a significant failure and reduced confidence and credibility; and increased criminal proceedings, litigation and reputational damage.
CR3 3.1	The Fire Authority is unable to engage with the most vulnerable members of the community and reduce community risk resulting in increased fire and non-fire related incidents, fatalities and injuries.
CR3 3.2	The Fire Authority is unable to establish effective partnership arrangements and deliver community outcomes, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives.
CR4 4.1	The Fire Authority is unable to effectively discharge its duties under the Regulatory Reform (Fire Safety) Order and associated legislation, resulting in a decline in non-domestic fire safety standards; reduced confidence and credibility; and increased litigation and reputational damage.
CR5 5.1	The Fire Authority is unable to ensure that operational incidents are dealt with safely, assertively and effectively using appropriate levels of resources and personnel, resulting in increased firefighter and community risk; reduced confidence and credibility; and increased reputational damage.
CR5 5.2	The Fire Authority is unable to maintain its command and control function, resulting in an inability to receive, process and respond to emergency calls effectively, so increasing community risk; reducing confidence and credibility; and increasing reputational damage.
CR6 6.1	The Fire Authority is unable to provide business continuity arrangements, to maintain delivery of core functions, as a result of extensive disruption to normal working arrangements, including national and international deployments, significant and major events, resulting in increased community risk; reduced confidence; increased reputational damage; and external scrutiny.
CR7 7.1	The Fire Authority is unable to provide and maintain an effective digital and data provision to support the delivery of core functions, resulting in significant disruption to the organisation's functionality, reduced confidence, credibility, reputational damage and external scrutiny.
CR7	The Fire Authority is unable to provide effective management and security of

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7.2	organisational information and documentation including the receipt, storage, sharing and transfer of information and data, resulting in reputational damage, litigation, substantial fines and external scrutiny.
CR7 7.3	The Fire Authority is unable to prevent, respond to or recover from malicious attempts to damage or disrupt devices, services and networks - and the information on them.
CR8 8.1	The Fire Authority is unable to deliver its statutory responsibilities, predominantly through the Service Delivery Model, due to insufficient funds, resulting in external scrutiny and intervention; reduced confidence and credibility; and increased reputational damage.
CR8 8.2	The Fire Authority is unable to deliver effective financial management arrangements, due to misuse of funds, resulting in external scrutiny, intervention and litigation.

Where appropriate, these risks are then used to drive a key part of the internal audit plan.

### Identifying the “audit universe”

The audit universe describes all the systems, functions, operations and activities undertaken by the Authority. Given that the key risk to the Authority is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of these objectives in section 3 above. These auditable areas include the control processes put in place to address the key risks.

### Assessing the risk of auditable areas

Risk management is the process of identifying risks, evaluating their probability and potential consequences and determining the most effective methods of controlling or responding to them. The aim of risk management is to contribute to continued service improvement through improved risk-taking activities, reducing the frequency of loss events occurring, and minimising the consequences if they do occur.

There are a number of key factors for assessing the degree of risk within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:

- Risk
- Business impact
- Materiality
- Audit experience
- Potential for fraud and error

### Deriving the level of risk from the risk values

In this model, the overall scores are translated into an assessment of risk. The risk ratings used are high, medium or low to establish the frequency of coverage of internal audit.

## 6 Developing an internal audit plan

The internal audit plan is based on management's risk priorities, as set out in the Authority's own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by this risk analysis.

The level of risk, and other possible sources of assurance, will always determine the frequency by which auditable areas will be subject to audit. This ensures that key risk areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

During the period covered by this plan, the priority and frequency of audit work will be subject to amendment to recognise any changes in the risk profile of the Authority.

Auditor's judgement has been applied in assessing the number of days required for each audit identified in the strategic cycle.

The assessment of assurance need's purpose is to:

- determine priorities and establish the most cost-effective means of achieving audit objectives; and
- assist in the direction and control of all audit work

This approach builds upon and supersedes previous internal audit plans.

Included within the plan, in addition to audit days for field assignments are:

- a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested. This element has been calculated on the basis of past experience
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior year; and
- an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various meetings including the Audit Committee etc.

## 7 Considerations required of the Audit and Risk Committee and Senior Management

Are the objectives and key risks identified consistent with those recognised by the Authority?
--

Does the audit universe identified include all those systems which would be expected to be subject to internal audit?
---

Are the risk scores applied to the audit universe reasonable and reflect the service as it is recognised by the Authority?
--

Does the Internal Audit Plan cover the key risks as they are recognised?
--

Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?
--

## 8 Information to support the Internal Audit Plan

### **Resources required**

It is envisaged that 185 audit days will be required for delivery of the first year of the strategy.

### **Communication of results**

The outcome of internal audit reviews is communicated by way of a written report on each assignment undertaken. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

### **Staffing**

Where appropriate, audit staff are either professionally qualified, or sponsored to undertake relevant professional qualifications. All staff are subject to an appraisal programme, which leads to an identification of training needs. In this way, we ensure that staff are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

### **Quality assurance**

The internal audit service will adhere to the Public Sector Internal Audit Standards.

## 9 Internal Audit Plan for the period 1 April 2023 to 31 March 2024

Auditable Area	Purpose	Assessment of Assurance Need	Estimated Days
<b>Head of Portfolio</b>			
Risk Management	<p>A review to ensure the Authority is adequately identifying, assessing and managing the risks it faces in achieving its objectives.</p> <p>(The Head of Internal Audit is required to give an annual opinion on the adequacy and effectiveness of the Authority's risk management arrangements.)</p>	High	10
<b>Director Enabling Services</b>			
Governance	<p>An annual review of aspects of the Authority's governance arrangements. This audit will evaluate the design, implementation and effectiveness of its ethics-related objectives, programmes and activities.</p> <p>(The Head of Internal Audit is required to give an annual opinion on the adequacy and effectiveness of the Authority's governance arrangements.)</p>	High	10
<b>Head of People Support</b>			
Absence Management	<p>A review of compliance with the requirements of the absence management policy.</p> <p>(Linked to risk CR2 2.2)</p>	Medium	12
Payroll/Pensions	<p>A review of the key financial controls relating to the administration of the Payroll System.</p> <p>(Linked to risk CR8 8.2)</p>	High	15
Pension Certification	<p>A review of the entries on the annual pension statement to confirm the accuracy of the employee and employer contributions calculated in respect of contributors to the fund.</p> <p>(Linked to risk CR8 8.2)</p>	High	3

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Auditable Area	Purpose	Assessment of Assurance Need	Estimated Days
<b>Head of Digital and Data</b>			
IT	A review to ensure that access to systems and data is controlled, encompassing setting up system users, removal of leavers system access, maintaining password and access controls and monitoring access rights.  (Linked to risk CR7 7.1)	High	15
Data Protection	A review of the Authority's monitoring of adherence to the requirements of the General Data Protection Regulations.  (Linked to risk CR7 7.2)	High	15
<b>Head of Finance and Procurement</b>			
One of the roles of our Key Financial System reviews is to help inform the work of the Authority's external auditors where appropriate. All such reviews in these areas are deemed high risk by their very nature.			
Accounts Receivable	A review of the key financial controls relating to invoicing and collection of debts.  (Linked to risk CR8 8.2)	High	12
Accounts Payable	A review of the key financial controls relating to the ordering and payment of goods and services.  (Linked to risk CR8 8.2)	High	12
Fixed Asset Accounting/Asset Planning	A review of the key financial controls relating to the accurate recording of fixed assets, including assessing the impact of potential asset sales and valuation reductions.  (Linked to risk CR8 8.2)	High	12
Budgetary Control	A review of the key financial controls relating to Budgetary Control.  (Linked to risk CR8 8.2)	High	15
Counter Fraud (Demonstrating a pro-active approach to countering fraud and corruption is a key element of good	The council's Counter Fraud Unit provide support and advice to tackle fraud and corruption, including assistance with the Cabinet Office's National Fraud Initiative. Over the course of the next 12 months officers of the Counter Fraud Unit will liaise with key	-	10

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Auditable Area	Purpose	Assessment of Assurance Need	Estimated Days
governance)	<p>Chief Officers to access the need for sample and deep dive fraud preventative testing exercises and measure the requirements for fraud awareness training.</p> <p>In addition, the Counter Fraud Unit is available to conduct investigations when required to do so. Days/costs can be discussed on a case by case basis.</p> <p>(Linked to risk CR8 8.2)</p>		
National Fraud Initiative	<p>We will lead on the Authority's NFI requirements. We will work with the Cabinet Office to ensure that the Authority continues to meet all its responsibilities.</p> <p>(It is a requirement that this exercise is undertaken.)</p>	-	10
<b>Other</b>			
Contingency	Special projects, investigations, advice and assistance and ad-hoc work as requested.	-	7
Management	An allocation of time for the management of the internal audit service. To include meeting any training requirements of the Authority or Members and for preparation for, and attendance at, various meetings including the Audit and Risk Committee (to include where appropriate, a Committee skills audit and self-assessment workshop).	-	15
Follow up	<p>A follow up of the key audit recommendations made during the previous year.</p> <p>(The Head of Internal Audit is required to obtain assurances that previously agreed actions have been implemented.)</p>	-	12
<b>Total</b>			<b>185</b>

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## Appendix B

## Indicative Future Internal Audit Plan

Auditable Areas:	Risk	24/25	25/26
<b>Head of Portfolio</b>			
Risk Management	High	✓	✓
Partnerships	Medium		✓
<b>Head of Operations</b>			
Fire Stations – Management of Fuel	Medium		✓
<b>Head of People Support</b>			
Absence Management	Medium	✓	
Workforce Planning	Medium		✓
Payroll/Pensions (KFS)	High	✓	✓
Pension Certification	High	✓	✓
<b>Head of Response, FC and Emergency Planning</b>			
Business Continuity Plan	Medium		✓
<b>Director Enabling Services</b>			
Governance	High	✓	✓
<b>Head of Digital and Data</b>			
IT	High	✓	✓
Freedom of Information	Medium		✓
Data Protection	High	✓	✓
Environmental Protection Targets	Medium		✓
<b>Head of Finance and Procurement</b>			
Accounts Receivable (KFS)	High	✓	✓
Accounts Payable (KFS)	High	✓	✓
Fixed Asset Accounting/Asset Planning (KFS)	High	✓	✓
Budgetary Control (KFS)	High	✓	✓
Counter Fraud	-	✓	✓
National Fraud Initiative	-	✓	✓
<b>Other</b>			
Contingency	-	✓	✓
Management	-	✓	✓
Follow Up	-	✓	✓
<b>Total</b>		<b>185</b>	<b>185</b>

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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY** Item 11

**AUDIT AND RISK COMMITTEE**

**20 MARCH 2023**

1. **INTERNAL AUDIT CHARTER – ANNUAL REVIEW**

Report of the Audit Manager [Sandwell MBC].

RECOMMENDED

- 1.1 THAT the existing Internal Audit Charter be approved subject to its next annual review.

2. **PURPOSE OF REPORT.**

- 2.1 To ask the Committee to review the Internal Audit Charter.

3. **BACKGROUND**

- 3.1 There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Internal Audit Charter reflects this and was first approved by the Audit and Risk Committee in January 2014. It was last reviewed in March 2022 and is now due for its next review.

- 3.2 There have been no changes to the Charter since it was last reviewed.

4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and/or do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

- 5.1 The Accounts and Audit Regulations Act states that a relevant body must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

6. **FINANCIAL IMPLICATIONS**

- 6.1 Implementation of the recommendation will be undertaken within existing resources.

**BACKGROUND PAPERS**

None.

Peter Farrow  
Audit Services and Risk Management Manager, Sandwell MBC

## Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## Mission of internal audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## Core Principles for the Professional Practice of Internal Auditing

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement

## Authority and standards

Internal audit is a statutory service in the context of the Accounts and Audit Regulations (Amendment)(England) 2015. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements

The Local Government, England and Wales, Accounts and Audit Regulations 2015 states that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"*. These Standards have been adopted by the Fire Authority's internal audit section.

Public Sector Internal  
Audit Standards

Applying the ISA International Standards to  
the UK Public Sector

Internal audit have the right of access to all records, assets, personnel and premises, including those of partner organisations, and has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Throughout the Public Sector Internal Audit Standards, reference is made to the terms 'Chief Audit Executive', 'board' and 'senior management'. For the purposes of this Charter, the 'Chief Audit Executive' is defined as the Audit Services Manager the 'board' as the Audit and Risk Committee and 'senior management' as the senior managers within the Fire Authority.

## **Scope and objectives of internal audit activities**

The scope of work of internal audit is to determine whether the Fire Authority's risk management, control, and governance processes are adequate and effective in order to ensure that:

- Key risks are identified and managed;
- Key financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the Fire Authority's control process; and
- Key legislative and regulatory issues impacting the Fire Authority are identified and addressed appropriately.

Internal audit's remit extends to the entire control environment of the Fire Authority and not just financial controls.

Where other internal or external assurance providers may have undertaken relevant assurance and audit work, internal audit will seek to rely on the work of these other assurance providers where professional standards would make it appropriate to do so.

## **Responsibilities**

Internal audit has a responsibility to:

- Provide a cost effective and value added full internal audit service;
- Develop a flexible annual audit plan using a risk-based methodology;
- Implement the annual audit plan;
- Track status of outstanding management actions;
- Provide regular updates on the work of internal audit to the Audit and

Risk Committee and where appropriate, senior officers;

- Assist, as needed, in the investigation of significant suspected fraudulent activities within the organisation; and
- Work with the External Auditor (currently Grant Thornton) and other review bodies to share assurance and minimise duplication.

## **Organisational independence**

Internal audit is involved in the determination of its priorities in consultation with those charged with governance. The Audit Services Manager has direct access and freedom to report in his own name to all officers and Members and particularly to those charged with governance. If required, the Audit Services Manager may request to meet privately with the Audit and Risk Committee.

Internal audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement.

## **Accountability, reporting lines and relationships**

The Audit Services Manager reports on an administrative basis to the Head of Finance and Procurement, and reports functionally to the Audit and Risk Committee, and other senior management. The Audit Services Manager also, where appropriate, works closely with the Monitoring Officer. An Annual report will also be produced and presented to the Audit and Risk Committee which will include an 'opinion' from the Audit Services Manager on the adequacy and effectiveness of internal control, risk management and governance within the Fire Authority.

A written report will be prepared by internal audit for every internal audit review. The report will be subject to an internal quality review before being issued to the responsible officer and, where appropriate, will include an 'opinion' on the adequacy of controls in the area that has been audited. The responsible officer will be asked to respond to the report in writing. The written response must show what actions have been taken or are planned in relation to each recommendation. Accountability for the response to the advice and recommendation of internal audit lies with management, who either accept and implement the advice or formally reject it.

The full role and responsibilities of the Audit and Risk Committee are detailed in their terms of reference, which are based on the model provided by CIPFA in their “Audit Committees – Practical Guidance for Local Authorities”.

### **Internal audit resourcing**

Internal audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience. Internal auditors need to be properly trained to fulfill their responsibilities and should maintain their professional competence.

The Head of Finance and Procurement is responsible for the appointment of the Audit Service, which then provides the Audit Services Manager, who must be suitably qualified and experienced. The Audit Services Manager is responsible for appointing all of the other staff to internal audit and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

The Audit Services Manager is responsible for ensuring that the resources of internal audit are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient, this must be formally reported to the Head of Finance and Procurement, and if the position is not resolved, to the Audit and Risk Committee.

### **Fraud**

Managing the risk of fraud is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal audit may be requested by management to assist with fraud related work.

The Fire Authority’s Financial Regulations require that all suspected irregularities are reported to the Audit Services Manager.

### **Advisory work**

The Public Sector Internal Audit Standards allow that internal audit effort may, where considered to have the right skills, experience and available resource, sometimes be more usefully focused towards providing advice rather than assurance over key controls. Any such internal audit involvement in consultancy and advisory work, would only take place where it would not constitute a conflict of interest in keeping an independent stance. Any significant additional consulting services will be approved by the Audit and Risk Committee beforehand.

**Review of the internal audit charter**

This charter will be reviewed annually by the Audit Services Manager and the Audit and Risk Committee.



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY** <sup>Item 12</sup>

**AUDIT AND RISK COMMITTEE**

**20 MARCH 2023**

1. **ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

Report of the Chief Fire Officer

RECOMMENDED

- 1.1 THAT the Committee note the contents of the Annual Report of the Senior Information Risk Owner (SIRO) 2022.

2. **PURPOSE OF REPORT**

- 2.1 The annual report from the SIRO report is a planned publication that provides assurance in relation to how the organisation discharges its duties and responsibilities in relation to information governance.

3. **BACKGROUND**

- 3.1 The organisation has an existing Management of Information framework and supporting policies that define how information is managed within the organisation.
- 3.2 The digital transformation that the organisation has undertaken has delivered many benefits including increasing reliance on the underlying information systems, infrastructure and data.
- 3.3 The Annual Report from the SIRO provides further detail about performance against specific legislation such as the Data Protection Act 2018 but also to consider the wider risks and mitigations related to information governance.
- 3.4 Outcomes from internal and external audit are included in the report to provide additional assurance about information governance.

#### 4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 This is not required as this report does not impact any positive characteristics.

#### 5. **LEGAL IMPLICATIONS**

- 5.1 It is considered best practice for organisations to provide assurance in relation to its performance reference information governance.

#### 6. **FINANCIAL IMPLICATIONS**

- 6.1 Improved proactive information governance reduces the risk of regulatory action and monetary penalties from the Information Commissioner's Office (ICO).

#### 7. **ENVIRONMENTAL IMPLICATIONS**

- 7.1 There are no environmental implications.

### **BACKGROUND PAPERS**

[Annual Data and Governance Report to SIRO - 2022.docx](#)

The contact Officer for this report is Karen Gowreesunker, Assistant Chief Fire Officer.

WAYNE BROWN  
CHIEF FIRE OFFICER

# ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

2022

## [Abstract](#)

This annual report provides an update from the Senior Information Risk Owner (SIRO) in respect of activity and performance related to information governance. It provides assurances that information risks are being effectively managed; what is going well; and where improvements are required.

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## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

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**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER****Executive Summary**

This annual report provides an update from the Senior Information Risk Owner (SIRO) in respect of activity and performance related to information governance for the previous year. It provides assurances that information risks are being effectively managed; what is going well; and where improvements are required. The report outlines new and emerging information governance considerations and the projects and tasks the organisation has in place to minimise risk and improve performance. West Midlands Fire Service continues to be committed to effective information governance, with robust arrangements in place to ensure the organisation complies with legislation and adopts best practice. Governance arrangements are closely monitored to ensure systems, policies and procedures are fit for purpose; and that all employees and elected members understand the importance of information governance and security so that good practice is everyone's business and embedded as part of the West Midlands Fire Service culture. The most recent audit undertaken gave an outcome of 'substantial assurance' for freedom of information arrangements. Cyber risks present a real and increasing challenge to all organisations with a summary included to list action already undertaken and further activity planned to maintain and strengthen defences and enhance corporate resilience. Performance in relation to information requests processed under for example Freedom of Information and Data Protection legislation is summarised in the report.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

### Introduction

- The annual report from the Senior Information Risk Owner (SIRO) Annual reflects on the organisation's information governance work undertaken during the preceding year and provides assurances that personal data is held securely; information is disseminated effectively and provides an overview of key performance indicators relating to the organisation's processing of information requests within the necessary legal frameworks.
- The Annual Report also provides a forward look at new and emerging information governance considerations for the organisation, the work the organisation has in place to minimise risk or improve performance.

### Key Roles and Responsibilities

The Chief Fire Officer, as the most senior role in the service, is responsible for advising the Fire Authority and for ensuring, along with the Authority's Monitoring Officer and Treasurer, that the Authority can effectively discharge all responsibilities imposed upon it by statute and guidance. There has been an interim Chief Fire Officer appointed within the organisation due to the retirement of the previous incumbent.

West Midlands Fire and Rescue Authority are responsible for the governance of West Midlands Fire Service and are required to operate in accordance with a wide range of legislation. They are accountable to the communities of the West Midlands for the service provided by the fire service.

The role of Senior Information Risk Owner (SIRO) is held by the Assistant Chief Fire Officer for Enabling Services with responsibility for information security within West Midlands Fire Service. There is a new post holder in this role and to provide resilience and support, other Brigade Managers have also undertaken SIRO training.

The SIRO role is supported by the information Asset Owners (IAO) who are the Strategic Enabling Team (SET) with responsibility for information assets within their respective areas.

The Data Protection Officer is responsible for monitoring internal compliance, informing and advising on the organisation's data protection obligations, providing advice regarding Data Protection Impact Assessments (DPIAs) and acting as a contact point for data subjects and the supervisory authority i.e. The Information Commissioner's Office (ICO).

The Data and Governance team support the Data Protection Officer to effectively undertake their duties and provide specialist skills and experience to ensure appropriate resilience for information governance activities. The Data and Governance team are undergoing restructure along with the rest of the Digital and Data area and more resources are being refocused into the Governance area.



## **ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

Employees are responsible for adhering to the relevant policies of the organisation in respect of protecting information and adhering to appropriate classifications, handling instructions and confidentiality requirements.

Any third parties such as contractors or volunteers are also required to handle organisational assets in line with the relevant policies and this is supervised by the relevant hiring manager.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

### Governance and Monitoring Arrangements

West Midlands Fire Service is audited by Sandwell MBC who conduct an annual themed review of matters related to information management. External audits are also undertaken by Grant Thornton to provide an additional layer of assurance. The most recent audit from Sandwell MBC gave the highest level of 'substantial assurance' in relation to data protection activities for this reporting period. The planned information governance activities will build upon this outcome and seek to exceed this assessment.

The Audit and Risk Committee of West Midlands Fire Authority provide scrutiny of the arrangements in place within West Midlands Fire Service including information governance and compliance with relevant legislation.

The ICO is the UK's independent supervisory body set up to uphold information rights with responsibility for data protection, freedom of information and other legislation related to accessing information.

### Management and Assurance

West Midlands Fire Service has a Corporate Risk Register and Risks 7.1 and 7.2 relate to the confidentiality, integrity and availability of systems including identification of risk and the controls applied to mitigate the risk. A new risk 7.3 Cyber Security was added to the Corporate Risk Register



in this reporting period to give greater focus to this important area. These risks are reviewed and reported to the Strategic Enabling Team monthly to ensure that emerging and new risks are captured in a timely manner.

The Portfolio, Programmes and Project system (3PT) captures risks related to transition and operational activities and ensures that these are monitored at Portfolio and Programme Board level.

The outcomes of audits by Sandwell MBC are integrated into the organisational policies, processes, and procedures.

Periodically the organisation will commission external organisational assurance reviews to provide independent scrutiny of specialist areas such as Digital and Data to provide assurance that the organisational infrastructure is secure, and the threat of cyber security incidents is minimised.

The organisation has a Management of Information framework that is a comprehensive policy covering how information should be managed and includes classification, handling instructions, best practice, and guidance for all employees, and is based upon the government Data Quality Life Cycle.

Generic training is provided by the Data and Governance Team and covers managing information principles and compliance with data protection legislation. This training has been refreshed to be available in the new Talent and Learn system. This is supported by regular global updates to remind employees about protocols related to the security of information. SET as the Information Asset Owners also receive bespoke training sourced externally to enable them to perform their role.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

Data protection training, specific to role, has been provided to Staffordshire and West Midlands Fire Control by the Data Protection Officer from Staffordshire Fire and Rescue Service.

### Training

Course Name	Completed	Not Completed
Management of Information	75%	25%
GDPR	87%	13%

Going forward, the GDPR module will be withdrawn, and data protection will be embedded across the Management of Information training. It will be modular in structure focusing in-depth on specific aspects of information governance. This aligns to the organisation's strategy and data driven approach requiring a greater level of maturity and enhanced capability in the organisation.

### Planned and Completed Activity in 3PT

Information governance has been embedded as a key part of the digital transformation within the organisation, this area of work has moved to the Enabling Services Programme of Work and Digital and Data Business as Usual (BAU) project.

#### Completed in the Reporting Period:

The Management of Information framework is a fast-moving policy and under continual review to ensure that the digital first strategy of the organisation is achieved and supported by the framework. The policy was updated to align to the government data quality life cycle and to set out a digital first approach to record retention thus reducing paper archives.

The automated enforced marking of documents, emails and other material was implemented and is being monitored for compliance against data loss prevention policies whereby incorrect application of the classification and labelling of material can be intelligently and automatically identified without manual intervention.

Automated information retrieval is used regularly to improve compliance with statutory time limits for subject access requests under the Data Protection Act 2018 and reduce reliance on manual processes. This technology is also being used to maintain the information sharing register to ensure that a complete picture of where proactive information sharing is taking place with partner agencies.

Implementation of a Data Protection Feedback process has captured organisational learning from data protection breaches to aid future prevention and identify emerging risks.

A programme of work is underway to reduce or remove permanent paper archives and continue to digitise information going forward which is supported as the preferred approach in policies.

#### Planned for the next Reporting Period:

The Management of Information framework has been updated to include further information about the subject access requests process, imagery, and digitisation of paper copies. Further work about contemporaneous notes and recording of information to align with best practice is planned.

Enforcement of information protection processes such as encryption will be implemented by default to minimise data loss and ensure that information is adequately protected in line with its classification.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

The implementation of an automated FOI management process is in development and development time has been substantially reduced by reusing existing code and aligning this process to the very successful Complaints, Compliments and Comments (CCC) system that has been introduced within the organisation.

Progress within this workstream is reported monthly to the Enabling Services Programme Board including issues, risks, assumptions and dependencies with other organisational projects and programmes of work. Deviations from expected outputs are highlighted and discussed, and impacts upon the expected value from the project are considered.

### Digital and Data Security & Cyber Risks



Information governance and cyber risk are considered to be significant risk areas for all organisations locally, nationally and globally, with risks of accidental data loss, physical system failures and direct malicious cyber-attacks an ongoing area requiring focus. There is an ongoing need for the organisation to address all aspects of this risk through robust technical solutions and risk management processes as well as addressing the cultural and behavioural elements of this risk.

The National Cyber Security Centre (NCSC) produces a weekly cyber security threat bulletin that evidences the risks to organisations both within the public and private sector.

#### What has been done

In summary, the following key actions were delivered which has improved the organisation's management of information risks:

- Attainment of Cyber Essentials which is a government backed scheme that enables organisations to assess themselves against a set of pre-defined standards.
- Implementation of outcomes from an external information assurance to remediate weaknesses in the management of passwords, patching of systems and treatment of legacy hardware and software systems.
- Proactive scanning of infrastructure to monitor activities and more easily identify areas of concern.
- Implementation of multi-factor authentication and conditional access giving improved management of identification of users and devices rolled out widely across the organisation.

#### What is planned

Progress has also been made with the following actions, with further work planned during the next year:

- Outputs from external audit of IT by Grant Thornton to be scheduled into program of work.
- Compliance with Government Minimum Technical Cyber Security Standards and accreditation with Cyber Essentials Plus which is an external verification and assurance of the organisational approach to information security.
- Implementation of multi-factor authentication and conditional access giving improved management of identification of users and devices to be rolled out to all users.
- Automated classification of information and application of controls by default to reduce data loss.

**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

- Planned internal cyber security exercises using toolkits provided by the Cabinet Office.
- Sharing of the content within this report with the Organisational Intelligence Team to improve policies and learning.
- Inclusion of the content within this report within the Station Peer Assessment (SPA) process.

As the importance of digital information and networks grows, cyber security is of high importance and remains a corporate priority. The type of risks posed include theft of sensitive corporate and personal data, theft or damage to data, threat of hacking for criminal or fraud purposes and potential disruption to infrastructure such as ICT systems, intranet, and our public facing website. The National Cyber Security Centre (NCSC) has advised that Cyber risk has been increasing for several years and where possible WMFS has followed the published guidance and achieved accreditation with Cyber Essentials. Pockets of global instability heighten the risk of cyber-attacks, and this has been experienced by the organisation through 'spoofing' emails from Russian email domain addresses.

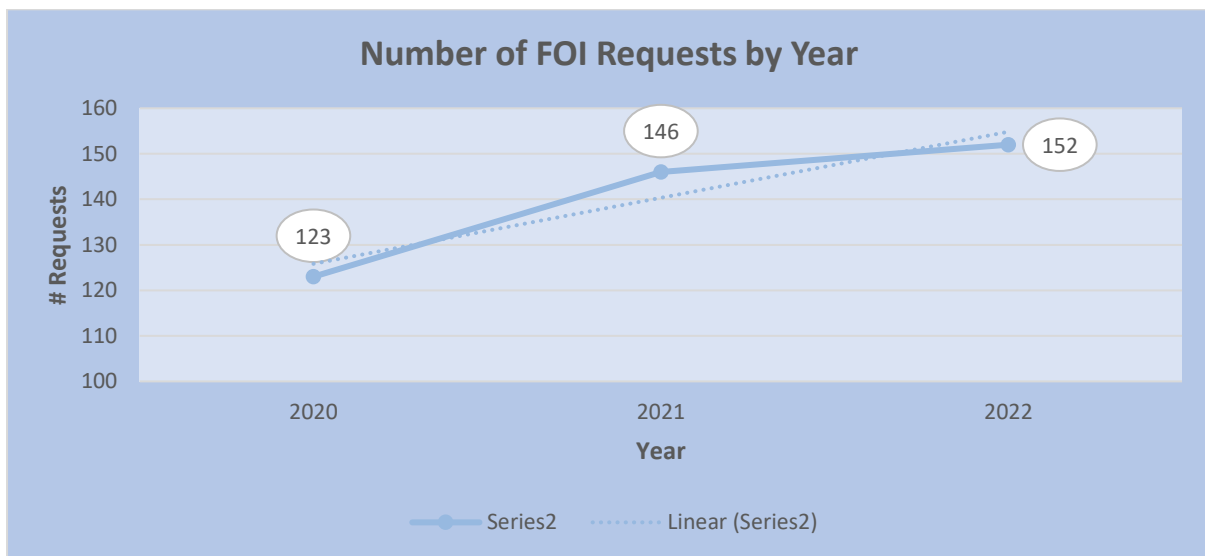
## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

## Freedom of Information 2000

The Freedom of Information Act 2000 gives people the right to request information from public authorities and is intended to promote a culture of openness, transparency and accountability amongst public sector bodies and enable the public to better understand how public authorities carry out their duties, how they make decisions and how they spend their money.

## Level of activity

Year	Number of FOI requests
2020	123
2021	146
2022	152



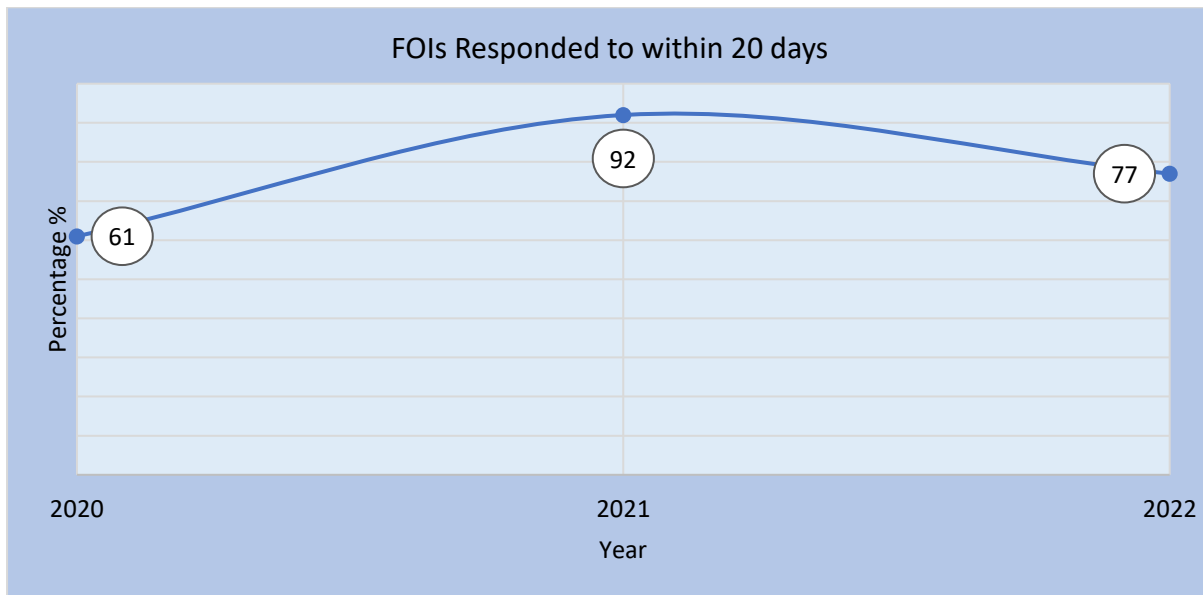
The number of requests processed and the trendline is upwards but not as pronounced as the increase from 2020 to 2021 which may be attributable to the global pandemic. Anecdotal evidence from the Data and Governance team indicates that the complexity of requests has increased.

Statistics are showing that the number of occasions where the information is readily accessible to the requester has increased. This negates the requirement to gather the information which is more resource intensive than signposting to where the data is published or available. This approach adopted by the organisation to proactively publish information has underpinned this increased efficiency and aided transparency and openness.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

## FOI requests processed within 20-day statutory time limit

Year	Within time limit %
2020	61
2021	92
2022	77



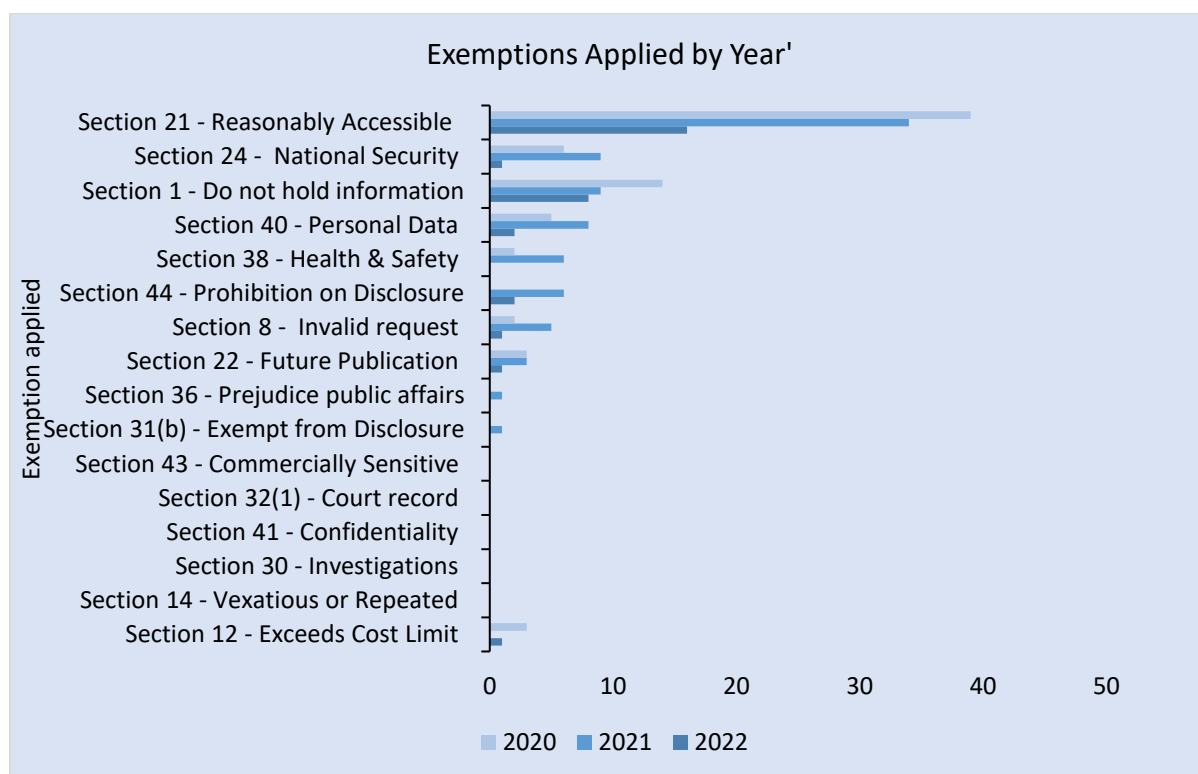
In 2022 there was a decline in the number of FOI requests being processed within the statutory time limit. It did not return to the previously lower levels of 2020 but is a cause for concern. The approvals process was automated in Q4 2022 and it is anticipated that the response times will improve for the next reporting period.

The aspiration would be to respond to 100% of requests within the statutory timescale. The Information Commissioner's Officer has set the tolerance threshold at 90% and currently 52% of central government departments are not meeting this threshold. The organisation would want to at least return to the 90% threshold by Q4 2023.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

## Exemptions

Exemption applied	2020	2021	2022
Section 12 - Exceeds Cost Limit	1	0	3
Section 14 - Vexatious or Repeated	0	0	0
Section 30 - Investigations	0	0	0
Section 41 - Confidentiality	0	0	0
Section 32(1) - Court record	0	0	0
Section 43 - Commercially Sensitive	0	0	0
Section 31(b) - Exempt from Disclosure	0	1	0
Section 36 - Prejudice public affairs	0	1	0
Section 22 - Future Publication	1	3	3
Section 8 - Invalid request	1	5	2
Section 44 - Prohibition on Disclosure	2	6	0
Section 38 - Health & Safety	0	6	2
Section 40 - Personal Data	2	8	5
Section 1 - Do not hold information	8	9	14
Section 24 - National Security	1	9	6
Section 21 - Reasonably Accessible by other means	16	34	39
Total	32	79	74



## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

## Charges

WMFS cannot charge for the provision of information, however if it is estimated that a request will incur unreasonable cost then it can issue a Refusal Notice under Section 12 of the Act and issue a Fees Notice. The threshold set by the Act is 18 hours (equivalent to £450 at a notional hourly rate of £25).

To reach a decision about whether to apply a Section 12 exemption, the Data and Governance Team works with the service area to estimate the expected time to:

- determine whether the information is held
- locate information or appropriate documents
- retrieve the information or document containing it
- extract the information
- process the request

Year	Section 12 Notice	Total value	Paid
2020	1	£6250	None
2021	0	0	Not applicable
2022	3	£1150	None

## Internal Reviews

Customers who submit a FOI request can request an internal review if they are not satisfied with the response provided. Internal reviews provide WMFS with an opportunity to review the request handling process prior to any potential referral to the Information Commissioner's Office by the requester

Year	Internal Review Requests
2020	1
2021	1
2022	1

## Outcomes of Internal Reviews

Year	Decision upheld	Fee notice	Further information
2020	1	1	0
2021	1	0	1*
2022	1	0	1*

\*The requester had been directed to the information in the data published by the organisation but could not find it so further clarity was provided.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

## FOI Referrals to the Information Commissioner's Office (ICO)

If an applicant is not satisfied with the outcome of an Internal Review, they can refer their case to the Information Commissioner, who will assess the case and make an independent decision about the way WMFS has handled the request.

Following a referral and a subsequent case investigation, the ICO can issue a Decision Notice requiring WMFS to disclose information it may previously have refused to disclose.

Year	Number
2020	0
2021	0
2022	0

No applicants have referred the organisation's internal reviews to the ICO for further review in the reporting period.

## Referrals to the First Tier Tribunal (FTT)

If an applicant is dissatisfied with the Information Commissioner's decision, they have the right to refer the matter to the First Tier Tribunal (FTT). WMFS can also appeal fines issued for data breaches and enforcement notices to the FTT. The FTT is independent of the Government and listens to representation from both parties before it reaches a decision. Any party wishing to appeal against an ICO Decision Notice has 28 days to do so.

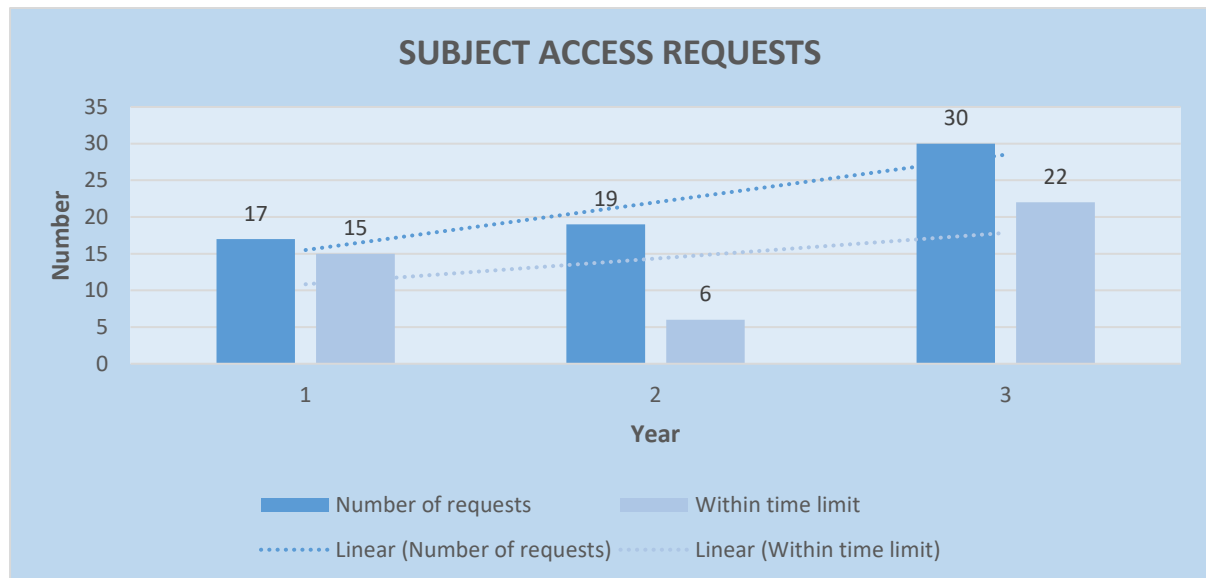
There have been 0 referrals to the FTT in the past 3 years

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

## Data Protection Act 2018 (DPA)

Under the Data Protection Act 2018 any living person, regardless of their age, can request information about themselves that is held by WMFS. This application process is referred to as a Subject Access Request (SAR).

Year	Number of requests	Within time limit
2020	7	2
2021	18	7
2022	30	22



Automation improvements were successfully piloted to support the retrieval of information for SARs as previously the process was predominantly manual searches and redaction. It was reliant upon employees responding promptly to requests from the Governance Team, but this can be impacted by availability and capacity. These new innovations have shown a significant improvement in retrieving relevant information increasing from 39% in 2021 to 73% in 2022. This is against a backdrop of a significant increase in the number of SARs but also the complexity.

## Data Breach Management and Reporting

Any concerns relating to potential data breaches are promptly investigated and risk assessed based on scale, assessment of numbers of people affected, sensitivity, nature of breach and likely impact. Dependant on the assessment, the incident may need escalation to the SIRO and IAO and may be self-referred by WMFS to the Information Commissioners Office (ICO). The reporting, attempt to recover, investigation and learning phases of data breach incidents play a key role in the management of risk and improvement of internal controls. The introduction of the data protection feedback process also captures organisation learning and identifies improvements to prevent similar occurrences.

## Summary of Data Protection Breaches

The table below shows the number and broad categories of the type of data protection breaches within the organisation. The data protection breaches increased from 2018 which aligned with the introduction of the General Data Protection Regulations and Data Protection Act 2018. Within the

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

organisational implementation plan, increased training and guidance was made available to all employees so the increase in reporting may be an indicator of greater awareness.

	Number
<b>2020</b>	<b>10</b>
DM Security Incident : Human Error : Personal Information - Breached	8
DM Security Incident : Human Error : Personal Information -Possible Breach	1
DM Security Incident : Unauthorised Access : Personal Information – Breached	1
<b>2021</b>	<b>22</b>
DM Security Incident - Human error - Personal information - breached	8
DM Security Incident : Criminal Activity : Spoofing Email: Personal Information – Breached	1
DM Security Incident : Unauthorised Access : Personal Information – Breached	4
DM Security Incident : Systems Error : Personal Information – Breached	6
DM Security Incident : Systems Error : Personal Information – Not Breached	2
DM: Security Incident: Ransomware 3 <sup>rd</sup> Party Supplier: Personal Information – Breached	1
<b>2022</b>	<b>24</b>
DM Security Incident Data Breach - Human Error Access to personal information	17
DM Security Incident Data Breach – Systems error – Personnel Information	4
DM Security Incident Data Breach – Lost equipment – Radio	1
DM Security Incident Data Breach – Human Error – Photograph	1
DM Security Incident Data Breach – Ransomware attack – external	1
<b>Total</b>	<b>56</b>

Consistently across the reporting period ‘Human Error’ was the single highest factor in data protection breaches. A refresh of the organisational Management of Information training is currently in progress to reduce the number of these incidents and consideration of more targeted training for specific areas.

There were 2 data protection breaches that classified as High risk to the individual’s rights and freedoms and were reported to the ICO:



1. Inappropriate handling of payslips – Pensioner payslips were posted without an appropriate level of obfuscation of the personal data contained inside and;

2. Inappropriate use of a personal image – A personal image was used inappropriately by a 3<sup>rd</sup> party causing distress to a female employee.

The ICO did not pursue any regulatory action because of the reports above but did provide advice and guidance to reduce the likelihood of future occurrences.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

## Environmental Information Regulations 2004 (EIR)



Since the EIR Regulations came into force in 2004, WMFS has processed a very limited number of requests for information under this legislation.

EIR is similar to the Freedom of Information Act insofar as it gives the public access to environmental information to encourage greater awareness of issues that affect the environment. It includes policies, plans and procedures relating to the environment, reports on the state of the environment, and environmental impact studies. It also includes data taken from monitoring activities and risk assessments that affect or are likely to affect the environment.

There have been no requests received within the organisation under this legislation. However this may change due to a recent decision by the ICO ([Reference: IC-90850-D4P0](#)) that fire safety reports are environmental information and the appropriate legislation is the Environmental Information Regulations 2004.

## 12. Transparency and Open Data

The organisation routinely publishes data about its activities to promote awareness, understanding and scrutiny as a public body. It also creates efficiencies and reduces the time taken to handle FOI requests if the requester can be directed to the information.

Incident data is published on the organisational website and gives an anonymised overview of the incidents received, the type of incidents and the operational response in terms of appliances sent to deal with the incident. This information is processed against standardised geographies that are published from the Office of National Statistics (ONS).

Information about the breakdown of the workforce is also published giving detail about gender, ethnicity, belief systems, sexual orientation, age, and gender pay differentials.

Every FOI request is anonymised and published on the organisational website so that the public can see what has already been requested and re-use that information.

The Community Risk Management Plan is published on the organisational website setting out the priorities and objectives in 'Our Plan'. It is a rolling, three-year document which covers things like reducing serious traffic accidents, helping people have safer, healthier lives and ensuring emergencies are tackled effectively and safely.

The Annual Assurance Report provides a yearly overview of governance activities and the framework in which the organisation operates. The document is available on the organisational website and links to other key pieces of information such as the Statement of Accounts (Summary and Full Reports), Annual Audit Letter, Efficiency Plan, Contracts, Expenditure over £500, land and building assets of the Authority and the Pay policy.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

Information about fire safety enforcement action such as prohibitions and enforcement notices under the Regulatory Reform (Fire Safety) Order 2005 are published for every fire and rescue service through a data portal managed by the National Fire Chiefs' Council (NFCC).

The organisation also routinely provides returns to the Home Office about the incidents that it attends, the number of safe and well visits and fire safety audits it has undertaken, and information about the workforce profile. This information is anonymised and published on the government (.gov.uk) website.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) publishes its assessment about how effectively and efficiently West Midlands Fire Service prevents, protects the public against and responds to fires and other emergencies. It also assesses how well the organisation looks after the people who work for the service.

### 13.Conclusion

Information is a key organisational asset and West Midlands Fire Service strives to derive maximum benefit from the information that it collects, shares and receives. To deliver this, it is critical that information is managed effectively and protected in terms of confidentiality, integrity and availability so that the organisation can continue to make data driven decisions. A program of work is in place as part of the organisation's Portfolio to ensure that the benefits of data driven decision making are firmly embedded and the risks to this approach are mitigated.

The foundations of a robust information management framework have been delivered and is being reviewed to align with new ways of working and the introduction of technologies that will automate protecting data and accessing systems. The National Fire Chiefs' Council (NFCC) has published a national fire standard related to Data Management. A gap analysis is underway, and a program of work will follow to ensure that the organisation meets and exceeds this standard.

Minimum cyber security standards have been published by government and progress is being made against this to achieve compliance and benchmark against industry standards. Within the next reporting period, there will be a concerted effort to ensure that we build upon the 'substantial assurance' outcome from the last information governance themed audit by Sandwell MBC and maintain a position of excellence with information governance and assurance activities. Where possible technology is being used to simplify how we protect the confidentiality, integrity, and availability of information

The focus for the following year is to implement functionality across the organisation to improve cyber security, protect information assets and prevent data loss by default. There are projects in place to digitise paper records and as part of this process, retention and archiving will become more automated and proactive. There will also be a drive to consolidate and simplify data across fewer platforms so that it becomes easier to make information available to those who need it and protect it from those who do not need it.

# Annual Report of the Senior Information Risk Owner (SIRO) 2022

Audit and Risk Committee



# Roles and Responsibilities

- West Midlands Fire and Rescue Authority
- The Chief Fire Officer
  - New Chief Fire Officer
- Senior Information Risk Owner (SIRO)
  - New SIRO
  - Brigade Managers
  - Resilience and Support
- Information Asset Owners (IAO)
- The Data Protection Officer
- Data and Governance Team
  - Restructuring Governance Team
  - Meet legislative requirements
- Employees, Contractors, Third Parties



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ASSURANCE



# Annual Report - Purpose

- Good Practice
- Assurance
  - Internal
  - External
- Identify
  - What has gone well
  - What we have learnt
  - Improvements we will make
- Transparency

# Annual Report - Overview

- Legislation & Standards
  - Data Protection Act 2018
  - Freedom of Information Act 2000
  - Environmental Information Regulations 2004
- Performance
  - Statutory Time Limits
  - Local Performance Indicators (LPI)
  - Audit Outcomes
- Risk Mitigation
  - Corporate Risk
  - Cyber Security
  - National Cyber Security Centre
- Future Developments
  - Continued Digital Enablement
  - Automated Processes



# Key Findings

- Responsibilities and Roles supported by Policy
  - Additional Resilience for SIRO
- Compliance performance indicators
  - FOI
    - Downwards - impacted
    - New approvals process
    - Restructure
    - Additional Resources refocused
  - DPA
    - Upwards - Positive
    - Numbers increased
    - Response times improved
    - Automated retrieval benefit
- Mature framework
  - Embedded processes
  - Automation
- Proactive not reactive
  - Assessing risk first
    - Joint Consultative Committee
    - Strategic Enabling Team
- Audit – Sandwell MBC
  - Outcome
    - ‘Substantial Assurance’
- Cyber Security is increasing globally
- Digital transformation
  - Benefits
  - Challenges



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**20 MARCH 2023**

**1. INFORMATION GOVERNANCE AUDIT OUTCOMES**

Report of the Chief Fire Officer

RECOMMENDED

- 1.1 THAT the Committee note the contents of the Annual Report from Sandwell MBC 2022.

**2. PURPOSE OF REPORT**

- 2.1 Sandwell MBC undertake an annual themed audit of information governance activities in the organisation. They assess information governance activities and provide an assessment of assurance level and any key areas for improvement.

**3. BACKGROUND**

- 3.1 The organisation has an existing Management of Information framework and supporting policies that define how information is managed within the organisation.
- 3.2 The annual audit by Sandwell MBC provides assurance about performance against specific legislation such as the Data Protection Act 2018 and Freedom of Information Act 2000.
- 3.3 Evidence is provided by the organisation to demonstrate compliance with policies and procedures related to the relevant legislation.
- 3.4 Outcomes from internal audits are included in the Annual Report of the SIRO to provide additional assurance about

information governance activities.

- 3.5 There were two outcomes identified in this audit assessed as 'Significant' and 'Merits Attention'.
- 3.6 The first and significant outcome was related to some of the response times for freedom of information requests being outside the statutory time limit of 20 working days.
- 3.7 We are addressing the first outcome by automating Approvals using Microsoft 365 to speed up the process as we found that completed requests sent for approval via e-mail were missed in email inboxes.
- 3.8 The second outcome which merited attention was an amendment to the process flowchart as it was incorrectly showing senior leadership approval after sending the response to the requester instead of before which is the correct process that is followed.

#### 4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 This is not required as this report does not impact upon any protected characteristics.

#### 5. **LEGAL IMPLICATIONS**

- 5.1 It is considered best practice for organisations to provide assurance in relation to its performance reference information governance.

#### 6. **FINANCIAL IMPLICATIONS**

- 6.1 Improved proactive information governance reduces the risk of regulatory action and monetary penalties from the Information Commissioner's Office (ICO).

#### 7. **ENVIRONMENTAL IMPLICATIONS**

- 7.1 There are no environmental implications.

## **BACKGROUND PAPERS**

[Annual Data and Governance Report to SIRO - 2022.docx](#)

The contact officer for this report is Karen Gowreesunker, Assistant Chief Fire Officer.

WAYNE BROWN  
CHIEF FIRE OFFICER



# Sandwell Audit Themed Review – Freedom of Information

Audit and Risk Committee



# Timeline

Audit Start  
Date

- 4th July 2022

Audit End  
Date

- 12th October  
2022

Query  
Resolution

- 21st November  
2022

# Evidence Base

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Sample of  
Freedom of  
Information  
Requests

---

View of dashboard  
for Strategic  
Enabling Team

---

Data and  
Governance  
database



# Executive Summary

## Scope and objectives of audit work

Our audit considered the objectives and the potential risk to the achievement of those objectives.

Objectives Reviewed	Potential Risks
Ensure that adequate controls are in place for the dealing and responding to Freedom of Information request.	<ul style="list-style-type: none"> <li>• Key data is not being published within required timescales.</li> <li>• Staff are not aware of the guidance that is available, and this therefore has not been referred to and applied when producing and publishing data.</li> <li>• Exemptions to data have not been correctly applied, leading to data to being published which should not be.</li> </ul>
Limitations to scope of audit	Freedom of Information requests for 2022/23.

## Overall conclusion

Our audit provides **substantial assurance** over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level.

No Assurance	Limited	Reasonable	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

# Issues Arising - Significant

## 2 Findings and Recommendations

Action is required to avoid exposure to significant risks in achieving objectives Significant		
No	Findings	Recommendations, agreed actions, responsibility and target date
2.1	<p>Examined Freedom of information requests (Fol), received and responded to as at September 2022. A total of forty-two requests were responded to. However out of those, twelve responses were not completed within the prescribed timeframe of 20 days.</p> <p><b>Implication:</b></p> <p>Non-adherence to regulatory timeframe.</p>	<p>The Authority should ensure that Fol requests are responded to within the required timeframe. If the request is considered to be complex, then an extension should be sought to enable the request to be completed within the required time frame.</p>

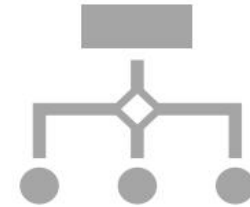
# Issues Arising – Merits Attention

Action is advised to enhance risk control or operational efficiency <b>Merits Attention</b>		
No	Finding	Suggested action/s including responsibility and target date
2.2	<p>The flow chart demonstrating how Fol requests are processed by the Authority incorrectly illustrates that approval is given by management retrospectively. The flow chart does not reflect the actual process whereby approval is received from the relevant SET Members prior to the release of the information to the requester.</p> <p><b>Implication:</b></p> <p>The flow chart not reflecting the actual process could result in information being released without having received prior approval.</p>	<p>The flow chart should be amended to reflect the actual process of approval being obtained from the relevant SET Member in advance of the information being released.</p>

# Outcomes and Assessment



## Opinion of Substantial Assurance



## 2 Issues Identified

### 1 - Significant

- Automated approvals process - Complete
- **More** resource in the area

### 1 - Merits Attention

- Flowchart amended - Complete

# Remediation of Audit Outcomes

- 'Significant'

*Response times outside the statutory 20 working days*

- Cause - Responses awaiting approval missed in inboxes
- Solution – Implement MS O365 Approvals Process
  - Approvals in one place
  - Standardised Format
  - Repeatable process
- Status Complete

- 'Merits Attention'
- Process Flowchart shows retrospective approval of requests by Strategic Enabling Team (SET)
- Cause - Incorrect process chart
- Solution – Chart Amended to reflect correct process
- Status Complete

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**20 MARCH 2023**

**1. PENSION BOARD UPDATE**

Report of the Clerk to the Authority

**RECOMMENDED**

- 1.1 THAT Members note the March 2022 version of the Pension Board Risk Register included within Appendix A.
- 1.2 THAT Members note the progress on key actions included within the Pension Board Action Plan, which includes the specific Actions agreed with The Pension Regulator for completion by June 2023.
- 1.3 THAT Members note the Minutes of the Pension Board Meetings held on 20 September 2022 and 20 October 2022 (Appendix C and D).
- 1.4 THAT Members consider the feedback from the Pension Board regarding the future governance of the Scheme.

**2. PURPOSE OF REPORT**

- 2.1 To provide information on the work of the Pension Board to the Audit and Risk Committee in its capacity as the Scheme Manager for the West Midlands Firefighters' Pension Scheme.
- 2.2 To gain Scheme Manager input to the Action Plan and specific actions within it.

**3. BACKGROUND**

- 3.1 This is the first of what will become a regular update report from the Pension Board to the Audit and Risk Committee in its capacity

as the Scheme Manager. This report will be brought to all future Audit and Risk Committee meetings and contain some standard items. In doing so, it will meet the requirements of Actions D1, F and H2 in The Pension Regulator Action Plan agreed by the Audit and Risk Committee in November 2022.

- 3.2 Appendix A includes the Pension Board's Risk Register for note by the Committee. This was discussed at the March meeting of the Board's Risk Sub-Committee and will be updated at the 29 March Pension Board Meeting.
- 3.3 Appendix B contains the full Pension Board Action Plan. This incorporates the full Pension Regulator Action Plan. A number of actions from this will be addressed either by this update, or in other papers:
  - N1 & N2 – KPI Paper on the agenda of meeting on 20 March 2023
  - 15 – Covered below
- 3.4 A number of areas within The Pension Regulator Action Plan are ongoing and will be progressed in the coming weeks and months. The Scheme Manager is required to have completed or have a plan to complete all aspects by June 2023. An interim meeting was held by the Scheme Manager and Deputy Clerk with The Pension Regulator in February 2023 to discuss progress. The Regulator was satisfied with progress so far and will look to meet again in around three months' time to check progress again, with the expectation that most if not all areas of the action plan will be progressed.

#### 4. **SCHEME GOVERNANCE**

- 4.1 Following a conversation at Pension Board meeting in September 2022, it was the view of Pension Board Scheme Member Representatives that the Scheme Manager should review the current governance arrangements, with a view to considering whether an individual, rather than an Authority Committee, would be better placed to take the delegated responsibility as Scheme Manager.
- 4.2 The Board members are of the view that the complexity and breadth of Pensions issues, in particular in relation to its

administration, have grown to such an extent that it is not reasonable to expect an Authority Committee, with multiple other commitments and minimal expertise, to undertake the role. Therefore, it is their view that someone with a specific finance background and a deeper understanding of the Pensions Sector would be better placed to act as Scheme Manager.

## 5. **EQUALITY IMPACT ASSESSMENT**

- 5.1 As this is an update report, no initial Equality Impact Assessment has been undertaken.

## 6. **LEGAL IMPLICATIONS**

- 6.1 The Pension Regulator has various enforcement powers under pensions legislation which they may utilise if a scheme breaches its legal duties or ensure compliance with its recommendations which are designed to ensure appropriate administration and governance of schemes.

## 7. **FINANCIAL IMPLICATIONS**

- 7.1 There are no financial implications associated with this update report

## 8. **ENVIRONMENTAL IMPLICATIONS**

- 8.1 There are no environmental implications associated with this update report.

## **BACKGROUND PAPERS**

- [The Pension Regulator – About](#)
- Pension Board Risk Register – Appendix A
- Pension Board Action Plan – Appendix B
- Pension Board Minutes, September 2022 – Appendix C
- Pension Board Minutes, October 2022 – Appendix D

The contact for this report is Tom Embury, Deputy Clerk to the Authority

Karen Gowreesunker  
CLERK TO THE AUTHORITY

## APPENDIX A – Pension Board Risk Register: March 2023

Risk Area - OPERATIONS	Likelihood	Impact	Score	Change from previous review	Control	Owner	Assigned to	Test/Review	Mitigation	Comments
1. Operational disaster (i.e. flood/fire)	1	4	4	↔	Pension records stored electronically via a server and not yet on the cloud. Data backed up regularly	Pension Provider (may be Scheme Manager)	Pensions Manager	Annual		2/2/2023. For Pension Board consideration/discussion:- Recommendation for risk to be included in bespoke Pensions BCP as suggested by The Pension Regulator (TPR) and agreed by Pensions Board at meeting on 8th December 2022, or, as risk is specifically around 'flood/fire' and paper records are no longer held - is this still considered a risk?
2. Member data incomplete or inaccurate	3	3	9	↔	Annual reconciliation of member data to ensure accuracy and resolve any gaps	Scheme Manager	Pensions Manager	Annual	Data to be checked as part of the annual ToR return. Results will be reported to the Pension Board	02/02/2023. Part of The Pension Regulator 6 Key Processes and to remain in register
					Address data cleanse completed annually	Pension Provider	Pensions Manager	Annual	Incorrect addresses investigated using a tracing agency	
					Robust payroll processes in place	Scheme Manager	Pensions Manager	Annual	To ensure accuracy of data sent to pension section	
3a. Administration Failure/Mal-administration	3	2	6	↔	All staff in Payroll and Pensions section are managed through organisational policies and process	Scheme Manager	Pensions Manager	Quarterly	Internal procedures are reviewed and audited annually as part of the normal audit cycle.	
3b.					Authority levels, financial controls and process within Oracle Fusion.	Scheme Manager/Provider		Annual	Forms part of the annual review of the Pay Policy statement.	2/2/2023. For Pension Board consideration:- Recommendation that when the Audit Report is completed, it comes to the attention of Pension Board via the Pension Manager update.
3c.					Review audit reports	Scheme Manager	Pensions Manager	Annual	Normal monthly payroll processing arrangements cover this issue.	
4. Computer system failure at pay date	1	4	4	↔	Pay the previous month pension from the file with adjustments for death or part period payments. If notification that system will not be available or when upgrade is going through at compliance date. Trial pay run can be used as 'actual' if testing fails	Scheme Manager	Pensions Manager	Annual	Covered within the services Business Continuity Plan	2/2/2023. For Pension Board consideration:- Should this risk be included in the bespoke Pensions BCP as suggested by TPR and agreed by Pension Board at meeting on 8th December 2022.
5. Failure to process BACS	2	4	8	↔	Internal process for ensuring that BACS has been sent.	Pension Provider	Pensions Manager	Annual	Controlled by the normal processing procedures and reviewed annually by Internal Audit	2/2/2023. For Pension Board consideration:- Recommendation to remove risk. Process now completed in-house with no reliance on third party.
6. Payment made to ineligible pensioner	3	3	9	↑	Annual certificate of identity process in place.	Pension Provider	Pensions Manager	Annual	Risk has been raised with SET Finance and Resources and new procedure to be implemented from October 2021	2/2/2023 and 6/3/2023. For Pension Board consideration:- Recommendation to reduce risk due to work that has taken place, or change risk score to - Likelihood 1 Impact 3
7. Fraud in Payroll office.	1	2	2	↓	Reconciliation with report from payroll system and excel spreadsheet balance each month	Strategic Enabler - Resources	Pensions Manager	Annual	Part of the services Financial controls. Subject to annual review by Internal Audit.	2/2/2023. For Pension Board consideration:- Recommendation to remove risk further to control included in risk 3.
8. Insufficient resource to enable function to meet requirements of Pension Regulator	2	2	4	↔	Structure and staffing of function under review	Strategic Enabler - Resources	Pensions Manager	As and when regulator requirements change	Issues reviewed by SET Finance and Resources as part of monthly meeting with Payroll and Pensions Manager and internal KPIs	2/2/2023. For Pension Board consideration:- Recruitment has taken place, which reduces likelihood. Recommendation to reduce risk score to - Likelihood 1 Impact 2/3.

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9. Failure to produce Annual Benefit Statement	1	3	3	↔	Report to TPR. Keep scheme members and pension board informed of issue.	Scheme Manager	Pensions Manager	May - annually	Progress reported by Payroll and Pensions Manager to Employer Rep and monitored by board at regular intervals as agreed at first meeting of each year.	2/2/2023. Online delivery via Portal awaited. 'Go Live' via Member Self Serve with provider agreed as 1/3/2023.
11. Application of remedy (McLoud)	4	4	16	↑	Data, Governance, People and Systems	Scheme Manager	Pensions Manager	Ongoing	Ensure requisite numbers of skilled staff are available and that IT systems have been updated.	2/2/2023 and 6/3/2023. For Pension Board consideration:- risk score to remain same until complete. Those impacted historically have been managed, with application of McLoud Business as Usual.
14. Costs incurred due to failure to apply scheme/tax rules correctly or in a timely manner	1	3	3	↔	Keep up to date with changes. Attend regional meetings. Subscribe to knowledge hub. Subscribe to HMRC pension tax updates. pension board involvement. Access professional advice before proceeding.	Strategic Enabler - Resources (151 Officer)	Pensions Manager		Annual Audit	02/02/2023. Risk remains as is until there are no longer any members in the 1992 Firefighters Pension Scheme.
17. Failure to manage FPS fund correctly i.e. injury pension accounting	1	2	2	↔	Training – Guidance Fire Finance network links	Strategic Enabler - Resources (151 Officer)	Finance		Annual Audit	02/02/2023. For Pension Board consideration:- Recommendation to increase risk score to - Likelihood 3 Impact 3. This is due to the recruitment of a Senior Accountant and retirement of the 51 Officer at end of March 2023. Changes in personnel and responsibilities to be considered. Structural review to support succession planning being discussed. KPIs to be implemented, picking up disclosure regulations.
18. Failure to interpret rules or legislation correctly	3	2	6	↑	Central LGA resource and regional / national groups to assist with interpretation of rules and possible provision of legal opinion where this has been sought – with the caveat that each FRA should take own legal advice. Technical team of pension provider. Access to knowledge hub and HMRC pension tax updates. Training. Access professional legal/tax advice where necessary	Scheme Manager			Monthly management meeting between Payroll and Pensions Manager and Head of Human Resources. Annual Audit	2/2/2023 and 6/3/2023. No further legislation released. October 2023 release should confirm what is already known. Central resource (Clare Hey) at LGA leaving.
19. Failure to comply with disclosure requirements or communicate with staff	3	2	6	↑	Internal Dispute Resolution Procedure (IDRP) Communications with staff Annual Benefit Statements (ABS) HR processes in place for auto-enrolment and annual pension band changes mail merges	Scheme Manager	Pensions Manager		Reports to Pension Board. Risk	2/2/2023 and 6/3/2023. For Pension Board consideration:- Recommendation to reduce risk score on adoption of KPIs and data behind these.
20. Pension Board Resourcing/Succession Planning. Added 14/3/2022	4	3	12	↑	Discussion point at meeting on 28th March 2022. Employer (WBS) and employee (ER) positions to be filled.	Clerk to the Authority	Chair	As and when identified		2/2/2023 and 6/3/2023. Pension Board Ballot 2 for employee rep commenced 30/1/2023 closing at 17:00 hours 22nd February 2023. Paper to be presented to Scheme Manager to re-appoint Alan Tranter and Adam Harper for a further 3 year term. Chair position remains vacant.
21. Application of remedy (O'Brien). Added 14/3/2022	4	2	8	↑	Discussion point at meeting on 28th March 2022	Scheme Manager	Pensions Manager	Ongoing	Ensure requisite numbers of skilled staff are available and that IT systems have been updated.	2/2/2023 and 6/3/2023. No change due to waiting further instruction, which is not expected until at least October 2023.

**APPENDIX B – Pension Board Action Plan: February 2023**

Completed	Recently Updated	Missed completion date
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Ref	Date	Subject	Action	Responsible	Completion date / Suggested timeframe	Status [Ongoing / Completed]
<b>Actions arising from The Pensions Regulator Supervisory Report 2020/21 on the West Midlands Firefighter Pension Scheme</b>						
A1	11/11	Skills and Training	Pension Board (PB) and Scheme Manager (SM) to undertake Training Needs Analysis to set a baseline for development of future training plans. Previous templates exist that can be used.	Pension Board Chair and Scheme Manager	Undertaken by <b>March 2023</b>	Redrafted following discussions on 20 Jan and recirculated to Board for comment. Intend to complete in March 2023
A2	11/11	Pension Board Training and skills	PB to formalise their training plan, to be reviewed at least yearly, which will cover emerging themes, such as cyber security. This will be published on a joint Pension Board filing system/Teams site (see Recommendation D1) to ensure all PB member can review as required and bring forward suggestions for training and development.	Pension Board Chair	Implemented by end <b>March 2023</b>	Ongoing – LGA training booked for both PB and SM
B1	11/11	Pension Board Succession	Clerk and PSS to develop a succession plan for both Scheme Member and Employer representatives, including undertaking a revision of role descriptions. This will include a proposal for hand-over between departing representatives and their replacements.	Clerk and PSS supported by Pension Board	Implemented by March 2023	Ongoing
B2	11/11	Pension Board Succession	PB and SM to review Terms of Reference with regards to representative tenures to ensure these	Pension Board Chair and	Implemented by <b>February 2023</b>	Ongoing – not undertaken so far.

			are staggered and include a suitable handover period.	Scheme Manager		Wider review of Terms of Reference expected as part of wider Constitutional Review to be completed by June Authority AGM.
C	11/11	Pension Board Composition	Review appointment/election communications for Pension Board representatives to ensure they encourage diversity amongst the Pension Board membership and encourage the widest possible number and range of candidates to apply. TPR Equality, Diversity and Inclusion guidance to be utilised.	PSS/Pension Board/Portfolio Team	Implemented by January 2023	Completed – Election communications sent
D1	11/11	Pension Board Information Sharing	Review communications to Pensions Board and Scheme manager and ensure updates are provided when required.	Portfolio and Administration Teams	Implemented by <b>March 2023</b>	Ongoing – Action Plan now reported into Audit and Risk and all members notified by email of updates to Teams site.
D2	11/11	Pension Board Information Sharing	Pension Board members to review information sharing arrangements and PB representatives' views on information sharing, knowledge and skills, with input from Scheme Manager.	Pension Board and Scheme Manager	Held at March 2023 Pension Board meeting, with report into Audit and Risk Committee in May 2023	Ongoing – A&R timeline shifted to give time for report to be developed following PB meeting.
E1	11/11	Business Continuity Planning	Pensions Board to receive a report on current BCP arrangements and testing and review their effectiveness with a view to making recommendations to Scheme Manager on whether a bespoke BCP outside existing WMFS arrangements is necessary.	Pensions Board Chair and Pensions Manager	Update to December Pensions Board Meeting, report to Scheme Manager at March 2023 Audit and Risk Committee meeting	Ongoing – BCP report delivered to December PB. Additions suggested and to be added by March (see item 7 below)

E2	11/11	Business Continuity Planning	Pension Administration Team to develop and share with the Scheme Manager and Pension Board a set of procedural notes for key pensions administration tasks. Content may be impacted by implementation of remedy.	Pensions Administration Team	Update to March 2023 Audit and Risk Committee Meeting – subject to Remedy roll out.	Ongoing
F	11/11	Information Sharing between SM, PB and Pension Administration Team	Written (rather than verbal) reports to be provided by the Pension Team on key issues to both the Pension Board and Scheme Manager as a standing item for all meetings.	Pensions Administration Team	To begin from March 2023 Audit and Risk Committee	Partially Completed – format agreed and delivered to December Pension Board.
G	11/11	Conflicts of Interest	Conflict of Interest Register, based on the TPR template, to be created and stored on system where all PB members have access. Will be a standing item for all PB meetings. This document to be shared with The Pension Regulator.	Portfolio Team and Pensions Board	To begin from implementation of new system as of February 2023	Ongoing – Draft Conflict of Interest Register Circulated to PB members for submission at March Pension Board.
H1	11/11	Risk Management	<p>PB Risk Register Sub Group to consider TPR recommended changes or improvement in formatting of the Risk Register:</p> <ul style="list-style-type: none"> <li>• utilising a cover sheet to provide a snapshot of the current risks, helping to clearly identify the current major risk(s) to the Scheme. The Scheme may wish to identify emerging risks in this location as well.</li> <li>• ensuring all risks have mitigating actions and owners</li> <li>• documenting closed risks</li> </ul> <p>Incorporate relevant WMFS Corporate Risks within the PB Risk Register, to include Cyber Security (CR 7.3).</p>	Pensions Board RR sub group	Completed by January 2023	Complete – PB agreed to maintain current RR approach.

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H2	11/11	Risk Management	PB Risk Register to be incorporated into Audit and Risk Committee risk updates.	Scheme Manager	To begin from March 2023 A&R Meeting	Ongoing – December PB Risk Register scheduled for March A&R.
I	11/11	Digitisation of records	All records to be digitised and accessible to support data collection.	Pensions Manager supported by Data and Governance Team	Completed	Completed
J	11/11	Data Improvement policy	Pensions Team to work with Data and Governance team on ensuring a Data Improvement Policy is in place for Pensions Data, either drawing on existing policy or developing a new policy if required. To be taken forward following roll out of ALTAIR update.	Pensions Administration Team & Data and Governance Team	Completed following implementation of new Altair system March 2023	Ongoing
K	11/11	Data Improvement Plan	Pensions Team, drawing on the Annual Data Review (Action L) to develop a Data Improvement Plan for any areas where data scores are not complete. This to be reported to both Scheme Manager and Pension Board, and shared with TPR. To be taken forward following roll out of ALTAIR update.	Pensions Administration Team	Following completion of Annual Data Review	Ongoing
L	11/11	Annual data review	Pensions Team to undertake a pension data review, to assess the accuracy and completeness of member data, to be reported to the Pension Board and Scheme Manager.	Pensions Administration Team	Completed by <b>June 2023</b>	Ongoing – date reviewed
M	11/11	Recording data scores	Pensions administration team to record common and scheme specific data scores gathered as part of the Annual Data review (Action L) in Exchange as part of annual return to The Pension Regulator.	Pensions Administration Team	Completed by <b>June 2023</b>	Ongoing – date reviewed

N1	11/11	Review of KPIs	Scheme Manager to inform Pensions Board which KPIs it wishes to have developed and to receive regular updates on. PB to develop and agree with Pensions Team, and utilise a traffic light system (RAG). <b>A report on the proposed KPIs to go to the next Scheme Manager meeting for approval. Pension Board to be circulated report prior for amendments. Report to include the services current position to assess how to benchmark each KPI.</b>	Scheme Manager, Pensions Board Chair and Pensions Administration Team	Completed by March 2023	Ongoing – Revised KPIs circulated to Pensions Board and to be taken to March A&R. Pensions team to add current figures as best possible.
N2	11/11	Supporting narrative to KPs	All Key Performance Indicators (provided with RAG rating) to be accompanied by appropriately detailed written narrative (which may be provided alongside a verbal update). This narrative to be provided to both the Scheme Manager and the Pension Board	Pensions Administration Team	Completed by March 2023	Ongoing – will be added to agreed KPI report in March
O	11/11	Documentation of Data validation procedures	Upgrade to ALTAIR information system will allow Scheme Members to update their own contact details. All members to be contacted by post to inform them of new system, with further investigation of failed deliveries. Update to be given on time frames for the new system / implementation to PB in December by Pension Team.	Pensions Administration Team	Update in December 2022, <b>Tried from February 2023</b>	Ongoing – Trial with initial group of pensioners underway
P	11/11	Pension Process Automation	Pensions Team to provide a report to the Scheme Manager on automation and systems improvements achieved by implementation of ALTAIR system once in place.	Pensions administration team	Completed by <b>June 2023</b>	Ongoing

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Q1	11/11	Administrative Task Timescales	Pensions Team to provide a report to the Scheme Manager setting out the expected task timescales (e.g., responses to queries), which will also be shared with Pension Board.	Pensions administration team	Completed by March 2023	Ongoing
Q2	11/11	Firefighter Pensions SAB Pensions Administration Strategy	Pensions Board to utilise FPS Administration, Management, and Governance Strategy template to create single documentation of roles and services standards. Document to be agreed by Scheme Manager and published on the WMFRA CMIS site.	Scheme Manager, Pension Board, Pension Team, Portfolio Team	Completed by March 2023	Ongoing – first draft shared with PB for comment
<b>Actions arising from previous Pension Board meetings</b>						
1	20/09	Member Self Service	Email update to the Board on timescales following team training in October on the Member Self Service.	Pensions Manager	Completed by November 2022	Update provided February 2023
2	08/12	Altair timescales	Update to be given on time frames for the Altair new system / implementation and elements around data once available.	Pensions Manager	Completed by March 2023	Ongoing
3	08/12	Members opt-out	A report is to be submitted to Audit and Risk Committee that included information circulated to employees to encourage them to remain in the scheme and what actions could be taken to keep them well informed before they decided to opt-out of their pension scheme.	Deputy Clerk / Pensions Manager	Completed by March 2023	Ongoing
4	08/12	Risk Register	Alan Tranter, Julie Felton and Paul Gwynn would continue to meet to discuss the risk register. Julie Felton will circulate 2023 dates for these meetings.	Employee/er representative and Pensions Manager	Completed by January 2023	Completed

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5	08/12	IDRP's / Agendas	IDRPs to be added as a standing item on the agenda moving forward.	Democratic Services Officer/ Pensions Manager	Completed by March 2023	Completed
6	08/12	CCC Policy	The services CCC policy to be circulated to the Board to provide greater clarity on the process.	Deputy Clerk	Completed by December 2022	Completed
7	08/12	Business Cont. Plan	A separate plan on Pension administration be drafted.	Deputy Clerk/ Pensions Manager	Completed by March 2023	Ongoing
8	08/12	Actively updating data records	Pensions Manager to go back to all relevant individuals to ask them to update their records, with assistance from Julie Felton, to actively promote them to update their records.	Pensions Manager/ Admin Manager	Completed by March 2023	Ongoing
9	08/12	Employee representative(s) – tenure extension	Email Alan Tranter and Adam Harper for their confirmation of their request to extend their tenure on the Board, to submit to the Scheme Manager for approval.	Deputy Clerk	Completed by December 2022	Completed
10	08/12	External communications strategy	Develop external communications with the Communications Manager and circulate to the Board.	Deputy Clerk/ Senior Communications Manager	Completed by February 2023	Ongoing - Delayed
11	08/12	Regulators Code of Practice	Board to familiarise themselves with the revised Regulators Code of Practice.	Pension Board	Completed by March 2023 Board Meeting	Ongoing – link to code of practice shared.
12	08/12	LGA training	Book Alan Tranter and Adam Harper onto Staffordshire's LGA training, subject to availability. TPR six key principles be included in the March LGA training.	Democratic Services Officer	Completed by January 2023	March training request– completed. Jan Training undertaken

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13	08/12	Training analysis	PSS/Deputy Clerk to develop the training analysis for Board Members.	Deputy Clerk/PSS	Completed by March 2023	Ongoing – revised training analysis created for March
14	08/12	Internal Investigation TOR	Subject to Cllr Miki approval, TOR to be publicly published on the Committee Management Information System.	Deputy Clerk/Democratic Services Officer	Completed by December 2022	Completed.
15	08/12	Change to governance process	Employee representatives view on a change to the governance process in regard to changing the Scheme Manager from a Committee to a single individual be reported into Audit and Risk Committee.	Deputy Clerk	Completed by March 2023	Ongoing
16	08/12	Pension Board administration	Pension Board meetings be arranged for a duration of two hours to ensure there is adequate time to discuss agenda items. Agendas to be issued five clear working days (seven days) before a meeting to align with statutory requirements for public meetings.	Democratic Services Officer	Completed by March 2023	Completed.



## Pensions Board

Item 14

20 September 2022 at 14:00 hrs by Digital Meeting

### Attendance:

**Chair:** Kal Shoker – Employer Representative

#### Employer Representatives:

Julie Felton

#### Employee Representatives:

Adam Harper

#### Officers and advisors in attendance:

Cllr Miks – (Chair of Audit Committee)

Tom Embury – Deputy Clerk to the Authority

Mike Griffiths – Strategic Enabler – Finance and Resources

Paul Gwynn – Pensions and Payroll Manager

Kirsty Tuffin – Democratic Services Officer

#### 1. Apologies

Apologies were received from Alan Tranter, Employee representative.

#### 2. Minutes of the Previous Pension Board held on 28 March 2022

Resolved:

1. That the minutes of the Pension Board held on 28 March 2022 be approved as a correct record of proceedings.

#### 3. Minutes of the Previous Pension Board held on 10 June 2022

Resolved:

1. That the minutes of the Pension Board held on 10 June 2022 be approved as a correct record of proceedings.

#### 4. Chair's Introductions

The Chair advised the Board that Samantha James had resigned from her post with People Support Services (PSS) and a new PSS appointment to the Board would be made in due course. He advised the Board that Audit and Risk Committee on 18 July 2022, had four relevant reports to the Board: Immediate Detriment Cases, Pensions Administrative Issues, the appointment of an Independent Chair to the Board and Auto-Enrolment. Unfortunately, the meeting had not been quorate and the two reports requiring a decision had been deferred to the September Audit and Risk Committee meeting. The four issues raised within the Pension Administrative Issues report would be covered within the Pension Board agenda later on.

## 5. **Business as Usual Performance Report**

Paul Gwynn, Pensions and Payroll Manager, presented the Business-as-Usual Performance Report, that outlined the basic demographics, activity levels/performance and the Internal Dispute Resolution Procedure.

The Board were advised that the figures on active firefighters/Non-Members had not been available and would be provided at the next Pension Board meeting. The key figures, as at 31 August 2022, highlighted to the Board were:

- 2015 Members = 1,225
- Pensioners = 2,244
- Dependents = 424

The key activity levels for 01 April 2022 – 31 August 2022 highlighted were:

	01 April 2022 to 31 August 2022	Average response times (days) if applicable
Age Retirements	26	N/A
Transfers to other brigades	0	N/A
Transfer applications	0	N/A
Request for Estimate Benefits	14	11
Divorce cases	6	No responses
General Information	1	50

The Board were advised that one Internal Dispute Resolution Procedure (IDRP) had been submitted to the Strategic Enabler for Finance since 1 April 2022. No further information had been received from the ombudsman in regard to one potential case that could be received. Two cases within McCloud had not been upheld by the Strategic Enabler for Finance as the final legislation had not been received however, one of these cases would be reviewed again given the decisions made at Audit and Risk Committee regarding how cases should be dealt with.

Following queries from the Chair on a previous IDRP case and overpayment, Paul Gwynn provided reassurance to the Board that particular cases had applied the abatement rule and no further overpayments were made.

Resolved:

1. That the Business-as-Usual Performance Report be noted.

## 6. **Immediate Detriment Update**

Paul Gwynn provided a verbal update on Immediate Detriment. He advised the Board that a decision would be discussed at Audit and Risk Committee on Monday 26<sup>th</sup> September that would determine the approach moving forward with Immediate Detriment cases. Those that fell within the Immediate Detriment would be categorised into two categories. Priority would also be given to a group of 37 members that had not been provided with the choice of remedy under the Immediate detriment. The Board were advised that two members of staff had been employed to assist with the processing of cases. The successful Candidates had a good calibre of knowledge but would undergo the relevant training once they are in position.

## **7. Recruitment**

Tom Embury, Deputy Clerk to the Authority, provided a verbal update on the recruitment process for both the employee representative and the Independent Chair of the Board vacancy held on the Board.

The Board were advised that the decision to begin the process of appointing an Independent Chair would be discussed at Audit and Risk Committee on Monday 26 September. The process for the third scheme member would be restarted following issues around the voting process that allowed potential duplication of votes around up-to-date email/contact details. This would be looked into and resolved as soon as possible. Members would be informed that the process would be restarted. It was agreed that Adam Harper would correspond with Julie to resolve issues around up-to-date email addresses for members of staff receiving the electronic vote. It was agreed that Julie Felton would share any correspondence where members have advised incorrect email addresses have been used to Paul Gwynn. Julie Felton re-assured Members that the electronic vote was circulated on 12 September and those that bounced were circulated a postal vote.

Resolved:

1. That the verbal update on recruitment be noted.
2. That it be agreed that Adam Harper would correspond with Julie to resolve issues around up-to-date email addresses for members of staff receiving the electronic vote.
3. That it be agreed that Julie Felton would share any correspondence where members have advised incorrect email addresses have been used to Paul Gwynn

## **8. Annual Report of the Pensions Board 2021-2022**

The Chair of the Board provided an overview of the Annual Report of the Pension Board for 2021-2022. The Board were advised that the report would contain the following:

- The Background of the Board
- Attendance at meetings
- The work conducted by the Board throughout 2021-2022
- Summary from the Chair of the Board and how Members have supported the Board

Neil Chamberlain, previous Independent Chair of the Board, had been part of the formation of the report prior to his resignation in June 2022.

Resolved:

1. That the Annual Report of the Pensions Board 2021-2022 be approved.

## **9. Risk Register – RED Rated**

Julie Felton, Employer Representative, presented the Risk Register that outlined the key risk areas, categorised and scored against their likelihood to occur and the impact that would have.

The Board were advised that, as agreed at the last Board meeting, herself, Paul Gwynn and Alan Tranter met to review the Risk Register and they key risks for discussion from the Board had been highlighted within the Risk Register. The following Risks highlighted were:

- Risk 6 – Paul Gwynn would look at the process for confirming the certificate of existence. Letters would be circulated the later end of the week commencing 19 September to 84 years old +. 74–84-year-olds would be issued a letter prior to the Christmas break.
- Risk 18 – rated 6 due to potential legislation changes
- Risk 19 – rated 6. Annual statements had been issued and 2023 statements would be available online via the Pension Portal.
- Risk 11 – Recruitment – interest in the LGA training opportunities were raised.

In regard to risk 19, Paul Gwynn advised the Board that national talks had been ongoing as statements would be issued in August 2023 but changes to legislation had been expected in October 2023. This would impact on some members statements as some would need to reflect payments that had been received. This had been raised with the regulator. It was agreed that Paul Gwynn and Adam Harper would look into conducting workshops closer to October 2023. It was agreed that Julie, Paul and Alan would continue to monitor the risks highlighted within the Risk Register.

Resolved:

1. That the Risk Register – RED Rated, be approved.

## **10. New System/Automation of Process**

Paul Gwynn provided a verbal update on two new systems, Oracle and Altair. He advised the Board that the issues that arose in the move to Oracle had now been resolved. A self-serve process would be implemented with Altair.

Resolved:

1. That the verbal update on Systems/Automation of Process be noted.

## **11. Annual Benefits Statements**

Paul Gwynn, Pensions Advisor, advised the Board that all Benefit Statements had been issued within the legislative timescales. Moving forward, statements for members would be available online.

Resolved:

1. That the Annual Benefits Statement verbal update be noted.

## **12. Pension Processing Issues 2021 – August 2022**

The Chair of the Board provided an overview of the Pension Processing Issues for 2021-August 2022 and highlighted the following four key issues raised at Audit and Risk Committee on 18 July 2022; PAYE, Aprils Pay Calculations, Data Breach (May Payment) and incorrect figures in communication to members of the scheme.

Paul Gwynn advised the Board that all PAYE/monthly submission had been circulated to HMRC and and submissions to them are now being sent monthly. April's pension payments for affected members had been re-calculated and any arrears had been paid. The data breach had been a result of window envelopes used to circulate payslips that raised concerns from some members. It was confirmed that payslips did not have bank details on them but to rectify this issue, a cover letter would be circulated alongside a reduced content version of the payslip to mitigate any risk. An internal investigation had been conducted and concluded that how the service had reacted had been appropriate. The Information Commissioner's Office was also satisfied that the matter had been handled appropriate and that no further investigation had been required. Any incorrect communication that had been raised with the service had now been rectified.

Following queries on the Independent Review, Tom Embury advised the Board that the investigation would be led by Audit and Risk Committee as the Scheme Manager. The Local Government Association (LGA) had been looked into for conducting the investigation however, it had been felt by the Chair of the Audit and Risk Committee that they had not been a suitable fit. A Terms of Reference had been created and other providers would be looked into.

Resolved:

1. That the verbal update on the Pension Processing Issues for 2021-August 2022 be noted.

### **13. The Pension Regulator Supervisory Report Update**

Tom Embury presented a verbal update on the Pension Regulator Supervisory Report that outlined that covered the period March 2020-March 2021. The Board were advised that the report publication had been delayed due to the COVID pandemic. The report would be presented in its entirety to the Audit and Risk Committee on Monday 26<sup>th</sup> September. Once presented/approved, Pension Board would have to create an action plan with a timescale of six-months to action the recommendations within the Regulators report.

Given the regulators timescales and the required action plan from the Board it was agreed that an additional meeting be scheduled to take place the end of October time to thoroughly go through the report and develop an action plan to circulate back to the Regulator for sign off.

Resolved:

1. That the Pension Regulator Supervisory Report verbal updated be noted.
2. That it be agreed that an additional meeting be scheduled to take place the end of October time to thoroughly go through the report and develop an action plan to circulate back to the Regulator for sign off.

### **14. Pension Board Work Programme 2022-2023**

Tom Embury provided an overview of the Pension Board Work Programme for 2022-2023 that outlined the planned Pension Board agenda items for the next municipal year.

The Board emphasised the usefulness of the LGA Training, and it was agreed that invites be sent to Board Members for December. Pre-retirement seminars would also be taking place, the first of which scheduled for 1 November 2022. It was planned that four seminars would take place throughout 2023.

Following questions on Member Self-Service, Paul Gwynn advised the Board that no date had been in place but training for his team would take place the beginning of October 2022. Once this had been completed Paul Gwynn would email the Board with an update on timescales.

Adam Harper queried the process required to change the governance process in regard to changing the Scheme Manager from a Committee to a single individual. Councillor Miks advised that for now this had not been up for discussion due to the independent investigation commissioned. Once this investigation had completed and its findings be presented than a discussion may be had to look at the options.

Resolved:

1. That it be agreed that the Pension Board Work Programme 2022-2023 be noted.
2. That it be agreed that invites be sent to Board Members for LGA Training in December 2022.
3. That it be agreed that Paul Gwynn would email the Board with an update on timescales following his team's training in October on the Member Self Service.

#### **15. Date of the next meeting**

Resolved:

1. That as per item 13 above, an extraordinary meeting be scheduled prior to the next Pension Board Meeting, scheduled to take place on 08 December 2022.

The Pension Board meeting ended at 15:12hrs.

## Pensions Board

Item 14

20 October 2022 at 10:00 hrs by Digital Meeting

### Attendance:

**Chair:** Alan Tranter – Employee Representative

#### Employer Representatives:

Julie Felton

Kal Shoker

#### Officers/advisors in attendance:

Cllr Jalil (Vice-Chair of Audit and Risk Committee)

Tom Embury – Deputy Clerk to the Authority

Paul Gwynn – Pensions and Payroll Manager

Kirsty Tuffin – Democratic Services Officer

#### Employee Representatives:

Adam Harper

#### Additional attendees:

The Pension Regulator Representatives

### 1. Apologies

Apologies were received from Kamla Devi-Ahir, PSS representative.

### 2. The Pension Regulator Supervisory Report – Draft Action Plan

Representative from The Pension Regulator (TPR) provided an overview of the Pension Regulator Supervisory Report, that had been delayed as a result of the pandemic. The Board were advised that the report had been issued as a result of the 2020-2021 TPR supervision review of the West Midlands Fire Service Firefighters Schemes. The report/recommendations therein had covered the period March 2020-March 2021. During the review in 2020-2021, TPR had requested information to gain an understanding, observed a Pension Board meeting and met with Paul Gwynn, Pensions and Payroll Manager. They had been pleased a thorough action plan had been drafted for Pension Boards consideration and advised that there was flexibility with deadline of 11 November for the final plan to be circulated to TPR. It was agreed that the deadline of 11 November was feasible to obtain.

Following queries, Alan Tranter, Chair of the Board, advised the TPR that since the review in 2020-2021, additional concerns had arisen. He advised that the Scheme Manager would be facilitating and Independent Investigation/Enquiry into the key issues. The investigation had been taking longer than desired but it was felt the right person had to be appointed to the role. It was agreed that Tom Embury, Deputy Clerk, would correspond with Cllr Miks, Scheme Manager Representative, upon her return from leave on a potential timeline and Terms of Reference (TOR) to be provided to Board Members. Paul Gwynn disputed the terminology used and advised the TPR that it had been an investigation rather than an enquiry. He advised that the running of the

scheme had not been the issue and the majority of issues around payments had resulted from taxation issues. The Chair of the Board advised that until the TOR had been released, no statements/assumptions could be made. TPR requested an update on the Investigation once the TOR had been agreed.

Tom Embury provided an overview of the draft Action Plan, for members feedback/amendments. The following changes were agreed:

Reference	Action
A	Training analyses to be conducted with Pension Board Members to provide a baseline on who has attended which courses. Pension Board Teams site has potential history/template to be used. To be added as A2.
B1 & B2	Agree to stagger membership end dates.
C	TPR to circulate the Equality, Diversity and Inclusion Guidance published by TPR in September to incorporate.
D1	External notifications to be considered/tested. Consistency = key. Kirsty Tuffin to alert Pension Board via email of the Bulletin being added onto the Pension Board teams site. Suggested to include IT Literate in Job Descriptions to the Board.
E1/E2	Bespoke Pension Board Business Cont. Plan possible option if PB felt necessary.
H	Sub-Group to consider recommendations/ desire to not make over complicated. Follow up outside of meeting. Alan Tranter wished to have it incorporated into Audit and Risk/Corporate Risk updates.
J, K, L & M	Paul Gwynn comments via email to be added. Bulk of work to be completed once new Pension system in place. Follow up outside of meeting.
N1/N2	TPR to circulate information received on KPIs in March 2020 with Pension Board. Possible KPIs to be developed and worked upon by Pension Board outside of the meeting.
O	No relation to letter of Memorandum, based upon accurate data. Upgrade to Uptair to allow Members to update details. Letters to be circulated to members (if delivery is bounded will investigate). to be included within the plan.
P	Paul's wording via email to be added.
Q2	FRA Bulletin strategy template to be updated by Pension Board with Scheme Manager input. To be endorsed/published externally.

Following discussions, it was agreed that a report to be drafted for Audit and Risk Committee in November on behalf of Pension Board to request an interim Independent Chair. Tom Embury would discuss this with Cllr Miks upon her return from leave. It was agreed that Tom Embury, Julie Felton Employee Representative & Kirsty Tuffin, Democratic Services Officer, would meet to discuss an approach to be taken on correspondence/documents issued to Pension Board to ensure consistency.

Following discussions on a potential bespoke Business Continuity Plan, it was agreed that Paul Gwynn would share the current Business Continuity Plans at the Pension Board meeting in December. Pension Board were happy to contribute to the existing plan or look into the option of a bespoke plan if it was required. Incorporating Local Government Association (LGA) training into December meeting was requested. It was agreed Paul Gwynn to arrange/discuss with the LGA. Training on the new Uptair system had been underway and it was agreed that an update to be given on time

frames for the Uptair new system / implementation be provided in Decembers Pension Board meeting by Paul Gwynn.

Following discussions on ref. J, K, L and M, Paul Gwynn advised the Board that he did not wish for Data Governance to be involved in the process due to difference of opinions on data protection legislation. Alan Tranter expressed the need for Martina Doolan, Data Governance Manager, to be involved to ensure a robust system had been in place in which Paul Gwynn disagreed as it was felt that paper copies had been more secure. It was agreed that an agreement on this matter would be sought outside of the meeting. It was agreed that an update would be provided on the status of E2 in March due to the impact of remedy and the potential publication of legislation in October 22. It was agreed that Tom Embury circulate information/invite to the Pension Schemes AGM taking place next week to Kamla Devi-Ahir, as a development opportunity.

Alan Tranter, expressed concerns that the independent investigation, could impact on the proposed action plan. He advised there had been unrest with membership and Paul Gwynn had been subject to criticism given his position. He was re-assured to hear 2 new members of staff would be employed by the Pension Board team as he felt not all the blame had been Paul/his team but a wider organisation failing. Tom Embury re-assured members that although the action plan would be signed off, additions could still be made following the review that would hopefully rectify some of the issues highlighted.

Resolved:

1. That the Pension Regulator Supervisory Report – Draft Action Plan be noted.
2. That it be agreed that the changes outlined, as per table, to the action plan be approved.
3. That it be agreed that Tom Embury, Deputy Clerk, would correspond with Cllr Miks, Scheme Manager Representative, upon her return from leave on a potential timeline and Terms of Reference to be provided to Board Members.
4. That it be agreed that a report be drafted for Audit and Risk Committee in November on behalf of Pension Board to request an interim Independent Chair. Tom Embury would discuss this with Cllr Miks upon her return from leave.
5. That it be agreed that Tom Embury, Julie Felton Employee Representative & Kirsty Tuffin, Democratic Services Officer, would meet to discuss an approach to be taken on correspondence/documents issued to Pension Board to ensure consistency.
6. That it be agreed that Paul Gwynn would share the current Business Continuity Plans at the Pension Board meeting in December.
7. That it be agreed that Paul Gwynn to arrange/discuss training for Decembers meeting with the LGA.
8. That it be agreed that an update to be given on time frames for the Uptair new system / implementation be provided in Decembers Pension Board meeting by Paul Gwynn.
9. That it be agreed that an agreement on the involvement of Data Management be sought outside of the meeting.
10. That it be agreed that an update would be provided on the status of E2 in March due to the impact of remedy and the potential publication of legislation in October 22.

11. That it be agreed that Tom Embury circulate information/invite to the Pension Schemes AGM taking place next week to Kamla Devi-Ahir, as a development opportunity.

**3. Date of the next meeting**

Resolved:

1. That the next Pension Board Meeting, scheduled to take place on 08 December 2022, be noted.

The Pension Board meeting ended at 11:38hrs.

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY****AUDIT AND RISK COMMITTEE****20 MARCH 2023****1. PENSION SCHEME KEY PERFORMANCE INDICATORS**

Report of the Clerk to the Authority

**RECOMMENDED**

- 1.1. THAT Members provide feedback on the proposed Key Performance Indicators (KPIs) for the West Midlands Firefighters' Pension Scheme.
- 1.2. THAT Members agree to delegate responsibility for final sign off of the KPI structure to the Chair of the Audit and Risk Committee.

**2. PURPOSE OF REPORT**

- 2.1 To gain Member input to the draft KPIs to be further refined and agreed ahead of the next Audit and Risk Committee and then reported on twice annually thereafter.

**3. BACKGROUND**

- a. As part of the recent Pension Regulator report, the Scheme Manager, Pension Board and Administrators were recommended to put in place more robust KPIs, with supporting narratives, to be reported by administrators to both the Scheme Manager and Pension Board on a regular basis.
- b. This recommendation was subsequently included within the agreed Pension Regulator Action Plan as actions N1 and N2.
- c. The proposed Key Performance Indicators are included within **Appendix A**. The majority are based upon existing statutory requirements, where the scheme should already be

achieving 100% within the timescale. It is proposed that targets initially be set at 100% of the statutory timeline, with a review in 12 months to determine if more stretching timelines are desirable once a baseline for existing performance is known.

- d. The KPIs are currently in draft, and Members are invited to suggest changes or additions to either the indicators or the targets associated with them. Following this feedback, the Pensions Administration team will work to put in place systems to gather the required information to report against these KPIs. It is proposed that the Audit and Risk Committee, as Scheme Manager, delegate responsibility to the Chair of Audit and Risk to work with the administrators to deliver the final set of KPIs ahead of the next Audit and Risk Committee.
- e. Once agreed, it is proposed that these be reported into both the Scheme Manager and Pensions Board on a six monthly basis. Again, member feedback on this draft reporting schedule would be welcomed.

#### 4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 No initial equality impact assessment has been undertaken as there are no expected equality impacts from these KPIs.

#### 5. **LEGAL IMPLICATIONS**

- 5.1 Many of the KPIs are based on statutory timelines. Where the Scheme is failing to meet these, it may be necessary to report to The Pension Regulator.

#### 6. **FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications associated with the planned KPIs but recording and reporting on them will have an associated cost in terms of staff time and resources.

#### 7. **ENVIRONMENTAL IMPLICATIONS**

- 7.1 No Environmental Impact assessment has been undertaken as it is proposed to provide all information electronically.

## **BACKGROUND PAPERS**

None.

The contact for this report is Tom Embury, Deputy Clerk to the Authority

Karen Gowreesunker  
CLERK TO THE AUTHORITY

**APPENDIX A – DRAFT Key Performance Indicators**

Indicator	Description	Statutory Time Limit	Number per annum	Target	Actual vs Target	Actual Avg. Time taken
<b>New starters</b>	Basic scheme information provided to new starters	1 month for Automatic Enrolment Job Holder	TBD	<b>100%</b>		
<b>Basic information</b>	Basic scheme information for relevant person other than a new starter	2 months unless provided in previous 12	TBD	<b>100%</b>		
<b>Constitution of scheme</b>	Request for information about constitution of the scheme from relevant person	2 months unless provided in previous 12	TBD	<b>100%</b>		
<b>Transfer Credits</b>	Information about transfer credits to member or prospective member	2 months unless provided in previous 12 or included in ABS.	TBD	<b>100%</b>		
<b>Active ABS issued</b>	Provision of Annual Benefit Statement for Active Scheme Member	31 August (where year-end on time)	TBD	<b>100%</b>		
<b>Deferred ABS issued</b>	Provision of Annual Benefit Statement for Deferred Scheme Member	31 May (or in line with active ABS)	TBD	<b>100%</b>		
<b>Pension saving statements</b>	A statement of the amount of pension saving in the pension scheme for a tax year	6 October	TBD	<b>100%</b>		
<b>Benefit request pre-retirement</b>	Request for information from member (active, deferred, pension credit) regarding amount of benefit where retirement not imminent	2 months unless provided in previous 12 or included in ABS.	TBD	<b>100%</b>		
<b>Retirement information – Pension Age</b>	Information to person retiring at pension age regarding amount of benefit about to become payable to them	Before the date on which the benefit becomes payable and no later than 1 month after.	TBD	<b>100%</b>		
<b>Retirement information –</b>	Information to person retiring before pension age	Within 2 months of benefit	TBD	<b>100%</b>		

<b>before Pension Age</b>	regarding amount of benefit about to become payable to them	becoming payable				
<b>Divorce estimates</b>	Estimate of pension benefits and costs associated with a divorce	3 months	TBD	<b>100%</b>		
<b>Transfers in</b>	Processing transfers into the FPS	2 months	TBD	<b>100%</b>		
<b>Transfer out estimates</b>	Calculating total cash equivalent value of scheme benefits.	3 months	TBD	<b>100%</b>		
<b>Transfers out</b>	Processing transfers out of the FPS	6 months	TBD	<b>100%</b>		
<b>Refunds paid</b>	Payment of any required refund	2 months	TBD	<b>100%</b>		
<b>Deferred benefits calculated</b>	Calculation of deferred benefit at pension age	2 months	TBD	<b>100%</b>		
<b>Death notification processed</b>	Processing changes following receipt of information on death of member (or beneficiary)	Within 2 months of the date scheme become aware of death	TBD	<b>100%</b>		
<b>Acknowledgment and initial response to inquiries</b>	Acknowledgement of email, postal or phone inquiries	Three working days	TBD	<b>95%</b>		
	Initial response (may not be to provide final answer)	Ten working days				
<b>Payment advice</b>	Provision of payment advice when payments are likely to change by +/- £10 per month	Three days before payment date	TBD	<b>95%</b>		



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**20 MARCH 2023**

**1. PENSION BOARD MEMBERSHIP**

Report of the Clerk to the Authority

RECOMMENDED

- 1.1. THAT Members agree to the reappointment of Alan Tranter and Adam Harper as Scheme Side/Employee Representatives to the Pension Board.
- 1.2. THAT Members consider three options to fill the currently vacant role of Independent Chair of the Pension Board and agree the approach to be taken.
- 1.3. THAT Members welcome and note Paul Bennett as the newly elected third Scheme Side/Employee Representative to the Pension Board.

**2. PURPOSE OF REPORT**

- 2.1. To gain approval to reappoint representatives to the Pension Board and to welcome the election of a third representative chosen through a recent election.
- 2.2. To determine options and next steps in filling the current Independent Chair vacancy on the Pensions Board.

**3. SCHEME SIDE/EMPLOYEE REPRESENTATIVES**

- 3.1 The West Midlands Firefighters' Pension Scheme Pension Board is required by law to have an equal number of employer and scheme member representatives, appointed or elected through processes determined by the Scheme Manager.

- 3.2 The current Pension Board Terms of Reference states that “Each employer representative and scheme member representative so appointed shall serve for a fixed period (of up to three years) which can be extended for further period(s) subject to re-nomination and/or election”.
- 3.3 Two current scheme side representatives, Alan Tranter and Adam Harper, are approaching the end of their current tenures on the Board as of April 2023. In the interests of maintaining relevant experience and expertise on the Pension Board it is recommended that they be re-nominated for a further three year term.
- 3.4 The third scheme side representative role has been vacant since April 2022. An election was undertaken following expressions of interest in January and February 2023. With 407 votes from 611 cast, Paul Bennett has been elected to the Board and will be invited to attend the first meeting later this month.

#### 4. **INDEPENDENT CHAIR**

- 4.1 The Pension Board has been without an Independent Chair since June 2022, when Neil Chamberlain resigned. His resignation also resulted in the end of the arrangement by which the independent role was undertaken by the Finance Director of West Midlands Police.
- 4.2 The Independent Chair’s role is to ensure views are heard and due respect is shown to the processes of the Board. They must have appropriate knowledge and experience with public pensions and the law relating to them and play an important role in facilitating the work of the Pension Board.
- 4.3 The current Pension Board Terms of Reference states that the Board shall have an Independent Chair. It also states that “The Chair of the Pension Board will be determined by the Scheme Manager [and] the term of office for the Chair will be determined by the Scheme Manager.”
- 4.4 The post was advertised in November, December 2022 and January of 2023 but no suitable applicants applied. It is unlikely that further extensions would draw applicants given the complex requirements of the role and the fact it is currently purely voluntary (even with reasonable expenses paid).

- 4.5 Therefore, three options (with analysis of strengths and weaknesses) are offered to the Audit and Risk Committee in its role as Scheme Manager to resolve this vacancy:

	Option	Strengths and Weaknesses
1	Secure funding to pay an honorarium for the role, then readvertise on this basis.	<p><b>S:</b> Similar roles in other sectors do offer an honorarium (rather than a salary) in recognition of the significant workload and expertise required. Likely to increase number and breadth of applicants.</p> <p><b>W:</b> Will add additional cost to the governance arrangements.</p>
2	Target specific individuals from local authority or other partner to create similar arrangement as was in place with Police.	<p><b>S:</b> Would replicate the model in place previously. May ensure continuity in the role for the longer term. Can ensure sufficient expertise in the role.</p> <p><b>W:</b> No guarantee of success, and reliant upon Local Authority or other partner releasing the individual with appropriate expertise for free.</p>
3	Remove the role of Independent Chair and alternating chairing duties between Employer and Scheme Side representatives (on an annual rather than meeting-to-meeting basis as currently)	<p><b>S:</b> Can be implemented instantly and at no financial cost. Model in place in a number of other Pension Boards.</p> <p><b>W:</b> Would remove the independent arbiter role from the board, useful for where there may be disagreement. Also removes significant external expertise and input from the Pension Board, and places additional workload on existing Pension Board Members (who also act in a voluntary role).</p>

## 5. EQUALITY IMPACT ASSESSMENT

- 5.1 An initial equality impact assessment has not been undertaken. However, as required by The Pensions Regulator, the Pensions Board does consider the diversity of its membership with a view to ensuring appropriate representation amongst its membership. Any appointment process for an Independent Chair will be undertaken in accordance with WMFS's recruitment and DICE policies.

## 6. **LEGAL IMPLICATIONS**

- 6.1 The West Midlands Firefighters' Pension Scheme is required under the Public Service Pensions Act 2013 to have in place a Pension Board to assist the Scheme Manager in relation to the governance and administration of the pension scheme, with equal numbers of employer and member representatives.

## 7. **FINANCIAL IMPLICATIONS**

- 7.1 Option 1 under 4.5 above would have a currently unbudgeted financial implication for the Scheme. A reasonable honorarium, with expenses, is likely to fall between £5,000 and £10,000 per annum based on equivalent roles.

## 8. **ENVIRONMENTAL IMPLICATIONS**

- 8.1 There are no Environmental Implications from this report or its recommendations.

## **BACKGROUND PAPERS**

- [WMFS Pensions Board Terms of Reference](#)
- [Public Services Pension Act 2013](#)

The contact for this report is Tom Embury, Deputy Clerk to the Authority

Karen Gowreesunker  
CLERK TO THE AUTHORITY

# WEST MIDLANDS FIRE AND RESCUE AUTHORITY

## AUDIT AND RISK COMMITTEE

### WORK PROGRAMME 2022/23

Date of Meeting	Item	Responsible Officer	Completed
<b>2022</b>			
18 July 2022	Statement of Accounts 2021/22 (Draft Unaudited Approval)	Treasurer	26 Sept 2022
	Treasury Management Annual Report 2021/22	Treasurer	26 Sept 2022
	Minutes of the Audit and Risk Committee held on 6 June 2022	Democratic Services Officer	26 Sept 2022
	Minutes of the Pension Board held on 28 March 2022	Democratic Services Officer	28 Nov 2022
	Audit and Risk Committee Draft Work Plan 2022/23	Democratic Services Officer	26 Sept 2022
26 Sept 2022	Terms of Reference of Audit and Risk Committee	Democratic Services Officer	Deferred to 19 June 2023
	Audit Progress & Sector Update	Grant Thornton	No additional report.
	Internal Audit Progress Report	Audit Manager	28 Nov 2022
	Pensions Board - Appointment of Independent Chair	Deputy Clerk	26 Sept 2022

	Internal Audit Report - Data Governance	ACFO Strategic Enabler (Enabling Services) /Data and Governance Manager	Deferred to 20 March 2023
	Update on the Corporate Risk 6.1 - Business Continuity Arrangements	ACFO Strategic Enabler (Enabling Services)	26 Sept 2022
	The Pension Regulator Supervisory Report Update	Deputy clerk	26 Sept 2022
	Statement of Accounts 2021/22 (Draft Unaudited Approval)	Treasurer	26 Sept 2022
	Approach to be Taken in Respect of Immediate Detriment Cases under the McCloud Sargeant Ruling	ACFO Strategic Enabler (Enabling Services)	26 Sept 2022
	Treasury Management Annual Report 2021/22	Treasurer	26 Sept 2022
	CIPFA Report	Audit Manager	26 Sept 2022
	Minutes of the Audit and Risk Committee held on 06 June 2022 and 18 July 2022	Democratic Services Officer	26 Sept 2022
	Audit and Risk Committee Work Plan 2022/23	Democratic Services Officer	26 Sept 2022
10 Oct 2022 [Authority]	Minutes of the Audit and Risk Committee held on 06 June and 18 July 2022	Democratic Services Officer	10 October 2022

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28 Nov 2022	Minutes of the Audit and Risk Committee held on 26 September 2022	Democratic Services Officer	28 Nov 2022
	Regulator Supervisory Report	Deputy Clerk	28 Nov 2022
	Audit Findings 2021/22	Grant Thornton	28 Nov 2022
	Statement of Accounts 2021/22 (for approval)	Treasurer	Deferred to 20 March 2023
	Audit Progress & Sector Update	Grant Thornton	28 Nov 2022
	Internal Audit Progress Report	Audit Manager	28 Nov 2022
	Treasury Management Mid-Year Report 2022/23	Treasurer	28 Nov 2022
	Corporate Risk Update Q1 & Q2 2022/23	ACFO Strategic Enabler (Enabling Services)	28 Nov 2022
	Audit and Risk Committee Work Plan 2022/23	Democratic Services Officer	28 Nov 2022
	Minutes of the Pension Board held on 28 March 2022 and Minutes of the Pension Board held on 10 June 2022	Democratic Services Officer	28 Nov 2022
	Fraud Awareness Training (tbc)	Phil Tromans John Matthews	Deferred to 20 March 2023.
12 Dec 2022 (Authority)	Audit Findings 2021/22	Grant Thornton	Deferred.
	Statement of Accounts 2021/22	Treasurer	Deferred.

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13 Feb 2023 (Authority)	Minutes of the Audit and Risk Committee held on 28 November 2022  Audits Annual Report 2021/22 (May be A&R March 2023)		Deferred to June 2023
20 March 2023	Minutes of the Audit and Risk Committee held on 28 November 2022	Democratic Services Officer	20 March 2023
	Audit Progress & Sector Update	Grant Thornton	No additional report.
	Internal Audit Progress Report	Audit Manager	20 March 2023
	Corporate Risk Update Q1 & Q2 2022/23	ACFO Strategic Enabler (Enabling Services)	28 November 2022
	Vacant Residential Properties Update	Treasurer	Deferred to 19 June 2023
	Monitoring Policies and RIPA (Annual Whistleblowing Report) (May be June 2023)	Monitoring Officer/ACFO Strategic Enabler (Enabling Services)	Deferred to 19 June 2023
	Internal Audit Plan 2023/24	Audit Manager	20 March 2023
	Audit Plan 2022/23 (possibly in June 2023 - tbc)	Grant Thornton	Deferred to 19 June 2023
	Internal Audit Charter – Annual Review	Audit Manager	20 March 2023

	Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2022/23 (possibly in March 2023 but may need to be June 2023 - tbc)	Grant Thornton	20 March 2023
	Auditors Annual Report (May be Authority in February 2023)	Grant Thornton	20 March 2023
	Statement of Accounts (for approval)	Treasurer	20 March 2023
	Internal Audit Report - Data Governance	ACFO Strategic Enabler (Enabling Services) /Data and Governance Manager	20 March 2023
	Annual SIRO report	ACFO Strategic Enabler (Enabling Services)	20 March 2023
	Addition of Fire Investigation – Corporate Risk	Strategic Lead - Prevention	20 March 2023
	Pension Board Action Plan and Risk Register	Deputy Clerk	20 March 2023
	Pension Board Membership	Deputy Clerk	20 March 2023
	Pension KPIs for Member Input	Deputy Clerk	20 March 2023
	Minutes of the Pensions Board held on 20 September 2022 and 20 October 2022	Democratic Services Officer	20 March 2023

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	Audit and Risk Committee Work Plan 2022/23	Democratic Services Officer	20 March 2023
	Fraud Awareness Training	Phil Tromans John Matthews	20 March 2023
	<i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i>	<i>Audit Manager</i>	20 March 2023
19 June 2023	Annual Internal Audit Report 2022/23	Audit Manager	
	Governance Statement 2022/23	Treasurer	
	Monitoring Policies and RIPA (Annual Whistleblowing Report) (May be March 2023)	Monitoring Officer/ACFO Strategic Enabler (Enabling Services)	
	Corporate Risk Update Q3 & Q4 2022/23	ACFO Strategic Enabler (Enabling Services)	
	Audit Plan 2022/23 (possibly in March 2023 - tbc)	Grant Thornton	
	Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2022/23 (possibly in March 2023 but may need to be June 2023 - tbc)	Grant Thornton	20 March 2023
	Annual Report of the Audit and Risk Committee 2022/23 for approval	Chair, Audit and Risk	
	Audit Progress & Sector Update	Grant Thornton	
	Internal Audit Progress Report (TBC)	Audit Manager	

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	Terms of Reference	Democratic Services Officer	
	Minutes of the Audit and Risk Committee held on 20 March 2023	Democratic Services Officer	
	Minutes of the Pensions Board held on 08 December 2022	Democratic Services Officer	
	Annual Report of the Pension Board 2022/23	Chair, Pensions Board	
	Pension Board Action Plan and Risk Register	Deputy Clerk	
	Audit and Risk Committee Work Plan 2022/23	Democratic Services Officer	
	<i>Committee Members' Private meeting with External Auditors</i>	<i>Grant Thornton</i>	
	<i>Workshop for Members on Statement of Accounts 2022/23</i>	<i>Treasurer</i>	
26 June 2023 [Authority]	Governance Statement 2022/23	Treasurer	
	Minutes of the Audit and Risk Committee held on 20 March 2023	Democratic Services Officer	
	Annual Report of the Audit and Risk Committee 2022/23	Chair, Audit and Risk	

24 July 2023	Minutes of the Audit and Risk Committee held on 19 June 2023	Democratic Services Officer	
	Statement of Accounts 2022/23 (Draft Unaudited Approval)	Treasurer	
	Treasury Management Annual Report 2022/23	Treasurer	
	Pension Board Action Plan and Risk Register	Deputy Clerk	
	Audit and Risk Committee Draft Work Plan 2023/24	Democratic Services Officer	
	Minutes of the Pension Board held on XX July 2023 - TBC	Democratic Services Officer	