

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, 07 June 2021 at 14:00

**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

To receive apologies for absence (if any)

Declarations of interests

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Update on Topical, Legal and Regulatory Issues (Verbal Report).	

Distribution:

David Barrie - Member, Manjit Gill - Vice Chair, Catherine Miks - Chair, Peter Miller - Member, Sybil Spence - Member

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

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

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This agenda and supporting documents are also available electronically on the West Midlands Fire Service website at www.wmfs.net

Minutes of the Audit and Risk Committee

22 March 2021 at 10.30hrs

Conducted as a digital meeting

Present: Councillor Catherine Miks (Chair), Councillors Barrie, Miller, Spence, Mr Ager, Richard Percival and Siobhan Barnard (Grant Thornton) Peter Farrow and John Matthews (Sandwell MBC)

Apologies: Councillor Gill (Vice Chair), Neil Chamberlain (West Midlands Police and Chair of WMFS Pension Board)

Officers in attendance: Karen Gowreesunker, Mike Griffiths, Kal Shoker

01/21 **Declarations of Interest**

There were no declarations of interest registered.

02/21 **Minutes of the Audit and Risk Committee held on 07 December 2020**

Resolved that the minutes of the Audit and Risk Committee held on 07 December 2020 be approved as a correct record of proceedings.

03/21 **Annual Audit Letter 2019-20**

Richard Percival presented the report. The Annual Audit Letter (AAL) summarised the key findings from external audit work undertaken for the 2019/20 audit year. The delay in production of the AAL was contextualised, re-capping progress reports covered previously in both Audit and Risk Committee and Fire and Rescue Authority. It was confirmed the AAL was unqualified in release, the Certificate of Audit having been issued on 03 March 2021 and the audit formally closed.

Richard Percival cited three items for Members reference. The re-visiting of property valuations had been resolved in

conjunction with the Financial Management Section and the Property Team at Sandwell MBC; the uncertainty created by Pension Remedy, Government Grant funding and effects of the Covid-19 pandemic would have implications for medium/long term financial planning and; the variation in Audit Fee was explained.

A Member noted that all Councils and Fire Services would be affected by financial uncertainty but would inevitably make the tough decisions required to achieve a balanced budget. A Member sought clarification that all Councils would have featured property valuations as an item of auditor focus due to the regulation now placed upon them; Richard Percival confirmed this to be an accurate statement.

The Chair enquired of Mike Griffiths (West Midlands Fire Service (WMFS) Section 151 Officer) the context of the valuation review. It was explained that property valuation was re-visited at the end of the audit process, the elongated period to progress caused by the reliance on two external intermediary companies to complete, who like WMFS and Grant Thornton were also having to manage resource capacity and revised systems of work due to the Covid-19 pandemic. The requirement to have a shared view of the valuation outcome generates a long chain of activity, which became uniquely challenging during this past year. Richard Percival stated this was an accurate assessment of circumstances and excellent support had been received from the WMFS Finance Team to progress this item, as had been the experience across the whole audit process.

Mike Griffiths responded to the observation regarding financial planning, reminding Members the future uncertainty on funding being substantially referenced in the Budget Setting report approved by the Fire and Rescue Authority on 15 February 2021. He also referenced the regular discussion that ensues at Policy Planning Forum on options for the sustainability of the Service Delivery Model.

The Chair thanked Richard Percival for his commitment to WMFS during recent years and audits, noting his impending retirement from Grant Thornton. It was confirmed by Richard Percival that Avtar Sohal would be the new engagement lead

representative of Grant Thornton attending this Committee.

The Committee **noted** the Annual Audit Letter (AAL) attached as an Appendix to the report.

04/21 **Internal Audit Progress Report (26 February 2021)**

Peter Farrow introduced the report and passed to John Matthews for presentation of its content. The focus was placed upon progress since the last meeting of the Committee, confirming that five audits had been completed since December 2020. There were no fundamental recommendations required on any audit, four of which had achieved Substantial Level of Assurance and one had achieved Limited Level of Assurance. Members were re-appraised of the different levels of assurance and the definitions therein.

John Matthews confirmed the Absence Management Audit (Limited Assurance) had established inconsistent recording of return fit to work notes. The action to be implemented is sample checks at each trigger stage of the absence management process, to assess managerial application of responsibility, policy and process.

A Member enquired if the prevailing circumstances were due to managerial inattentiveness or seeking to do right at the time. Peter Farrow stated that deviations found were caused solely by the application of best intentions, however the application of policy and process needed to be consistent.

A Member enquired if the application of the Absence Management Policy as described breached the Audit Charter. Peter Farrow confirmed it did not, the Policy and its process controls were robust in structure, it was the effectiveness of application that required review. The unprecedented level of remote working had created an unforeseen impact.

The Chair requested the Scrutiny Committee check the proposed sampling checks are being conducted.

Peter Farrow confirmed the annual end of year opinion would be presented upon completion of all the 2020/21 audits. He stated the issues identified in the Absence Management audit did not necessitate that overall a poor opinion would be registered.

The Committee **noted** the Internal Audit Progress Report.

05/21 **Internal Audit Charter - Annual Review - 2021**

Peter Farrow presented the report, summarising context of the statutory requirement for Internal Audit to work in accordance with the 'proper audit practices' defined in the Public Sector Internal Audit Standards. The Internal Audit Charter, first approved by the Committee in January 2014, reflects the practices required. It was last reviewed in July 2020 since which there have been no changes and is now due for its next review.

The Chair requested that an electronic copy of the Public Sector Internal Audit Standards be made available to Members. There were not questions arising.

The Committee **approved** the existing Internal Audit Charter be subject to its next annual review.

06/21 **Internal Audit Plan 2021 - 22**

Peter Farrow presented the report, summarising details of the proposed Internal Audit Plan for 2021/22, together with an indicative plan covering the period 2022/23 to 2023/24. It was emphasised as a fluid plan which may be updated periodically to reflect changes in the risks faced by the Fire and Rescue Authority.

The assessment of assurance need/risk analysis were explained, providing context that during the period covered by the plan, the priority and frequency of audit work may be subject to amendment to recognise alterations in the same. These alterations may be caused by changes within the Fire and Rescue Authority and the requirements of the Audit and Risk Committee and Senior Managers.

A Member welcomed the report and commented that the fluid nature of the plan to enable changes by risk was a valuable approach; the experience of managing through the Covid-19 pandemic illustrated the necessity to have robust yet flexible arrangements.

The Committee **approved** the Internal Audit Plan for 2021/22.

07/21 **Minutes of the Pensions Board on the 09 December 2020**

The minutes were presented for information to the Audit and Risk Committee in their role as Scheme Manager. There were no matters arising. The Chair expressed thanks for the diligence of Members of the Pension Board in fulfilling their roles.

The Committee **noted** the content of the minutes.

08/21 **Audit and Risk Committee Work Plan 2020-2021 March 21**

The Committee **noted and approved** progress of its work programme for 2020-21.

09/21 **Update on Topical, Legal and Regulatory Issues**

Mike Griffiths (WMFS Section 151 Officer) informed the Committee of additional Covid-19 funding. The Ministry of Housing, Communities and Local Government advised on 16 March 2021 the Authority would be allocated £1.351M, following an application for additional funding to cover 2020/21 (the annual provision totalling £4.137M). In addition, a third tranche of funding was announced for the Fire Sector specific to 2021/22; the Authority's allocation was indicated as £494k.

The Committee **noted** the content of the verbal report.

Exclusion of the public and press

Resolved that the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Scheduled 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 relating to the document containing some information which cannot be made readily available.

10/21 **Audit & Risk Committee Update Issue 33**

Peter Farrow presented for information the latest issue of the audit committee update from the Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum.

Members were advised this was presented in private session due to the document being copyrighted and not for the confidentiality of content. Two items were cited for Members attention: details of new guidance from CIPFA to local government on the head of internal audit's annual opinion and key recommendations of interest from the Redmond Review.

There were no matters arising from Members

The meeting closed at 11.40 hours.

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WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

7 JUNE 2021

1. CORPORATE RISK UPDATE

Report of the Chief Fire Officer.

RECOMMENDED

THAT Audit and Risk Committee approve the Corporate Risk Summaries (Quarter 3, 2020/21, Appendix 1 and Quarter 4, 2020/21, Appendix 2) and note the management of corporate risk through the Business Continuity arrangements.

2. PURPOSE OF REPORT

This update covers a six-month period and is provided to ensure Members remain informed about all aspects relating to the management of the Authority's Corporate Risks. It covers Quarter 3, 2020/21 and Quarter 4, 2020/21.

3. BACKGROUND

- 3.1 This report includes the Corporate Risk Summary for Quarter 3, 2020/21 and Quarter 4, 2020/21. In addition, it provides an update on the management of Corporate Risk through the Business Continuity arrangements which were put in place in March 2020.
- 3.2 Corporate Risks are those risks which if they occurred would seriously affect the Authority's ability to carry out its core function or deliver its strategic objectives as set out in 'The Annual Plan'. Currently, the Service maintains 9 Corporate Risks, some of which have more than one element.
- 3.3 Each Corporate Risk is assigned to a Risk Owner, who is a member of the Strategic Enabling Team. The Risk Owner has

the overall responsibility for monitoring and reviewing the progress being made in managing the risk.

- 3.4 To enable for effective risk management the Risk Owner reviews and assess each corporate risk monthly. A report is subsequently submitted to SET on a quarterly basis.

The review and the estimated risk rating undertaken is based on likelihood x impact. The likelihood is a measure of probability of a given risk occurring using a scale of 1 (low) to 4 (high). The impact is a measure of the severity or loss should the risk occur again, using a scale of 1 (low) to 4 (high).

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
		IMPACT			

	HIGH RISK - periodic review every 6 weeks
	MEDIUM RISK - periodic review every 3 months
	LOW RISK - periodic review every 6 months
	VERY LOW RISK - periodic review every 12 months

- 3.5 In undertaking a review of the Corporate Risks, the risk owner reviews the Corporate Risks and in doing so considers the following:-

- The direction of travel of the risk
- The overall confidence that the risk owner has in the risk being realised
- The current risk scores (Likelihood and Impact)

- Any issues that have emerged during the previous month
- Any forthcoming issues that may be likely to emerge that could affect the risk
- Any changes to the control measures that are in place which are designed to reduce the likelihood of the risk realisation or its impact should the risk be realised
- Additional control measures currently implemented to further reduce the likelihood or impact
- Any interdependencies with other Corporate Risks
- The recommended risk score rating

3.6 As part of the review the Risk Owner has considered the risk score and rating and updated the summary sheet. The Risk Owner has provided assurance that the control measures identified are still effective in the management of the risk and identified whether any new risk events or controls have been implemented or are required.

3.7 Where ongoing additional controls are being implemented, Risk Owners have confirmed the progress in implementing such controls.

Increase/decrease in Overall Corporate Risk Score

3.8 During Quarter 3. Corporate Risk 7.2 increased its risk score in December 2020 to Likelihood 3, Impact 3, providing a risk score of 9 (an increase from 6). This has not changed the amber confidence opinion. It has remained at this level throughout Quarter 4. The increase in the risk score related to an ICT security breach, ongoing forensic work is taking place.

During Quarter 4, (January) Corporate Risk 4.1 increased to Likelihood 3, Impact 3, providing a risk score of 9 (an increase from 6). In March this reverted to an overall risk score of 6 with Likelihood 2 and Impact 3. Neither change altered the amber overall confidence opinion. The increase in the risk

score in January was due to the limited level of activity being undertaken by Fire Safety Officers due to Covid restrictions.

Quarter 3, 2020/21 (October, November, and December)

Quarter 4, 2020/21 (January, February, and March)

3.9 The Corporate Risk Summary for Quarter 3 (December), 2020/21 is attached as Appendix 1 and Quarter 4 (March) 2020/21 is Appendix 2. It provides the confidence levels of the risk management activity in respect of the Authority's 8 Corporate Risks. It should be noted that some risks have more than one element, providing an update on 14 elements of the risks. The following is the status at the end of Quarter 4 (March 2021).

- Corporate Risks 1.2, 2.1, 2.3, 5.1, 5.2, 8.1 and 8.2 have been awarded a green confidence (substantial) opinion, which is the highest level that can be awarded. These have not changed during the six-month period.
- Corporate Risks 2.2, 3.1, 3.2, 4.1, 7.1 and 7.2 have been awarded an amber (satisfactory) confidence opinion. In all cases, work is in progress to enable for a green rating to be attained. These have not changed during the six-month period.
- Corporate Risk 6.1 has been awarded a red (limited) confidence opinion, due to the inadequacy of key internal controls being in place. This has not changed during the six-month period.

3.10 **Corporate Risk Statement Summary**

3.10.1 **Corporate Risk 1.2, External (Political and Legislative Environment)**

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

The broadly flat cash settlement for 2021/22 providing a single year's approach to the Comprehensive Spending Review (CSR) which will not support effective financial

planning for the 3-year rolling Strategy.

The organisation is leading an NFCC approach to influencing future CSR using a data led sector approach to the provision of evidence to the Treasury. This is in development and aims to have positive future impact of the governments understanding of resourcing to risk.

3.10.2 Corporate Risk 2.1, People (Positive staff engagement)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

The service continues to monitor the current position asserted by the National Joint Council and representative bodies. Locally the Employee Relations Framework continues to be applied with early engagement and discussions being a key success factor in ensuring positive consultation and engagement.

Locally the service continues to focus on ensuring activities and services can be delivered safely to include Site Specific Risk Information (SSRI), Safe and Well checks, operational excellence, and a competent workforce. A road map has been published outlining key milestones and how progress will be monitored.

The Fire Minister has stated the intention for the Home Office to launch a white paper on fire reform based on professionalism, people, and governance. This has the potential to impact on the governance of WMFS and will be monitored.

3.10.3 Corporate Risk 2.2, People (Insufficient or ineffective employees)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

The Covid guidance for employees has been refreshed to outline three pillars of surveillance: health surveillance, infection prevention control and systems of work. It is positive to report that towards the end of quarter 4, there had been a

significant decrease in positive cases and the number of employees absent from work.

There were two areas of delivery that were identified where the impact of Covid impacted on the ability to maintain the appropriate level of training these were: driver training and the shortage of Extended Delayed Response (EDR) drivers and tactical ventilation training. Contingency plans have been put in to place to ensure training can continue to be delivered.

3.10.4 Corporate Risk 2.3, People (Safe and healthy workplace)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

It became apparent early in Quarter 3 that elements of the workforce were not complying fully with the Covid guidance, particularly social distancing and this led to an increase in cases of self-isolation. Measures were put in place to rectify this, including the Covid pre-screening questions undertaken by employees which is now well established and has been updated to reflect the 11 known symptoms. Employees are being encouraged to remain vigilant of any new variants and to take advantage of the Lateral Flow Tests that are available.

3.10.5 Corporate Risk 3.1, Prevention (Engagement with vulnerable members of the community)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

At the beginning of quarter 3 the number of Remote Safe and Wells (SAWs) increased creating a backlog of face to face SAW visits. The completion of the Tymly Remote SAW data collection form is still awaited to enable to survey those who have received a SAW since lockdown in March 2020, to identify how the assessment was completed, to evaluate the service and identify those whose risk level requires a full SAW when this is possible.

3.10.6 Corporate Risk 3.2, Prevention (Partnership arrangements)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

Where WMFS is currently working alongside other organisations to deliver Covid and Additional Activities the opportunity to capitalise on these partnership relationships post-Covid will be maximised. There may be an impact on the capacity within WMFS where team members are volunteering to support Covid activities including LFT and vaccinations.

3.10.7 Corporate Risk 4.1, Protection

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

The impact on the Building Risk Review Project and the number of audits/visits that crews will need to carry out over the next 18 months could be hindered as we move out of lockdown.

The impact of the Fire Safety Bill (FSB), Building Safety Bill (BSB) and Grenfell Phase 2 Recommendations are currently unknown.

Covid is still having an impact on Fire Safety Inspection Officers (FSIO) carrying out visits on high risk in areas where Covid risk is high i.e. Hospitals and Care homes. Visits not being carried out are medium or low risk. The impact of the FSB, BSB and Grenfell Phase 2 Recommendations are unknown now.

BRR tall building inspections were paused during the initial period of lockdown involving residential tall buildings. Only where there is a change of evacuation strategy and buildings where life risk is identified will be audited.

There are number of risks in the Water Section. The issues highlight 4 key areas:

Through Bore (TB) Hydrants fitted over the last three years by Seven Trent Water (STW) have a manufacture's defect which means they cannot be turned off when they become defective. STW have stated this is user error and have not accepted liability. This has the possibility of a financial impact on the water budget.

The inspection programme of hydrants timescale is currently an 8-year cycle for checking each hydrant. The approach currently adopted is not risk based and operates on a dated system that does not fully integrate with all other systems.

Private companies are now designing and fitting water mains. Several companies are trying to charge for the fitting of hydrants on these mains. The legislation and guidance are not clear.

There is potential risk that STW could start charging for new hydrants on new developments. These new developments are having mains downsized to 63mm which are not adequate for fire fighting.

The Commonwealth Games may require Protection staff to carry out audit and activity related to games, taking staff away from high risk defined on RIDGE.

3.10.8 Corporate Risk 5.1, Response (Operational)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

Further analysis has been carried out by Response, Building Risk Review Team, and Fire Safety, as previously identified there is a gap in the quality of information held on (SSRI) for Tall Buildings (TBs). A range of work is required to ensure TBs SSRI are fit for purpose and an action plan is being created and supported by Operations to ensure review of all SSRI for TBs (circa 700 buildings over 18 months with the majority in Birmingham).

A shortage of circa 80 Emergency Response Drivers (ERD) Pump Rescue Ladder (PRL) drivers has been identified. Recruitment will begin in April 2021. A paper recommending the creation of additional Green Book part-time post(s) within Driver Training has been produced alongside other mitigation measures. If impacts within the Driver training team are realised this could cause further delay to officers responding on blue lights to incidents.

Latest figures for water SBA are 25% below requirement. The required number of water SBA's is 40 and there are currently 30. Operations/Response leads are trying to increase uptake of water SBAs and influence staff to volunteer for role of Voluntary Rescue Swimmer (VRS) to increase numbers as currently only 40% of staff are trained to carry out this role and opportunities for training will shortly be available.

3.10.9 Corporate Risk 5.2, Response (Fire Control)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

During February there was a positive Covid case within Fire Control which for the first time during the pandemic resulted in several self-isolations due to NHS test and trace contact. To mitigate the direct and immediate impact on staffing a 'test to release' protocol was agreed within Public Health England and service delivery was maintained effectively. As a result, further instruction and management of health surveillance, infection prevention control measures and systems of work have been re-confirmed. In addition, improvements were identified and acted upon.

Whilst there remains a commitment to 'go-live' with the replacement C&C system 'Vision 4' towards the end of April 2021, there are indications that there could be further delays. There have been ongoing and lengthy delays with the implementation of the product which is directly affecting control staff confidence and has the potential to limit future system functionality. The situation will be monitored closely, and resources allocated to maximise chance of success.

3.10.10 Corporate Risk 6.1, Business Continuity & Preparedness

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

The WMFS Industrial Action Business Continuity Plan aims to minimise the impact of loss of staff caused by industrial action. However, the National Security Risk Assessment (NSRA) and local risk assessments have identified that existing Industrial Action arrangements are not sufficient to meet the current risk and Home Office resource expectation. As a result current control measures are not sufficient to mitigate the consequences of loss of staff as a result of industrial action and additional contingencies are required.

The service continues to monitor the current position asserted by the National Joint Council and representative bodies. Locally the Employee Relations Framework continues to be applied with early engagement and discussions being a key success factor in ensuring positive consultation and engagement.

Covid recovery and living with Covid multi-agency work is ongoing. Partners will plan and respond to any changing Covid developments, including the roll out of the road map and managing variants.

3.10.11 Corporate Risk 7.1, Digital and Data (Provide and support ICT)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

In January, the organisation was notified of a breach that one of our support suppliers has been affected by. The company carried out detailed forensic analysis. The supplier breach was responsible for helping to support our HR Systems. This is personal data and WMFS worked with the suppliers and the Information Commissioners Office (ICO). This could have resulted in reputational damage to the service. The supplier breach position has been clarified and there is no impact to the organisation around HR data. Forensic analysis around the initial cyber breach is ongoing due to the detail required.

The potential for the roll out of Multi Factor Authentication wider into the workforce and sensitivity labels aligned to the new Management of Information policy will have a positive effect on this area into the future.

Return to office working may result in initial lost productivity due to on site network changes that have taken place over the past 12 months, as this has been unable to be load tested.

3.10.12 Corporate Risk 7.2, Digital and Data (Management of information)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

The response times to subject access requests under the Data protection Act 2018, the complexity and location of personal data is elongating response times which were reduced from 40 days to 30 days under the General Data Protection Regulations. This continues to be an issue. In addition, there has been an increase in Subject Access requests.

Oracle Cloud Project will provide renewed focus on data and may identify processes where best practice is not followed.

The Management of Information (MOI) Policy has now been completed but has identified that there is an issue with holding permanent paper archives and data classification. This issue will be managed through the Senior Information Risk Owner (SIRO).

Some concerns remain around the management of security and cyber risks and this will be the ongoing area of focus for this area.

3.10.13 Corporate Risk 8.1, Finance & Assets (Funding)

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

In the current year, the funding impact of lower collection levels for business rates and/or Council Tax means any excess expenditure would need to be met from the Authority's overall Revenue Budget.

The Authority was successful in all its £1.35M Covid grant application (apart from £10k). In addition, a Third Tranche of funding was allocated to the Authority of £494k. Both issues improved the financial position of the Authority compared to meeting Covid related costs out of mainstream funding.

The anticipated outcome of a 3-year CSR from 2022/23 is awaited.

3.10.14 **Corporate Risk 8.2, Finance & Assets (Financial management)**

The risk owner reported that during Quarters 3 and 4 the following issues had emerged:-

The potential for future ICT security breaches and the possibility of inappropriate acts by employees.

- 3.11 Corporate Risks will continue to be submitted to the SET meetings on a quarterly basis and reported into the Audit and Risk Committee every six months whilst the Covid pandemic continues.

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 do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

There are no direct legal implications associated with the implementation of the recommendations set out in this report.

6. **FINANCIAL IMPLICATIONS**

There are no financial implications associated with the implementation of the recommendations set out in this report.

7. **ENVIRONMENTAL IMPLICATIONS**

None

BACKGROUND PAPERS

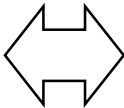



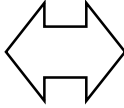

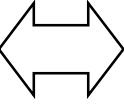

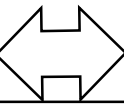

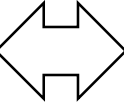

Delivery of The Plan 2021/24
Authority Report, 15 February 2021

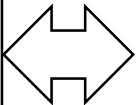
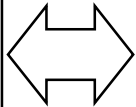

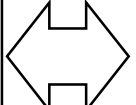
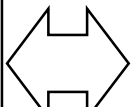
Corporate Risk Update to Audit Committee,
Audit Committee Report, 7 December 2020

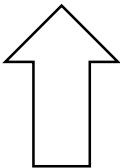
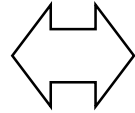
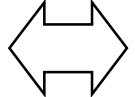
Frequency of Risk Reporting to Audit Committee,
Audit Committee Report, 11 April 2016

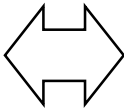



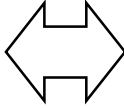

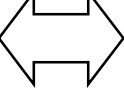

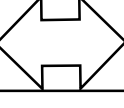

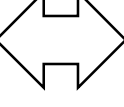

The contact for this report is Assistant Chief Fire Officer, Gary Taylor,
Strategic Enabler – Enabling Services, telephone number 0121 380
6914.

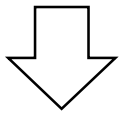
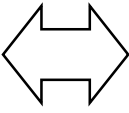
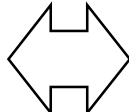
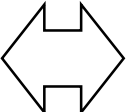
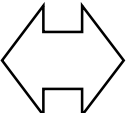
PHIL LOACH
CHIEF FIRE OFFICER

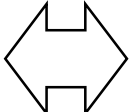
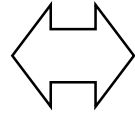
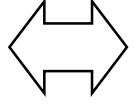
<u>Business Continuity - Corporate Risk</u>					<u>Dec-20</u>		
No.	Outcome of Risk Realisation	Risk Owner	Direction of Travel	Overall Confidence	Likelihood	Impact	Risk Score
CR1	External (Political and Legislative) Environment	SE Strategic Hub - Karen Gowreesunker					
1.2	The Fire Authority is unable to positively position itself within public servicer reform to sustain and create new services resulting in reduced confidence, credibility and/or reputational damage.	Karen Gowreesunker			2	3	6
CR2	People	SE People - Sarah Warnes (2.3 - Jason Campbell)					
2.1	The Fire Authority is unable to maintain positive staff consultation and engagement, resulting in an inability to deliver strategic objectives, outcomes and continuous improvement.	Sarah Warnes			2	3	6
2.2	The Fire Authority is unable to deliver its Service Delivery Model effectively, as a result of insufficient or ineffective employees, throughout the organisation, resulting in reduced confidence and credibility; and increased reputational damage.	Sarah Warnes			3	3	9
2.3	The Fire Authority is unable to meet statutory duties to provide a safe and healthy workplace and protect the environment, resulting in a significant failure and reduced confidence and credibility; and increased criminal proceedings, litigation and reputational damage.	Jason Campbell			2	3	6
CR3	Delivery of Services - Prevention	SE Prevention - Steve Vincent					
3.1	The Fire Authority is unable to engage with the most vulnerable members of the community and reduce community risk resulting in increased fire and non-fire related incidents, fatalities and injuries.	Steve Vincent			3	3	9
3.2	The Fire Authority is unable to establish effective partnership arrangements and deliver community outcomes, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives.	Steve Vincent			2	2	4
CR4	Delivery of Services - Protection	SE Protection - Sam Burton					

4.1	The Fire Authority is unable to effectively discharge its duties under the Regulatory Reform (Fire Safety) Order and associated legislation, resulting in a decline in non-domestic fire safety standards; reduced confidence and credibility; and increased litigation and reputational damage.	Sam Burton			2	3	6
CR5	Delivery of Services – Response	SE Response - Steve Vincent/Simon Barry					
5.1	The Fire Authority is unable to ensure that operational incidents are dealt with safely, assertively and effectively using appropriate levels of resources and personnel, resulting in increased firefighter and community risk; reduced confidence and credibility; and increased reputational damage.	Steve Vincent			2	4	8
5.2	The Fire Authority is unable to maintain its command and control function, resulting in an inability to receive, process and respond to emergency calls effectively, so increasing community risk; reducing confidence and credibility; and increasing reputational damage.	Simon Barry			2	3	6
CR6	Business Continuity & Preparedness	SE Organisational Preparedness - Steve Vincent					
6.1	The Fire Authority is unable to provide business continuity arrangements, to maintain delivery of core functions, as a result of extensive disruption to normal working arrangements, including national and international deployments, significant and major events, resulting in increased community risk; reduced confidence; increased reputational damage; and external scrutiny.	Steve Vincent			3	4	12
CR7	Information, Communications and Technology	SE ICT - Kash Singh					
7.1	The Fire Authority is unable to provide and maintain an effective ICT provision to support the delivery of core functions, resulting in significant disruption to the organisation's functionality, reduced confidence, credibility, reputational damage and external scrutiny.	Kash Singh			2	3	6

7.2	The Fire Authority is unable to provide effective management and security of organisational information and documentation including the receipt, storage, sharing and transfer of information and data, resulting in reputational damage, litigation, substantial fines and external scrutiny.	Kash Singh			3	3	9
CR8	Finance & Assets	SE Finance and Resources - Mike Griffiths					
8.1	The Fire Authority is unable to deliver its statutory responsibilities, predominantly through the Service Delivery Model, due to insufficient funds, resulting in external scrutiny and intervention; reduced confidence and credibility; and increased reputational damage.	Mike Griffiths			3	3	9
8.2	The Fire Authority is unable to deliver effective financial management arrangements, due to misuse of funds, resulting in external scrutiny, intervention and litigation.	Mike Griffiths			2	3	6

<u>Business Continuity - Corporate Risk</u>					<u>Mar-21</u>		
No.	Outcome of Risk Realisation	Risk Owner	Direction of Travel	Overall Confidence	Likelihood	Impact	Risk Score
CR1	External (Political and Legislative) Environment	SE Strategic Hub - Karen Gowreesunker					
1.2	The Fire Authority is unable to positively position itself within public servicer reform to sustain and create new services resulting in reduced confidence, credibility and/or reputational damage.	Karen Gowreesunker			2	3	6
CR2	People	SE People - Sarah Warnes (2.3 - Jason Campbell)					
2.1	The Fire Authority is unable to maintain positive staff consultation and engagement, resulting in an inability to deliver strategic objectives, outcomes and continuous improvement.	Sarah Warnes			2	3	6
2.2	The Fire Authority is unable to deliver its Service Delivery Model effectively, as a result of insufficient or ineffective employees, throughout the organisation, resulting in reduced confidence and credibility; and increased reputational damage.	Sarah Warnes			3	3	9
2.3	The Fire Authority is unable to meet statutory duties to provide a safe and healthy workplace and protect the environment, resulting in a significant failure and reduced confidence and credibility; and increased criminal proceedings, litigation and reputational damage.	Jason Campbell			2	3	6
CR3	Delivery of Services - Prevention	SE Prevention - Pete Wilson					
3.1	The Fire Authority is unable to engage with the most vulnerable members of the community and reduce community risk resulting in increased fire and non-fire related incidents, fatalities and injuries.	Pete Wilson			3	3	9
3.2	The Fire Authority is unable to establish effective partnership arrangements and deliver community outcomes, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives.	Pete Wilson			2	2	4
CR4	Delivery of Services - Protection	SE Protection - Sam Burton					

4.1	The Fire Authority is unable to effectively discharge its duties under the Regulatory Reform (Fire Safety) Order and associated legislation, resulting in a decline in non-domestic fire safety standards; reduced confidence and credibility; and increased litigation and reputational damage.	Sam Burton			2	3	6
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5.1	The Fire Authority is unable to ensure that operational incidents are dealt with safely, assertively and effectively using appropriate levels of resources and personnel, resulting in increased firefighter and community risk; reduced confidence and credibility; and increased reputational damage.	Steve Vincent			2	4	8
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Annual Internal Audit Report 2020/21

**Audit and Risk Committee
7 June 2021**



Section		Page
1	Introduction	3
2	Internal Audit Opinion	4
3	Performance of the Audit Service	5
4	Summary of Work Undertaken and Key Issues Arising	9

1 Introduction

- 1.1 Our internal audit work for the period from 1 April 2020 to 31 March 2021 was carried out in accordance with the approved internal audit plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Authority's governance, risk management and control processes.

In this way, our annual report provides one element of the evidence that underpins the Governance Statement the Authority is required to make within its annual financial statements. This is only one aspect of the assurances available to the Authority as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Authority may rely could include:

- The work of the External Auditors (currently Grant Thornton)
- The result of any quality accreditation
- The outcome of visits by HMRC
- Other pieces of consultancy or third-party work designed to alert the Authority to areas of improvement
- Other external review agencies

- 1.2 The definition of internal audit, as described in the Public Sector Internal Audit Standards, is set out below:

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

Overall Assurance

- 1.3 As the providers of internal audit, we are required to provide the Authority with an opinion on the adequacy and effectiveness of the governance, risk management and control processes. 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. In assessing the level of assurance to be given, we have considered:
- All audits undertaken for the year ended 31 March 2021;
 - Any follow-up action taken in respect of audits from previous periods;
 - Any fundamental or significant recommendations not accepted by management and the consequent risks;
 - Any limitations which may have been placed on the scope of internal audit; and
 - The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the Authority.

2 Internal Audit Opinion

- 2.1 We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:
- 2.2 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.

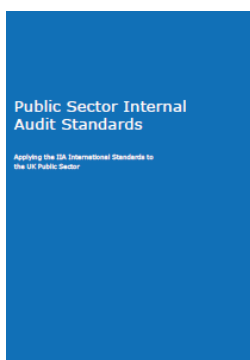
*We are pleased to report that this is an unqualified opinion and the highest level of assurance available to Audit Services. As stated in paragraph 1.3 "In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes".

Factors Influencing the Opinion and Issues Relevant to the Statement on Internal Control

- 2.3 In reaching this opinion, the following factors were taken into consideration:
- The need for management to plan appropriate and timely action to implement both our and the External Auditor's recommendations.
 - Key areas of significance, identified as a result of our audit work performed in year, are detailed in the Appendix to this report.
- 2.4 The overall opinion can be used by the Authority in the preparation of the Governance Statement.
- 2.5 Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter.

3 Performance of the Audit Service

Compliance with the Public Sector Internal Audit Standards



Our reviews were carried out in accordance with the Public Sector Internal Audit Standards, which specify rules of conduct for objectivity, due professional care and confidentiality.

Customer Satisfaction

Customer satisfaction questionnaires are issued for all audits. From the responses returned, the average scores were as follows:

Question	2020/21
Usefulness of audit	4.4
Value of recommendations	5.0
Usefulness of initial discussions	4.4
Fulfilment of scope & objectives	5.0
Clarity of report	5.0
Accuracy of findings	5.0
Presentation of report	5.0
Time span of audit	4.7
Timeliness of audit report	4.7
Consultation on findings/recommendations	5.0
Helpfulness of auditors	5.0
Overall Satisfaction with Audit Services	4.8

Scores range between 1 = Poor and 5 = very good. We have a target of achieving on average a score of **4 = good**.

Quality Assurance and Improvement Programme

Sandwell Audit Services have a Quality Assurance and Improvement Programme. During the year, the internal audit activity has followed this programme and there have been no significant areas of non-conformance or deviations from the standards as set out in the Public Sector Internal Audit Standards.

Staff are recruited, trained and provided with opportunities for continuing professional development. Staff are also supported to undertake relevant professional qualifications. All staff are subject to a formal staff appraisal process, which leads to an identification of training needs. In this way, we ensure that staff are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Advice and assistance

Finally, throughout the year we provide ongoing advice and assistance to all areas of the Authority on internal control and related issues, including on the development of an assurance framework.

4 Summary of Work Completed to inform the 2020/21 Internal Audit Opinion

A detailed written report and action plan is prepared and issued for every internal audit review. The responsible officer will be asked to respond to the report by completing and returning the action plan. This response must show what actions have been taken or are planned in relation to each recommendation. If the recommendation is not accepted, this must also be stated. Audit Services are responsible for assessing whether the managers response is adequate.

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

	Level	System Adequacy	Control Application
(positive opinions)	Substantial Assurance	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Satisfactory Assurance	Sufficient framework of key controls for objectives to be achieved, but control framework could be stronger.	Controls are applied, but with some lapses.
(negative opinion)	Limited Assurance	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

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

Fundamental	Action is imperative to ensure that the objectives for the area under review are met.
Significant	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.
Merits attention	Action advised to enhance control or improve operational efficiency.

During the year we made the following number of recommendations:

	2019/20	2020/21
Fundamental	0	0
Significant	3	7
Merits attention	4	4
Total	7	11

The following appendices/tables below list all the reports issued by internal audit during 2020/21, alongside their original Assessment of Assurance Need (AAN) risk score, the number and type of recommendations made, whether those recommendations have been accepted and an overall level of assurance for each review.

Summary of Internal Audit Work Completed for the 2020/21 Internal Audit Opinion

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Risk Management	High	0	0	0	0	0	Substantial
Governance	High	0	0	0	0	0	Substantial
Fire Stations – Management of Fuel	Medium						In progress
Absence Management	Medium	0	5	2	7	7	Limited
IT	High	-	-	-	-	-	N/A
Data Protection	High	0	1	1	2	draft	Substantial
Payroll	KFS	0	1	1	2	2	Substantial
Accounts Receivable	KFS	0	0	0	0	0	Substantial
Accounts Payable	KFS	0	0	0	0	0	Substantial
Fixed Asset Accounting	KFS	0	0	0	0	0	Substantial
Budgetary Control	KFS	0	0	0	0	0	Substantial
TOTAL		0	7	4	11	9	

[ILO: UNCLASSIFIED]

Key	
KFS	Key Financial System. Generally, this is also a high-risk review.
draft	A draft report has been issued and we are awaiting the management response from the Authority.
N/A	Not applicable.
AAN	Assessment of Assurance Need.
In progress	This review is in progress. To date no issues have arisen that would impact upon our annual audit opinion given in paragraph 2.2.

Key issues arising during the year

The following is a brief overview of the key issues identified during the year.

Risk Management

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

Governance

The objective of our review of governance for the current year was focussed upon the adoption, adequacy and application of the Local Government Transparency Code and to ensure that the control system in place mitigated risks to the achievement of the Authority's objectives in this area. Again, no issues of concern were identified.

Absence Management

A review was undertaken to provide assurance of compliance with the requirements of the absence management policy. The review identified issues relating to:

- Examples were found of managers not following guidance on the recording of Fit notes (a Fit note is an official written statement from a doctor giving their medical opinion on a person's fitness for work) within the Authority's Human Resources (HR) management systems, including long term absences. In some cases, there was insufficient evidence to cover the total periods of sickness for these employees.
- One instance was found where a manager had made a decision outside of normal absence management procedures without seeking the advice of HR. This creates a risk that the Authority may not be able to demonstrate that actions are applied consistently and equitably.
- There was a lack of record keeping evidencing that an absence for an employee reaching a staged trigger, had been managed in accordance with the Authority's attendance management policy. There were certain mitigating circumstances, as responsibility for monitoring the absence had passed between manager's, but the root cause was that the necessary information had not been properly recorded and correctly updated to the required HR systems, and as such there was no clear trail of information to enable an informed handover to take place.
- There were no additional management checks on a sample of absences that had hit sickness triggers for compliance checking and monitoring.

The report has been discussed with the Authority and the suggested actions agreed and an action plan devised for implementation.

IT

The Authority is undertaking a project to upgrade its financial system to Oracle Fusion. Support has been given by attending numerous workshops and demonstrations and providing advice and guidance on the potential control environment and mitigation of risk to aid the successful implementation of the project objectives.

Data Protection

A review was undertaken to provide assurance that the necessary safeguards were in place to ensure the appropriate use of personal and corporate information. The review, which is still at draft stage, identified an issue relating to the lack of positive assurance that subject access requests being were responded to within specified deadlines.

Payroll

A review of the payroll process was undertaken to ensure that the Fire Service had appropriate controls in place to mitigate the risk of fraud and error in the calculation, recording and payment of the payroll. We identified one issue of significance, which is a re-iteration of the recommendation made in last year's report relating to:

- The People Support Services section did not have formal procedure notes which detailed the process for obtaining and evidencing approval for new starters.

Key Financial Systems Reviews

No issues of concern were identified in the following areas:

Accounts Receivable

A review of the accounts receivable system was undertaken to ensure that an effective system was in place for raising invoices and managing debtors. This included the integrity and reliability of charging information recorded in the accounts, the collection of payments and the process to monitor and report the debtor position.

Accounts Payable

A review of the accounts payable system was undertaken to ensure that adequate key controls were in place. Our review focused on the controls designed to prevent, overpayments, fraud and incorrect accounting.

Fixed Asset Accounting/Asset Planning

An audit of fixed asset accounting was undertaken in respect of planned capital expenditure. The review was undertaken to provide assurance that an appropriate process was in place to maintain details of fixed assets and to record them correctly in the accounts.

Budgetary Control

A review of the budgetary control system was undertaken to ensure the Fire Service had established its budget and was managing it appropriately. Our review covered controls over monitoring, reporting, changes to budgets and the process to link budgets to medium and long-term plans.

Other areas of assistance provided

CIPFA – Audit Committee Updates

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

Internal Audit Plan 2021/22

We submitted the Internal Audit annual plan for 2021/22 to the committee for approval at the March 2021 meeting.

Internal Audit Annual Report 2020/21

We presented the Internal Audit annual report for 2019/20 to the committee for comment and approval at the June 2021 meeting.

Internal Audit Charter

We undertake and present to the committee an annual review of the Internal Audit Charter. The latest version was presented for comment and approval at the March 2021 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.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

7 JUNE 2021

1. **GOVERNANCE STATEMENT 2020/21**

Joint report of the Chief Fire Officer, Treasurer and Monitoring Officer.

RECOMMENDED

THAT the Committee approves the Governance Statement for 2020/21.

2. **PURPOSE OF REPORT**

This report is submitted to Members to seek comments and consideration of the Governance Statement for 2020/21.

3. **BACKGROUND**

- 3.1 West Midlands Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.2 In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs, which includes arrangements for the management of risk.
- 3.3 Every Local Authority has to produce a Governance Statement (see attached Appendix) with its audited Statement of Accounts, which for 2020/21 are due to be made available by the end of September 2021.

- 3.4 The Governance Statement is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The Governance

Statement is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

- 3.5 The Statement is signed by the Chair of the Authority and the Chief Fire Officer who have a responsibility to ensure that the document is supported by reliable evidence and accurately reflects the Authority's internal control environment. The Governance Statement has operated throughout the year ended 31 March 2021 and up to date of the approval of the annual report and accounts.

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. As part of this it has to produce a Governance Statement.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

BACKGROUND PAPERS

None.

The contact officer for this report is Deputy Chief Fire Officer Wayne Brown,
0121 380 6907.

PHIL LOACH	MIKE GRIFFITHS	SATINDER SAHOTA
CHIEF FIRE OFFICER	TREASURER	MONITORING OFFICER

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place for the year ended 31st March 2021 and up to the date of the approval of the annual report and statement of accounts.

3. The Governance Framework

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

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

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

4. Review of Effectiveness

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

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

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

- 4.6 The Authority's review of the effectiveness of the system of internal control is informed by:-
- The work undertaken by Internal Audit during the year;
 - The work undertaken by the external auditor reported in their annual audit;
 - Other work undertaken by independent inspection bodies.
- 4.7 From the work undertaken by Internal Audit in 2020/2021 the Internal Audit has given a 'reasonable assurance' that the Authority has adequate and effective governance, risk management and internal control processes. This represents an unqualified opinion and the highest level of assurance available to Audit Services. In giving this opinion it is recognised that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes.
- 4.8 The Authority is able to confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 4.9 Audit Services have reported and advised on the implications of the result of the review of effectiveness of the governance framework by the sources noted above and that the arrangements continue to be regarded as fit for purpose in accordance with the Authority's governance framework. The areas to be specifically addressed are outlined in 5.5.

5. Significant governance arrangements within the Authority

- 5.1 West Midlands Fire & Rescue Authority has a legal duty to provide an efficient, safe and effective fire and rescue service. The key priorities are:-
- Prevention – Safer and healthier communities
 - Protection – stronger business communities
 - Response – dealing effectively with emergencies
- 5.2 These form the basis of the Authority's Annual Plan 2020-23 which sets out the outcomes and priorities based on the Community Risk Management Plan and Medium-Term Financial Plan. The five-minute attendance standard lies at the heart of the Service Delivery Model. The model shows how staff provide the core prevention, protection and response services to make the West Midlands safer, stronger and healthier.
- 5.3 Grant Thornton, the Authority's External Auditors, published the Audit Findings Report for its 2019/2020 audit work which reported an unqualified opinion on the financial statements. It also issued an unqualified value for money conclusion stating that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in the use of resources.

5.4 Based on audit work undertaken during the year an Annual Internal Audit Report was presented to the Audit and Risk Committee on 7 June 2021, Audit work which was completed in 2020/2021 included:-

- Risk Management
- Governance
- Fire Stations – Management of Fuel
- Absence Management
- Data Protection
- Payroll
- Accounts Receivable
- Accounts Payable
- Fixed Asset Accounting
- Budgetary Control

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

Absence Management

A review was undertaken to provide assurance of compliance with the requirements of the absence management policy. The review identified issues relating to:

- Examples were found of managers not following guidance on the recording of Fit notes (a Fit note is an official written statement from a doctor giving their medical opinion on a person's fitness for work) within the Authority's Human Resources (HR) management systems, including long term absences. In some cases, there was insufficient evidence to cover the total periods of sickness for these employees.
- One instance was found where a manager had made a decision outside of normal absence management procedures without seeking the advice of HR. This creates a risk that the Authority may not be able to demonstrate that actions are applied consistently and equitably.
- There was a lack of record keeping evidencing that an absence for an employee reaching a staged trigger, had been managed in accordance with the Authority's attendance management policy. There were certain mitigating circumstances, as responsibility for monitoring the absence had passed between manager's, but the root cause was that the necessary information had not been properly recorded and correctly updated to the required HR systems, and as such there was no clear trail of information to enable an informed handover to take place.
- There were no additional management checks on a sample of absences that had hit sickness triggers for compliance checking and monitoring.

- 5.6 The issues outlined above, together with any other issues highlighted in the Annual Internal Audit Report have been raised with relevant managers and actions have been taken to achieve improvements.
- 5.7 In February 2020, the Secretary of State for Ministry of Housing, Communities and Local Government (MHCLG) confirmed the Authority's funding settlement for 2020/21, which was a one-year settlement only.
- 5.8 In October 2020, the Treasury confirmed the decision of the Chancellor and Prime Minister that the Comprehensive Spending Review would only set departmental budgets for 2021/22 rather than the anticipated next three or four years, due to the economic disruption caused by Covid-19.
- 5.9 The funding settlement for 2021/22 was therefore also a one year only arrangement and in the Secretary of State for MHCLG settlement announcement there was no indication of further funding levels beyond 2021/22. In planning for the 2022/23 budget, for illustrative purposes a reduction of 5% was reflected in the overall core funding and a further 5% in 2023/24. It should be noted that this is a very provisional figure and there is the potential for the scale of reductions to be of a greater magnitude than this base assumption. Every 1% reduction in core funding represents a loss of circa £0.530m funding for the Authority.
- 5.10 With the anticipation of cuts to government funding continuing into future years, combined with pressures on Council Tax and business rate levels as a consequence of the Coronavirus pandemic, the Authority potentially faces considerable financial pressures which could result in difficulties to deliver an efficient and effective service, which in turn would increase the risk to the communities of the West Midlands. A key aim for the Authority is to therefore identify and deliver further Service efficiencies to ensure the ongoing stability of the Authority's financial position.
- 5.11 Covid-19 Governance Impact 2020/21
Since March 2020, the Coronavirus pandemic resulted in two nationwide lockdowns and an emergency response, which had impacts on the Authority's "business as usual" during 2020/21.

During the initial period of lockdown, the Authority invoked Decisions under Matters of Urgency (Section 17.1 Authority Standing Orders) enabling the continuity of decision making by the Chief Fire Officer and Chair of the Authority on items of strategic importance. Items agreed and subsequently reported to the Authority, when it re-convened following legislation approving virtual decision-making meetings, included:

- approval of the appointment of a Deputy Monitoring Officer,
- approval of the WMFS key performance targets.

Several meetings were cancelled during the early weeks of the lockdown period and arrangements were made for Authority Members to be kept informed using weekly Authority Covid-19 briefings via video conferencing. During 2020/21 the Authority held Authority and Statutory Committee meetings virtually, in accordance with the Local Authorities (Coronavirus) (Flexibility of Local Authority Meetings) Regulations 2020 published by the Government allowing participation by remote attendance during the period that physical meetings were not permitted.

6. Certification

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

Greg Brackenridge
Chair
West Midlands Fire & Rescue Authority

Phil Loach
Chief Fire Officer

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

7 JUNE 2021

1. **AUDIT PLAN 2020/2021**

Joint report of the Chief Fire Officer and Treasurer

RECOMMENDED

THAT the Committee approve Grant Thornton's Audit Plan (Appendix A) to enable the delivery of the audit of financial statements and the value for money conclusion 2020/21.

2. **PURPOSE OF REPORT**

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 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 2020/21 sets out the audit work that Grant Thornton propose 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.

The National Audit Office (NAO) has issued guidance for auditors on value for money work for 2020/21. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

- 3.3 The Accounts & Audit Regulations 2015 require that the accounts be submitted to Members for approval by the end of July. However, for 2020/21 (and 2021/22) the Regulations have been amended by the Accounts & Audit (Amendment) Regulations 2021, with the deadline to publish the audited accounts being pushed back from 31 July 2021 to 30 September 2021.
- 3.3 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.
- 3.4 Representatives from Grant Thornton will be in attendance at the Audit and Risk Committee.

4. **EQUALITY IMPACT ASSESSMENT**

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**

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**

The scale fee for undertaking West Midlands Fire and Rescue Authority's external audit work for 2020/21 was set at £45,500.

BACKGROUND PAPERS

None.

The contact officer for this report is Wayne Brown, Deputy Chief Fire Officer, 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

West Midlands Fire & Rescue Authority audit plan

Year ending 31 March 2021



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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.

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Key matters

Factors

Authority developments

The Authority is forecasting another robust financial performance in year, and looking to the coming year with a balanced budget and required savings plans successfully identified and planned out. The Authority's 2020/21 Council Tax requirement was £44.485m against a revenue budget of £100.397m. Per the most up to date financial data available the Authority reported a favourable variance of £0.049m against budget at January 2021.

Impact of Covid 19 pandemic

The Authority's finance team, management and governance colleagues have adapted well to remote working arrangements. Processes and controls have been adapted where required to ensure that base level day to day financial management of the Authority's finances is maintained. Internal Audit continue to deliver their program, ensuring that assurance is provided to the governance function.

However, the possibility of another wave of Covid 19 over the autumn and permanent changes to working, travel and leisure patterns present future uncertainties for the Authority in terms of possible impacts both on front line services and the way that administrative support is delivered.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work, as set further in our Audit Plan, has been agreed with the Strategic Enabler of Finance and Resources. Our fee remains under discussion with management and our regulator – further details are provided further in the plan.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Standards, Audit and Performance updates.
- 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 in regards to management override of control – refer to page 5
- The Authority's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid 19 pandemic and we expect significant uncertainty will continue in 2020/21. We identified a significant risk in regards to the valuation of properties – refer to page 6

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of West Midlands Fire & 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 West Midlands Fire & Rescue 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 and Risk Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and 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.

Significant risks

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

- Management override of controls
- Valuation of land and buildings
- Valuation of net pension fund liability

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 planning materiality to be £2.640m (PY £2.400m), which equates to approximately 2% of your prior year gross expenditure for the year. 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 £0.132m (PY £0.120m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant risks at the planning stage.

Audit logistics

Our interim visit took place in April and our final visit will take place during the summer. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £45,500 (PY: £45,330), subject to the Authority delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council'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
The revenue cycle includes fraudulent transactions (rebutted)	<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 revenue recognition.</p> <p>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> - there is little incentive to manipulate revenue and expenditure recognition - opportunities to manipulate revenue and expenditure recognition are very limited; and - the culture and ethical frameworks of local authorities, including West Midlands Fire & Rescue Authority, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for West Midlands Fire & Rescue Authority.</p>
Management over-ride of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals; • Analyse the journals listing and determine the criteria for selecting high risk unusual journals; • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (PPE)	<p>The Authority revalues its land and buildings on an annual basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £135m in the prior period) and the sensitivity of this estimate to changes in key assumptions. .</p> <p>We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluate the competence, capabilities and objectivity of the valuation expert; • Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Test revaluations made during the year to see if they had been input correctly into the Authority's balance sheet
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund liability is considered a significant estimate due to the size of the numbers involved (approximately £1,697m as at 31 March 2020, including both the Firefighters' and LGPS schemes) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatements.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

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

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

Specifically do Audit and Risk Committee members:

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



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management via our Informing the Risk Assessment report which we use as a vehicle for updating our understanding of the Authority's controls framework. We will present this as a separate report and ask that the Committee review and approve the report to ensure we have a consistent understanding of the Authority's arrangements.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

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 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 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.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Authority's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 12).

Materiality

The concept of materiality

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £2.640m (PY £2.400m), which equates to approximately 2% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £50k for disclosures relating to senior officer remuneration, owing to the increased level of sensitivity and public scrutiny in this area

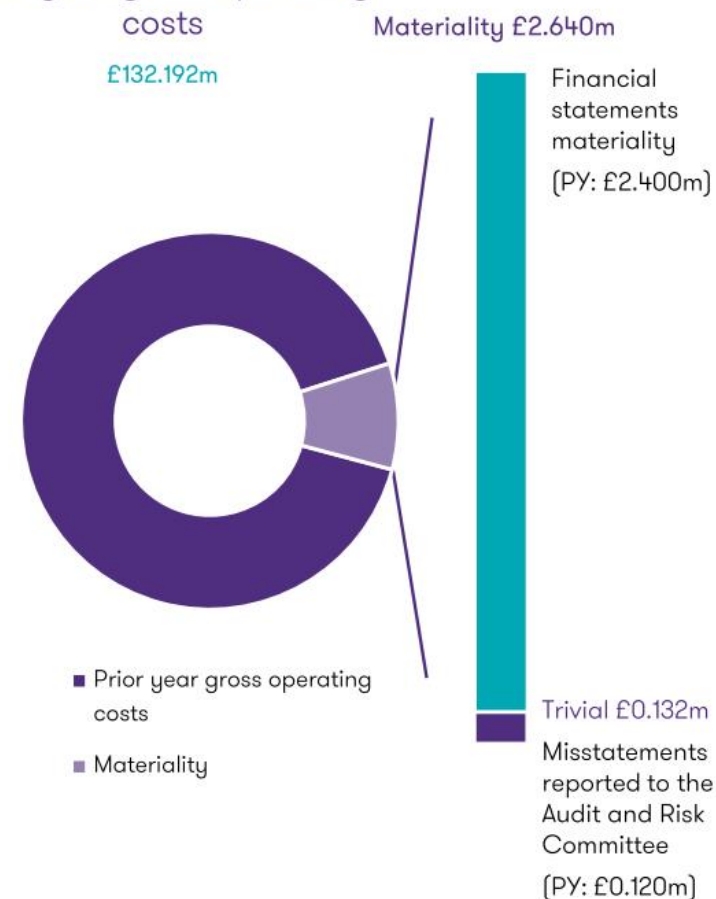
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Standards, Audit and Performance

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 and 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. 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 £0.132m (PY £0.120m).

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 and Risk Committee to assist it in fulfilling its governance responsibilities.

Prior year gross operating costs



Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria, set out in the adjacent table.

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. You should also delete the 'Potential types of recommendations' table



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Audit logistics and team



Interim audit
April 2021

Audit and Risk
Committee
June 2021

Audit Plan

Year end audit
Summer 2021

Audit and Risk
Committee
September 2021

Audit Findings Report

Audit opinion

Auditor's Annual Report



Avtar Sohal, Key Audit Partner

Avtar leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained with a commitment to add value to the Fire Authority.



Siobhan Barnard, Audit Manager

As the engagement manager, Siobhan is responsible for overseeing delivery of our service and managing the audit process in respect of the Fire Authority. She will be on hand to answer any queries, whilst ensuring an efficient audit process.

Oyin Yemidale, Audit Incharge

Oyin will work with relevant officers and our operational team to ensure the smooth planning and delivery of the audits. She will oversee the day to day running of the audit and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

Audited body 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 audits. Where the elapsed time to complete an audit exceeds that agreed due to a client 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 a client 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 agreed timetable you have agreed with us, including all notes, the Narrative Report 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

In 2018, PSAA awarded a contract of audit for West Midlands Fire and Rescue Authority to begin with effect from 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 2020/21 audit.

As referred to on page 12, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been discussed with the Strategic Enabler of Finance and Resources.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
External Audit	£33,750	£45,330	£45,500
Total audit fees (excluding VAT)	£33,750	£45,330	£45,500

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

Scale fee published by PSAA	£29,750
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£750
Enhanced audit procedures for Property, Plant and Equipment	£1,750
Enhanced audit procedures for Pensions	£1,750
Audit fee 2019/20 (net of additional 19/20 specific Covid 19 surcharge and other one-off fees)	£34,000
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£6,500
Increased audit requirements of revised ISAs	£5,000
Proposed increase to agreed 2019/20 fee	£11,500
Total audit fees (excluding VAT)	£45,500

Independence and non-audit services

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 Council'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. 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.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	✓
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	✓
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	✓
ISA (UK) 570 – Going Concern	September 2019	✓
ISA (UK) 580 – Written Representations	January 2020	✓
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	✓
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	✓
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

7 JUNE 2021

1. INFORMING THE AUDIT RISK ASSESSMENT - WEST MIDLANDS FIRE AND RESCUE AUTHORITY 2020/21

Joint report of the Chief Fire Officer and Treasurer

RECOMMENDED

THAT the Committee note the content of the Informing the Audit Risk Assessment – West Midlands Fire & Rescue Authority 2020/21 attached as Appendix A and B.

2. PURPOSE OF REPORT

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

3. BACKGROUND

3.1 In order to ensure that the Audit and Risk Committee members continue to remain informed upon audit matters, the external auditor has provided a report to the Audit and Risk Committee report. It is the intention of the external auditor to provide an update at all Audit and Risk Committee meetings.

3.2 The report provides the Audit and Risk Committee with an update on Grant Thornton's progress in delivering their responsibilities and includes:

- Matters in relation to fraud;
- Matters in relation to law and regulations;
- Matters in relation to related parties; and
- Matters in relation to accounting estimate.

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

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 a policy change.

5. **LEGAL IMPLICATIONS**

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

6. **FINANCIAL IMPLICATIONS**

The scale fee for undertaking West Midlands Fire and Rescue Authority's external audit work for 2020/21 was set at £45,500.

BACKGROUND PAPERS

None.

The contact officer for this report is Wayne Brown, Deputy Chief Officer, telephone number 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

Informing the audit risk assessment for West Midlands Fire and Rescue Authority 2020/21

Avtar Sohal
Key Audit Partner
T 0121 232 5420
E Avtar.S.Sohal@uk.gt.com



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

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Purpose

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

Background

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

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

Communication

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

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

Purpose

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

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	Pensions – McCloud / Sargant remedy Asset valuations
2. Have you considered the appropriateness of the accounting policies adopted by the Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes – Accounting policies are reviewed annually
3. Is there any use of financial instruments, including derivatives?	None Known
4. Are you aware of any significant transaction outside the normal course of business?	None Known

General Enquiries of Management

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

General Enquiries of Management

Question	Management response
9. Have any of the Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	None Known
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Pensions – West Midlands Pension Fund & Government Actuaries Department Asset Valuations – Sandwell MBC & Wilks Head & Eve Clinical / Medical Governance – Andrew Thurgood

Fraud

Issue

Matters in relation to fraud

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

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

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

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

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

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

Fraud risk assessment

Question	Management response
<p>1. Have the Authority assessed the risk of material misstatement in the financial statements due to fraud?</p>	<p>Although there is an on-going risk of fraud being committed against the Authority, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas. However, the risk of material misstatement of the accounts due to undetected fraud is considered to be low.</p>
<p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p>	<p>The Authority has a Anti Fraud & Corruption standing order in place. This is also supported by a Whistleblowing Policy which includes a confidential reporting framework; these are reviewed in a timely manner. Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Regular reports are made to Audit and Risk Committee. In addition, the Authority receives advice from the Audit Fraud Team at Sandwell Metropolitan Borough Council.</p>
<p>How do the Authority's risk management processes link to financial reporting?</p>	<p>Regular monthly monitoring of finances are reported to the Strategic Enabling Team (SET). Monitoring of Finances report at the Fire Authority meeting. Internal Audit provide an update of their work to the Audit & Risk Committee.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>None Known</p>

Fraud risk assessment

Question	Management response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Authority as a whole or within specific departments since 1 April 2020?	There are no known instances of fraud that have been identified during the year.
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Internal and External Audit reports to the Audit and Risk Committee
4. Have you identified any specific fraud risks?	None known. Head of Internal Audit Opinion in 2020/21 did not highlight any weaknesses
Do you have any concerns there are areas that are at risk of fraud?	No Specific concerns. Head of Internal Audit Opinion in 2020/21 did not highlight any weaknesses
Are there particular locations within the Authority where fraud is more likely to occur?	None known. Head of Internal Audit Opinion in 2020/21 did not highlight any weaknesses
5. What processes do the Authority have in place to identify and respond to risks of fraud?	The Authority has a Anti Fraud & Corruption standing order in place. This is also supported by a Whistleblowing Policy which includes a confidential reporting framework; these are reviewed in a timely manner. Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Regular reports are made to Audit and Risk Committee. In addition, the Authority receives advice from the Audit Fraud Team at Sandwell Metropolitan Borough Council.

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for the Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>There are adequate processes in place for reviewing the system of internal control via the work of Internal Audit. Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud.</p> <p>Financial Regulations Anti fraud and corruption standing order Internal controls and segregation of duties</p> <p>None known. Head of Internal Audit Opinion in 2020/21 did not highlight any weaknesses in this area.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>None known.</p>

Fraud risk assessment

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

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Risk Committee? How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?</p>	<p>Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Regular reports are made to Audit and Risk Committee.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The Monitoring Officer has confirmed that there were no allegations of whistle blowing in 2020/21. An update to be provided at the Audit & Risk Committee meeting in July 2021 - Monitoring Policies on Raising Concerns at Work – Whistle Blowing Standing Order 2/20 and Regulation of Investigatory Power Act 2000.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>There are no known instances that have been identified during the year.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

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

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

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

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

Impact of laws and regulations

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

Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?	None noted
4. Is there any actual or potential litigation or claims that would affect the financial statements?	None noted

Impact of laws and regulations

Question	Management response
5. What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	See response to 1 above
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None noted

Related Parties

Issue

Matters in relation to Related Parties

The Authority are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

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

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

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

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in the Authority's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and the Authority whether the Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>None noted</p>
<p>2. What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions. Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests. Annual return from Members stating details of any known related party interests. Review of in-year income and expenditure transactions with known identified related parties from prior year or known history. Review of related information with subsidiaries, companies and joint ventures, e.g. accounts. Review of the accounts payable system and identification of amounts paid to assisted or voluntary organisations.

Related Parties

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

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

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

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

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

Specifically do Audit and Risk Committee members:

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

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

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance. Asset valuations are made in line with RICS guidance.
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	See response above The Principal Accountant also attends the West Midlands Support Group for financial matters to exchange information, share best practice and discuss the implementation of relevant changes. This is supplemented by the annual technical accounting workshops run by Grant Thornton.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Specialist advisors are consulted with and source data provided to enable key accounting estimates. These include: Pensions – Government Actuaries Department Pensions – West Midlands Pension Fund Asset Valuations – Sandwell MBC & Wilks Head & Eve
4. How do management review the outcomes of previous accounting estimates?	Consideration/recommendations within the previous years Audit Findings Report and Annual Audit Letter. Internal Audit recommendations.

Accounting Estimates - General Enquiries of Management

Question	Management response
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	Other than additional scrutiny required for asset and pension estimated, no significant changes made to the estimation process in 2020/21.
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (Code), supported by International Financial Reporting Standards (IFRS), RICS and statutory guidance.</p> <p>Where estimates are required appropriate estimation methodology is utilised. Estimates are prepared by those who are best qualified e.g. for pension and asset valuations.</p>
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	See response above
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See response above

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none">- Management's process for making significant accounting estimates- The methods and models used- The resultant accounting estimates included in the financial statements.	See response above

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	There are no major changes in circumstances for accounting estimates in 2020/21. Any changes to the Code and IFRS are reflected within the Statement of Accounts.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, where estimates are required appropriate estimation methodology is utilised. Estimates are prepared by those who are best qualified e.g. for pension and asset valuations.
12. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Accounting policies provide details within the Authority's Statement of Accounts. The Treasurer provides assurance to the Audit and Risk Committee and signs the Statement of Accounts. Internal Audit and Grant Thornton also report to the Audit and Risk Committee.



Audit and Risk Committee
West Midlands Fire & Rescue Authority
West Midlands Fire Service Headquarters
99 Vauxhall Road
Birmingham
B7 4HW

26 April 2021

Dear Committee,

West Midlands Fire and Rescue Authority Financial Statements for the year ended 31 March 2021

As part of our audit of West Midlands Fire and Rescue Authority's financial statements for the year ended 31 March 2021, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in the Authority's financial statements this year. We do this to maintain our understanding of the Authority and to comply with International Auditing Standards (ISAs (UK)), including the revised standards that apply to our 2020/21 audit for the first time.

International Auditing Standards place obligations on auditors to document their understanding of the entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements. [ISA \(UK\) 540 \(Revised\) Auditing Accounting Estimates and Related Disclosures](#) (revised in December 2018) is effective for audits of financial statements for periods beginning on or after 15 December 2019. The revised standard requires auditors to understand a number of matters related to your key accounting estimates (as set out in section 13 of the standard).

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the accompanying schedules. A separate schedule is included for each key accounting estimate that we have identified. If you are aware of any other material accounting estimates that will be included in your financial statements could you please add and complete an additional schedule for that estimate.

I would be grateful for your responses by the 7th June to help inform our risk assessment and planning of our 2020/21 audit of the Authority's financial statements.

Please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Siobhan Barnard
Audit Manager

Property, plant, and equipment valuation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No material risks have been identified. Valuations are made by the appointed Valuer (Wilks Head and Eve Chartered Surveyors and Town Planners (WHE)) in line with RICS guidance. The Authority are having a full valuation in 2020/21.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	In conjunction with Sandwell MBC - Strategic Asset Management (SAM) team, who provide guidance, advice & assistance with appointing the Valuer, issuing instructions and reviewing the valuations. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See above response No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Members of the Finance and Resources team notify the Valuer via SAM of capital expenditure and any material changes to assets. Regular financial monitoring takes place with the Authority's Facilities Management team. No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Valuers (WHE) appointed for valuations via SAM.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Members of the Finance and Resources team notifies the Valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, additional verification of valuations provided by WHE are carried out by SAM. The valuation report is reviewed by Finance Staff for reasonableness.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Valuations are made in line with RICS guidance and any uncertainties are reflected in the final valuation report.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	In conjunction with Sandwell MBC - Strategic Asset Management (SAM) team, who provide guidance, advice & assistance with appointing the Valuer, issuing instructions and reviewing the valuations.

Estimated remaining useful lives of PPE

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No material risks have been identified. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	In conjunction with Sandwell MBC - Strategic Asset Management (SAM) team, who provide guidance, advice & assistance with appointing the Valuer, issuing instructions and reviewing the valuations. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See above response No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Members of the Finance and Resources team notify the Valuer via SAM of capital expenditure and any material changes to assets. Regular financial monitoring takes place with the Authority's Facilities Management team. No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Valuer (WHE) used for PPE and estimated remaining useful life assessments.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, additional verification of valuations provided by WHE are carried out by SAM. The valuation report is reviewed by Finance Staff for reasonableness.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Valuations are made in line with RICS guidance and any uncertainties are reflected in the final valuation report.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	In conjunction with Sandwell MBC - Strategic Asset Management (SAM) team, provide guidance, advice & assistance with appointing the Valuer, issuing instructions and reviewing the valuations.
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Bad Debt Provision

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No material risks have been identified. A provision is estimated using a proportion basis of an aged debt report listing.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	See above response No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See above response No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	See above response No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Sandwell Debt Recovery team advise on outstanding debt.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Members of the Finance Team calculate the provision from the aged debt listing based upon prior experience.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the provision is calculated by the Finance Team and approved by the Finance Manager.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	A provision is estimated using a proportion basis of an aged debt report listing.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See response above
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Impairments

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No material risks have been identified. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	In conjunction with Sandwell MBC - Strategic Asset Management (SAM) team, who provide guidance, advice & assistance with appointing the Valuer, issuing instructions and reviewing the valuations. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See above response No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Members of the Finance and Resources team notify the Valuer via SAM of capital expenditure and any material changes to assets. Regular financial monitoring takes place with the Authority's Facilities Management team. No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Valuer (WHE) used for PPE valuations.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, additional verification of valuations provided by WHE are carried out by SAM. The valuation report is reviewed by Finance Staff for reasonableness.

8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Valuations are made in line with RICS guidance and any uncertainties are reflected in the final valuation report.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	In conjunction with Sandwell MBC - Strategic Asset Management (SAM) team, provide guidance, advice & assistance with appointing the Valuer, issuing instructions and reviewing the valuations.

Measurement of Financial Instruments

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No material risks have been identified. The Authority values financial instruments at fair value based upon current conditions and Finance team judgement.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	See above response No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See above response No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	See above response No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Sandwell MBC provides a Treasury Management Service and have appointed Link Asset Services as their advisors.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The Authority does not have many balances which are required to be disclosed as a financial instrument. Considered straight forward with a low degree of estimation required.

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, any estimates are calculated by the Finance Team.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The Authority values financial instruments at fair value based upon current conditions and Finance team judgement.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See response above

Depreciation and Amortisation

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>No material risks have been identified.</p> <p>The following asset categories have general asset lives:</p> <ul style="list-style-type: none"> •Operational Vehicles –straight line over 10 years. •Ancillary Vehicles -straight line over 5 years. •Equipment -straight line over 5 years. <p>Depreciation is provided for all fixed assets with a finite life on a straight line basis. Asset lives for buildings are obtained from the Valuer (WHE). Freehold land is not depreciated.</p> <p>No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.</p>
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?	See above response
Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	No
3. How do management select the assumptions used in respect of this accounting estimate?	See above response
Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	No

4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	See above response No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Valuer (WHE) used for PPE and estimated remaining useful life assessments.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Consistent asset lives applied to each asset category.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, additional verification of valuations provided by WHE are carried out by SAM. The valuation report is reviewed by Finance Staff for reasonableness.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The method makes some generalisations. For example, buildings tend to have an average useful life of 50 years. Although in specific examples based upon a valuation review, a new building may differ. This life would be recorded in accordance with the qualified RICS member.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	In conjunction with Sandwell MBC - Strategic Asset Management (SAM) team, provide guidance advice & assistance with appointing the Valuer, issuing instructions and reviewing the valuations.

Provisions for Liabilities

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>No material risks have been identified.</p> <p>Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement, by a transfer of economic benefits or service potential, and a reliable estimate made of the value.</p> <p>Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.</p> <p>The Monitoring Officer and Strategic Enabler for People are requested to confirm of any known requirements at</p>

	year end by the Treasurer.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	See above response No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See above response No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	See above response No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Information is provided by People Support Services, Monitoring Officer, insurers, solicitors depending on the nature of the provision required
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Charged in the year that the Authority becomes aware of the obligation. A Calculation is made by Senior members of the Finance team based upon information from third parties e.g. insurers, solicitors.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, Information is provided by People Support Services, Monitoring Officer, insurers, solicitors depending on the nature of the provision required The Monitoring Officer and Strategic Enabler for People are requested to confirm of any known requirements at year end by the Treasurer.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Authority.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See response above

Non-Adjusting Events – events after the balance sheet date

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No material risks have been identified. The Treasurer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date, then this is an adjusting event which is disclosed as a note to the accounts identifying the nature of the event and where possible estimates of the financial effect.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	See above response No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See above response No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	See above response No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Information is provided by e.g. Members of the Strategic Enabling Team SET), Monitoring Officer depending on the nature of the event. The Actuary for the LGPS and Uniformed Schemes.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The Treasurer liaises with SET and the Finance team to considers all known information.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the Treasurer liaises with SET and the Finance team to considers all known information.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	This would be considered individually for each case.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	This would be considered individually for each case
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Accruals

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No material risks have been identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The Finance Team collate accruals of income and expenditure from Accounts Payable ledger, Accounts Receivable ledger and budget monitoring and returns from departments. Activity is accounted for in the financial year that it takes place, not when the money is paid or received in line with the accounting policies.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See above response No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	See above response No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	The Finance team liaise with Budget Holders and Procurement
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Accounts Payable, Accounts Receivable and management accounts information are assessed by the Finance Team.

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the Finance team assess and report the outturn figures against budgets.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Accruals for income and expenditure have been principally based on known values. Where estimates have to be made these are based upon the latest available information.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See response above

Pension Liability

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>No material risks have been identified.</p> <p>The Authority is an admitted body to the Local Government Pension Scheme (LGPS).</p> <p>The Uniformed Schemes are unfunded and are administered by the Authority based upon guidance from MHCLG.</p> <p>Information is passed from the Authority to the Actuaries upon which they base their assessment for the estimate.</p>
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?	<p>In conjunction with:</p> <p>LGPS – West Midlands Pension Fund (Barnett Waddingham)</p> <p>Uniformed Staff – Government Actuaries Department (GAD)</p>
Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	No
3. How do management select the assumptions used in respect of this accounting estimate?	See above response
Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Main change in assumptions are CPI % increase and % decrease in discount rate based on market/bank of England forecasts.

4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	See above response No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	LGPS – West Midlands Pension Fund (Barnett Waddingham) Uniformed Staff – Government Actuaries Department (GAD)
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The Actuary reports are reviewed by Finance Staff for reasonableness. Advice is sought from the Payroll & Pension Manager
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the Actuary reports are reviewed by Finance Staff for reasonableness.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Reliance upon the audit work of PwC, on the Actuary of the LGPS through their audit of the Wolverhampton City Council. Reliance upon the expertise of the Actuary of the Uniformed Pension Schemes.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	In conjunction with: LGPS – West Midlands Pension Fund (Barnett Waddingham) Uniformed Staff – Government Actuaries Department (GAD)

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

07 JUNE 2021

1. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE 2020/21

Report of the Chair of the Audit and Risk Committee.

RECOMMENDED

That the Committee considers the content and format of its Annual Report 2020/21 for submission to the next meeting of the Authority.

2. PURPOSE OF REPORT

This report is submitted to Members to seek approval to the Annual Report of the Audit and Risk Committee 2020/2021.

3. BACKGROUND

- 3.1 Enabling 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 present an annual report of its activities to the Authority.
- 3.2 A draft Annual Report for 2019/20 has been prepared by the Chair of the Audit and Risk Committee and is attached for comments by the Committee in preparation for submission of the report to the next meeting of the Authority.
- 3.3 The Committee maintained its functioning throughout the COVID-19 pandemic. It met virtually utilising the Local Authorities (Coronavirus) (Flexibility of Local Authority Meetings) Regulations 2020 to ensure business continuity as a Standing Committee of the Authority.

Ref. AU/2021/June/92405214

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

Annual Report of the Audit and Risk Committee 2020/21.

Chair of the Audit Committee



Item 9

Annual Report of the
Audit and Risk Committee
2020/21

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 at Appendix A of this report.

2. Meetings

During financial year 2019/20 the Audit and Risk Committee met on the following dates:

- | | |
|---|------------------|
| • | 27 July 2020 |
| • | 26 October 2020 |
| • | 07 December 2020 |
| • | 25 March 2021 |

	27/07/20	26/10/20	07/12/20	22/03/21
Councillor Miks				
Councillor Gill			A	A
Councillor Spence				
Councillor Barrie				
Councillor Miller				
Mr M Ager				

– in attendance
A – sent apologies

4. The Committee’s business

During the year the Committee conducted the following business:

Governance Statement – 2019/20 Corporate Risk – Regular Updates Audit Committee Annual Report – 2019/20 Audit Committee – Terms of Reference Review Audit Committee Work Programme Statement of Accounts 2019/20	CIPFA Audit Committee Updates Updates on Topical, Legal and Regulatory Issues Treasury Management Annual Report – 2019/20 (and Mid-Year Review) Annual Senior Information Risk Officer Report
External Audit Plan 2019/20 External Audit Findings Report External Audit – Annual Audit Letter 2019/20 External Audit – Audit Committee Update External Audit – Communication with the Audit Committee	Internal Audit Annual Report – 2019/20 Internal Audit Progress Reports Internal Audit Charter – Annual Review Internal Audit Plan – 2020/21
The Pension Regulator – Scheme Return Minutes of the Pension Board Oversight of progress of McCloud/Sargeant Age Discrimination consultation and actions arising (Remedy) Pension payments and re-instatement decisions	

5. 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.

6. 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 2019/20:

*'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. 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 2020 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.

7. The Committee's main achievements

The Committee believes its key achievements during the year were:

- Maintaining functioning of Audit and Risk as a Standing Committee during the Covid-19 pandemic via digital meetings utilising revised legislation to enable continuity of business
- Continuing to build a good working relationship with the Authority's external auditors Grant Thornton.
- Receiving and reviewing several sector updates from the external auditors.
- Receiving the inaugural Senior Information Risk Officer report
- Overseeing progress to respond to consultation on the McCloud/Sargeant Age Discrimination consultation and actions to implement outcomes
- 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.
- Oversight of the work of the Pension Board

Terms of Reference for the Committee

Terms of Reference were reviewed to ensure they remained fit for purpose, and that they reflected guidance provided in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees – Practical Guidance for Local Authorities 2013 Edition:

Statement of purpose

Our Audit Committee is a key component of the Authority's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit Committee is to provide independent assurance to the Members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

To review the Authority's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

To consider the Authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To consider the Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Authority.

To monitor the effective development and operation of risk management in the Authority.

To monitor progress in addressing risk-related issues reported to the Committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To review the assessment of fraud risks and potential harm to the Authority from fraud and corruption.

To monitor the counter-fraud strategy, actions, and resources.

To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

To approve the Internal Audit Charter.

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
- Regular reports on the results of the quality assurance and improvement programme;
- Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the Head of Internal Audit annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
- The opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.

To consider summaries of specific internal audit reports as requested.

To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.

To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External Audit (Grant Thornton)

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To commission work from internal and external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

Financial Reporting

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Authority.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

To report to full Authority on a regular basis on the Committee's performance in relation to the terms of reference, and the effectiveness of the Committee in meeting its purpose.

To publish an annual report on the work of the Committee.

Pension Board

To have delegated responsibility as Scheme Manager for making decisions in the management and administration of the firefighters' pension schemes. The Pension Board assists the Audit and Risk Committee in the role as Scheme Manager to secure compliance with regulations relating to Governance and Administration.

To submit its minutes and Annual Report to the Authority.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

WORK PROGRAMME 2020/21

Date of Meeting	Item	Responsible Officer	Completed
2020			
27 July 2020	Audit Plan 2019/20	Grant Thornton	27.07.20
	Informing the Audit Risk 2019/20	Grant Thornton	27.07.20
	Statement of Accounts 2019/20 (Draft Unaudited Approval)	Treasurer	27.07.20
	Treasury Management Annual Report 2019/20	Treasurer	27.07.20
	Governance Statement 2019/20	Treasurer	27.07.20
	Internal Audit Plan 2020/21	Audit Manager	27.07.20
	Internal Audit Annual Report 2019/20	Audit Manager	27.07.20
	Minutes of the Audit and Risk Committee held on 1 June 2020	Democratic Officer	27.07.20
	Training Requirements of Audit and Risk Members	Democratic Officer	27.07.20

(Official – WMFS – Public)

	Audit and Risk Committee Draft Work Plan 2020/21	Democratic Officer	Carried forward
26 Oct 2020	Terms of Reference of Audit and Risk Committee	Democratic Officer	26.10.20
	Treasury Management Mid-Year Report 2020/21	Treasurer	26.10.20
	Audit Progress & Sector Update	Grant Thornton	26.10.20
	Internal Audit Progress Report	Audit Manager	26.10.20
	Re-instatement of Pension Decision	Treasurer	26.10.20
	Remedy Report – McCloud/Sargeant	Treasurer	26.10.20
	Minutes of the Audit and Risk Committee held on 27 July 2020	Democratic Officer	26.10.20
	Audit and Risk Committee Draft Work Plan 2020/21	Democratic Officer	Carried forward
5 Oct 2020 [Authority]	Audit Findings Report 2019/20 Statement of Accounts 2019/20-(to approve)	Grant Thornton Treasurer	

7 Dec 2020			07.12.20
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(Official – WMFS – Public)

	Minutes of the Audit and Risk Committee held on 26 October 2020	Democratic Officer	
	Audit Progress & Sector Update	Grant Thornton	07.12.20 (verbal update)
	Internal Audit Progress Report	Audit Manager	Carried forward
	Corporate Risk Update Q1 & Q2 2020/21	ACFO Strategic Enabler (Enabling Services)	07.12.20
	Annual SIRO report	ACFO Strategic Enabler (Enabling Services)	07.12.20
	Remedy Report – McCloud/Sargeant	Treasurer	07.12.20
	Audit and Risk Committee Draft Work Plan 2020/21	Democratic Officer	07.12.20
	Pension Board Minutes 14 May 2020	Democratic Officer	07.12.20
	Pension Board Minutes 30 July 2020	Democratic Officer	07.12.20
	Pension Board Minutes 11 September 2020	Democratic Officer	07.12.20

(Official – WMFS – Public)

	Fraud Awareness Training (tbc)	Phil Tromans John Matthews	Deferred until 2021/22.
14 December 2020 (Authority)	Minutes of the Audit and Risk Committee held on 26 October	Democratic Officer	

2021			
15 February 2021 (Authority)	Minutes of the Audit & Risk Committee held on 7 December 2020 (tbc)	Democratic Officer	
22 March 2021	Minutes of the Audit and Risk Committee held on 7 December 2020	Democratic Officer	22.03.21
	Internal Audit Progress Report	Audit Manager	22.03.21
	Audit Progress & Sector Update	Grant Thornton	22.03.21
	Internal Audit Plan 2021/22	Audit Manager	22.03.21
	Audit Plan 2020/21	Grant Thornton	Deferred to 07.06.21
	Internal Audit Charter – Annual Review	Audit Manager	22.03.21
	Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2021/22	Grant Thornton	Deferred to 07.06.21

(Official – WMFS – Public)

	Minutes of the Pensions Board held on 09 December 2020	Democratic Officer	22.03.21
	Audit and Risk Committee Work Plan	Democratic Officer	22.03.21
	<i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i>	<i>Audit Manager</i>	Deferred
7 June 2021	Annual Internal Audit Report 2020/21	Audit Manager	To be deferred to 26 July 2021
	Governance Statement 2020/21	Treasurer	
	Monitoring Policies and RIPA (Annual Whistleblowing Report)	Monitoring Officer/ACFO Strategic Enabler (Enabling Services)	
	Corporate Risk Update Q3 & Q4 2020/21	ACFO Strategic Enabler (Enabling Services)	
	Annual Report of the Audit and Risk Committee 2020/21 for approval	Chair	
	Audit Progress & Sector Update	Grant Thornton	
	Internal Audit Progress Report	Audit Manager	

(Official – WMFS – Public)

	<p>Minutes of the Audit and Risk Committee held on 23 March 2020</p> <p>Minutes of the Pensions Board (tbc)</p> <p>Annual Report of the Pension Board 2020/21</p> <p>Audit and Risk Committee Work Plan-2020/21</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts 2020/21</i></p>	<p>Democratic Officer</p> <p>Democratic Officer</p> <p>Chair, Pensions Board</p> <p>Democratic Officer</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p>	
21 June 2021 [Authority]	<p>Governance Statement 2020/21</p> <p>Minutes of the Audit and Risk Committee held on 22 March 2020 & 7 June 2020</p> <p>Annual Report of the Audit and Risk Committee 2020/21</p>	<p>Treasurer</p> <p>Democratic Officer</p> <p>Chair</p>	

26 July 2021 (Audit and Risk Committee 2021/22)	Audit Findings 2020/21	Grant Thornton
	Statement of Accounts 2020/21 (Approval)	Treasurer
	Treasury Management Annual Report 2020/21	Treasurer
	Audit and Risk Committee Draft Work Plan 2021/22	Democratic Officer
	Minutes of the Pension Board (tbc)	Democratic Officer



Ministry of Housing,
Communities &
Local Government

Max Soule
Local Government Stewardship
Ministry of Housing, Communities and Local
Government
Fry Building
2 Marsham Street
London SW1P 4DF

Item 11a

All Local Authority Chief Executives in England,
Police and Crime Commissioners
Chief Constables
Fire and Rescue Authorities
National Parks Authorities
By Email

Email: local.audit@communities.gov.uk

www.gov.uk/mhclg

19 May 2021

Dear Sir/Madam

REDMOND REVIEW INTO LOCAL AUDIT - SPRING UPDATE REPORT

I am writing to inform you that the Department has today published the update report that was promised in the Government's December response to Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. A copy of the report is available on Gov.uk at the following link.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update>

The report provides an update on progress implementing the Government's response to the Redmond Review, including on the delivery of measures to support immediate market stability and towards implementation of Sir Tony's other recommendations. You may wish to note that, in particular, this report sets out the Government's views on systems leadership for local audit.

The Government agrees that a clearly accountable system leader with overarching responsibility is needed to make sure the local audit framework operates in a coherent and joined up manner, however we do not believe the a new arm's length body is needed to achieve this. The update report published today sets out the Government's view that the new Audit, Reporting and Governance Authority (ARGA), being established to replace the Financial Reporting Council (FRC), as part of BEIS's broader corporate audit reforms, would be best placed to take on this role.

The FRC already undertakes the core functions relating to the audit quality framework necessary for a single responsible body to have. Establishing ARGA as system leader for the local audit framework will also ensure alignment with, and harness the positive impact of, the broader audit reforms in train.

To ensure the new regulator acquires the necessary focus and expertise on local audit, a standalone unit will be established within ARGA. The Code of Audit Practice will transfer from the National Audit Office to ARGA, however the latest Code, which includes the new Value for Money commentary, will be retained. ARGA will not conduct procurement or contract management as this could create a conflict of interest. Therefore, the new arrangements will encompass a separate appointing body, in which role PSAA will be reconfirmed, with commercial support from MHCLG for the next procurement.

As the proposed reforms to the local audit framework will take time, MHCLG will take an increased leadership role in the interim, including setting up and chairing the Liaison Committee of key stakeholders which Sir Tony Redmond recommended be created. If you have any queries about the report please email localaudit@communities.gov.uk.

The Government intends to launch a public consultation on the proposals ahead of summer recess. The public consultation on the Appointing Person remains open until 1 June; the consultation on the distribution of the £15m additional funds to assist councils in this financial year closed on 18 May
Yours faithfully,

Max Soule, Deputy Director Local Government Stewardship

