

# **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, 25 September 2023 at 14:00**

**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.**

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| 1 | To receive apologies for absence (if any)                                     |         |
| 2 | Declarations of interests   |         |
| 3 | Minutes of the Previous Audit and Risk Committee Meeting held on 24 July 2023 | 3 - 8   |
| 4 | Audit Progress and Sector Update  | 9 - 38  |
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| 7 | Update on Topical, Legal and Regulatory Issues (Verbal Report).               |         |
| 8 | Audit and Risk Committee Work Plan 2023-2024                                  | 53 - 58 |

### **Agenda – Private Session**

**Item No.**

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| 9 | CIPFA Report |  |
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- This document contains some information which cannot be made readily available. However, to comply with the spirit of the Freedom of Information Act, should you require details of this report it may be possible to give you access to certain information. If you wish to do that, please apply to the Data Manager, details below.  
Freedom of Information Act request, Martina Doolan,  
Data Manager, West Midlands Fire Service  
Headquarters, 99 Vauxhall Road, Birmingham, B7  
4HW.

**Distribution:**

David Barrie - Member, Rizwan Jalil - Member, Wayne Little - Member, Basharat Mahmood - Chair,  
Sybil Spence - Vice Chair

This meeting of the West Midlands Fire and Rescue Authority will be held at Fire Service Headquarters.  
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 Portfolio Team, 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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**Agenda prepared by Chandni Patel**

**Portfolio, West Midlands Fire Service**

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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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**24 July 2023 at 10:30 hours**

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

**Present:** Councillor Barrie, Councillor Jalil, Councillor Mahmood  
(Chair), Councillor Spence

**Virtually:** Councillor Little, Avtar Sohal (Grant Thornton)

**Officers:** Karen Gowreesunker, Mike Griffiths, Sofia Mahmood,  
Chandni Patel, Kal Shoker, Stephen Timmington, Kirsty  
Tuffin

38/23 **Apologies for Absence**

Apologies for absence were received from Mike Agar.

39/23 **Declarations of Interest**

There were no declarations of interest registered.

40/23 **Minutes of the Audit and Risk Committee held on 19 June  
2023**

Resolved:

That the minutes of the Audit and Risk Committee held on 19  
June 2023 were approved as a correct record.

41/23 **Matters Arising**

No matters were raised.

42/23 **Introductions**

Councillor Mahmood welcomed the new Members of the  
Committee and welcomed Sofia Mahmood, who had been  
appointed as the new Head of Finance and Procurement, and

Section 151 Officer. Councillor Mahmood thanked Mike Griffiths for his service and wished him all the best in his retirement.

43/23 **Statement of Accounts 2022-2023**

Mike Griffiths, Section 151 Officer, presented the Statement of Accounts 2022-2023.

The report contained a number of key statements, namely:

- The comprehensive income and expenditure statement
- The movement in reserves statement
- The balance sheet
- The cash flow statement

It was noted that general reserves remained a key issue and consideration for the Authority. With regard to unearmarked general fund reserve, there had been a modest movement of £4k, which resulted in a closing balance of £3.862M as at 31 March 2023 (£3.858M as at 31 March 2022). These reserves equalled approximately 3.25% of the Authority's revenue budget. The level of reserve was considered reasonable and provided a degree of headroom as a result.

The balance of earmarked general fund reserves as at 31 March 2023 was £21.413M, a reduction of £8.403M compared to the 31 March 2022 balance of £29.816M and represented a more significant move.

As shown in the Balance Sheet, total usable reserves stood at £28.067M as at 31 March 2023.

It was noted that the Other Long-Term Liabilities (£1,289M) related to how the Service accounted for pensions related matters.

Long-term borrowing had reduced to £29.839M due to no new borrowing being undertaken in 2022/23 and an amount of debt being repaid. The Authority has Property, Vehicles, Plant & Equipment valued at nearly £162M, which these loans have, in previous years, been used to finance.

It was noted that the amount of borrowing was proportionate to the budget and remained in a comfortable position.

It was noted that the Statement of Accounts were un-audited. The external auditor, Grant Thornton, would commence the audit of the Statement of Accounts in September 2023. It is planned for the audited Statement of Accounts along with the Auditor's Findings Report to be submitted to the Committee later in the year.

In answer to Members' questions, the following points were raised:

- No new borrowing had been incurred during 2022/2023. However, it was anticipated that a need to borrow would be likely during 2024/2025 due to reduced capital earmarked reserves. When the Authority borrowed it acquired assets that had a value. Officers would assess the business benefits of the assets and their value to ensure the effectiveness of any borrowing.
- The Authority utilised the Public Works Loan Board for borrowing and always strived to consider any appropriate alternative options to acquire the most competitive rates.

Resolved:

That it be agreed that the draft Statement of Accounts 2022/2023 (unaudited) be approved.

That it be agreed that the draft Statement of Accounts summary for 2022/2023 be noted.

#### 44/23 **Treasury Management Annual Report 2022/2023**

Kal Shoker, Finance Manager, presented the Treasury Management Report 2022/23.

It was noted that the report was historical and that changes had occurred to the economy and interest rates since the end of the financial year.

The Authority had approved the Treasury Management Strategy in February 2022 and the Committee had received the mid-year update at its meeting in November 2022.

The Committee's attention was drawn to three key treasury management activities:

- The Authority's Capital Expenditure and Financing: total capital expenditure had been £2.419M for 2022/2023, with the majority financed through the use of earmarked reserves (£2.388M). This comprised of the Service's Vehicle Replacement Programme (1.963M), drill tower/training facilities (£0.191M) and roof replacements (£0.128M). No borrowing was undertaken to finance any capital expenditure in 2022/23.
- The Authority's total debt stood at £30.7M, of which £29.2M was in respect of borrowing with the Public Works Loan Board and the balance £1.5M in respect of the Authority's share of the Ex WMCC. It was noted that the average rate of interest payable on this debt was 5.21%.
- The Authority's investments totalled £26.413M as at 31 March 2023, which are invested with Sandwell MBC as part of the treasury management arrangement with them. Interest is received on the Authority's daily cash balance and is based on the average return achieved by Sandwell MBC plus 10 basis points which for 2022/23 was 2.34%. This compares favourably to the benchmark, the average Sterling Overnight Index Average un compounded rate of 2.24%. The interest received in 2022/23 was greater than the £0.540M revised budget, due to the continuing increase in interest rates. £0.890M was received, which was £0.350 above the revised budget.

Resolved:

That it be agreed that the Treasury Management Annual Report 2022/2023 be noted, and the prudential and treasury indicators approved.

#### 45/23 **Audit Progress and Sector Update**

Avtar Sohal, Grant Thornton (external auditor), presented the Audit Progress and Sector Update.

The report was provided to ensure the Committee remained informed of the progress of the external auditor in delivering their responsibilities.

The Committee were advised that Grant Thornton would be issuing the Audit Plan in September 2023 which will set out the proposed approach to the audit of the Authority's 2022/2023 financial statements. The work will be reported in the Audit Findings Report and Grant Thornton aim to provide their opinion on the Statement of Accounts by December 2023. With regard to the Value for Money arrangements, Grant Thornton intended to issue a joint Auditor's Annual Report for 2021/2022 and 2022/2023 by December 2023.

Resolved:

That it be agreed that the Audit Progress and Sector Update be noted.

46/23 **Update on Topical, Legal and Regulatory Issues (Verbal Update)**

No topical, legal or regulatory issues were raised.

47/23 **Draft Audit and Risk Committee Work Programme 2023/2024**

Kirsty Tuffin, Democratic Services Officer, presented the draft Audit and Risk Committee Work Programme for 2023/2024.

It was noted that all standard reports and items for business, plus Member training, had been included within the draft work programme.

Resolved:

That the draft Audit and Risk Committee Work Plan 2023/2024 be approved.

The meeting closed at 10:58 hours.

OFFICIAL

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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY** Item 4

**AUDIT AND RISK COMMITTEE**

**25 SEPTEMBER 2023**

1. **AUDIT PLAN 2022/2023**

Joint report of the Chief Fire Officer and Treasurer.

RECOMMENDED

- 1.1 THAT the Committee approve Grant Thornton's Audit Plan (Appendix A) to enable the delivery of the external audit of financial statements and the value for money conclusion 2022/23.

2. **PURPOSE OF REPORT**

- 2.1 The purpose of the report is to seek Committee approval of Grant Thornton's Audit Plan. The plan (Appendix A) sets out the audit work Grant Thornton will undertake in respect of the external audit of the Authority's financial statements and the delivery of its value for money conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

3. **BACKGROUND**

- 3.1 The Audit Plan 2022/23 sets out the external audit work that Grant Thornton proposes to undertake and the key deadlines and milestones associated with the delivery of this work. The plan has been developed using a risk-based approach and considers the risks relevant to both the audit of accounting statements and the value for money conclusion.
- 3.2 The Code requires Grant Thornton to consider whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

- 3.3 The National Audit Office (NAO) has issued guidance for auditors on value for money work for 2022/23. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.
- 3.4 The Accounts and Audit Regulations 2015 require that the accounts be submitted to Members for approval by the end of July.
- 3.5 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 September 2023 for the 2022/23 accounts. The intention being for the change to 30 September to remain for six years and end once the 2027/28 accounts have been completed.
- 3.6 The plan sets out the key phases and activities for the delivery of the audit work. All reports arising from this audit work will be discussed and agreed with appropriate officers prior to submission to Members.
- 3.7 Representatives from Grant Thornton will be in attendance at the Audit and Risk Committee.

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

- 4.1 In preparing this report, an initial Equality Impact Assessment is not required as the matters contained in this report do not relate to a policy change.

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

- 5.1 The production of the Audit Plan complies with the statutory requirements set out within the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office.

## 6. **FINANCIAL IMPLICATIONS**

- 6.1 The scale fee for undertaking West Midlands Fire and Rescue Authority's external audit work for 2022/23 was budgeted at £55k.

## **BACKGROUND PAPERS**

None.

The contact officer for this report is Assistant Chief Fire Officer Simon Barry- [Simon.Barry@wmfs.net](mailto:Simon.Barry@wmfs.net)

WAYNE BROWN  
CHIEF FIRE OFFICER

SOFIA MAHMOOD  
TREASURER



# West Midlands Fire and Rescue Authority Audit Plan

Year ending 31 March 2023

West Midlands Fire and Rescue Authority  
25 September 2023



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## Your key Grant Thornton team members are:

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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.

# Key matters



## National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Funding for Fire and Rescue authorities continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation, workforce challenges and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In March 2023, we issued [About time?](#), which explored the reasons for delayed publication of audited local authority accounts. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

# Key matters



## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Head of Finance & Procurement.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will consider progress made against previously agreed recommendations – see page 12.
- We will continue to provide you and your Audit & Risk Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit & Risk Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk with regards to management override of control – refer to page 8.



# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of West Midlands Fire and Rescue Authority ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Authority.

We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Risk Committee); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit & Risk Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Presumed risk of management override of controls
- Valuation of land and buildings
- Valuation of net pension fund liabilities

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined materiality to be £2.8m (PY £2.6m) for the Authority, which equates to around 2% of the gross operating costs for the year in the draft financial statements submitted for audit.

As part of our risk assessment, we have considered the impact of unadjusted prior period errors and other factors, and applied a performance materiality adjustment to 70% of materiality, resulting in performance materiality of £1.96m (PY £1.82m)

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £0.14m (PY £0.13m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

## New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

## Audit logistics

Our planning work has taken place in February and September 2023, and our final visit will begin in November 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £53,114 (PY: £61,300) for the Authority, subject to the Authority delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Authority's Ethical Standard (revised 2019) 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.

# Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Presumed risk of fraud in revenue recognition</p> <p>ISA (UK) 240</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to improper recognition.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of revenue streams at the Authority, we have determined that the risk of fraud arising from improper revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the Fire Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we have concluded that this is not an area of significant risk for the Authority.</p> <p>We will continue to review and test, on a sample basis, material revenue transactions, ensuring that it remains appropriate to rebut the presumed risk fraud in revenue recognition.</p>
<p>Risk of fraud related to expenditure recognition</p> <p>PAF Practice Note 10</p>	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.</p>	<p>Having considered the risk factors and the nature of expenditure streams at the Authority, we have determined that the risk of fraud arising from improper expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate expenditure recognition</li> <li>• opportunities to manipulate expenditure recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the Fire Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we have concluded that this is not an area of significant risk for the Authority.</p> <p>We will continue to review and test, on a sample basis, material expenditure transactions, ensuring that it remains appropriate to rebut the risk fraud in expenditure recognition.</p>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design and effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgments applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul>

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ [ISA (UK) 315]

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liabilities represent a significant estimate in the financial statements.</p> <p>The pension fund net liabilities are considered a significant estimate due to the values involved (£1.3 billion in total in the Authority's balance sheet as at 31 March 2023, comprised of a small surplus of £1m on the Local Government Pension Scheme (LGPS) and an aggregate deficit of £1.3 billion on the Firefighter Pension Schemes (FFPS)), and the sensitivity of the estimate to changes in key assumptions.</p> <p>Management have engaged the services of actuaries to estimate the current value of net liabilities as at 31 March 2023. 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. In particular, the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regards to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liabilities are not materially misstated, and evaluate the design of the associated controls</li> <li>• evaluate the instructions issued by management to their management experts (the actuaries) for this estimate and the scope of the actuaries' work</li> <li>• assess the competence, capabilities, and objectivity of the actuaries who carried out the Authority's pension fund valuations</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuaries to estimate the liabilities</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consultancy actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>• obtain assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions date, and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements (LGPS only)</li> </ul>

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto. Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.



# Significant risks identified

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings annually, to ensure that the carrying value is not materially different from the current value at the financial statements date.</p> <p>Management have engaged the services of a valuer to estimate the current values of a sample of these assets as at 31 March 2023, as part of a five yearly cyclical approach.</p> <p>These valuations represent a significant estimate by management in the financial statements due to the size of the values involved (£143m in the Authority's balance sheet as at 31 March 2023), and judgement required to estimate values based on source data (such as floor areas and costing of in-year improvements) and subjective inputs (such as obsolescence factors and selection of build costs indices). Additionally, management will need to ensure the carrying value in the financial statements of any assets not revaluated in year is not materially different from the current value at the financial statements date.</p> <p>We have therefore identified valuation of land and buildings as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation experts</li> <li>• discuss with the valuers the basis on which the valuation was carried out to ensure that the requirements of the Code are met</li> <li>• challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>• evaluate management's assessment of the carrying value of assets not revalued by the valuer at the financial statements date.</li> </ul>

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' [ISA (UK) 315]

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Authority's financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings Report. We are pleased to report that management have confirmed that all of our recommendations have been implemented.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Review of the Fixed Asset Register</b></p> <p>We identified assets within the Fixed Asset Register which had been disposed of. These assets had nil net book value but gross book value and accumulated depreciation of £1.3m. We recommended that the Authority should review the fixed asset register periodically to ensure that assets no longer in use are removed in a timely manner.</p>	<p>Management have indicated that the asset register is now reviewed annually including checks on assets no longer in use.</p> <p>We will confirm this as part of our detailed testing of fixed assets.</p>
✓	<p><b>Completeness of the ledger</b></p> <p>We identified that the general ledger was imbalanced by £1.25 following the data migration to a new financial system. We recommended that the Authority should further investigate the imbalance to help increase understanding of the data migration process and provide assurance over the completeness of the ledger.</p>	<p>Management have further investigated the discrepancy and the issue was resolved with reports produced to substantiate the amount of the imbalance.</p> <p>We will test the completeness of the general ledger as part of our audit procedures.</p>
✓	<p><b>Depreciation Policy</b></p> <p>We identified some assets where asset lives were inconsistent with stated accounting policies, resulting in premature depreciation. We recommended that the Authority review asset lives to ensure consistent application of accounting policies, and to ensure that assets are categorised correctly in the fixed asset register.</p>	<p>Management have confirmed that the useful economic lives applied to assets are reviewed annually as part of the Statement of Accounts process, to ensure consistency and correct categorisation.</p> <p>We will confirm this as part of our detailed testing of fixed assets.</p>



# Progress against prior year audit recommendations

Our IT audit identified a further eight recommendations which were included in the 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	<p>Inadequate control over self-assigning roles in Oracle Cloud by privileged users</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 but we were unable to confirm formal documented approvals were in place. We recommended that 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>	To be confirmed
	<p>User access within Oracle is not appropriately revoked for terminated employees</p> <p>We identified that a sampled leaver's user account was still active/enabled within Oracle after the leaving date and that the leaver's account was last logged in 46 days after leaving. We recommended that management should ensure that a comprehensive user administration policy and associated procedures are in place to revoke application access in a timely manner.</p>	To be confirmed
	<p>Inadequate control over privileged (individual and generic) accounts within Oracle</p> <p>We identified that that there were 212 users from 3<sup>rd</sup> party support provider who had admin access. It was further noted that 1 user was a senior member of IT management. In addition, we found 5 generic accounts where there was no evidence of appropriate access controls. We recommended that management should undertake a review of all user accounts on Oracle to identify all individual accounts and review access settings and controls to prevent misuse.</p>	To be confirmed

# Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	<p><b>Lack of controls over granting user access within Oracle</b></p> <p>When a new employee joins the organisation, their access rights to a system/network should be approved by an appropriate individual before being granted according to the job role. Our audit identified for a new starter joining the organisation, the permissions were not specified on the access request.</p> <p>We recommended that management should</p> <ul style="list-style-type: none"> <li>• develop formal user access management procedures to ensure activities are consistently performed, logged and monitored</li> <li>• grant permissions based upon the role and responsibilities of the users and on the principle of least privilege, with regular review of permissions</li> <li>• Implement a process to record, approve and action the new user requests based on user role, team and access level</li> </ul>	To be confirmed
	<p><b>Lack of review of information security/audit logs within Oracle</b></p> <p>The applications are configured to generate audit logs which would identify unauthorised access attempts or inappropriate use. We found that logs are not monitored or reviewed periodically. We recommended that security event logs are reviewed at least weekly by a person who is independent of those involved in the administration of the application and underlying database.</p>	To be confirmed
	<p><b>Lack of User Acceptance Testing completed for Oracle changes</b></p> <p>Evidence was not available to confirm that user acceptance testing was performed and approved before moving a sampled change into production.</p> <p>We recommended that management should ensure that change management procedures are recommunicated to staff so that testing is performed and approved prior to introducing a change into the live environment. Documentation should be retained to identify who and when changes have occurred in the system</p>	To be confirmed

# Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
	<p><b>Business users not involved in conducting User Acceptance Testing in Oracle</b></p> <p>Our audit identified that there was no evidence available to show that the testing for a Sampled change was re-performed by appropriate business and system administration users. We recommended that 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. Changes should be approved by business users to ensure the changes being made have been appropriately tested and approved.</p>	To be confirmed
	<p><b>Inadequate control over privileged (individual and generic) accounts within Active Directory</b></p> <p>We identified that there was an individual admin account where the user was a member of senior IT management and 1 account where we could not determine the role of the user. We also identified 17 generic user accounts where there was no evidence of appropriate access controls. We recommended that management should undertake a review of all user accounts on Oracle to identify all individual accounts and review access settings and controls to prevent misuse.</p>	To be confirmed

# 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.

Matter	Description	Planned audit procedures
1	<b>Determination</b> We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. Materiality has been determined at £2.8m which equates to around 2% of your gross expenditure for the period.	We determine materiality in order to: <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>
2	<b>Other factors</b> An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. <ul style="list-style-type: none"> <li>– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £30,000.</li> </ul>

# 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.

Matter	Description	Planned audit procedures
3	<b>Reassessment of materiality</b> Our assessment of materiality is kept under review throughout the audit process.	We reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of materiality.
4	<b>Other communications relating to materiality we will report to the Audit &amp; Risk Committee</b> Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit & Risk Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.14m (PY £0.13m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Risk Committee to assist it in fulfilling its governance responsibilities.

# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Spend/Income	Planned level IT audit assessment
Oracle Fusion	Financial reporting and payroll	£195m gross expenditure in the CIES	We will test design and implementation of the ITGCs.

# Value for Money arrangements

## Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

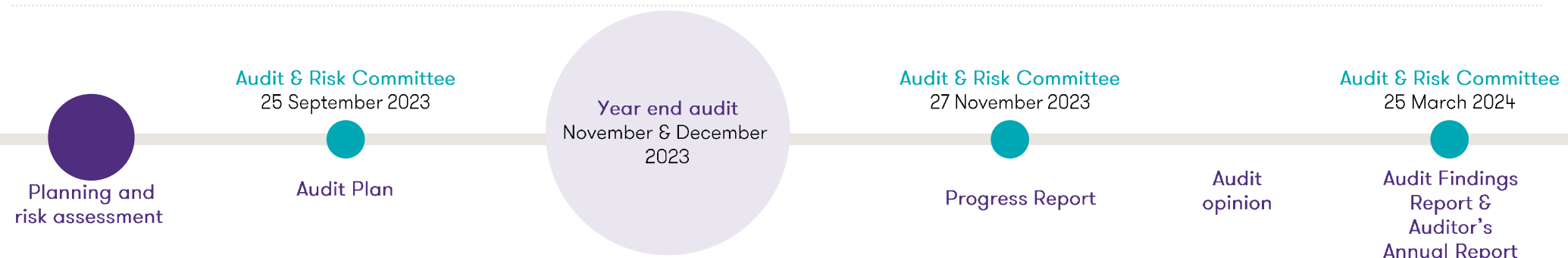


### Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

# Audit logistics and team



## Nikiwe Sibanda, Assistant Manager

Key audit contact responsible for the day-to-day management and delivery of the audit work.

## Sarah Jassal, Audit Manager

Manages the delivery of the audit, including supervision of the work of the audit team, review of audit work and liaison with the finance team

## Avtar Sohal, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Statement and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.



# Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for the Authority to begin with effect 2018/19. The fee agreed in the contract was £29,750. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 (and the revision of the scale fee to £35,064 for 2022/23) please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Authority's IT Infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Authority's business model, which may result in us needing to perform additional inquiries to understand the Authority's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the ITGCs as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £2,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Head of Finance & Procurement.

# Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
Authority Audit	£61,300	£53,114
Total audit fees (excluding VAT)	£61,300	£53,114

## Assumptions

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Revised Scale Fee published by PSAA	£35,064
<b><i>New issues (not included in the Scale Fee)</i></b>	
Additional work on Value for Money (VfM) under new NAO Code	£8,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£4,625
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£2,925
Enhanced audit procedures for Payroll – Change of circumstances	£500
Increased audit requirements of revised ISAs 315/ 240	£2,000
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>£53,114</b>

All variations to the scale fee will need to be approved by PSAA

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# Independence and non-audit services

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## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.. 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

## Other services

No other services provided by Grant Thornton were identified.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
Significant matters in relation to going concern	•	•	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	<b>Respective responsibilities</b>
Identification or suspicion of fraud[ deliberate manipulation] involving management and/or which results in material misstatement of the financial statements [ not typically Authority tax fraud]		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.
Expected modifications to the auditor's report, or emphasis of matter		•	

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

Item 5

**25 SEPTEMBER 2023**

1. **INTERNAL AUDIT – PROGRESS REPORT**

Report of the Audit Services Manager [Sandwell MBC].

RECOMMENDED that:

The Internal Audit Progress Report be noted.

2. **PURPOSE OF REPORT.**

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**

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 2023/24 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.

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**

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**

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**

There are no direct financial implications arising from this report.

### **BACKGROUND PAPERS**

None

Peter Farrow  
Audit Services Manager, Sandwell MBC



WEST MIDLANDS FIRE SERVICE

Internal Audit Progress Report as at 31 August 2023  
Audit and Risk Committee – 25 September 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 2023/24 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 31 August 2023

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Completed and reported for first time:</b>							
Partnerships	Medium	0	6	0	6	6	Limited
Data Protection	High	0	0	0	0	0	Substantial
<b>In progress:</b>							
Fixed Asset Accounting/Asset Planning	KFS						
<b>To be started:</b>							
Risk Management	High						
Governance	High						
Accounts Payable	KFS						
Payroll	KFS						
Accounts Receivable	KFS						
Budgetary Control	KFS						
Absence Management	Medium						
IT	High						

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

### 3 Issues arising

#### Partnerships

An audit was undertaken to review and assess the partnership governance and monitoring processes, and to provide assurance on how well they were embedded within the Authority.

A key function of the Partnership Team is the provision of strategic support to identify, implement and manage appropriate partnerships. This was managed by the introduction of the Partnership and Governance Arrangements and Framework Guidance and Toolkit which were introduced in 2016/2017.

Since the previous audit review in this area the partnership activity has reduced significantly over the past 12-18 months due to both the Covid pandemic and a reduction in the funding available for partnership activities.

Of those partnership arrangements that remained, we did identify a number of key issues relating to:

- The Partnerships Governance Arrangements and Framework Guidance /Toolkit documents had not been updated since 2017 and therefore may not reflect current working practices or guidance.
- It was agreed at the time of our last review that quarterly performance checks would be formally undertaken and documented. However, there was no real clear evidence of this on a routine basis for the period reviewed. As such, it was not explicit whether the expected outcomes of projects were being achieved and recognised as so.
- For one of the projects we reviewed, there appeared to be an inadequate initial set up, or ongoing monitoring arrangements, due to the lack of a formally agreed memorandum of understanding being established at the outset of the project.
- For the same project there was also a lack of a formally agreed guidance and output requirements from the outset for the funding received for the project.
- For another project, the memorandum of understanding was not signed/endorsed by an appropriate officer from the Fire Service evidencing the formal acceptance of the terms and conditions for the project.
- The memorandum of understanding for a further project was not signed/endorsed by all parties to the project to evidence their formal acceptance of the terms and conditions for the project.

An action plan has been produced by the Authority to address these matters and the implementation of them will be confirmed during a follow-up exercise to be undertaken as part of the internal audit plan for 2024/25.

#### Data Protection

The objective of our review was to assess how well the Authority was meeting its requirements relevant to the General Data Protection Regulations (GDPR). We did not identify any issues of significance.

In our previous review of this area, we noted that at the time assurance could not be provided that subject access requests were being responded to within specified deadlines, and errors had been noted in monthly monitoring reports presented to the Strategic Enabling Team (SET) detailing the number of Subject Access Requests (SARs) and Freedom of Information Requests (FOIs) received by the Authority, and how many had been responded to within a specified time frame. As part of our current review, we followed-up these matters and were pleased to confirm that they had been addressed, with

[ILO: UNCLASSIFIED]

automated processing now in place to ensure requests are dealt with on a timely basis and the Strategic Enabling Team making use of Power Bi dashboards to provide access to relevant information and statistics enabling effective monitoring to be undertaken.

## **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 2023/24**

We submitted the Internal Audit annual plan for 2023/24 to the committee for approval at the March 2023 meeting.

### **Internal Audit Annual Report 2022/23**

We presented the Internal Audit annual report for 2022/23 to the committee for comment and approval at the June 2023 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.

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Item 6

**AUDIT AND RISK COMMITTEE**

**25 SEPTEMBER 2023**

1. **INTERNAL AUDIT BY SANDWELL MBC – INFORMATION GOVERNANCE**

Report of the Clerk to the Authority.

RECOMMENDED

THAT the contents of this report are noted for information.

2. **PURPOSE OF REPORT**

To provide assurance to the Audit and Risk committee that information governance activities within the organisation are audited and monitored.

3. **BACKGROUND**

3.1 Sandwell MBC, as part of their internal audit plan, undertakes an annual themed review of information governance activities in West Midlands Fire Service. The outcome report gives a determination of the level of assurance and makes recommendations for improvement.

3.2 This review commenced on 7<sup>th</sup> March 2023 and concluded on 24<sup>th</sup> August 2023.

3.3 The focus was the data protection area.

3.4 Internal documents and publicly available documents were examined plus any additional information to inform the final determination.

4. **OUTCOMES**

A clean report with a determination level of ‘substantial assurance’ and confirmation that the actions generated by the previous review in 2020-21 have been implemented.

The full report is detailed in appendix 1.

5. **EQUALITY IMPACT ASSESSMENT**

Not required.

6. **LEGAL IMPLICATIONS**

Non-compliance with relevant information governance legislation could result in reputational damage and monetary penalties by the Information Commissioner's Office (ICO).

7. **FINANCIAL IMPLICATIONS**

None.

8. **ENVIRONMENTAL IMPLICATIONS**

None.

**BACKGROUND PAPERS**

[Final Report - Data Protection 2023.docx](#)

The contact for this report is Martina Doolan, Data and Governance Manager, [martina.doolan@wmfs.net](mailto:martina.doolan@wmfs.net).

Simon Barry  
ASSISTANT CHIEF FIRE OFFICER  
AND DIRECTOR OF ENABLING SERVICES



# Internal Audit Report

## Data Protection



### Report distribution:

Kash Singh – Head of Digital and Data  
Karen Gowreesunker – Assistant Chief Fire Officer,  
Director of Enabling Services & SIRO  
Martina Doolan – Data Manager

Report no: FS605  
Date issued: August 2023

### Contents:

1. Executive summary
2. Issues arising

## Executive summary

### Introduction

An audit of Data Protection was undertaken as part of the approved Internal Audit Plan.

### 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
To assess how well the Authority is meeting its requirements relevant to the General Data Protection Regulations.	Non-adherence to the Data Protection Act 2018 (DPA 2018), and the General Data Protection Regulation (GDPR). Ineffective monitoring processes in place to ensure compliance.
Limitations to scope of audit	To review the control arrangements in operation relating to the activities of the Authority undertaken during the review period.

### 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.

### *Key issues identified*

We have not identified any significant issue where improvement could be made.

As part of the previous internal audit review of Data Protection, we identified two issues relating to:

- Assurance could not be provided that subject access requests were responded to within specified deadlines.
- Monthly monitoring reports were presented to the Strategic Enabling Team (SET) detailing the number of Subject Access Requests (SARs) and Freedom of Information Requests (FOIs) received by the Authority, and how many had been responded to within a specified time frame. It was identified that the reports presented to SET contained errors.

As part of the current review, we have followed-up these matters and confirmed that they have been addressed, with automated processing now in place to ensure requests are dealt with on a timely basis and the SET has access to the Power Bi dashboard to provide access to relevant information and statistics enabling effective monitoring to be undertaken.

### *Limitations inherent to the internal auditor's work*

This report has been prepared solely for the authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

#### **Internal control**

- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### **Responsibilities of management and auditors**

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY  
AUDIT AND RISK COMMITTEE  
WORK PROGRAMME 2023/24**

<b>Date of Meeting</b>	<b>Item</b>	<b>Responsible Officer</b>	<b>Completed</b>
<b>2023</b>			
24 July 2023	Statement of Accounts 2022/23 (Draft Unaudited Approval)	Treasurer	24 July 2023
	Treasury Management Annual Report 2022/23	Treasurer	24 July 2023
	Audit Plan 2022-2023	Grant Thornton	Deferred.
	External Auditors Sector Progress Report		24 July 2023
	Terms of Reference	Deputy Clerk	Fire Authority - 26 June 2023
	Pension Board Action Plan and Risk Register	Deputy Clerk	N/A.
	Minutes of the Audit and Risk Committee held on 19 June 2023	Democratic Services Officer	24 July 2023
	Minutes of the Pension Board held on 29 March 2023	Democratic Services Officer	N/A.
	Audit and Risk Committee Draft Work Plan 2023/24	Democratic Services Officer	24 July 2023

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25 Sept 2023	Audit Progress & Sector Update	Grant Thornton	25 <sup>th</sup> September
	Internal Audit Progress Report	Audit Manager	25 <sup>th</sup> September
	CIPFA Report	Audit Manager	25 <sup>th</sup> September
	Annual Thematic Audit Report of WMFS Information Governance	Data and Governance Manager	25 <sup>th</sup> September
	Minutes of the Audit and Risk Committee held on 24 July 2023	Democratic Services Officer	25 <sup>th</sup> September
	Audit and Risk Committee Work Plan 2023/24	Democratic Services Officer	25 <sup>th</sup> September
9 Oct 2023 [Authority]	Minutes of the Audit and Risk Committee held on 24 July 2022	Democratic Services Officer	
27 Nov 2023	Minutes of the Audit and Risk Committee held on 25 September 2023	Democratic Services Officer	
	Audit Findings 2022/23	Grant Thornton	
	Statement of Accounts 2022/23 (for approval)	Treasurer	
	Audit Progress & Sector Update	Grant Thornton	
	Internal Audit Progress Report	Audit Manager	
	Treasury Management Mid-Year Report 2023/24	Treasurer	

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	Corporate Risk Update Q1 & Q2 2023/24	ACFO Strategic Enabler (Enabling Services)	
	Fraud Awareness Training	Phil Tromans John Matthews	
	Audit and Risk Committee Work Plan 2023/24	Democratic Services Officer	
11 Dec 2023 (Authority)	Audit Findings 2022/23  Statement of Accounts 2022/23  Minutes of the Audit and Risk Committee held on 25 September 2023	Grant Thornton  Treasurer  Democratic Services Officer	

2024			
12 Feb 2024 (Authority)	Audits Annual Report 2022/23 (May be A&R March 2024)	Grant Thornton	
25 March 2024	Minutes of the Audit and Risk Committee held on 27 November 2023	Democratic Services Officer	
	Audit Progress & Sector Update	Grant Thornton	
	Internal Audit Progress Report	Audit Manager	
	Monitoring Policies and RIPA (Annual Whistleblowing Report) (May be June 2024)	Monitoring Officer/ACFO	

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		Strategic Enabler (Enabling Services)	
	Internal Audit Plan 2023/24	Audit Manager	
	Audit Plan 2023/24 (possibly in June 2024 - tbc)	Grant Thornton	
	Internal Audit Charter – Annual Review	Audit Manager	
	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	
	Auditors Annual Report (May be Authority in February 2023)	Grant Thornton	
	Internal Audit Report - Data Governance	ACFO Strategic Enabler (Enabling Services) /Data and Governance Manager	
	Annual SIRO report	ACFO Strategic Enabler (Enabling Services)	
	Audit and Risk Committee Work Plan 2023/24	Democratic Services Officer	
	<i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i>	<i>Audit Manager</i>	
15 April 2024	Minutes of the Audit and Risk Committee held on 27 November 2023	Democratic Services Officer	

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17 June 2024	Annual Internal Audit Report 2023/24	Audit Manager	
	Governance Statement 2023/24	Treasurer	
	Monitoring Policies and RIPA (Annual Whistleblowing Report) (May be March 2024)	Monitoring Officer/ACFO Strategic Enabler (Enabling Services)	
	Corporate Risk Update Q3 & Q4 2023/24	ACFO Strategic Enabler (Enabling Services)	
	Audit Plan 2023/24 (possibly in March 2024 - 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 2024 - tbc)	Grant Thornton	
	Audit Progress & Sector Update	Grant Thornton	
	Internal Audit Progress Report (TBC)	Audit Manager	
	Terms of Reference	Democratic Services Officer	
	Minutes of the Audit and Risk Committee held on 25 March 2024	Democratic Services Officer	
	Audit and Risk Committee Work Plan 2023/24	Democratic Services Officer	
	<i>Committee Members' Private meeting with External Auditors</i>	<i>Grant Thornton</i>	

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	<i>Workshop for Members on Statement of Accounts 2022/23</i>	<i>Treasurer</i>	
24 June 2024 [Authority]	Governance Statement 2023/24  Minutes of the Audit and Risk Committee held on 25 March 2024	Treasurer  Democratic Services Officer	

22 July 2024	Minutes of the Audit and Risk Committee held on 17 June 2024	Democratic Services Officer	
	Statement of Accounts 2023/24 (Draft Unaudited Approval)	Treasurer	
	Annual Report of the Audit and Risk Committee 2022/23 for approval	Deputy Clerk / Democratic Services Officer	
	Treasury Management Annual Report 2023/24	Treasurer	
	Audit and Risk Committee Draft Work Plan 2024/25	Democratic Services Officer	

\*deferred items from 2022-2023 work plan - Vacant Residential Properties Update – Date – TBC.