

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

27 NOVEMBER 2023

1. **ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE
2022/23**

Report of Clerk to the Authority.

RECOMMENDED

- 1.1 THAT the Audit and Risk Committee agree its Annual Report for 2022/23.

2. **PURPOSE OF REPORT**

This report is submitted to gain approval for the draft Annual Report of the Audit and Risk Committee 2022/23, which will be submitted to the Fire Authority.

3. **BACKGROUND**

- 3.1 To enable the Authority to be fully effective in comprehending and assessing the control environment within which West Midlands Fire Service operates, the Audit and Risk Committee presents a report of its activities to the Authority annually.
- 3.2 The Annual Report for 2022/23 is attached as **Appendix A** for consideration by the Committee.

4. **EQUALITY IMPACT ASSESSMENT**

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

5. **LEGAL IMPLICATIONS**

The Authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

6. **FINANCIAL 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”.

BACKGROUND PAPERS

**KAREN GOWREESUNKER
CLERK TO THE AUTHORITY**

APPENDIX A

1. Background

The Audit and Risk Committee was established by the Fire Authority in January 2008. Its purpose is to provide:

- independent assurance on the adequacy of the risk management framework and the associated control environment,
- independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to
- oversee the financial reporting process.

The key benefits of the Committee are derived by:

- increasing public confidence in the objectivity and fairness of financial and other reporting.
- reinforcing the importance and independence of internal and external audit and similar review processes.
- providing additional assurance through a process of independent review.
- raising awareness of the need for internal control and the implementation of audit recommendations.

The Terms of Reference for the Committee can be found in Section of this report.

2. Meetings

During financial year 2022/23 the Audit and Risk Committee met on the following dates:

- | |
|---------------------|
| • 06 June 2022 |
| • 18 July 2022 |
| • 26 September 2022 |
| • 28 November 2022 |
| • 20 March 2023 |

| | 06/06/22 | 18/07/22 | 26/09/22 | 28/11/22 | 20/03/23 |
|-------------------------|----------|----------|--------------------------|-------------------|----------|
| Councillor Miks (Chair) | ✓ | ✓ | ✓ | ✓ | ✓ |
| Councillor Jalil | N/A | ✗ | Sub Cllr Brackenridge | ✓ | ✓ |
| Councillor Spence | ✗ | ✗ | ✓ | Sub Cllr Atwal | ✓ |
| Councillor Barrie | ✓ | ✓ | Sub Cllr Waters | ✓ | ✓ |
| Councillor Miller | ✗ | ✗ | ✗ | ✗ | ✗ |
| Councillor Padda | ✓ | N/A | N/A | N/A | N/A |
| Mr M Ager | ✓ | ✓ | ✗ | ✓ | ✗ |

✓ – in attendance

✗ – not present (name of substitute given if present)

3. The Committee's Business

During the year the Committee conducted the following business:

Governance Statement – 2021/22

Corporate Risk – Regular Updates and addition of new CR

Audit Committee – Terms of Reference Review

Statement of Accounts 2021/22

CIPFA Audit Committee Updates

Updates on Topical, Legal and Regulatory Issues

Treasury Management Annual Report – 2021/22 (and Mid-Year Review)

Annual Senior Information Risk Officer Report

External Audit Plan 2021/22

External Audit Findings Report

External Audit – Annual Audit Letter 2021/22

External Audit – Audit Committee Update

External Audit – Communication with the Audit Committee

Internal Audit Annual Report – 2020/21

Internal Audit Progress Reports

Internal Audit Plan – 2022/23

The Pension Regulator – Scheme Return

Annual Report and quarterly minutes of the Pension Board

Restarting of payments for Immediate Detriment to affected pensioners, and monitoring implementation of ID by the pensions team.

Commissioning and Receipt of Independent Review of Pension Issues.

4. Conclusion

The Committee was able to confirm:

- That the system of internal control, governance and risk management in the Fire Authority was adequate in identifying risks and allowing the Fire Authority to understand the appropriate management of these risks.
- That there were no areas of significant duplication or omission in the systems of internal control, governance and risk management that had come to the Committee's attention and had not been adequately resolved.
- That the improvements were necessary in the governance and administration of the service's Pension Scheme, and that the role of Scheme Manager should be transferred to the Chief Fire Officer (which occurred in June 2023).

5. Sources of Assurance

The Committee gained assurance to produce the above conclusion, from the following sources:

The work of Internal Audit

The Internal Auditors gave the following opinion in their Annual Report for 2021/22:

*"Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit can provide *reasonable assurance that the Fire Authority has an adequate and effective framework of governance, risk management and control. *We are pleased to report that this is an unqualified opinion and the highest level of assurance available to Audit Services. As stated in paragraph 1.3 "In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes".*

The Work of the External Auditors

During the year the external auditors (Grant Thornton) reported back to the Audit Committee on several occasions as detailed in section 4 above. No issues of any significant concern had been raised prior to the preparation of this report.

The Governance Statement

The Governance Statement operated throughout the year ended 31 March 2022 and up to the date of the approval of the annual report and accounts. The systems to ensure the management of the risks have been shown to be sound.

Risk Management

The Committee regularly receives and reviews the Fire Authority's Corporate Risk Register, and assesses the assurance provided to demonstrate how risks are being mitigated.

6. The Committee's Main Achievements

The Committee believes its key achievements during the year were:

- Deciding to resume payments to Immediate Detriment cases and agreeing the approach taken in respect of Immediate detriment Cases under the Sargeant/McCloud ruling, with payments to all currently affected pensioners made by February 2023.
- Commissioning an Independent review of Pensions Issues which occurred between November 2021 and June 2022.
- Creation and agreement of an Action Plan following the publication of The Pension Regulator's Supervisory Report for the service, with ongoing monitoring since.
- Continuity of good working relationships with the Authority's external auditors Grant Thornton.
- Receiving and reviewing several sector updates from the external auditors.
- Receiving and reviewing updates from the Internal Auditors Sandwell MBC
- Receiving the second Senior Information Risk Officer report
- Oversight of the work of the Pension Board, including approving changes to PB Terms of Reference.
- Oversight of the response to implementation of the Whistle Blowing Policy and Regulation of Investigatory Powers Act
- Agreement of new Corporate Risks for Fire Investigation
- Reviewing the Committee's Terms of Reference and the Internal Audit Charter to ensure they remain fit for purpose.
- Providing additional assurance through a process of on-going independent review.
- Raising the profile of internal control issues across the Authority and of the need to ensure that audit recommendations are implemented.
- Regular consideration and review of the Authority's Risk Register and accompanying assurances.
- Building the skills and knowledge of Committee members through regular technical updates and the consideration of related guidance issued by CIPFA.
- The continued presence of an Independent Member to broaden the Committee's experience and independent viewpoint.