

# **West Midlands Fire and Rescue Authority**

## **Audit Committee**

**You are summoned to attend a meeting of the Audit Committee to be held on Monday, 09 November 2015 at 12:15 at Fire Service HQ, 99 Vauxhall Road, Nechells, Birmingham B7 4HW for the purpose of transacting the following business:**

### **Agenda – Public Session**

- |    |   |         |
|----|---|---------|
| 1  | To receive apologies for absence (if any)                   |         |
| 2  | Declarations of interests in contracts or other matters     |         |
| 3  | Minutes of the Audit Committee - 7 September 2015           | 3 - 10  |
| 4  | Value for Money for West Midlands Fire and Rescue Authority | 11 - 26 |
| 5  | Annual Audit Letter 2014 15                                 | 27 - 38 |
| 6  | Audit Update  | 39 - 52 |
| 7  | Treasury Management Mid Year                                | 53 - 64 |
| 8  | Internal Audit Progress Report                              | 65 - 72 |
| 9  | Self-assessment of good practice and effectiveness          | 73 - 82 |
| 10 | Audit Work Programme 2015-16                                | 83 - 86 |

### **Standing Item**

- |    |   |  |
|----|---|--|
| 11 | Update on Topical, Legal and Regulatory Issues (Verbal Report). |  |
|----|---|--|

### **Distribution:**

Adam Aston - Member, Tersaim Singh - Chairman, Hendrina Quinnen - Member, Robert Sealey - Member, Paul Singh - Member, Catherine Miks - Member

Agenda prepared by Julie Connor

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This agenda and supporting documents are also available

Electronically on the West Midlands Fire Service website at

[www.wmfs.net](http://www.wmfs.net)

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## Minutes of the Audit Committee

**7 September, 2015 at 12.30 pm at Fire Service Headquarters, Vauxhall Road, Birmingham B7 4HW**

**Present:** Councillor Singh (Chair);  
Councillor Miks (Vice-Chair);  
Councillors Sealey, Singh and Quinnen.  
Mr Ager (Independent Member).

**Apology:** Councillor Aston

**Observer:** Councillor Dehar

### 27/15 Minutes

**Resolved** that the minutes of the meeting held on 15 June 2015, be approved as a correct record.

### 28/15 Update from the Pensions Board – Firefighter Pension Schemes

Further to minute number 11/15 of the Fire Authority 16 February, the Committee as Scheme Manager of the Firefighter Pension Schemes received the Terms of Reference of the West Midlands Fire and Rescue Authority Pension Board.

Members received the minutes of the inaugural Pensions Board meeting held on 21 July 2015 and made slight amendments. The Committee noted that the minutes would be available for public scrutiny on the Committee Management Information System (CMIS).

#### **Resolved:-**

- (1) that the Terms of Reference of the West Midlands Fire and Rescue Authority Pensions Board be approved.
- (2) that the agenda and minutes of the Pensions Board meetings are to be shared on the Committee Management Information System (CMIS) for public scrutiny be noted.

29/15     **Discretions Policy – Firefighters’ Pension Schemes**

The Committee, as Scheme Manager, received the Discretions Policy – Firefighters’ Pensions Scheme.

The Firefighter’s Pension Scheme 2015 was implemented on 1 April 2015. Under scheme regulations the Scheme Manager is required to publish and keep under review a policy on the use of discretions available. A copy of The Discretion Policy – Firefighters’ Pension Scheme was provided as an Appendix to the report.

The Payroll and Pensions Manager outlined the purpose of the Discretions Policy and stated that from time to time the Audit Committee as Scheme Manager would be requested to make decisions on the Discretions.

Responses were given to members’ enquiries:

- (1) In respect of the Lump Sum death benefit payable, the Scheme Manager has absolute discretion as to the recipient. The discretion will be operated by the Payroll and Pensions Manager in consultation with the Strategic Enabler for People Support Services. Payment would be made to the widow, executor or the family member managing the estate.
- (2) Members of the Scheme are advised to complete a nomination form and the Payroll and Pension Manager would pay benefits using the information provided on the form.

**Resolved** that the Discretions Policy – Firefighters’ Pension Scheme be approved.

30/15     **Request for Decisions to be made under the Firefighters’ Pension Schemes**

The Committee received a request in their role as Scheme Manager for the Firefighters Pensions Scheme to make decisions on the following two issues:

1. What date should be used for automatic re-enrolment under the Work Place Pension Regulations?
2. Should eligible job holders, who have opted out of a qualifying scheme within a period of twelve months prior to the automatic re-

## **Audit Committee – 7 September, 2015**

enrolment date, be excluded from eligibility for automatic re-enrolment?

The Payrolls and Pensions Manager explained that under the Work Place Pension Regulations (Auto-Enrolment) the employer is obliged to re-enrol into a qualifying scheme all eligible employees every three years following their original staging or deferment date. Unlike automatic enrolment the employer may choose to undertake automatic re-enrolment on any date as long as it is within three months of the third anniversary of their original staging date. West Midlands Fire Service's original staging date was 1<sup>st</sup> August 2013 and it was proposed that automatic re-enrolment takes place on 1<sup>st</sup> August 2016.

Whilst the automatic enrolment regulations applied to all staff satisfying eligibility criteria, the employer can exempt certain staff from automatic re-enrolment. The Payroll and Pensions Manager proposed that eligible job holders who had opted out of a qualifying pension scheme within a period of twelve months prior to the automatic re-enrolment date be excluded from eligibility for automatic re-enrolment. This proposal would reduce the administrative burden of complying with the legislation and avoid charging members pension contributions which would then need to be refunded to them in the following or subsequent months.

In answer to Member's questions, the Payroll and Pensions Manager explained that using the anniversary of 1 August 2016 would not have any administrative implications as Members of the Scheme were paid monthly. It was noted that there was a legal obligation to publicise that date in advance. It was also noted that since the introduction of the new regulations there had been a slight increase in the number of opt outs.

Resolved:-

- (1) That the anniversary date of 1<sup>st</sup> August 2016 for the automatic re-enrolment under the Work Place Regulations be approved.
- (2) That eligible job holders, who have opted out of a qualifying scheme within a period of twelve months prior to the automatic re-enrolment date, should be excluded from eligibility for automatic re-enrolment was approved.

31/15     **Corporate Risk 2015/16 – Quarter 1 Update**

The Committee received the Corporate Risk Assurance Map and noted the position statement detailing the work undertaken in support of the management of each of the Service's Corporate Risks.

Corporate Risks were those which, if they occurred, would seriously affect the Authority's ability to carry out its core functions or deliver its strategic objectives as set out in the Plan. The Authority currently has eleven corporate risks. The Corporate Risk Assurance Map summary provided a description of each risk and an overview of its rating. The position statement set out the outcomes of the regular review of each risk by the risk owner. The Committee noted the position with regard to each risk.

The Risk Owners for risks 4, 5, 6, 10, 11 and 13 had been realigned to individual members of the Strategic Enabling Team to reflect functional responsibility. This change was consistent with the approach to risk management following the guidance detailed in The Orange Book Management of Risk – Principles and Concepts issued by HM Treasury in 2004. The change proposed to Risk Owners would support the appropriate management of risk at a strategic level. Performance of risk would continue to be monitored at the Quarterly Performance Reporting meetings.

The Corporate Risk Assurance Map summary provided a description of each risk and overview of its rating. The quarter one position statement set out the outcomes of the regular review of each risk by the risk owner.

Changes had been made to the risk ratings of Risks 2 and 4. Risk 2, The Fire Authority would be unable to maintain an effective ICT provision (excluding mobilising and communications), resulting in significant disruption to the organisation's ICT functionality. The overall risk had reduced to 8 and the risk continued to be medium although the likelihood has increased due to the emergence of additional risks relating to the Emergency Services Mobile Communications Programme (ESMCP), moving to new ICT platforms as part of the Third Platform project and the implementation of location and device independent working.

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However, mitigating measures had been introduced including the Data Classification Scheme and comprehensive data handling instructions.

In respect of Risk 4, The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives. Following receipt of an Internal Audit report and the initial findings of the Scrutiny review of partnerships, the Service had evidence that its partnership governance arrangements require strengthening. The Risk Owner had determined that the likelihood of risk realisation should be increased. It had been evidenced that there was no systematic and consistent approach to recording partnerships and creating the appropriate arrangements to maximise income generation enabled by the emerging public health/wellbeing commissions opportunities. The Risk Owner would work with the Community Safety Team to identify and implement appropriate control measures as a matter of urgency.

### **Resolved:**

- (1) that the Corporate Risk Assurance Map Summary be approved and that the Position Statement for each risk be noted.
- (2) that the change to Risk Owners shown on the Assurance Map Summary be approved.

32/15

### **CIPFA Audit Committee Update No. 17**

The Committee received the CIPFA Audit Committee Update No. 17. The update was published three times a year, the latest edition focused on the Audit Committee role in reviewing the financial statements and update on current developments. The purpose of the publication was to ensure the members of the Committee felt sufficiently informed with accounts and comfortable with their responsibilities in approving the accounts.

**Resolved** that the Issued 17 of CIPFA's Audit Committee Update be noted.

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33/15

### **Treasury Management – Annual Report – 2014/15**

The Committee received the Treasury Management Annual Report 2014/15, which covered the treasury activity during 2014/15 and the actual Prudential Indicators for 2014/15.

The Treasurer stated that the Treasury Management activity is undertaken in conjunction with officers from Sandwell Metropolitan Borough Council.

In answer to members questions, it was confirmed that interest rates had remained steady over the review period and there had been no additional borrowing.

**Resolved** that the report and Appendix be noted and the Prudential and Treasury Indicators be approved.

34/15

### **Audit Committee Update**

The Committee received and noted an update from its external auditor which set out Grant Thornton's progress in delivering its responsibilities and a summary of emerging national issues and developments which might impact on the Authority.

The external auditor explained that the external audit had taken place and had prepared and Audit Findings report for the full Authority where a clean opinion of the accounts and Value for Money would be given. It was indicated that the impact of a determination on commutation figures in respect of the 1992 Firefighters' Pension Scheme by the Pension Ombudsman following the completion of the Annual Statement of Accounts by officers of the Authority, would need to be reflected in the final audited version. The Treasurer indicated the top-up grant arrangements were expected to fund the associated pension costs.

The Annual Audit Letter would be completed in late October.

The External Auditor drew the Committee's attention to a new report "Fire Works – A collaborative way forward for the Fire and Rescue Service" from localism think tank NLGN (New Local Government Network) in association with the Chief Fire Officers' Association (CFOA).



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In relation to the associated challenge question “Have members been briefed by your Deputy Chief Fire Officer or your Strategic Enabler of Finance and Resources on the headline messages from the LGA’s white paper on devolution?” the Deputy Chief Fire Officer confirmed that devolution was an emerging topic and officers and members had engaged with local councils on this matter and the Chief Fire Officer had also had discussions with local Chief Executives and assured the Committee that this was an ongoing theme.

In relation to the associated challenge question “Have members been briefed by the Deputy Chief Officer on whether the Authority’s strategic direction has taken account of the message in this report?” The members confirmed that they had received several presentations on how the Fire Service could work closer with other organisations on health related issues at the Policy Planning Forum prior to the Audit Committee and had been encouraged by the current work on partnerships.

The External Auditor also drew the Committee’s attention to the Local Government Association’s white paper on devolution and recommended that members kept themselves informed of the possible changes regarding the Combined Authority.

Grant Thornton’s Guide to Local Authority accounts was also made available for distribution to the Audit Committee.

### **35/15     Work Programme**

The Committee noted its work programme for 2015/2016.

### **36/15     Update on Topical, Legal and Regulatory Issues**

The Treasurer advised the Committee that the Association of Metropolitan Fire and Rescue Authorities (AMFRA) had made a submission to the Treasury on Friday 4 September for consideration as part of the Government’s Spending Review Exercise.

(The meeting ended at 13.30 pm)

## Audit Committee – 7 September, 2015

Contact Officer: Julie Connor Strategic Hub 0121 380 6906
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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**9 NOVEMBER 2015**

1. **REPORT ON VALUE FOR MONEY FOR WEST MIDLANDS  
FIRE AND RESCUE AUTHORITY**

Joint report of the Chief Fire Officer and Treasurer.

RECOMMENDED

THAT the Committee note the content of the Value for Money report attached as an Appendix.

2. **PURPOSE OF REPORT**

This report is submitted to inform Audit Committee Members of the external auditor's (Grant Thornton UK LLP) findings which support their Value for Money (VFM) conclusion which is required as part of the statutory external audit responsibilities.

3. **BACKGROUND**

3.1 The Code of Audit Practice 2013 (the Code) describes the Authority's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

3.2 The external audit is required to give their VFM conclusion based on two criteria specified by the Audit Commission. These criteria are:

- the Authority has proper arrangements in place for securing financial resilience; and

- the Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

3.3 Representatives from Grant Thornton will be in attendance at the meeting to discuss the reports 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**

There are no direct financial implications arising from this report.

**BACKGROUND PAPERS**

None

The contact officer for this report is Deputy Chief Fire Officer Philip Hales, telephone number 0121 380 6907.

PHIL LOACH  
CHIEF FIRE OFFICER

MIKE GRIFFITHS  
TREASURER

# Report on Value for Money for West Midlands Fire and Rescue Authority

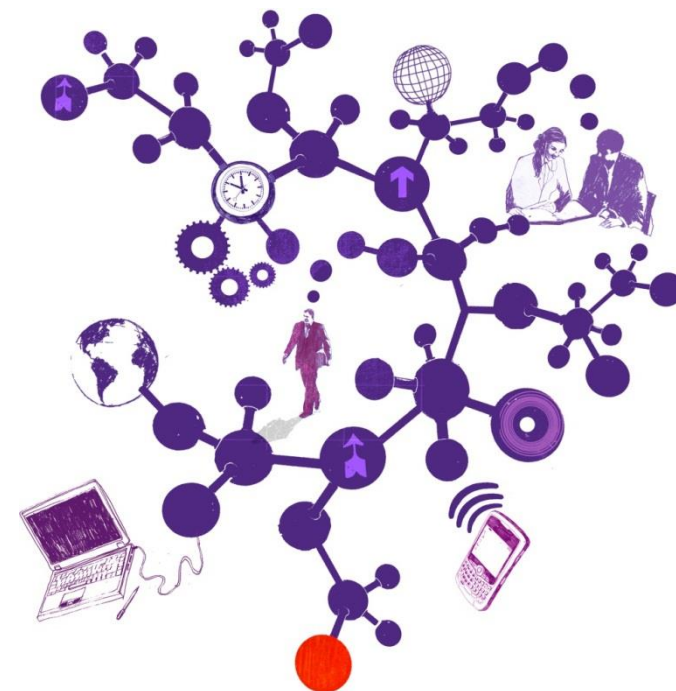
**Year ended 31 March 2015**

**September 2015**

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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 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 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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# Introduction

## What is this report?

This report summarises the findings from our work supporting our Value for Money (VfM) conclusion, which is required as part of the statutory external audit responsibilities.

It compliments our Audit Findings Report, by providing additional detail on the themes that underpin our VfM conclusion.

## Value for Money Conclusion

The Code of Audit Practice 2010 (the Code) describes the Authority's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission, which support our reporting responsibilities under the Code.

These criteria are:

**The Authority has proper arrangements in place for securing financial resilience:** the Authority has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future (defined by the Audit Commission as "twelve months from the date of issue of the report").

**The Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness:** the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Code require auditors to identify significant risks to the VfM conclusion and to plan sufficient work to evaluate the impact of those risks, if any.

## Our approach

The approach involves:

- desktop analysis of relevant documentation
- meetings with key internal stakeholders
- a risk assessment to identify any significant risks.

Our approach is designed to assess:

- arrangements in place related to the specified criteria
- performance during 2014/15 and what that says about those arrangements
- any significant risks that we have identified.

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# Introduction

## What is this context?

### Nationally

The last Parliament saw reductions in central funding to Local Government that will have reached 40% by the end of 2015/16.

The Conservatives made a manifesto commitment to move public finances into surplus during 2018-19, so a further three years of deficit reduction are planned. The commitments specific to local government have a key focus on growth and devolution and include:

- devolving far-reaching powers over economic development, transport and social care to those large cities that choose to have elected mayors;
- rebalancing the economy by building a Northern Powerhouse and by backing elected Metro Mayors;
- introducing financial incentives to Authorities for promoting economic growth, including piloting the retention of 100% of business rate growth (with Cambridgeshire, Greater Manchester and Cheshire East);
- delivering more bespoke Growth Deals with local Authorities, where backed by LEPs;
- supporting Business Improvement Districts to bring greater collaboration on local issues.

The level of further departmental spending cuts – including those affecting local government – will not be announced until this Autumn's Spending Review.

### Locally

West Midlands Fire and Rescue Authority faces even greater challenges over the coming years than it has in more recent years. The level of savings to be delivered over the next three years are a significant challenge.

Estimated at around £14 million over the next three years, the Authority will be required to deliver £5 million (8%) in 2016/17, £5 million (8%) in 2017/18 and £4 million (8%) in 2018/19. This is on top of recurrent savings of £21.8 million already delivered to 31 March 2015 and £6.2 million savings planned for 2015/16.

Grant funding for West Midlands Fire and Rescue Authority was £81m in 2010/11 and based on current forecasted grant reductions until 2018/19 will have reduced by £42m.

Now, more than ever, it is important that Authorities have sound arrangements for securing Value for Money.



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# Executive Summary

## Overall Risk Assessment

There were no significant risks identified during our VfM planning. Our planning did identify that partnership arrangements were key for the Authority going forward and as this touches each area of the Audit Commission assessment, we have reported this separately at the end of the document.

## Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Authority's arrangements against key indicators of financial performance and the three expected characteristics of proper arrangements, as defined by the Audit Commission:

- strategic financial planning
- financial governance
- financial control.

Overall our work highlighted that the Authority is financially resilient, having a strong balance sheet, good levels of reserves and is developing arrangements to deliver savings to meet funding gaps going forward.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Authority has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Overall our work highlighted that resources are currently utilised appropriately to deliver value for money, but the Strategic Enabling Team is aware that the future of Fire Authorities and the services they will deliver is uncertain. Work is on-going to ensure that the Authority is well placed to respond with agility to these changes to sustain the overall objective of the Authority in relation to 5 minute response times.

# Executive Summary

We use a red/amber/green (RAG) rating with the following definitions.

<b>Green</b>	<b>Adequate arrangements appear to be in place</b>
<b>Amber</b>	<b>Adequate arrangements, with areas for development</b>
<b>Red</b>	<b>Inadequate arrangements</b>

## Overview of arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Financial Performance</b>	The General Fund stands at £9,231k at the 31 March 2015. Whilst this is an increase on the opening balance the Authority has made appropriate movements to earmarked reserves as well to cover financial liabilities and risks going forward. The General Fund balance is in line with the financial strategy. Reserves are at a generally high level and are not used to subsidise the day to day transactions of the Authority.	<b>Green</b>
<b>Strategic Financial Planning</b>	The authority continues to use a 3 year rolling corporate plan as a basis for planning and delivering objectives. This plan links the three objectives of prevention, protection and response. Review of this plan confirms that the Authority's overall priority is to maintain response times to 999 calls at 5 minutes. All other parts of the strategy support this whilst also linking to the prevention and protection elements, making the 5 minute response time the 'golden thread' which drives all strategic priorities.	<b>Green</b>
<b>Financial Governance</b>	The Authority has demonstrated a drive and commitment to making changes in response to the recent reductions in Government funding. There is an understanding of the current financial position of the Authority and finance is a continuing thread evidenced through all elements of the corporate plan.	<b>Green</b>
<b>Financial Control</b>	The Authority has a healthy cash surplus and delivers a balanced budget each year. Ear marked reserves are used where cash has been held back for projects put on hold whilst decisions on the wider delivery of the service are made.	<b>Green</b>
<b>Prioritising Resources</b>	The Corporate Plan determines the overall use of resources within the Authority, outlining the strategic direction for the Authority over a 3 year period. This includes the Key Priorities, Outcomes and Strategic Objectives. Staff interviewed considered that there has been a tangible shift in the culture of the Authority in the past few years.	<b>Green</b>
<b>Improving Efficiency &amp; Productivity</b>	The overall strategy is clear and the decisions which are being made are consistent with it. Some service redesign has already been delivered successfully and the Authority has learned from this experience. There is considerable uncertainty surrounding the future service delivery of the Fire Service, both in the West Midlands, Regionally and Nationally.	<b>Green</b>
<b>Partnership working</b>	Specifically identified as a risk for the Authority and overarching all areas of the Audit Commission's risk areas, we have reported separately. Whilst arrangements are developing in this area, the present arrangements do not present a risk to the Authority at this stage.	<b>Green</b>

# Executive Summary

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Financial Performance</b>	<p>The Authority has a strong balance sheet and low levels of debt. The out-turn positions for 2014/15 for both revenue and capital delivered ahead of the financial plans. Performance in 2015/16 is ahead of the financial plan. There is no evidence of a process of asset sales to enhance liquidity and provide short term funding. The Authority's savings initiatives have concentrated on efficiencies which have a medium to longer term benefit. The Authority has delivered deliberate underspends in the previous three years to transfer money into their reserves. These underspends have been reported to the Authority and Strategic Enabling Team throughout this period.</p> <p>A review of the 14/15 audited financial statements shows that the authority maintains a healthy cash surplus. The Authority plans for cash on a 12 month rolling programme through its estimated rolling balance prediction for Treasury Management. There are no cashflow concerns. The precept and budget setting report detail the Treasury Management Policy. There is no evidence that the Authority has not complied with capital or other statutory requirements. Treasury management is adequate as evidenced by the reports sent to the Fire Authority. The Authority does not monitor key financial ratios, but does report prudential indicators to the Authority annually with an interim update.</p> <p>The Authority is aware of the current climate and market conditions, they continue to maintain a healthy cash position to ensure sufficient liquid resources are available to fund future expenditure. There is a demonstrable drive and commitment to making changes in response to the recent reductions in Government funding.</p> <p>The financial performance in year does not indicate subsidy of service. The Authority is clear on its priorities to deliver a service with a deminimus level of staff and achieving the core attendance time of 5 minutes within a balanced budget. Going forward, there is uncertainty around sustaining this delivery, but this is being managed as a key priority for the organisation as a whole.</p>	<b>Green</b>

# Executive Summary

Risk area	Summary observations	High level risk assessment
<b>Strategic Financial Planning</b>	<p>The Authority uses the Corporate Plan and Community Safety Strategy (integrated Risk Management Plan) to inform its approach to use of resources and ensuring they are used in the best way for the risks facing the Authority.</p> <p>The Medium Term Financial Strategy (MTFS) has been reviewed and no weaknesses have been identified. The savings set out for the previous 3 years have been made, indicating a track record of delivering savings. The authority has not planned further than 4 years ahead financially as there is such uncertainty around grant funding that it would not be considered a worthwhile exercise. The Authority's level of reserves remains high to support it through tough times. The objectives of the Authority are in line with the National Framework and so are focused on prevention and working with communities and partnerships more closely</p> <p>The Medium Term Financial Strategy has been revised in the year. The savings that were planned to occur so far have been made, and the levels of reserves continue to remain relatively constant. Given the Authority remains one of the lowest cost Fire Authorities whilst still delivering fully employed Fire Officers, the MTFS appears reasonable. There is a prudent view of potential income generation but this is an area the Authority is seeking to maximise by using its staff to apply their current skills and expertise to deliver work which supports other public sector bodies and grow the additional income element.</p> <p>The Authority is delivering savings in a measured way - i.e. tackling service efficiencies rather than deliver savings as cuts to services. There are sufficient risk assessments within the financial plans (RAG) and financial monitoring information, and also back up plans in relation to savings to support any slippages or non-delivery of the main schemes.</p> <p>None of the projects being undertaken by the Authority are short term. All projects reviewed had financial plans for at least 5 years and had been taken to the authority and so had full agreement from members. Some projects support the longer term strategy, for example, establishing a presence in a new market.</p> <p>The Authority had effective arrangements in place which enabled it to deliver its challenging savings programme in 2014/15. Achieving these savings is critically important, as the level of planned reductions in grant funding from central government until 2018 exceeds the level of the Authority's reserves that are not specifically earmarked. The Authority has identified that it may require additional funding from Council Tax payers to continue to provide current service levels and response times. The additional funding may be above the percentage increase that would trigger a referendum that would require approval from Council Tax Payers. The Authority will need to weigh up very carefully the costs and risks associated with holding a referendum across such a large Council Tax base.</p> <p>The Authority has an asset strategy. There has not been a significant deterioration of asset values and the Authority has reviewed the appropriateness of all assets as part of its on-going programme of work. There are no plans to sell key assets, other than planned disposals to support the revised training strategy. The Authority is not dependent upon their sale and the income from the sale is not the key driver for the decision.</p> <p>Staff are aware of the vision of the Authority. Members are also aware. Further work is being undertaken to ensure that a consistent corporate message is communicated to every employee of the Authority regardless of their location and team structure. This is a specific focus for the Strategic Enabling Team (Corporate Board) in 2014/15.</p>	<b>Green</b>

# Executive Summary

Risk area	Summary observations	High level risk assessment
Financial Governance	<p>There is a strong Strategic Enabling Team in place driving forward a clear vision to ensure that the Authority keeps pace with the changing agenda within the Fire Service, regionally and also nationally. The Authority is considering alternative delivery models and as part of this has considered outsourcing, retendering, the use of shared services and partnership arrangements. They are also considering bringing the company out of dormancy to facilitate the delivery of a more commercial venture. A key focus going forward is developing partnerships across a broad range of organisations.</p> <p>The Authority has recently taken autonomy for its own governance by changing its dependence upon Sandwell MBC and taking the s151 and Clerk function back in house. The Strategic Enabler of Finance and Resources is now the designated s151 officer, reporting directly to the Chief Fire Officer. The Authority is keen to maintain links with Sandwell and so still use their Monitoring Officer and Internal Audit function. There is a project to look at strategic alliance with Sandwell MBC as there are close working relationships which the Authority wish to maintain.</p> <p>There is an understanding of the current financial position of the Authority and finance is a continuing thread evidenced through all elements of the corporate plan. Many of the key projects undertaken by the Authority have a financial plan which indicates the best option to choose and the proposed payback, There is also a consideration of the overall use of resources. There is a demonstrable focus on the long term with the planning and financial decisions which are being made by the Authority. There are limited short term fixes and there is a focus on service efficiencies.</p> <p>There is an understanding by the Strategic Enabling Team of where costs are high and they are driving service efficiencies as a way of delivering savings rather than top slicing and slashing budgets evenly across all areas. This is acknowledged by all Senior Management as a sensible and pragmatic way forward which they are all supportive of. The Authority is aware of the current climate and market conditions. They have deliberately kept cash back to ensure there is sufficient to fund future expenditure. It is held in earmarked reserves and these are reported to the Authority on a regular basis.</p> <p>The Authority has delivered deliberate underspends in the previous three years to transfer money into their reserves. These underspends have been reported to the authority and Strategic Enabling Team (Corporate Board) throughout the financial year. The outturn reports we have read indicate that there was appropriate forecasting during the year, with no unexpected surprises at the year end.</p> <p>The Community Safety Strategy is the Integrated Risk Management Plan and has undergone extensive consultation both within the Authority and with the public.</p> <p>The Audit Committee provides some robust challenge. The information going through the Committee is cohesive to enable them to offer informed challenge and support the overall business of the Authority. The Strategic Enabler of Finance, Deputy Chief Officer and Auditors (both internal and external) support the Committee significantly.</p>	Green

# Executive Summary

Risk area	Summary observations	High level risk assessment
<b>Financial Control</b>	<p>The Strategic Enabler of Finance and Resources has overall responsibility for the accounts. There is a team beneath him led by the Finance Manager who is responsible for the technical accounting and day-to-day work completing the statements. Both the senior staff and other officers within the department have been in post for the last four year. There is no lack of capacity in the department and no high turnover.</p> <p>We have regularly liaised with Internal Audit during the year and worked with the Strategic Enabler of Finance and Resources and Deputy Chief Fire Officer. Our relationship with Internal Audit is one which is sound and strengthening. There are no concerns about the adequacy of its internal audit arrangements.</p> <p>The Financial Strategy takes into account the financial implications and risks (where known) to the Authority. These are mitigated or accepted but transparently communicated to Members and the public where applicable. The Annual Governance Statement has not identified any weaknesses in this area. We have no concerns to date regarding risk management at the Authority. We have met with the Risk Manager to ensure we have a sound understanding of the risks and can confirm that he is strategic as well as operational in his thinking. The MTFS shows that financial risks are managed in the medium to long term.</p> <p>We have no concerns around the levels of staff within the Finance department. Whilst they are a lean team, there is sufficient separation of duties and staff have the agility to fulfil other roles, e.g. manning stations during the recent strikes. The final accounts audit was completed in a short timescale with Finance staff making us a priority, not providing any indication of stress due to lack of resource.</p>	<b>Green</b>

# Executive Summary

Risk area	Summary observations	High level risk assessment
<p><b>Prioritising Resources</b></p>	<p>"The Plan 2015-2018" defines the range of services that will be provided by the Authority, outcomes that will be achieved and the commitment to work in partnership with others.</p> <p>The Authority has confirmed its operational model and its key commitment to attending high risk incidents within 5 minutes and to focus on prevention and protection. The operational and financial strategy is clearly set out in "The Plan 2015-2018". This document combines the priorities, performance targets and the funding plans and complements the Medium Term Financial Strategy which provides detailed plans for three years based on sensitivity analysis and scenario planning. The Authority has a clear understanding of the financial impact of its decisions. The most significant of these have been in respect of staffing levels versus the maintained delivery of the 5 minute standard for the most critical incidents.</p> <p>The Chairman and Chief Fire Officer visit key people together representing a strong voice for the Authority. The Chief Fire Officer has also developed relationships with all 7 Chief Executives from the West Midlands Councils to ensure they are aligned to service delivery within each area. The Authority consults with the public, but previous responses have been low in number. The Authority is investigating why this was and how they can better engage with the public on future occasions. The Authority is seeking to use Members to represent the Authority externally. However, part of this is on hold whilst Birmingham City Council consult on ward areas and the number of Councillors they have. Staff are widely consulted and communication with them is high as evidenced through the consultation documents taken to the Authority.</p> <p>Changes to the internal management structures, driven by the Chief Fire Officer alongside external changes with government cuts and a drive to increase the size of delivering bodies, either through regional models or combined authorities, have provided an opportunity for the Authority to drive the future of the Authority in a positive way. The Authority changed its management structure in September 2014, moving away from a Corporate Board to a more diverse and representative group of Strategic Enablers who ensure that the Chief Fire Officer and his Deputy and Assistant are able to make more informed decisions. The Authority has recently commissioned a review of the impact of this change which will examine the impact of the Team as a whole and also individuals to ensure that the team is seen to demonstrate effectiveness and each individual has the investment required to maximise their performance. A future aspiration is for all Strategic Enablers to be able to cover each other to solidify the leadership and ensure that the strategic vision is leading decisions rather than area knowledge. The focus going forward will be to improve the performance of middle management who will receive additional support and investment to ensure that they are equipped to consistently cascade corporate messages through the organisation.</p> <p>There is evidence of challenge from the Strategic Enabling Team and communication is more consistent and filters further through the organisation. Whilst there is progress in this journey, the Authority is positioning itself well to succeed going forward. The Authority is aware that they are facing a tipping point and that greater collaborative working within the region is a key factor to sustaining their business. The Authority links closely with the Chief Fire Officers Organisation (CFOA) and also the Association of Metropolitan Fire and Rescue Authorities (AMFRA). This enables them to keep in tune with Fire Sector issues both on a national and wider public sector basis. The Authority has a Community Member Scheme to enable local residents to support the Authority in developing closer links with the general public.</p> <p>Communication from the Strategic Enabling Team has improved to ensure that alternative channels and gateways are used as well as the more traditional. This includes Management Briefings, Webinars and Q&amp;A forums. The Chief Fire Officer and members of the Strategic Enabling Team have been more visible out at Stations over the past few months to ensure that firefighters in every location feel connected with the decision making body.</p>	<p><b>Green</b></p>

# Executive Summary

Risk area	Summary observations	High level risk assessment
<p><b>Improving Efficiency &amp; Productivity</b></p>	<p>The Authority delivers services in line with its remit and meets its performance targets in the main. Focus on delivery of the 5 minute response time is a key priority. Operationally the Authority is performing well. There are some indicators on the people side where improvement is curtailed by other factors, e.g., they cannot change the demography of employees whilst there is a recruitment freeze in place.</p> <p>The Authority is looking for 100% disclosure on disability and working hard to tackle the stigma associated with common disabilities e.g. dyslexia. Sickness absence in uniformed officers has risen but there are no identifiable trends. Sickness absence in Non-uniformed staff is the lowest since data was gathered at the Authority. However, sickness levels overall are still amongst the lowest in the public sector. The re-prioritisation of resources is customer driven, taking into account local needs and views to ensure that services delivered are what is wanted by the local community. Next year, the Authority is looking to apply lean thinking to areas of delivery, but this will need to be delivered by the employees to ensure that there is a commitment and buy-in from staff to implement any changes which are identified. The Authority is currently not planning to sell key assets. There have been some disposals due to the new Cradeley Heath Fire Station in recent years and some further disposals are planned to support the revised training strategy or deliver services more efficiently. The Authority continues to develop strong links with its regional neighbours and encourages any joint working opportunities. Barriers include political will (both within other Fire Services and other blue light services) as well as a hesitation due to the speed of change with Combined Authorities. Thinking changes on a quarterly basis as legislation and policy are released. There is also a keen interest to see how Metropolitan Fire Authorities take this agenda forward. The local positioning of the health sector within any combined arrangements will be a significant factor in decisions made.</p> <p>The Authority is seeking opportunities for generating income from tasks already performed or easy to deliver within current staffing and structures. This is known as upstream fire fighting. This work is forging links with the health and social care sector and provides an excellent opportunity for different agencies to work together for the good of the tax-payer. A pilot is due to start regarding the delivery of telecare response which is a service commissioned from the Authority by a local council where firefighters will provide additional support to vulnerable people in their homes. There is also opportunity to work with discharged patients going forward.</p>	<p><b>Green</b></p>



# Executive Summary

Risk area	Summary observations	High level risk assessment
<p><b>Partnership working</b></p>	<p>The Authority is keen to work in partnership wherever possible, demonstrated by the Joint Control Room with Stoke &amp; Staffordshire Fire &amp; Rescue Authority and future projects linking into the health agenda locally. The established key partnerships in place are well developed, managed and controlled. The Authority needs to be clear that the current decision making arrangements and layers of governance in place for partnership arrangements are appropriate and continue to remain receptive to collaborate opportunities. A number of other collaboration initiatives are planned as the Authority has recognised that it needs to link with other public and private sector bodies to build on its core strengths and its position within the market. Creating a more sustainable, further reaching service will enable the Authority to continue to deliver its core objectives. The Safeside facility continues to make an important contribution to the prevention and protection agenda, and is an excellent example of effective partnership working across a wide range of partner organisations including the police and ambulance services, a supermarket, a bus company, Network Rail as well as local schools and colleges.</p> <p>There is evidence that the Authority is building sound and strong relationships with its partners and the local community. The drive to win additional work is to be able to retain firefighter numbers to build capacity whilst also removing silo working which has historically been present in the structure to some degree to ensure that the Authority has the agility at all levels to respond to forthcoming changes. There is a clear commitment from the top of the organisation to empower managers at all levels to apply principles to support their local decision making. As long as a decision is risk based, managers are encouraged to make these decisions to ensure that the organisation can remain agile in this volatile environment.</p> <p>The Authority is currently reviewing its partnership arrangements. This will encompass both SLA partnerships and more strategic partnerships. The report is focusing on the outcomes for the Authority and the tax-payer. It is hoped that this review will enable the Authority to ensure governance is strong for all partnership arrangements, and also use the results to inform where future partnerships should be developed to maximise value for money.</p> <p>Partnerships are a corporate risk (as the risk is out of the control of the Authority) but a database is maintained to capture information. Each partnership with a financial aspect has an SLA, Business Case, Risk Register and Terms of Reference. The Authority is also establishing a process for capturing information around non-financial partnerships to enable the Authority work to be more accurately mapped and the governance arrangements secured. The new structure is more conducive to getting this set up.</p> <p>All projects are put through an extensive option appraisal to ensure that they represent the best use of resources. The Authority has put some schemes on hold whilst overall service delivery is confirmed, e.g. expenditure on assets including buildings and vehicles which have been carried forward until service delivery is determined.</p> <p>As the Authority develops its income generation, particularly with the health and social care sectors, it will need to ensure that its tendering and procurement skills are appropriate. Commissioning and delivering work for external bodies requires particular skills which it will need to ensure are sufficient to gain maximum benefit from any work of this nature.</p>	<p><b>Green</b></p>



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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**9 NOVEMBER 2015**

1. **ANNUAL AUDIT LETTER 2014/15**

Joint report of the Chief Fire Officer and the Treasurer.

RECOMMENDED

THAT the Authority notes the Annual Audit Letter (AAL) attached as an Appendix to this report.

2. **PURPOSE OF REPORT**

This report is submitted to inform the Audit Committee of the findings of the external audit work undertaken for the audit year 2014/15 which is summarised in the AAL.

3. **BACKGROUND**

3.1 The AAL summarises the key findings from external audit work undertaken for the 2014/15 audit year. The audit comprised two elements:-

- The audit of financial statements.
- An assessment of the arrangements in place to enable value for money to be achieved in the use of resources.

3.2 The Annual Findings Report presented to the Authority on 21 September 2015 outlined the findings of the audit work undertaken.

3.3 Following the Authority meeting, the auditor issued an unqualified opinion on the Authority's 2014/15 financial statements included in the Authority's Statement of Accounts.

3.4 As part of the external audit work programme, the auditor was required to provide a value for money conclusion. This assessment was undertaken against the following:-

Ref: AU/AC/12309153

- the arrangements in place to secure financial resilience.
  - the arrangements in place for challenging how economy, efficiency and effectiveness are secured.
- 3.5 As a consequence of this work, the auditor concluded that for 2014/15 the Authority made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.
- 3.6 The Treasurer has been consulted and has agreed the content of the AAL.

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 and/or do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

There is a legal requirement for the Authority to consider the AAL Statutory Instrument 2006 No. 564 – The Accounts and Audit (Amendment) (England) Regulations 2006.

6. **FINANCIAL IMPLICATIONS**

The agreed scale fee for the provision of external audit services for the audit year 2014/15 was £51,515.

**BACKGROUND PAPERS**

The Audit Findings 2014/15 - Agenda item 7 - Fire Authority  
21 September 2015

The contact officer for this report is Deputy Chief Fire Officer Philip Hales, telephone number 0121 380 6907.

PHIL LOACH  
CHIEF FIRE OFFICER

MIKE GRIFFITHS  
TREASURER

# The Annual Audit Letter for West Midlands Fire & Rescue Authority

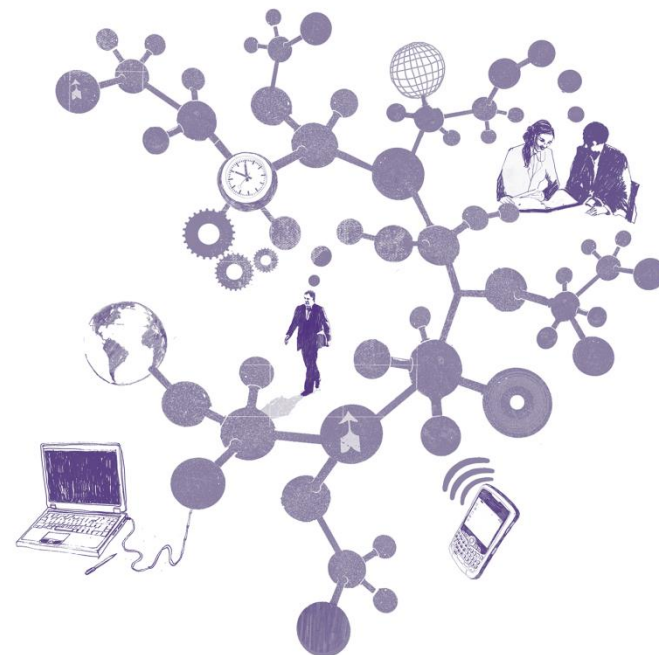
**Year ended 31 March 2015**

October 2015

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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at West Midlands Fire & Rescue Authority ('the Authority') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Authority and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 23<sup>rd</sup> March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

## **Financial statements audit (including audit opinion)**

We issued an unqualified opinion on the Authority's 2014/15 financial statements on 23 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Authority's financial position and of the income and expenditure recorded by the Authority.

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 21 September 2015 to the Fire Authority. The key messages reported were:

- We received draft financial statements and accompanying working papers on 22 June, in accordance with the timetable set by the Authority and ahead of the National deadline of 30 June 2015.
- The financial statements submitted for audit were yet again of good quality, delivered by an effective closedown process and supported by excellent working papers.
- Of particular note was the speed and efficiency queries were responded to by Authority staff across all departments.
- We did not identify any adjustments affecting the Authority's reported financial position. Both the draft and audited financial statements record Total Comprehensive Income and Expenditure as net expenditure of £104.198 million.
- We did identify a relatively small number of disclosure errors, and requested some adjustments to improve the presentation of the financial statements.
- The Authority accounted for the grant under section 31 of the Local Government Act of £2.945 million to purchase smoke alarms and CO detectors correctly. As the funding enabled the alarms and detectors to be distributed to all Fire & Rescue Authorities as per the agreed allocation this was accounted for on an agency basis.
- The Pension Ombudsman determined in July 2015 that the calculation of pensioners' lump sum amounts on commutation since 1998 was not based on the right actuarial data. The Government Actuary's Department issued guidance in respect of the Firefighters' Pension Scheme (England): 1992 Scheme to enable each Fire Authority to calculate the impact for their 2014/15 accounts. This decision was made after the Authority had prepared its draft financial statements. This constitutes an adjusting post balance sheet event. The Authority put a £5.0 million adjustment which impacts the balance sheet disclosures for provisions, pensions top up grant and contingent liabilities.

# Key messages continued

<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2014/15 on 23 September 2015. Key findings reported to the Authority are:</p> <ul style="list-style-type: none"> <li>• The General Fund stands at £9.231 million at the 31 March 2015. Whilst this is an increase on the opening balance the Authority has made appropriate movements to earmarked reserves as well to cover financial liabilities and risks going forward. The General Fund balance is in line with the financial strategy. Reserves are at a generally high level and are not used to subsidise the day to day transactions of the Authority.</li> <li>• The authority continues to use a 3 year corporate plan as a basis for planning and delivering objectives. This plan links the three objectives of prevention, protection and response. Review of this plan confirms that the Authority's overall priority is to maintain response times to 999 calls at 5 minutes for those incidents that are most life critical. All other parts of the strategy support this whilst also linking to the prevention and protection elements, making the 5 minute response time the 'golden thread' which drives all strategic priorities</li> <li>• The Authority has demonstrated a drive and commitment to making changes in response to the recent reductions in Government funding. There is an understanding of the current financial position of the Authority and finance is a continuing thread evidenced through all elements of the corporate plan.</li> <li>• The Authority has a strong cash flow and delivers a balanced budget each year. Earmarked reserves are used where cash has been held back for projects put on hold whilst decisions on the wider delivery of the service are made.</li> <li>• The Corporate Plan determines the overall use of resources within the Authority, outlining the strategic direction for the Authority over a 3 year period. This includes the Key Priorities, Outcomes and Strategic Objectives. Staff interviewed considered that there has been a tangible shift in the culture of the Authority in the past few years.</li> <li>• The overall strategy is clear and the decisions which are being made are consistent with it. Some service redesign has already been delivered successfully and the Authority has learned from this experience. There is considerable uncertainty surrounding the future service delivery of the Fire Service, both in the West Midlands, Regionally and Nationally.</li> <li>• Specifically identified as a risk for the Authority and overarching all areas of the Audit Commission's risk areas, we have reported separately. Whilst arrangements are developing in this area, the present arrangements do not present a risk to the Authority at this stage.</li> </ul> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p>
<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Government's 'Whole of Government' Accounts. In line with our instructions we reported that the Authority was below the audit threshold level set by the National Audit Office and reviewed the worksheets specified for bodies below the audit threshold. We confirmed that the closing figures for Property, plant &amp; equipment and Pensions liabilities in the consolidation pack were consistent with those in the Authority's financial statements on 23 September 2015 in advance of the deadline.</p>
<b>Audit fee</b>	<p>Our fee for 2014/15 was £51,515, excluding VAT which was in line with our planned fee for the year. Further detail is included within appendix B. This includes work for the opinion, value for money conclusion, whole of government accounts and our reporting to those charged with governance.</p>



# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p><b>Weak password access controls for Oracle EBS</b></p> <p>Our review of the password parameters governing access to the Oracle EBS system shows weaknesses. Without adequate logical access controls in place there is an increased risk of unauthorised access being gained to information assets.</p> <p><b>Recommendation</b></p> <p>Review the password settings for the network, system change management controls and the number of 'domain administrators' with significant access, with a view to implementing best practice requirements;</p> <ul style="list-style-type: none"> <li>the 'maximum password age' value within Active Directory should be between 30-60 days</li> <li>the 'account lockout threshold' should be set to between 3-5 attempts.</li> </ul>	Medium	<p><b>Management response:</b> Agreed</p> <p><b>Responsible office:</b> Strategic Enabler of Information &amp; Communications Technology</p> <p><b>Due date:</b> January 2016</p>
2.	<p><b>IT policies and procedures</b></p> <p>There is no documented Change Management Policy in place for IT system changes and no documented evidence of the controls implemented for the changes that have taken place on the network and applications during the year. This was also raised as a finding in 2012/13.</p> <p>There are also 21 users who are members of the powerful 'domain administrators' Active Directory group. Users in this group have the ability to perform a wide range of system functions. This is seen as an abnormally high in relation to the number of users.</p> <p><b>Recommendation</b></p> <p>Information security policies and procedures should be reviewed at planned intervals or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness. IT should implement and maintain formal procedures for the change management process which will describe how they will deal with both minor and major changes and ensure traceability is maintained throughout.</p>	Medium	<p><b>Management response:</b> Agreed</p> <p><b>Responsible office:</b> Strategic Enabler of Information &amp; Communications Technology</p> <p><b>Due date:</b> November 2015</p>

# Appendix A: Key issues and recommendations (continued)

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
3.	<p><b>Excessive number of domain administrators</b></p> <p>There is a high number of employees who are 'powerful domain administrators', enabling them to perform a wide range of system functions. This is seen as an abnormally high in relation to the number of users. There is a risk that individuals could override system controls, either deliberately or by accident. In addition information assets within the organisation may not be adequately secured against unauthorised or inappropriate access.</p> <p><b>Recommendation:</b> Membership of the domain administrators group should be regularly reviewed and restricted to only those trained staff with a requirement to have this level of privilege.</p>	Medium	<p><b>Management response:</b> Agreed – work is on-going to reduce the number of users with domain administration access.</p> <p><b>Responsible office:</b> Strategic Enabler of Information &amp; Communications Technology</p> <p><b>Due date:</b> January 2016</p>
4.	<p><b>Information Security policies and procedures</b></p> <p>The IT security policy has not been formally reviewed or updated since its establishment in September 2010. Lack of controls create the following risks:</p> <ul style="list-style-type: none"> <li>a) Security administration processes and control requirements may not be formalized, understood by, or communicated to those within the organization responsible for observing and/or implementing them</li> <li>b) Effectiveness of security administration processes and controls may be diminished due to environmental and/or operational changes</li> <li>c) Information security processes, requirements and controls may be inconsistently defined, understood and implemented throughout the organization.</li> <li>d) The lack of formal (documented) information security requirements may make sanctioning employees for inappropriate use of information resources more difficult. For example, a user who caught sharing personal passwords with other employees may be able to claim ignorance of any wrongdoing as this action did not violate any organizational policy documents.</li> </ul> <p>Information security policies and procedures should be reviewed at planned intervals or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness.</p>	Medium	<p><b>Management response:</b> Agreed</p> <p><b>Responsible office:</b> Strategic Enabler of Information &amp; Communications Technology</p> <p><b>Due date:</b> January 2016</p>

## Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

### Fees services

	Per Audit plan £	Actual fees £
Authority audit	51,515	51,515
<b>Total audit fees</b>	<b>51,515</b>	<b>51,515</b>

### Fees for other services

Service	Fees £
<b>Audit related services</b>	Nil
<b>Non audit related services</b>	Nil

### Reports issued

Report	Date issued
Audit Plan	March 2015
Informing the Risk Assessment	March 2015
Audit Findings Report	September 2015
VfM Detailed Report	September 2015
Annual Audit Letter	October 2015

# Appendix C: How we have worked with you during the year

## Audit Committee Members

### We:

- provided assurance on financial reporting and financial resilience by giving a timely audit opinion and value for money conclusion
- shared our thinking on key issues, including issuing members and management with our annual reports on Governance and Financial Health (Tipping Point) and our reports on Pensions Governance, Alternative Delivery Models, High Growth Index and 2020 Vision
- ran training for local government audit committee members that was attended by your audit chair
- met regularly with the Audit Committee to ensure you were kept up to date with the audit progress, as well as emerging issues affecting the wider Local Government Sector
- invested in regular dialogue with the audit committee to ensure there were no surprises and to maintain a robust and independent stance
- provided regular, timely and transparent reports from our work and briefing notes on key sector developments

## Other Councillors

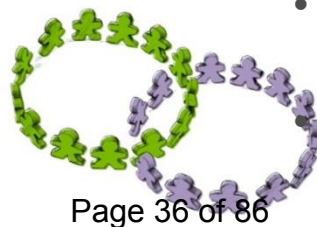
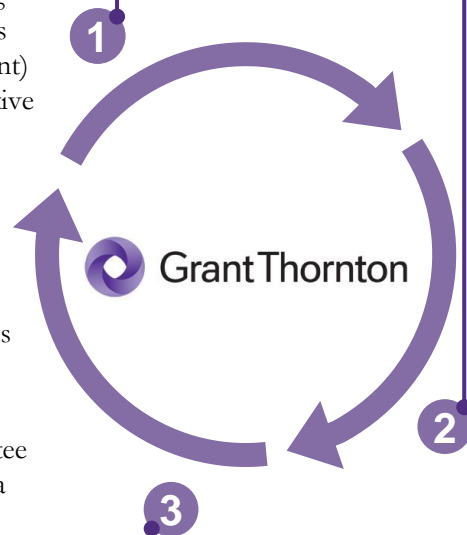
### We:

- attended the annual authority meeting to approve the financial statements

## Strategic Enabling Team

### We:

- ensured a smooth external audit process through regular dialogue and meetings to promptly discuss financial accounts opinion audit and Whole of Government Accounts work to ensure you submit accurate figures to central government
- met regularly with the members of the Strategic Enabling Team to discuss some of your major challenges, share our insight into national fire sector issues and provide support where possible
- introduced Taxation and Pensions colleagues who specialise in Fire & Rescue issues to provide tailored support in key areas
- worked with the finance department to further improve the accounts production process and to strengthen controls and systems
- engaged early on audit requirements reflecting our engagement and partnership working with finance including making recommendations to strengthen controls and systems where appropriate
- provided early support for the accounting for smoke alarms and CO detectors
- provided an opportunity to network with other Local Government bodies at our annual finance seminar
- shared our understanding of some of the key issues facing Local Government through our thought leadership reports covering Alternative Delivery Models, Financial Sustainability in Local Government, Devolution, Governance and Financial Resilience
- arranged a "Fire Summit", attended by some of your officers to help spread good practice across the fire sector and produce a think pieces on staffing and procurement for sharing across the sector
- shared technical knowledge, provided early warning on key risks and provided an opportunity to network with other Local Government bodies at our workshops covering taxation issues, building a successful local authority trading company, and 20:20 vision.





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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**9 NOVEMBER 2015**

1. **AUDIT COMMITTEE UPDATE FOR WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Report of the Chief Fire Officer

RECOMMENDED

THAT the Committee note the content of the Audit Committee Update attached as an Appendix.

2. **PURPOSE OF REPORT**

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

3. **BACKGROUND**

3.1 In order to ensure that Audit Committee Members continue to remain informed on audit matters, the external auditor has provided an Audit Committee Update report. It is the intention of the external auditor to provide an update at all Audit Committee meetings.

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

- a summary of emerging national issues and developments that may be relevant to West Midlands Fire and Rescue Authority; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

3.3 Representatives from Grant Thornton will be in attendance at the meeting to discuss the reports 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**

There are no direct financial implications arising from this report.

**BACKGROUND PAPERS**

None

The contact officer for this report is Deputy Chief Fire Officer, Philip Hales, Telephone Number – 0121 380 6907.

PHIL LOACH  
CHIEF FIRE OFFICER



# Audit Committee Update for West Midlands Fire & Rescue Authority

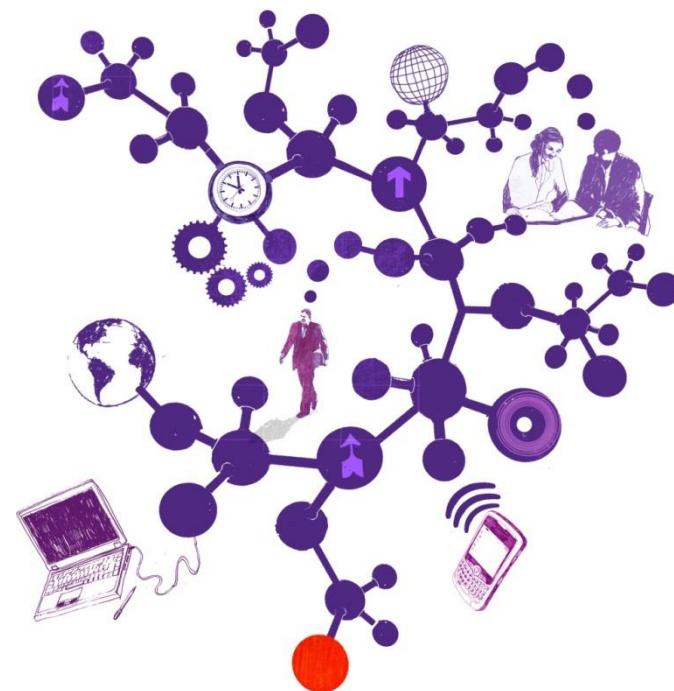
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**Year ended 31 March 2015**

November 2015

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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 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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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England
- Making devolution work: A practical guide for local leaders

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

# Progress to date

Work	Planned date	Complete?	Comments
<b>2014/15 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Fire Authority setting out our proposed approach in order to give an opinion on the Fire Authority's 2014/15 financial statements.	March 2015	Yes	We continued to assess the risks facing your Authority and met with Senior Officers to ensure that these risks were fully understood and our audit work was appropriate.  The plan has now been delivered in line with our initial assessment and no revisions excepting some additional work to cover the smoke alarm and CO detector transaction has been required.
<b>Interim accounts audit</b> Our interim fieldwork visits include: <ul style="list-style-type: none"> <li>• updating our review of the Fire Authority's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	January and March 2015	Yes	We have: <ul style="list-style-type: none"> <li>• engaged with the finance team to streamline and improve the audit approach for 2014/15 where possible</li> <li>• discussed technical issues early including the calculation of MRP for 2015/16 which informs the Medium Term Financial Plan and the accounting for the smoke alarms and CO detectors</li> <li>• undertaken as much early testing as possible.</li> </ul> We continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud.
<b>2014/15 final accounts audit</b> Including: <ul style="list-style-type: none"> <li>• audit of the 2014/15 financial statements</li> <li>• proposed opinion on the Fire Authority's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June – September 2015	Yes	The opinion audit has been provided on your financial statements confirming that they are free from material misstatement.

# Progress to date

Work	Planned date	Complete?	Comments
<b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2014/15 VfM conclusion requires conclusions on whether: <ul style="list-style-type: none"> <li>• The organisation has proper arrangements in place for securing financial resilience.</li> <li>• The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</li> </ul>	January – July 2015	Yes	We provided an unqualified conclusion on your arrangements to provide economy, efficiency and effectiveness.  The Authority is preparing itself for challenges financially in future years. We also reviewed the partnership working as this is a key theme within all areas of the assessment. A Value for Money detailed report is presented to the November Audit Committee.
<b>Annual Audit Letter</b> A summary of all work completed as part of the 2014/15 audit.	October 2015	Yes	We have summarised our findings from the 2014/15 audit and reported to the November Audit Committee.
<b>Engagement with the Authority since the last Committee meeting</b>	N/A	N/A	<ul style="list-style-type: none"> <li>• Meetings with key Senior Officers to agree the Annual Audit Letter and inform the 2015/16 planning.</li> </ul>

# Making devolution work: A practical guide for local leaders

## Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

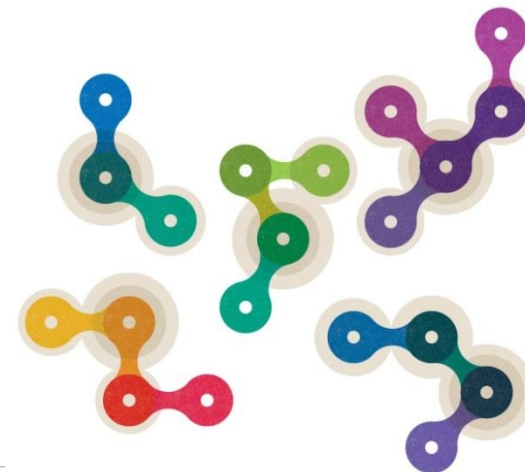
With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>



# Next Government Spending Review Commissioned

## Local government issues

On Wednesday 22 July 2015 the Chancellor of the Exchequer formally commissioned 'Spending Review 2015' which will make an initial allocation of what the government spends in the years from 2016/17 to 2020/21.

A copy of the launch document *A country which lives within its means* can be found at: [A Country that lives within its means](#)

The document stresses the priority that the government attaches to growth and productivity including the local growth fund and the Northern Powerhouse. It reaffirms the commitment to radical devolution in England through further deals and integration of public services and confirms that departments will be asked to set out their contribution to the public sector land programme as part of their Spending Review bids in order to realise the government's housing ambitions.

You will also see from the document that HM Treasury has invited government departments to set out plans for reductions to their Resource budgets. In line with the approach taken in 2010, HM Treasury is asking departments to model two scenarios, of 25% and 40% savings in real terms, by 2019/20.

In addition representative bodies, interest groups and individuals were invited to submit written representations to HM Treasury by 4 September 2015.

The Spending Review is expected to be announced on 25 November 2015.

## Challenge question

Are members aware of the timescales for including announcements from the Spending Review into the Medium Term Financial Planning process?

# Enabling closer working between the Emergency Services Consultation

## Local government issues

In its election manifesto the Government committed to enabling fire and police services to work more closely together and to develop the role of elected and accountable Police and Crime Commissioners. The Department for Communities and Local Government, in partnership with the Home Office and Department for Health have been working on proposals to support the commitment which seeks to drive a greater level of joint working between the emergency services, and deliver more effective and efficient services for communities.

A joint consultation paper containing the proposals was published on 11 September 2015. [\*Enabling Closer working between the Emergency Services consultation paper\*](#) is seeking views on proposals to drive greater collaboration between the emergency services and to enable closer working between police and fire and rescue services.

It also set out the proposals as follows:

- introducing a new duty on all three emergency services to actively consider collaboration opportunities with one another to improve efficiency and effectiveness;
- enabling Police and Crime Commissioners to take on the duties and responsibilities of fire and rescue authorities, where a local case is made;
- where a Police and Crime Commissioner takes on the responsibilities of a Fire and Rescue Authority, enabling him or her to create a single employer for police and fire staff, facilitating the sharing of back office functions and streamlining management;
- in areas where a Police and Crime Commissioner has not become responsible for fire and rescue services, enabling them to have representation on their local Fire and Rescue Authority; and
- abolishing the London Fire and Emergency Planning Authority and giving the Mayor of London direct responsibility for the fire and rescue service in London, as will be the case in Greater Manchester.

The aim of the proposals is to deliver real change and improvement in the accountability and service delivery across the emergency services. The proposals and eventual legislation will affect England only.

## Challenge question

Did the Authority respond to the consultation?

Are members aware of how closer working is supporting the strategic direction of the Authority?



# Fire Statistics April 2014 to March 2015 published

## Fire Sector issues [for information]

The latest National Statistics, Fire Statistics Monitor April 2014 to March 2015 were published on the GOV.uk website on 20 August 2015. These cover annual headline statistics on fire fatalities, non-fatal casualties and incidents attended by fire and rescue services in England.

The latest Fire and Rescue Operational Statistics, England, April 2014 to March 2015 was published on the GOV.uk website on 24 September 2015. It includes English Fire and Rescue Authorities' personnel statistics, numbers of injuries to firefighters, statistics relating to community fire safety activity and fire safety audits of buildings.

The full publication and supplementary tables can be found at: [Fire Statistics](#) and [Operational Statistics](#). Highlights from the statistics nationally are:

- The 2014/15 data show a continuation of the long term decreasing trend in the number of fatalities, casualties and incidents attended by fire and rescue services down 6% and the lowest annual figure recorded to date.
- There were 3,235 non-fatal fire hospital casualties in England in 2014/15, 6% lower than in 2013/14 and 55 per cent lower than in 2004/05.
- Fire and rescue services attended a total of 154,700 fires in England in 2014/15, the second lowest number on record.
- Fire and rescue services attended 125,000 non-fire incidents in 2014/15, down 5% from 2013/14. The largest categories of non-fire incidents were road traffic collisions (25%) and attending medical incidents (13%).
- There were 44,000 full-time equivalent Fire and Rescue Authority staff in England as at 31 March 2015. This was 3.6 per cent lower than one year earlier, and 12.6 per cent lower than ten years earlier.
- Total firefighter strength (full time equivalent for whole-time, and 24 hour units of cover for retained duty system) decreased by 3.2 per cent compared to one year ago, and by 14.7 per cent compared to ten years ago.
- There were 2,627 injuries sustained by firefighters (during training, operational incidents and routine activities). This was 16.5 per cent and 52.7 per cent lower than one year and ten years earlier respectively, and continues the downward trend seen over the past decade. There were no firefighter fatalities during 2014/15.

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# Director for Fire, Resilience and Emergencies and DCLG

## Fire Sector issues [for information]

On 9 September 2015, Neil O'Connor announced that he would be leaving his role as Director for Fire, Resilience and Emergencies to join Louise Casey's team which has been asked by the Prime Minister to review how to boost opportunity and integration and bring Britain together as one nation.

Sarah Benioff has taken on the role as Director with responsibility for fire, resilience and emergencies alongside her responsibilities for integration and community rights in the Department.

Officials in the directorate are currently working on a programme of visits to fire and rescue authorities for Sarah Benioff to visit over the coming months. Sarah also has a number of introductory meetings planned.



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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**9 NOVEMBER 2015**

1. **TREASURY MANAGEMENT – MID YEAR REVIEW REPORT  
2015/16**

Joint report of the Chief Fire Officer and Treasurer.

RECOMMENDED

THAT the report and Appendix are noted and the prudential and treasury indicators approved.

2. **PURPOSE OF REPORT**

- 2.1 The Authority agreed its Treasury Management Strategy Statement & Annual Investment Strategy and its Prudential Indicators in February 2015. Part of the requirements of the Treasury Strategy and Prudential Code are that periodic reports are presented to Members.
- 2.2 The mid-year review report outlines the performance of the Treasury Management function of the Authority in the current financial year.

3. **BACKGROUND**

- 3.1 The Authority is required to produce a mid-year report of Treasury Management activity in the current financial year.
- 3.2 Appendix 1, the Mid-year Review Report 2015/16, meets the requirement of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code of Capital Finance in Local Authorities (the Prudential Code). The Authority is required to comply with both Codes through regulation issued under the Local Government Act 2003.

#### 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 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**

These are contained in the body of the report and the attached Appendix.

### **BACKGROUND PAPERS**

Authority's Budget and Precept Report – February 2015

The contact name for this report is the Deputy Chief Fire Officer, Philip Hales 0121 380 6907.

PHIL LOACH  
CHIEF FIRE OFFICER

MIKE GRIFFITHS  
TREASURER

**WEST MIDLANDS FIRE SERVICE**

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# **Treasury Management Strategy Statement and Annual Investment Strategy**

Mid-year Review Report 2015/16

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## **1. Background**

The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

As a consequence treasury management is defined as:

*“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

## **2. Introduction**

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011 has been adopted by this Authority.

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
- Receipt by the full Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.



- Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Audit Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first six months of 2015/16;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Authority's capital expenditure (prudential indicators);
- A review of the Authority's investment portfolio for 2015/16;
- A review of the Authority's borrowing strategy for 2015/16;
- A review of any debt rescheduling undertaken during 2015/16;
- A review of compliance with Treasury and Prudential Limits for 2015/16.

### **3. Economic update**

#### **Economic performance to date and outlook**

**UK:** UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the European Union (EU), China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since

the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.

The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

**Eurozone:** The European Central Bank (ECB) announced a massive €1.1 trillion programme of quantitative easing (QE) in January 2015 to buy up high credit quality government debt of selected Eurozone countries. This programme started in March and will run to September 2016. This seems to have already had a beneficial impact in improving confidence and sentiment. There has also been a continuing trend of marginal increases in the GDP growth rate which hit 0.4% in quarter 1 2015 (1.0% y/y) and +0.4%, (1.5% y/y) in Q2 GDP. The ECB has also stated it would extend its QE programme if inflation failed to return to its target of 2% within this initial time period.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

## Capita Asset Services interest rate forecast

Treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused Public Works Loan Board (PWLB) rates to fall below the above forecasts for quarter 4 2015. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

Despite market turbulence since late August causing a sharp downturn in PWLB rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

## **4. Treasury Management Strategy Statement and Annual Investment Strategy update**

The Treasury Management Strategy Statement (TMSS) for 2015/16 was approved by the Authority on 16th February 2015. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

Prudential Indicator 2015/16	Original Prudential Indicator	Revised Prudential Indicator
Authorised Limit	£48m	£48m
Operational Boundary	£44m	£44m
Capital Financing Requirement (31.3.15)	£41m	£41m

## **5. The Authority's Capital Position (Prudential Indicators)**

This section of the report provides an update on:

- The Authority's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

### **Prudential Indicator for Capital Expenditure**

The table below shows the capital programme which was approved by the Authority 16th February 2015, it has since been revised to reflect the impact of capital expenditure and financing decisions in 2014/15.

<b>Capital Expenditure 2015/16</b>	<b>Approved Feb 2015 £000</b>	<b>Revised Estimate £000</b>	<b>Forecast Outturn £000</b>
<b>Land &amp; Buildings:</b>			
Haden Cross Fire Station	50	126	146
Drill Towers / Training Facilities Upgrade	130	363	363
Boiler Replacement Programme	229	229	185
Roof Replacements	108	108	48
Windows & Door Replacements	124	269	317
Rewires	55	120	55
Dignity at Work	90	407	390
Asbestos Removal	-	27	42
Aston/Coventry Fire Station	-	-	5
Fire Control Relocation	-	7	7
<b>Vehicles:</b>			
Vehicle Replacement Programme	2,865	3,108	3,108
<b>ICT &amp; Equipment:</b>			
MDT Upgrade/Replacements	268	310	310
Fire Control C&C Upgrade	-	167	167
Other Equipment	-	5	5
Thermal Image Cameras	-	138	128
Oracle Licensing	-	25	-
Pensions System Replacement	-	23	1
<b>Total</b>	<b>3,919</b>	<b>5,432</b>	<b>5,277</b>

## Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Authority by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure 2015/16	Approved Feb 2015 £000	Revised Estimate £000	Forecast Outturn £000
<b>Total Spend</b>	<b>3,919</b>	<b>5,432</b>	<b>5,277</b>
Financed by:			
Capital Receipts	-	-	-
Capital Grants	3,000	4,905	4,905
Revenue Contribution to Capital	919	527	372
<b>Total Financing</b>	<b>3,919</b>	<b>5,432</b>	<b>5,277</b>
<b>Borrowing Need</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Changes to the Prudential Indicators for the CFR, External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

### ***Prudential Indicator – CFR***

The Authority is on target to achieve the original forecast CFR.

### ***Prudential Indicator – External Debt / the Operational Boundary***

	2015/16 Original Estimate		2015/16 Revised Estimate
Prudential Indicator – CFR			
Total CFR (31.3.15)	£41m		£41m
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	£44m		£44m
Total debt 31 March 2015	£41m		£41m

## Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	<b>2015/16 Original Estimate</b>	<b>2015/16 Revised Estimate</b>
Gross borrowing (Excluding Ex WMCC)	£37m	£37m
CFR (31.3.15)	£41m	£41m

The Treasurer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<b>Authorised limit for external debt</b>	<b>2015/16 Original Indicator</b>	<b>2015/16 Revised Indicator</b>
Borrowing	£48m	£48m

## **6. Investment Portfolio 2015/16**

In accordance with the Code, it is the Authority's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Authority's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

The Authority held £76m of investments as at 30 September 2015 (£65m at 31 March 2015) and the investment portfolio yield for the first six months of the year is 0.41% against a benchmark (average 7-day LIBID rate) of 0.35%.

The Treasurer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2015/16.

The Authority's budgeted investment return for 2015/16 is £0.265m, and performance for the year to date is in line with the budget.

### **Investment Counterparty Criteria**

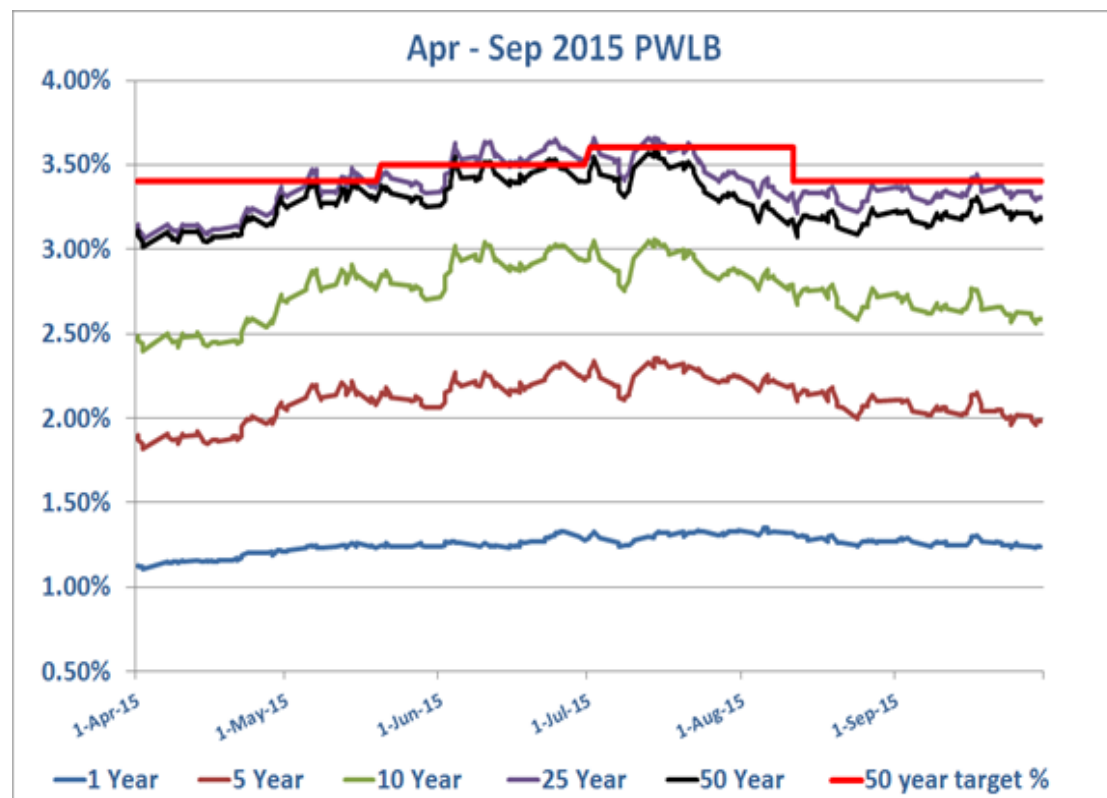
The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

## 7. Borrowing

The Authority's CFR for 2015/16 is £41m (31.3.15). The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

It is not anticipated that borrowing will be undertaken during this financial year however this requirement will be monitored by the Treasurer as part of the capital financing decisions.

The graph below show the movement in PWLB rates for the first six months of the year (to 30.9.15):



## 8. Debt Rescheduling

No debt rescheduling was undertaken during the first six months of 2015/16. The Treasurer will continue to monitor opportunities for restructuring the Authority's debt during the remainder of the year.



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**9 NOVEMBER 2015**

1. **INTERNAL AUDIT – PROGRESS REPORT**

Report of the Audit Services Manager.

RECOMMENDED

THAt the Internal Audit Progress Report be noted.

2. **PURPOSE OF REPORT.**

To ask the Committee to note the issues raised from the work undertaken by Internal Audit so far in the current financial year.

3. **BACKGROUND**

The Internal Audit Progress Report contains details of the matters arising from internal audit work undertaken so far in the current year. The purpose of the report is to bring the Audit Committee up to date with the progress made against the delivery of the 2015/16 Internal Audit Plan. The information included in the progress report will feed into, and inform, the overall opinion in the Internal Audit Annual Report issued at the year end.

It summarises the audit work undertaken in a tabular format, and includes:

- the areas subject to review (Auditable Area)
- the level of risk to the Authority assigned to each auditable area (high, medium or low)
- the number and type of recommendations made as a result of each audit review.
- the number of recommendations accepted by management.
- the level of assurance given to each system under review.
- details of any key issues arising from the above.

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 and/or do not relate to a policy change.

5. **LEGAL 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”.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

**BACKGROUND PAPERS**

None

Peter Farrow  
Audit Services Manager, Sandwell MBC

## Internal Audit Progress Report @ 31 August 2015 Audit Committee – 9 November 2015



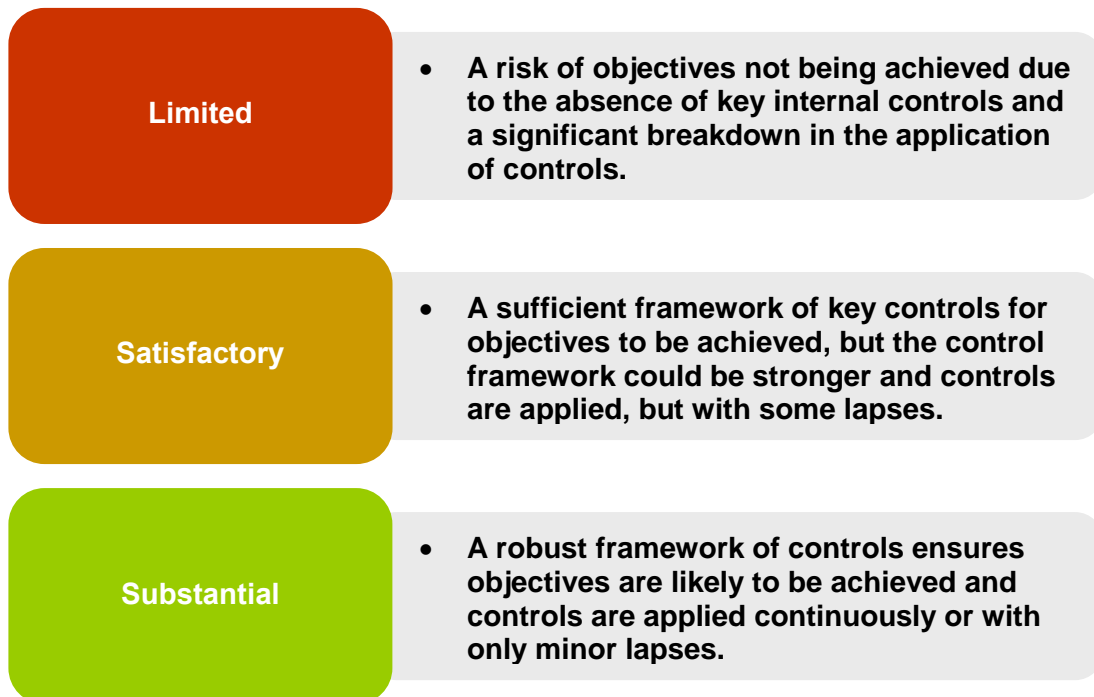
1. Introduction
2. Summary of work completed and in progress
3. Issues arising
4. Other activities
5. Service quality questionnaire feedback

# 1 Introduction

The purpose of this report is to bring the Audit Committee up to date with the progress made against the delivery of the 2015/16 Internal Audit Plan.

The information included in this progress report will feed into, and inform our overall opinion in our Internal Audit Annual Report issued at the year end.

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



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

Priority rating for issues identified		
<b>Fundamental</b> action is imperative to ensure that the objectives for the area under review are met.	<b>Significant</b> requires action to avoid exposure to significant risks in achieving the objectives for the area under review.	<b>Merits attention</b> action is advised to enhance risk mitigation, or control and operational efficiency.

## 2 Summary of work completed and in progress @ 31 August 2015

Auditable Area	ANA Rating	Suggested/Agreed Actions				Number accepted	Level of Assurance
		Fundamental	Significant	Merits attention	Total		
<b>Completed:</b>							
Pension Certification	-	-	-	-	-	-	Substantial
Budgetary Control	KFS	-	-	-	-	-	Substantial
<b>In progress:</b>							
Procurement	High						
Accounts Receivable	KFS						
Accounts Payable	KFS						
Fixed Asset Accounting/Asset Planning	KFS						
National Fraud Initiative	-						

Key:

KFS = Key Financial System

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## 3 Issues arising

### **Pension Certification**

An audit was undertaken to assist with the provision of assurance on the accuracy of the 2014/15 return to the Local Government Pension Scheme. We were pleased to report that all of our testing proved satisfactory.

### **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. Again, we found no issues that needed flagging.

## 4 Other Activities

### **Review of the Effectiveness of Internal Audit**

The Accounts and Audit (England) Regulation 2011, require an annual review of the effectiveness of internal audit be undertaken and that the outcomes are considered by the Audit Committee. The report, which confirmed the effectiveness of internal audit, was presented to and approved by the Audit Committee.

### **Audit Committee Annual Report**

On behalf of the Chair of the Audit Committee, internal audit prepared a report outlining the activities of the Audit Committee during 2014/15. The report, which confirmed the adequacy of the Fire Authority's risk management framework and its associated control environment, was approved by the Audit Committee and presented at the full Authority meeting on 29 June 2015.

### **Audit Committee Update**

The CIPFA Better Governance Forum produce briefings for audit committee members in public sector bodies. The aim is to provide members of Audit Committees with direct access to relevant and topical information that will support them in their role. Internal audit presented the latest briefing which covered the role of the Audit Committee in reviewing and approving financial statements and the key issues that they should be considering at its September meeting.

## 5 Service quality questionnaire feedback

No feedback has been received so far:

Overall Satisfaction with Audit Services	Average Score
	n/a

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





**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**9 NOVEMBER 2015**

1. **AUDIT COMMITTEE – SELF ASSESSMENT OF GOOD PRACTICE AND EFFECTIVENESS**

Report of the Audit Services Manager [Sandwell MBC].

RECOMMENDED

THAT the Committee complete stage two of their self-assessment of good practice and effectiveness exercise.

2. **PURPOSE OF REPORT.**

- 2.1 To ask members of the Committee who have not yet had the opportunity to complete and return their Members knowledge and skills framework, to now consider this prior to the next Audit Committee.

3. **BACKGROUND**

- 3.1 The Audit Committee commenced a self-assessment of good practice and effectiveness exercise, based on the model provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities 2013 Edition.
- 3.2 The self-assessment forms part of an overall review of the Audit Committee, again based around guidance Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities 2013 Edition. This includes three separate activities:

**Self-assessment exercise**

This has already been completed by the Audit Committee.

**Members knowledge and skills framework**

Following the above self-assessment exercise, copies of the framework were provided to the Committee for completion. While a

number were completed and returned, since that time there have been new members appointed to the Audit Committee. Therefore, this part of the three stage programme is being refreshed, and members who have yet to have the opportunity to complete the framework are now being asked to consider this. Once this has been done, and they have been completed and returned, the results will be fed back to the Committee.

### **Evaluating the effectiveness**

Once the above framework exercise has been completed, a more detailed evaluating the effectiveness of the Audit Committee will be undertaken.

## **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 and/or do not relate to a policy change.

## **5. LEGAL 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”.

## **6. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

## **BACKGROUND PAPERS**

Appendix A - Members knowledge and skills framework

Peter Farrow  
Audit Services Manager, Sandwell MBC

# Audit Committee Members: Knowledge and Skills Framework

# Appendix A

Member ..... Date .....

## Core areas of knowledge

Knowledge Area	Details of core knowledge required	How the Audit Committee member is able to apply the knowledge	Audit Committee Member comments
Organisational knowledge	An overview of the governance structures of the authority and decision-making processes. Knowledge of the organisational objectives and major functions of the authority	This knowledge will be core to most activities of the Audit Committee including review of the Annual Governance Statement, internal and external audit reports and risk registers	
Audit Committee role and functions	An understanding of the Audit Committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the Audit Committee	This knowledge will enable the Audit Committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.	
Governance	Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement (AGS). Knowledge of the local code of governance	The committee will plan the assurances it is to receive in order to adequately support the AGS. The committee will review the AGS and consider how the authority is meeting the principles of good governance.	

[ILO: UNCLASSIFIED]

Internal audit	<p>An awareness of the key principles of the <i>Public Sector Internal Audit Standards</i> and the <i>local Government Application Note</i>.</p> <p>Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.</p>	<p>The Audit Committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</p> <p>The Audit Committee will review the assurances from internal audit work and will review the risk-based audit plan.</p> <p>The committee will also receive the annual report, including an opinion and information on conformance with professional standards.</p> <p>In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</p>	
Financial management and accounting	<p>Awareness of the financial statement that a local authority must produce and the principles it must follow to produce them.</p> <p>Understanding of good financial management principles.</p> <p>Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the <i>CIPFA Statement on the Role of the Chief Financial officer in Local Government</i>.</p>	<p>Reviewing the financial statements prior to publication asking questions.</p> <p>Receiving the external audit report and opinion on the financial audit.</p> <p>Reviewing both external and internal audit recommendations relating to financial management and controls.</p> <p>The Audit Committee should consider the role of the CFO and how this is met when reviewing the AGS.</p>	

External Audit	<p>Knowledge of the role and functions of the external auditor and who currently undertake this role.</p> <p>Knowledge of the key reports and assurances that external audit will provide.</p> <p>Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.</p>	<p>The Audit Committee should meet with the external auditor regularly and receive their reports and opinions.</p> <p>Monitoring external audit recommendations and maximising benefit from audit process.</p> <p>The Audit Committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service.</p>	
Risk management	<p>Understanding of the principles of risk management, including linkage to good governance and decision making.</p> <p>Knowledge of the risk management policy and strategy of the organisation.</p> <p>Understanding of risk governance arrangements, including the role of members and of the Audit Committee.</p>	<p>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces.</p> <p>Keeping up to date with the risk profile is necessary to support the review of a number of Audit Committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts.</p> <p>Typically, risk registers will be used to inform the committee.</p> <p>The committee should also review reports and action plans to develop the application of risk management practice.</p>	

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Counter- fraud	An understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice (Red Book 2) Knowledge of the organisation's arrangements for tackling fraud.	Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy. An assessment of arrangement should support the AGS and knowledge of good fraud risk management practice will support the Audit Committee member in reviewing that assessment.	
Values of good governance	Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the authority.	The Audit Committee member will draw on this knowledge when reviewing governance issues and the AGS. Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The Audit Committee member should know to whom concerns should be reported.	
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	<i>Effective Scrutiny of Treasury management</i> is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> <li>• Regulatory requirements</li> <li>• Treasury risks</li> <li>• The organisation's treasury management strategy</li> <li>• The organisation's policies and procedures in relation to treasury management</li> </ul>	Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.	

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# Specialist Knowledge that adds value to the Audit Committee

Knowledge area	Details of supplementary knowledge	How the Audit Committee member is able to add value to the committee	Audit Committee Member comments
Accountancy	Professional qualification in accountancy	More able to engage with the review of the accounts and financial management issues coming before the committee. Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussions of risks and resource issues. More able to engage with the external auditors and understand the results of audit work.	
Internal audit	Professional qualification in internal audit.	This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing. The committee would be more able to provide oversight of internal audit and review the output of audit reports.	
Risk management	Risk management qualification. Practical experience of applying risk management. Knowledge of risks and opportunities associated with major areas of activity.	Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice. Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers.	
Governance and legal	Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection	Legal knowledge may add value when the committee considers areas of legal, risk or governance issues.	

[ILO: UNCLASSIFIED]

	or contract law.		
Service knowledge relevant to the functions of the organisation	Direct experience of managing or working in a service area similar to that operated by the authority. Previous Scrutiny Committee experience.	Knowledge of relevant legislation, risks and challenges associated with major service areas will help the Audit Committee to understand the operational context.	
Programme and project management	Project management qualifications or practical knowledge of project management principles.	Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews.	
IT systems and IT governance	Knowledge gained from management or development work in IT	Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls.	

[ILO: UNCLASSIFIED]



# Core Skills

Skills	Key elements	How the Audit Committee member is able to apply the skill	Audit Committee Member comments
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side-tracked by detail	When reviewing audit reports, findings will include areas of higher risk, or materiality to the organisation, but may also contain more minor errors or control failures. The Audit Committee member will need to pitch its review at an appropriate level to avoid spending too much time on detail.	
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanation while avoiding hostility or grandstanding.	The Audit Committee will review reports and recommendations to address weaknesses in internal control. The Audit Committee member will seek to understand the reasons for weaknesses and ensure a solution is found.	
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility	The outcome of the Audit Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the Audit Committee should seek assurances that appropriate action has been taken.	

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Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The Audit Committee should seek assurances that planned actions are practical and realistic.	
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc	The Audit Committee will seek to ensure that external documents such as the Annual Governance Statement and the explanatory foreword to the accounts are well written for a non-expert audience.	
Objectivity	Evaluate information on the basis of evidence presented and avoiding bias or subjectivity.	The Audit Committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views.	
Meeting management skills	Chair the meeting effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting.	These skills are essential for the Audit Committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members.	

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# WEST MIDLANDS FIRE AND RESCUE AUTHORITY

## AUDIT COMMITTEE WORK PROGRAMME 2015/16

Date of Meeting	Item	Responsible Officer	Completed
<b>2015</b>			
29 June [Authority]	Annual Report of the Audit Committee 2014/15	Chair	
7 September	Corporate Risk 2015/16 – Quarter 1	Director of Service Support	
	Treasury Management Annual Report 2014/15	Treasurer	
	CIPFA Audit Committee Update	Audit Manager	
	Minutes and Terms of Reference of the Pensions Board	Chair of the Pensions Board	
	Decisions on Discretions to Firefighter Pension Scheme	Pension and Payroll Manager	
	Work Programme 2015/16	Democratic Officer	
21 September [Authority]	Audit Issues 2014/15	Grant Thornton	
	Approval of Statement of Accounts 2014/2015	Treasurer	

9 November 2015	Quarter 1 Internal Audit Progress Report	Audit Manager	
	Treasury Management – Mid year review 2015/16	Treasurer	
	Audit Committee – Knowledge and Skills Framework	Audit Manager	
	External Audit progress Report	Grant Thornton	
	Value for Money Report 2014/15	Grant Thornton	
	Annual Audit Letter 2014/15	Grant Thornton	
November	<i>Corporate Risk Management Training</i>	Strategic Hub	
<b>2016</b>			
18 January	Quarter 2 Internal Audit Progress Report	Audit Manager	
	Internal Audit Charter – Annual Review	Audit Manager	
	Quarter 2 Corporate Risk Report	Director of Service Support	
	Evaluating the effectiveness of the Audit Committee	Audit Manager	

21 March	<p>External Audit Update</p> <p>Quarter 3 Internal Audit Progress Report</p> <p>Strategy for Internal Audit 2015/16 – 2017/18</p> <p>Audit Committee Skills Audit</p> <p>Quarter 3 Corporate Risk Report</p> <p>Minutes of the Pensions Board</p> <p><i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i></p>	<p>Grant Thornton</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Director of Service Support</p> <p>Chair of the Pensions Board</p> <p><i>Audit Manager</i></p>	
11 April [Authority]	Approval of Audit Plan 2015/2016 [fee letter and proposed actions].	Grant Thornton	
6 June	<p>System Memorandum (If applicable)</p> <p>Annual Internal Audit Report</p> <p>Review of the Effectiveness of the System of Internal Audit</p> <p>Consider Governance Statement</p>	<p>Grant Thornton</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Treasurer</p>	

	<p>Annual Whistleblowing report</p> <p>Annual Report of the Audit Committee</p> <p>Quarter 4 Corporate Risk Report</p> <p>External Opinion Plan 2015/16 Audit Year (approach to financial statements)</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts</i></p>	<p>Monitoring Officer/Director of Service Support</p> <p>Chair</p> <p>Director of Service Support</p> <p>Grant Thornton</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p>	
27 June [Authority]	<p>Approval of the Governance Statement 2014/2015</p> <p>Audit Committee – Terms of Reference, Annual Review (will now be reported to the Authority's AGM)</p>	<p>Treasurer</p> <p>Audit Manager</p>	