

Appendix 1 - Annual Report of the  
Audit and Risk Committee  
2021/22

## 1. Background

The Audit and Risk Committee was established by the Fire Authority in January 2008. Its purpose is to provide:

- independent assurance on the adequacy of the risk management framework and the associated control environment,
- independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to
- oversee the financial reporting process.

The key benefits of the Committee are derived by:

- increasing public confidence in the objectivity and fairness of financial and other reporting.
- reinforcing the importance and independence of internal and external audit and similar review processes.
- providing additional assurance through a process of independent review.
- raising awareness of the need for internal control and the implementation of audit recommendations.

The Terms of Reference for the Committee can be found at Appendix A of this report.

## 2. Meetings

During financial year 2021/22 the Audit and Risk Committee met on the following dates:

- 07 June 2021
- 19 July 2021
- 27 September 2021
- 06 December 2021
- 21 March 2022

	07/06/21	19/07/21	27/09/21	06/12/21	21/03/22
Councillor Miks	✓	✓	✓	✓	✓
Councillor Padda	A	✓	✓	✓	✓
Councillor Spence	✓	✓	✓	✓	✓
Councillor Barrie	✓	✓	Substitute Ferguson	✓	✓
Councillor Miller	✓	✓	✓	✓	✓
Councillor Ferguson	-	-	✓	-	-
Mr M Ager	✓	✓	✓	A	✓

✓ – in attendance

A – sent apologies

## 4. The Committee's business

During the year the Committee conducted the following business:

Governance Statement – 2020/21

Corporate Risk – Regular Updates

Audit Committee Annual Report – 2020/21

Audit Committee – Terms of Reference  
Review

Audit Committee Work Programme 2020/21

Statement of Accounts 2020/21

CIPFA Audit Committee Updates

Updates on Topical, Legal and Regulatory  
Issues

Treasury Management Annual Report –  
2020/21 (and Mid-Year Review)

Annual Senior Information Risk Officer  
Report

External Audit Plan 2020/21

External Audit Findings Report

External Audit – Annual Audit Letter 2020/21

External Audit – Audit Committee Update

External Audit – Communication with the  
Audit Committee

Internal Audit Annual Report – 2020/21

Internal Audit Progress Reports

Internal Audit Charter – Annual Review

Internal Audit Plan – 2021/22

Vacant Residential Properties Review

Whistle Blowing Policy and Regulation of Investigatory Powers Act for 19/20 and 20/21

The Pension Regulator – Scheme Return

Annual Report and quarterly minutes of the Pension Board

Oversight of progress of McCloud/Sargeant Age Discrimination consultation and actions  
arising (Remedy)

Discussion and decision on Immediate Detriment payment

## 5. Conclusion

The Committee was able to confirm:

- That the system of internal control, governance and risk management in the Fire Authority was adequate in identifying risks and allowing the Fire Authority to understand the appropriate management of these risks.
- That there were no areas of significant duplication or omission in the systems of internal control, governance and risk management that had come to the Committee's attention and had not been adequately resolved.

## 6. Sources of assurance

The Committee gained assurance to produce the above conclusion, from the following sources:

### **The work of Internal Audit**

The Internal Auditors gave the following opinion in their Annual Report for 2020/21:

*'Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit can provide reasonable assurance that the Fire Authority has an adequate and effective framework of governance, risk management and control. \*We are pleased to report that this is an unqualified opinion and the highest level of assurance available to Audit Services. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes.'*

### **The work of the External Auditors**

During the year the external auditors (Grant Thornton) reported back to the Audit Committee on several occasions as detailed in section 4 above. No issues of any significant concern had been raised prior to the preparation of this report.

### **The Governance Statement**

The Governance Statement operated throughout the year ended 31 March 2021 and up to the date of the approval of the annual report and accounts. The systems to ensure the management of the risks have been shown to be sound.

### **Risk Management**

The Committee regularly receives and reviews the Fire Authority's Corporate Risk Register, and assesses the assurance provided to demonstrate how risks are being mitigated.

## 7. The Committee's main achievements

The Committee believes its key achievements during the year were:

- Maintaining functioning of Audit and Risk as a Standing Committee during the response and recovery phases of the Covid-19 pandemic (utilising legislation and digital engagement to enable continuity of business)
- Continuity of good working relationships with the Authority's external auditors Grant Thornton.
- Receiving and reviewing several sector updates from the external auditors.
- Receiving and reviewing updates from the Internal Auditors Sandwell MBC
- Receiving the second Senior Information Risk Officer report
- Overseeing progress and responding to the government publications on Immediate Detriment and the outcomes of the McCloud/Sargeant Age Discrimination case
- Oversight of the work of the Pension Board
- Reviewing the portfolio of Vacant Residential Properties
- Oversight of the response to implementation of the Whistle Blowing Policy and Regulation of Investigatory Powers Act
- Reviewing the Committee's Terms of Reference and the Internal Audit Charter to ensure they remain fit for purpose.
- Providing additional assurance through a process of on-going independent review.
- Raising the profile of internal control issues across the Authority and of the need to ensure that audit recommendations are implemented.
- Regular consideration and review of the Authority's Risk Register and accompanying assurances.
- Building the skills and knowledge of Committee members through regular technical updates and the consideration of related guidance issued by CIPFA.
- The continued presence of an Independent Member to broaden the Committee's experience and independent viewpoint.

## Terms of Reference for the Committee

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

### Statement of purpose

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

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

### Governance, Risk and Control

- To review the Authority's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- To consider the Authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Authority.
- To monitor the effective development and operation of risk management in the Authority.
- To monitor progress in addressing risk-related issues reported to the Committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the Authority from fraud and corruption.
- To monitor the counter-fraud strategy, actions, and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

## Internal Audit

- To approve the Internal Audit Charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
  - Regular reports on the results of the quality assurance and improvement programme;
  - Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.

To consider the Head of Internal Audit annual report:

- The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit.
- The opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.
- To consider summaries of specific internal audit reports as requested.
- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the annual

governance statement, where required to do so by the Accounts and Audit Regulations.

- To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

### **External Audit (Grant Thornton)**

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To commission work from internal and external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

### **Financial Reporting**

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Authority.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Accountability arrangements**

- To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- To report to full Authority on a regular basis on the Committee's performance in relation to the terms of reference, and the effectiveness of the Committee in meeting its purpose.
- To publish an annual report on the work of the Committee.

## **Pension Board**

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