

**Annual Report of the Audit Committee
2008/09**

Annual Report of the West Midlands Fire Authority Audit Committee for 2008/09

1. Background

The Audit Committee was established by the Authority in January 2008. It's 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 an Audit Committee can be seen as:

- 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.

Audit Committee members have received training on key issues throughout the year, and further details of this can be found in section 7 of this report.

The Committee undertook a self assessment exercise in December 2008 based on the IPF Toolkit for Local Authority Audit Committees. This highlighted that the committee was operating within a recognised best practice framework. Following the exercise an action plan was prepared in order to address the limited number of issues that arose. Progress in the implementation of these actions has been monitored at subsequent committee meetings.

2. Meetings

During 2008/09 the Audit Committee met on the following dates:

• 7 July 2008
• 13 October 2008
• 19 January 2009
• 30 March 2009

3. Members & Attendance Record

	7/07/08	13/10/08	19/01/09	30/03/09
Councillor Turner	✓	✓	✓	✓
Councillor Robinson	✓	✓	✓	✓
Councillor Jones	✓	X	X	✓
Councillor Spence	✓	✓	X	✓
Councillor Ward	✓	✓	X	✓
Mr Ager (Independent)	✓	✓	✓	✓

Senior Officers from the Authority are also present, and where appropriate the External Auditor will attend.

The Committee also meets in private with the Internal and External Auditors on a quarterly basis.

4. Business

During the year the committee conducted the following business:

- Statement of Accounts
- Insurance Arrangements
- Work Programme 2008/2009
- Consideration of External Auditor's Report to Those Charged with Governance
- Provision of Training at Height Facilities – Drill Towers and Training Buildings
- Audit Commission – Systems and Final Accounts Report
- Internal Audit – Terms of Reference
- Internal Audit – Quarterly Progress Reports
- Internal Audit Annual Report 2007/08
- Governance Standards – The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE)
- Corporate Risk Register
- Audit Committee – Self Assessment Exercise
- Data Quality Pilot Review
- Annual Audit and Inspection Letter
- External Auditors' Progress Report
- Corporate Risk Management Strategy
- Internal Audit – Risk Management Audit Report
- Strategy for Internal Audit – 2009/10 to 2011/12
- Establishment of an Audit Committee Members Skills Set

5. Conclusions

The committee was able to confirm that the system of internal control, governance and risk management in the authority was adequate in identifying risks and allowing the authority to understand the appropriate management of these risks.

The committee was also able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the committee's attention and had not been adequately resolved.

The committee gained assurance in order to produce the above statement, from the following sources:

Internal Audit

The Authority's Internal Auditors gave the following opinion in their Annual Report for 2008/09:

- 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 Authority has adequate and effective governance, risk management and internal control processes.

External Audit (Audit Commission)

In order to produce this report in a timely manner, the Committee has placed reliance upon the work undertaken by the External Auditors in their 2007/08 Annual Report who gave an unqualified opinion on the accounts.

Audit Commission's 2007/08 Use of Resources Assessment

Element	Assessment
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

A score of 2 (adequate) was given for internal control, mainly because the Audit Committee had not yet been embedded in the organisation (as at 31 March 2008). Obviously the work of the committee has become more embedded over the course of the 2008/09 year.

Governance Statement

The Governance Statement operated throughout the year ended 31 March 2009 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. A limited number of issues have been identified during the year in reports presented by the Internal and External Auditors.

6. Particular areas of concern along with the Committee's achievements

The committee's main areas of concern during the year were:

- The provision of "Training at Height" facilities, Drill Towers and Training Buildings
- Management of Fuel

The committee believes its key achievements were:

- Providing additional assurance through a process of independent review.
- Raising the profile of internal control issues across the Authority and of the need to ensure that audit recommendations are implemented.

7. Training

An "Introduction to the Audit Committee" training session was run for members in July 2008. A specific training session was also provided in October 2008 on the requirements and layout of the Authority's Statement of Accounts. In addition officers have provided assistance and support to the members throughout the year.

Appendix A

Terms of Reference for the Audit Committee

Audit Activity

Approve the internal audit strategy.

Consider the Audit Services annual report and opinion, and a summary of internal audit activity and the level of assurance it gives over the Authority's governance, risk management and internal control arrangements.

Consider any summaries of internal audit activity and specific internal audit reports requested by the Committee.

Consider reports dealing with the management and performance of Audit Services where necessary.

Consider a report from Audit Services on the timeliness of management responses to internal audit reports and on agreed recommendations not implemented within a reasonable timescale.

Consider specific reports as agreed with the external auditor and the report to those charged with governance where necessary.

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

Liaise with the Audit Commission over the appointment of the Authority's external auditor.

Regulatory Framework

Maintain an overview of contract procedure rules and financial regulations.

Review any issue referred to it by the Chief Fire Officer, Clerk or Treasurer, or any Authority body.

Monitor the effective development and operation of risk management and corporate governance in the Authority.

Monitor Authority policies on 'Raising Concerns at Work', the anti-fraud and anti-corruption strategy and the Authority's complaints process.

Oversee the production of the Authority's Governance Statement and to recommend its adoption.

Consider the Authority's arrangements for corporate governance and recommending necessary actions to ensure compliance with best practice.

Consider the Authority's compliance with its own and other published standards and controls.

Accounts

Review the annual statement of accounts, and specifically, 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.

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

To deal with any other matters referred to it by the Authority.

To submit its minutes to the Authority.