

Minutes of the Audit Committee

7 September, 2015 at 12.30 pm at Fire Service Headquarters, Vauxhall Road, Birmingham B7 4HW

Present: Councillor Singh (Chair);
Councillor Miks (Vice-Chair);
Councillors Sealey, Singh and Quinnen.
Mr Ager (Independent Member).

Apology: Councillor Aston

Observer: Councillor Dehar

27/15 Minutes

Resolved that the minutes of the meeting held on 15 June 2015, be approved as a correct record.

28/15 Update from the Pensions Board – Firefighter Pension Schemes

Further to minute number 11/15 of the Fire Authority 16 February, the Committee as Scheme Manager of the Firefighter Pension Schemes received the Terms of Reference of the West Midlands Fire and Rescue Authority Pension Board.

Members received the minutes of the inaugural Pensions Board meeting held on 21 July 2015 and made slight amendments. The Committee noted that the minutes would be available for public scrutiny on the Committee Management Information System (CMIS).

Resolved:-

- (1) that the Terms of Reference of the West Midlands Fire and Rescue Authority Pensions Board be approved.
- (2) that the agenda and minutes of the Pensions Board meetings are to be shared on the Committee Management Information System (CMIS) for public scrutiny be noted.

29/15 **Discretions Policy – Firefighters’ Pension Schemes**

The Committee, as Scheme Manager, received the Discretions Policy – Firefighters’ Pensions Scheme.

The Firefighter’s Pension Scheme 2015 was implemented on 1 April 2015. Under scheme regulations the Scheme Manager is required to publish and keep under review a policy on the use of discretions available. A copy of The Discretion Policy – Firefighters’ Pension Scheme was provided as an Appendix to the report.

The Payroll and Pensions Manager outlined the purpose of the Discretions Policy and stated that from time to time the Audit Committee as Scheme Manager would be requested to make decisions on the Discretions.

Responses were given to members’ enquiries:

- (1) In respect of the Lump Sum death benefit payable, the Scheme Manager has absolute discretion as to the recipient. The discretion will be operated by the Payroll and Pensions Manager in consultation with the Strategic Enabler for People Support Services. Payment would be made to the widow, executor or the family member managing the estate.
- (2) Members of the Scheme are advised to complete a nomination form and the Payroll and Pension Manager would pay benefits using the information provided on the form.

Resolved that the Discretions Policy – Firefighters’ Pension Scheme be approved.

30/15 **Request for Decisions to be made under the Firefighters’ Pension Schemes**

The Committee received a request in their role as Scheme Manager for the Firefighters Pensions Scheme to make decisions on the following two issues:

1. What date should be used for automatic re-enrolment under the Work Place Pension Regulations?
2. Should eligible job holders, who have opted out of a qualifying scheme within a period of twelve months prior to the automatic re-

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enrolment date, be excluded from eligibility for automatic re-enrolment?

The Payrolls and Pensions Manager explained that under the Work Place Pension Regulations (Auto-Enrolment) the employer is obliged to re-enrol into a qualifying scheme all eligible employees every three years following their original staging or deferment date. Unlike automatic enrolment the employer may choose to undertake automatic re-enrolment on any date as long as it is within three months of the third anniversary of their original staging date. West Midlands Fire Service's original staging date was 1st August 2013 and it was proposed that automatic re-enrolment takes place on 1st August 2016.

Whilst the automatic enrolment regulations applied to all staff satisfying eligibility criteria, the employer can exempt certain staff from automatic re-enrolment. The Payroll and Pensions Manager proposed that eligible job holders who had opted out of a qualifying pension scheme within a period of twelve months prior to the automatic re-enrolment date be excluded from eligibility for automatic re-enrolment. This proposal would reduce the administrative burden of complying with the legislation and avoid charging members pension contributions which would then need to be refunded to them in the following or subsequent months.

In answer to Member's questions, the Payroll and Pensions Manager explained that using the anniversary of 1 August 2016 would not have any administrative implications as Members of the Scheme were paid monthly. It was noted that there was a legal obligation to publicise that date in advance. It was also noted that since the introduction of the new regulations there had been a slight increase in the number of opt outs.

Resolved:-

- (1) That the anniversary date of 1st August 2016 for the automatic re-enrolment under the Work Place Regulations be approved.
- (2) That eligible job holders, who have opted out of a qualifying scheme within a period of twelve months prior to the automatic re-enrolment date, should be excluded from eligibility for automatic re-enrolment was approved.

31/15 Corporate Risk 2015/16 – Quarter 1 Update

The Committee received the Corporate Risk Assurance Map and noted the position statement detailing the work undertaken in support of the management of each of the Service's Corporate Risks.

Corporate Risks were those which, if they occurred, would seriously affect the Authority's ability to carry out its core functions or deliver its strategic objectives as set out in the Plan. The Authority currently has eleven corporate risks. The Corporate Risk Assurance Map summary provided a description of each risk and an overview of its rating. The position statement set out the outcomes of the regular review of each risk by the risk owner. The Committee noted the position with regard to each risk.

The Risk Owners for risks 4, 5, 6, 10, 11 and 13 had been realigned to individual members of the Strategic Enabling Team to reflect functional responsibility. This change was consistent with the approach to risk management following the guidance detailed in The Orange Book Management of Risk – Principles and Concepts issued by HM Treasury in 2004. The change proposed to Risk Owners would support the appropriate management of risk at a strategic level. Performance of risk would continue to be monitored at the Quarterly Performance Reporting meetings.

The Corporate Risk Assurance Map summary provided a description of each risk and overview of its rating. The quarter one position statement set out the outcomes of the regular review of each risk by the risk owner.

Changes had been made to the risk ratings of Risks 2 and 4. Risk 2, The Fire Authority would be unable to maintain an effective ICT provision (excluding mobilising and communications), resulting in significant disruption to the organisation's ICT functionality. The overall risk had reduced to 8 and the risk continued to be medium although the likelihood has increased due to the emergence of additional risks relating to the Emergency Services Mobile Communications Programme (ESMCP), moving to new ICT platforms as part of the Third Platform project and the implementation of location and device independent working.

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However, mitigating measures had been introduced including the Data Classification Scheme and comprehensive data handling instructions.

In respect of Risk 4, The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives. Following receipt of an Internal Audit report and the initial findings of the Scrutiny review of partnerships, the Service had evidence that its partnership governance arrangements require strengthening. The Risk Owner had determined that the likelihood of risk realisation should be increased. It had been evidenced that there was no systematic and consistent approach to recording partnerships and creating the appropriate arrangements to maximise income generation enabled by the emerging public health/wellbeing commissions opportunities. The Risk Owner would work with the Community Safety Team to identify and implement appropriate control measures as a matter of urgency.

Resolved:

- (1) that the Corporate Risk Assurance Map Summary be approved and that the Position Statement for each risk be noted.
- (2) that the change to Risk Owners shown on the Assurance Map Summary be approved.

32/15

CIPFA Audit Committee Update No. 17

The Committee received the CIPFA Audit Committee Update No. 17. The update was published three times a year, the latest edition focused on the Audit Committee role in reviewing the financial statements and update on current developments. The purpose of the publication was to ensure the members of the Committee felt sufficiently informed with accounts and comfortable with their responsibilities in approving the accounts.

Resolved that the Issued 17 of CIPFA's Audit Committee Update be noted.

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33/15 Treasury Management – Annual Report – 2014/15

The Committee received the Treasury Management Annual Report 2014/15, which covered the treasury activity during 2014/15 and the actual Prudential Indicators for 2014/15.

The Treasurer stated that the Treasury Management activity is undertaken in conjunction with officers from Sandwell Metropolitan Borough Council.

In answer to members questions, it was confirmed that interest rates had remained steady over the review period and there had been no additional borrowing.

Resolved that the report and Appendix be noted and the Prudential and Treasury Indicators be approved.

34/15 Audit Committee Update

The Committee received and noted an update from its external auditor which set out Grant Thornton's progress in delivering its responsibilities and a summary of emerging national issues and developments which might impact on the Authority.

The external auditor explained that the external audit had taken place and had prepared and Audit Findings report for the full Authority where a clean opinion of the accounts and Value for Money would be given. It was indicated that the impact of a determination on commutation figures in respect of the 1992 Firefighters' Pension Scheme by the Pension Ombudsman following the completion of the Annual Statement of Accounts by officers of the Authority, would need to be reflected in the final audited version. The Treasurer indicated the top-up grant arrangements were expected to fund the associated pension costs.

The Annual Audit Letter would be completed in late October.

The External Auditor drew the Committee's attention to a new report "Fire Works – A collaborative way forward for the Fire and Rescue Service" from localism think tank NLGN (New Local Government Network) in association with the Chief Fire Officers' Association (CFOA).

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In relation to the associated challenge question “Have members been briefed by your Deputy Chief Fire Officer or your Strategic Enabler of Finance and Resources on the headline messages from the LGA’s white paper on devolution?” the Deputy Chief Fire Officer confirmed that devolution was an emerging topic and officers and members had engaged with local councils on this matter and the Chief Fire Officer had also had discussions with local Chief Executives and assured the Committee that this was an ongoing theme.

In relation to the associated challenge question “Have members been briefed by the Deputy Chief Officer on whether the Authority’s strategic direction has taken account of the message in this report?” The members confirmed that they had received several presentations on how the Fire Service could work closer with other organisations on health related issues at the Policy Planning Forum prior to the Audit Committee and had been encouraged by the current work on partnerships.

The External Auditor also drew the Committee’s attention to the Local Government Association’s white paper on devolution and recommended that members kept themselves informed of the possible changes regarding the Combined Authority.

Grant Thornton’s Guide to Local Authority accounts was also made available for distribution to the Audit Committee.

35/15 Work Programme

The Committee noted its work programme for 2015/2016.

36/15 Update on Topical, Legal and Regulatory Issues

The Treasurer advised the Committee that the Association of Metropolitan Fire and Rescue Authorities (AMFRA) had made a submission to the Treasury on Friday 4 September for consideration as part of the Government’s Spending Review Exercise.

(The meeting ended at 13.30 pm)

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