

Minutes of the Audit and Risk Committee

28 November 2022 at 14:00 hours

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

Present: Councillor Miks (Chair), Councillor Atwal, Councillor Barrie and Councillor Jalil

Virtually: Councillor Miller, John Mathews (Internal Audit), Avtar Sohal (Grant Thornton), Harkamal Vaid (Grant Thornton)

Officers: Gary Taylor, Kal Shoker, Kirsty Tuffin, Mike Griffiths, Paul Gwynn and Tom Embury

Please note: Councillor Jalil joined the meeting at 2:33pm, item 5 of the agenda.

94/22 **Apologies for Absence**

Apologies for absence were received from Councillor Spence, substituted by Councillor Atwal, and Mike Ager.

95/22 **Declarations of Interest**

There were no declarations of interest registered.

96/22 **Minutes of the Audit and Risk Committee held on 26 September 2022**

Resolved:

1. That the minutes of the Audit and Risk Committee held on 06 June 2022 were approved as a correct record.

97/22 **Approach to be Taken in Respect of Immediate Detriment ('Reverse Detriment') Cases Under the McCloud/Sargeant Ruling**

Mike Griffiths presented the Approach to be Taken in Respect of Immediate Detriment ('Reverse Detriment') Cases Under the

McCloud/Sargeant Ruling report that outlined the Scheme Administrator request for action to be taken with regard to members who may benefit from being given access to the 2015 Firefighters' Scheme from 1 April 2015 ('reverse discrimination' cases).

The Committee were advised that following the decision by Audit and Risk Committee to lift the pause in processing Immediate Detriment cases on the 6 June 2022, a staged approach was underway to process payments. There had been additional members who had been denied access to the 2015 Firefighters scheme as a result of remedy. These members were denied access due to their age, referred to as 'reverse discrimination'. The service wished to avoid any discrimination in regard to one's age, so it had been recommended that the small number of those impacted be processed in line with category one immediate detriment cases. Paul Gwynn emphasised that the government have acknowledged those impacted by Immediate Detriment and options would be given following the publication of their legislation. The service had decided to act before the legislation was published to prevent any discrimination from taking place.

Following a query on timescales, Mike advised the Committee that if approved, cases would be processed in line with category one timescales, which had been at the point of retirement. As those affected had been existing staff, correspondence would be circulated to them in the lead up to their retirement.

Resolved:

1. That action be taken with regard to members who may benefit from being given access to the 2015 Firefighters' Scheme from 1 April 2015 ('reverse discrimination' cases). be approved.

98/22 **Corporate Risk Update**

Gary Taylor, Assistant Chief Fire Officer, presented the Corporate Risk Update that provided a six-monthly update for quarter one and quarter two – 2022/2023 and the management of the Authority's corporate risks.

The Committee were advised that corporate risks had been deemed as risks that if they occurred would seriously affect the Authority's ability to carry out its core function or deliver strategic objectives, as per 'The Plan'. There are eight corporate risks, each with an assigned risk owner, who was a member of the Strategic Enabling Team (SET). The risk owner had overall responsibility of their risk and reviewed them on a monthly basis/reported into SET on a quarterly basis.

The Committee were advised that in quarter one, risk 5.2 had decreased to likelihood 3 from 4, impact 3, providing an overall rating of 9 – Satisfactory Assurance. This decrease had been the result of the recently updated command and control system within Fire Control becoming more reliable. During quarter two, risk 5.2 decreased further from the likelihood of 3 to 2, impact 3, providing an overall score of 6 – substantial assurance. This had been the result of the command-and-control system being fully embedded within Fire Control.

The Committee were advised that Corporate Risk 6.1 remained at the highest scoring of 16 (impact 4, likelihood 4), as advised at the last Audit and Risk Committee, as the service felt it did not have confidence that services could be provided should there be strike action. It was emphasised that this not only impacted business continuity but also had an impact on staff and relationships. Following a query around the Scrutiny Review on business continuity and industrial action, Tom Embury, Deputy Clerk, advised the Committee that the Scrutiny Committee had concluded their review of business continuity arrangements and their recommendations would be discussed at the next Fire Authority in December 2022.

A new risk had also been established that focused upon cyber security as a result of the Ukraine/Russia situation. New systems had been put in place to protect the service from cyber-attacks as the impact of this would be significant to the service and its reputation.

Following queries around absentees and drivers, as per the report, Gary Taylor advised the Committee that an action plan had been developed for absentees and although work would still

need to be done, there had been improvements. He reassured members that SET had been focused upon the situation around absentees and the number of drivers. It was agreed that the action plan would be brought to a future meeting of the Audit and Risk Committee.

Resolved:

1. That the corporate risk summaries (quarter one, 2022/23, appendix 1 and quarter two 2022/23, appendix 2) be approved.
2. That the management of corporate risk be noted.
3. That it be agreed that the action plan for absentees be brought to the next Audit and Risk Committee meeting.

99/22 **Audit Findings Report 2021-2022**

Avtar Sohal, Grant Thornton, presented the Audit Findings Report 2021-2022 report that outlined the audit work undertaken by the external auditors and any findings as a consequence. All Members confirmed receipt of appendix A, that had been issued as a supplementary.

The Committee were advised that work had been underway to rectify two misstatements within the pension fund net liability, highlighted by the pension fund auditor. It was highlighted that previous Audit and Risk Committee reports would have included this incorrect information and therefore, the Authority would need to update its financial statements to reflect this. There was outstanding information on the Authority's floor plans for a number of premises as they had been identified mid-audit (August 2022) and until all had been received, figures could not be concluded to confirm they were free from material impact. It was anticipated that the audit opinion would be issued by the end of December 2022, subject to this information being provided. Mike Griffiths reassured members that information had to be provided from different sections of the Service, with 10-12 floor plans provided to Grant Thornton so far. He expressed that this was viewed as a priority.

The Committee were advised that although the value for money work had not been completed, it was anticipated that the Auditors Annual Report would be issued by 31 January 2023, in

line with the national audit office deadline of three months after the date of opinion on the financial statements. So far, there had been no material impact identified. It was anticipated that subject to the completion of work, an unqualified opinion would be issued.

Resolved:

1. That the contents of the Audit Findings Report 2021-2022 be noted.

01/22 **Treasury Management – Mid-Year Review – 2022-23**

Kal Shoker, Finance Manager, presented the Treasury Management – Mid-Year Review – 2022-2023 that outlined the treasury activity and the actual prudential indicators for the current financial year.

The Committee were advised that the Treasury Management strategy was approved in February 2022 with the requirement for a mid-year update to the Committee. The three key indicators highlighted were Capital Expenditure, the Authority debt and investment. The Committee were advised that following approval in February 2022 for a capital programme of £5.2m for the current financial year, this had been updated to £6.6m. This increase had been to reflect the outturn position and financial decisions for 2021-2022. As reported in Fire Authority on 10 October 2022, the forecast outturn as at 30 September was £5.6m, a variance of £1m. The main reasons for this highlighted were:

- vehicle replacement programme (£0.5m) – delayed purchasing
- drill tower/training facilities (£0.5m) – tower refurbishments that were subject to a training review in the new year.

No borrowing had been undertaken to finance any capital expenditure during the first half of the financial year.

The Committee were advised that the Authority external debt had decreased from £31.5m to £31.1m following a repayment of a Public Works Loan Board loan. £29.2m of the total debt had been borrowing undertaken with PWLB and £1.9m of the total had been the Authority's shared West Midlands County Council

debt. The estimated average interest rate payable on the debt had been 5.2%. As at 30 September 2022 the Authority's investments totalled £52.2m which were invested with Sandwell Metropolitan Borough Council (MBC) as part of the treasury management arrangement the Authority had with them. Interest had been received on the Authority's daily cash balance and was based on the average return achieved by Sandwell MBC plus ten basis points which for 2022/23 was 1.35%. This compared favourably to the benchmark, the SONIA (Sterling Overnight Index Average) uncompounded rate of 1.22%. It was estimated that the interest received would be above the anticipated £0.1m previously budgeted, to circa £0.4m above budget.

Following queries around the delay in the vehicle replacements programme, Mike Griffiths advised the Committee that both supply chains and ongoing work in the Community Risk Management Plan (CRMP) around blended fleet regarding the number of vehicle(s) required had resulted in the delays. A further report on CRMP and potential impacts as a result of funding, would be discussed at Fire Authority in December 2022.

Resolved:

1. That the treasury management – Mid-Year Review 2022-2023 be noted, and the prudential/treasury indicators be approved.

02/22 Internal Audit – Progress Report

John Mathews, Internal Auditor, presented the Internal Audit – Progress Report that outlined the progress made against the delivery of the 2022-2023 Internal Audit Plan, approved in March 2022. All Members confirmed receipt of the report and appendix A, that had been issued as a supplementary.

The Committee were advised of the assessment of assurance need/risk analysis and RAG rating required for each category. The level of assurance provided in the annual report would be included in the Statement of Accounts (SOA). Work had been conducted on the Freedom of Information (FOI) requests to ensure adequate controls had been in place for dealing/responding to requests and on Fixed Asset

Accounting/Asset Planning in respect of capital expenditure. Both pieces of work had been positive, and a substantial level of assurance had been provided. It was anticipated that the issues around FOI requests, as per report, would be rectified with the new automated system that had now been implemented.

The Committee were advised that audit work on Risk Management had been pushed to quarter four due to the implementation of new systems. Meetings would be scheduled with finance on reviews. It was anticipated that these audits would be completed by the end of 2022, with the Internal Audit - Annual Report to be issued to the Committee in June 2023.

Resolved:

1. That the issues raised from the work undertaken by Internal Audit, so far in the current financial year, be noted.

03/22 **Regulatory Supervisory Report – Update**

Tom Embury, Deputy Clerk to the Authority, presented the Regulatory Supervisory Report – Update that outlined the final Pension Regulator Action Plan, drafted as a result of the Supervisory Report.

The Committee were advised that as agreed at the last Audit and Risk Committee, an action plan had been developed with input from both Pension Board and the Committee. The action plan had been circulated to the Regulator by their deadline of 11 November 2022. The Regulator had confirmed their approval of the proposed plan so all actions could now be progressed. As per report, actions had been categorised with those responsible listed. The Audit and Risk Committee's actions were highlighted. It was agreed that updates on the actions be circulated via email, with a full update to be provided at the March Committee meeting. This aligned with the required six-month timescale set by the Regulator. It was agreed that following their appointment, an informal meeting be scheduled with the Independent Chair of Pension Board, Pension Board Members, Audit and Risk Committee and the Pension Regulator.

The Chair of the Committee advised the Committee that should they have any questions on the action plan to make contact with herself or Tom Embury, who would provide clarity.

Resolved:

1. That the agreed Action Plan shared with The Pension Regulator on 11 November 2022 (Appendix 1), including specific Actions for the Committee, be noted.
2. That updates on progress and input be provided on the action plan over the next three months via e-mail, with a full update to be received at the March 2023 Audit and Risk Committee meeting, be approved.
3. That the Pension Regulator (the Regulator) to attend the March 2023 Audit and Risk Committee Meeting to participate in the update discussion, be approved.

04/22 **Annual Report of the Pension Board 2021-2022**

Kal Shoker presented the Annual Report of the Pension Board 2021-2022 that outlined the work conducted and achievements by the Pension Board throughout 2021-2022. It was acknowledged that recent issues raised around Pensions would be covered in the Annual Report for 2022-2023.

Resolved:

1. That the Annual Report of the Pension Board for 2021-2022 be approved.

05/22 **Minutes of the Previous Pension Board held on 28 March 2022**

Resolved:

1. That the minutes of the Previous Pension Board held on 28 March 2022 be noted.

06/22 **Minutes of the Previous Pension Board held on 10 June 2022**

Resolved:

1. That the minutes of the Previous Pension Board held on 10 June 2022 be noted.

07/22 **Update on Topical, Legal and Regulatory Issues (Verbal Report)**

Tom Embury provided an update on the Audit and Risk Committees independent investigation, at the request of the Chair of the Committee. He advised the Committee that the investigation had commenced, and the Terms of Reference had been agreed. Thanks was given to the Internal Auditors on their contributions in its development. Louise Wagstaff, an independent consultant sourced through West Midlands Employers, had been appointed to lead on the investigation as she had relevant background experience and knowledge. It was anticipated that an update would be provided by Louise in a months' time. The Chair of the Committee confirmed that she had met with Louise directly to assist with the establishment of the investigation. She thanked officers for the hard work they had put in. Gary Taylor echoed his thanks to Tom Embury.

The Committee were advised that the advertisement for the appointment of an Independent Chair of Pension Board would close Mid-December. A sub-committee of the Audit and Risk Committee would need to be established to lead on the interview stage once applications were received. Election process for the employee representative would also take place after Christmas, with the application process due to close mid-December. The Chair of the Committee advised that she had denied a request for an interim chair to be appointed to Pension Board and for the current process, as per the Pension Board terms of reference, be continued until a formal appointment could be made in the new year.

08/22 **Audit and Risk Committee Work Plan 2022-2023**

Tom Embury, Deputy Clerk, presented the Audit and Risk Committee Work Plan for 2022-2023 that outlined the planned agenda items for future scheduled Audit and Risk Committee meetings.

The Committee were advised that as discussed under item 9 of the agenda, a report to update on the Pension Regulator Supervisory report will be added for the March 2023 meeting.

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Following queries, the Chair of the Committee advised that items had been deferred as a result of July's Committee meeting being non-quorate. Kal Shoker advised that the Statement of Accounts had been deferred, as discussed under item 6 of the agenda.

Resolved:

1. That the Audit and Risk Committee Work Plan 2022-2023 be approved.

The meeting closed at 15:20 hours.

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