

Minutes of the Audit Committee

Monday 8th April, 2013 at 1.00 pm
at Fire Service Headquarters, Vauxhall Road, Birmingham

Present: Councillor Singh (Chair);
Councillors Aston, Quinnen, Sealey and Ward;
Mr Ager.

Apology: Councillor O'Reilly.

10/13 Minutes

Resolved that the minutes of the meeting held on 7 January, 2013, be approved as a correct record, subject to Councillor Ward being added to the list of apologies.

11/13 Anti Fraud and Corruption Policy

The Committee considered a report with regard to the Authority's approach to managing anti-fraud and corruption. This policy was set out in Standing Order 1/22, which, in accordance with good practice, had been reviewed and updated, and was submitted for consideration.

Reference was made to paragraph 2.3 of the policy which referred to dealing with unfounded malicious allegations as a disciplinary matter. There were concerns that this might discourage staff from raising concerns. Reassurance was given that this provision would be invoked only in respect of malicious allegations and that the culture of the organisation would generally encourage the proper use of the policy.

Resolved to recommend to the Authority that Standing Order 1/22 [Anti Fraud and Corruption Policy], attached as an Appendix, be approved and adopted.

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12/13 **Auditing Standards**

The Committee was advised that the Authority's external auditors, Grant Thornton, wished to ensure that they had a clear understanding of how the Audit Committee and relevant officers met their responsibilities with regard to a wide range of financial matters, to avoid the risk of material mis-statement in the audit process. They had therefore provided a questionnaire in the form of an auditing standards report for completion by the Authority. Draft responses to the various questions were submitted for consideration by the Committee.

Reference was made to the question on what concerns staff were expected to report about fraud. The response that no concerns had been raised was not easy to interpret and an undertaking was given that this would be clarified.

Resolved that subject to the clarification requested with regard to reporting of fraud, the completed auditing standards report be approved for submission to the external auditors.

13/13 **Corporate Risk Update**

The Committee considered a quarterly update on risks, which if they occurred, would seriously affect the Authority's ability to carry out its core functions or deliver its strategic objectives set out in the Plan. A recent review had indicated that the overall scores and risk levels as set out in the position statement and assurance summary remained unchanged.

Reference was made to Risk 9 [the Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective employees] and how proposed new staffing arrangements would impact on this risk. Reassurance was given that the financial settlement had given some clarity on future staffing. Although there would be pinch points for staffing based on current predictions, control measures were in place.

Resolved that the Corporate Risk Assurance Map Summary be approved and that the position statement for each risk be noted.

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14/13

Audit Committee Update for the West Midlands Fire and Rescue Authority – External Auditor

The Committee noted an update from its external auditor which set out a summary of emerging national issues which might impact on the Authority and a number of questions arising from those issues that the Committee might wish to consider as follows:

- any outstanding municipal mutual insurance liabilities.
These liabilities, which could be recurring in nature, had been taken into account in the current year's accounts;
- the current level of the Authority's reserves.
There was no longer a minimum requirement for the level of reserves. The minimum used to be 5% of the total budget, and the Authority's reserves were currently slightly in excess of this. The Treasury Management Strategy set out the rules for the use of reserves for investment.
- any issues arising from the Grant Thornton report on financial health checks on English local authorities;
- key risks in preparing the 2012/13 financial statements;
- whether the Authority was to contribute to the operational efficiencies review conducted by the Chief Fire and Rescue Adviser.

A response had been submitted following consultation with Authority members.

15/13

Internal Audit Progress Report

The Committee noted a report which detailed the progress made against the delivery of the 2012/2013 Internal Audit Plan. The information contained within the report would inform the overall opinion in the Internal Audit Annual Report at the end of the year.

In response to a question, the internal auditor indicated that the areas for audit were declining year on year.

Workforce planning was programmed for an audit in 2015/16 but it was suggested that in the light of pinch points in the Service's staffing, it would be more appropriate to carry out this audit in 2013/14. The Committee was advised that this work had been programmed for 2015/16 to avoid duplication at national level and that the internal auditors were happy to work with existing assurance.

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The external auditor referred to the statement that all key financial systems reviews were undertaken by the internal auditors on behalf of the external auditors. He indicated that he might wish to review this practice and would discuss this matter with the internal auditors.

16/13 Strategy for Internal Audit 2013/14 to 2015/6

The Committee considered a draft internal audit strategy for 2013/14 to 2015/16, including the periodic audit plan for 2013/14, which had been drawn up in consultation with senior management in the Service. The strategy was kept under review and any proposed changes would be reported to the Committee for approval.

Resolved that the Internal Audit Strategy for 2013/14 to 2015/16 be approved.

17/13 Public Sector Internal Audit Standards

The Committee was advised that from 1st April, 2013, the 2006 Chartered Institute of Public Finance Accountants (CIPFA) Code of Practice for Internal Audit in Local Government in the UK was being replaced by a new set of Public Sector Internal Audit Standards issued by the 'relevant internal audit standard setters', which included CIPFA, the Chartered Institute of Internal Auditors and HM Treasury. The new document defined internal audit as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helped an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness or risk management, control and governance processes'.

The Committee examined and noted the new standards.

18/13 Work Programme 2012/13

The Committee noted its work programme for the remainder of 2012/2013.

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19/13 Update on Topical, Legal and Regulatory Issues

There was no new information to be presented.

(The meeting ended at 1.30 pm)

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