

Minutes of the Audit Committee

11 April 2016 at 12.30 pm
at Fire Service Headquarters, Vauxhall Road, Birmingham B7 4HW

Present: Councillors T Singh, Aston, Miks, Quinnen,
Sealey and Barrie
Mr Ager (Independent Member)

Apology: Cllr P Singh

9/16 Minutes of the Audit Committee held on 18 January 2016

Resolved that the minutes of the meeting held on 18 January 2016, be approved as a correct record.

10/16 Audit Committee Terms of Reference

The Committee considered the existing Audit Committee Terms of Reference in line with the guidance from CIPFA. Following the review, it was felt that the Terms of Reference were fit for purpose and no changes had been made in the previous twelve months.

Resolved that following a review of the terms of reference that the existing terms of reference be approved.

11/16 Internal Audit Plan 2016/17

The Committee received the internal audit plan for the period 2016/17, together with an indicative plan covering the period 2017/18 to 2018/19. The plan would remain fluid and be kept under review and any proposed changes would be reported to the Committee for approval.

The Internal Auditor outlined the audit planning process and steps taken. The Audit Universe (a list of areas that may require auditing) is identified by a variety of methods; the strategic risk register, mandatory areas, such as the key financial systems and areas where the auditor's knowledge, managers requests and past experience are used.

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The CIPFA scoring methodology is used to score auditable areas as high, medium or low risk and then identify the areas where assurance will be provided in 2016/17.

- High risk areas will be audited annually,
- Medium risk may be visited once in a three year cycle
- A watching brief remains on low risk areas

Resolved that the internal audit plan for 2016/17 be approved.

12/16

Audit Plan 2015/16

Approval was sought to Grant Thornton's Audit Plan 2015/16 which set out the audit work Grant Thornton would undertake in respect of the Authority's financial statements and the delivery of its value for money conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

The code of Audit Practice requires Grant Thornton to issue a value for money conclusion. The conclusion will be based upon the same two reporting criteria used in the 2014/15 audit, namely that the Authority has proper arrangements in place for:

- Securing financial resilience
- Challenging how it secures economy, efficiency and effectiveness in its use of resources

The Auditors have determined the overall Materiality level to be £2,368k (being 2% of gross revenue expenditure).

If any errors are identified they would be reported to Audit Committee. The Auditor would give close scrutiny to cash and cash equivalents, disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements and related party transactions.

- 1) The Audit Plan set out the key phases and activities for the delivery of the audit work. The statutory deadline for submitting the 2015/16 accounts for approval by the Authority is 30 September 2016, when the auditor is required to issue the opinion and value for money conclusion. However, it is the intention to bring the process forward with the accounts being approved by the Audit Committee and the Auditor issuing the opinion and value for money conclusion by 31 July 2016. The audited 2015/16 accounts will be submitted to the Audit Committee for approved by 30 September 2016 when the Auditor aims to issue the opinion and value for money conclusion.

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- 2) An initial risk assessment has already been carried out and no significant risks had been identified. The Auditor proposed to address the risks associated with the Local Government Financial Settlement 2016/17, working with partners, other third parties and the Home Office during the audit of accounts.

The Interim Audit Work had not identified any areas of weakness. The fees and independence were also confirmed.

The Vice Chair thanked the Auditor for making the report clear and easy to understand.

In response to a Member's question on the Auditors reliance on internal audit of Payroll and Pension, the External Auditor confirmed that audit testing always started with Internal Audit, but they would test further if a problem was highlighted.

The Deputy Chief Fire Officer responded to a Member's enquiry about Partnership working and confirmed that the Authority faced an uncertain phase in respect of governance arrangements because of the Combined Authority and Police and Crime Bill. The Authority have secured Observer status on the Combined Authority and were continuing to move forward with Community based working.

Resolved that the Grant Thornton's Audit Plan to enable the delivery of the audit of financial statements and the value for money conclusion 2015/16 be approved.

13/16

Corporate Risk Quarter 3 Update 2015/16

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 had 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 and the confidence ratings. The Committee noted that there were 7 green and 4 amber overall confidence ratings.

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The Committee noted that Corporate Risks 5, 6, 11 and 13 had been realigned to reflect the recent changes to the Strategic Enabling Team.

Corporate Risks 1 and 5 were still indicated as high risk due to the ongoing trade dispute and pensions dispute (this was dormant at the moment but may comeback).

A member enquired about the risk of working with partners and where it should be reported.

The Deputy Chief Fire Officer agreed this was obviously missing in the risk reporting and Officers were looking at partnerships and felt that this area of work may need its own risk. Officers were looking at all Corporate Risks and it was felt a fundamental change would be required to take account of all the possible changes in the future, including the Combined Authority.

Resolved that the Corporate Risk Assurance Map summary be approved.

14/16

Frequency of Corporate Risk Reporting to Audit Committee

The Committee received a report requesting a change in frequency for the provision of the overall corporate risk position statement updated from four times a year to twice a year. It was felt that changes are needed to the risk assurance map and the introduction of regular reports to the Committee would provide timely and specific corporate risk information.

It was proposed to reduce the frequency of corporate risk position statements reporting from four times a year to every six months. Risk reporting will be by exception with a full report every six months. Interim meetings would be used to report changes to risks and enable focused discussions on specific risks as and when they emerge in the organisation and this approach will promote and enable Members to become more aware of specific, risk critical issues in a timely way.

The Deputy Chief Fire Officer had discussed the proposed approach with both the Treasurer and Internal Auditor.

Members considered a sample of an Audit Committee briefing, however, one Member felt that it was a primary task of the Audit Committee to consider risk and would be unhappy if risks didn't appear at Audit Committee and asked that when bringing reports on particular

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risks that the Risk Owner attend the Audit Committee to provide further details. The Deputy Chief Fire Officer agreed to this suggestion.

Resolved:

- (a) that the change of frequency for providing the Committee with an overall corporate risk position statement update from four times a year to twice a year be approved.
- (b) That the introduction of regular reports to Committee to provide timely and specific corporate risk information as a means of keeping members fully engaged in and aware of the emerging corporate risk matters be approved.

15/16

External Audit Work Programme and Scale of Fees

The Committee noted the external audit work programme and scale of fees for the 2016/17 audit work to be undertaken by Grant Thornton UK LLP.

Grant Thornton UK LLP had been appointed to audit the Authority's accounts for a five year period from 2012/13 until 2016/17. James Cook and Emily Mayne would continue in their roles for 2016/17.

The scale of fees was set at £38,636 which is the same charge as 2015/16.

Resolved that the external audit work programme and the scale of fees for 2016/17 be noted.

16/16

Communication with the Audit Committee for West Midlands Fire and Rescue Service

The Committee received an update from the Authority's external auditors, Grant Thornton relating to the progress of the external auditors in delivering their responsibilities, which included matters that related to fraud, law and regulations, going concerns, related parties, and accounting estimates.

In answer to a Member's enquiry, Grant Thornton confirmed they were content with the responses received from the Treasurer and there was a strong dialogue with the Treasurer and Finance Manager.

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17/16

Audit Committee Update for West Midlands Fire and Rescue Authority

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 and a number of change questions in respect of those emerging issues.

Good progress had been made with the preliminary 2015/16 Audit and the Auditor was on track to complete the final audit accounts early. The deadline had changed to July from September to reflect the early close off of account and completion of the Audit. The Annual Audit letter was planned for October 2016.

The Committee were provided with a number of challenge questions and informed of the challenges facing local government in respect of the financial settlement, a CFO Insights online tool, an invaluable tool providing focused insight to development and the evidence to support financial decisions.

Grant Thornton had published a report on Collaboration in Mental Health. The Fire Service has a dedicated member of staff working with the Mental Health Trust, Police and Ambulance Services and the Auditor agreed to provide a copy at the next meeting of the Audit committee.

18/16

Internal Audit - Progress Report.

The Committee noted a report from the internal auditor which detailed the progress made against the delivery of the 2015/16 Internal Audit Plan.

The information contained within the report would inform the overall opinion in the Internal Audit Annual Report at the end of the year. There was a substantial level of assurance to the end of January and there was nothing to suggest that the Authority would not receive a Qualified Opinion.

19/16

Notes of the Pensions Board held on 8 February 2016

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The Committee received the minutes of the Pensions Board meeting held on 8 February 2015. The Finance Manager had attended the meeting where the Board had received supporting information from the Payroll and Pensions Manager together with the activity levels of the Pensions Section. It was noted that following the Gad v Milne case, approximately £6.75m had been paid out on 1 February to pensioners who were affected by the outcome of this case, but that the payment received from the Department of Communities and Local Government had been late. The next meeting of the Pensions Board was scheduled to take place on 11 July 2016.

20/16 **Audit Committee Work Programme 2015/16**

The Committee noted its Work Programme for 2015/16.

21/16 **Update on Topical, Legal and Regulatory Issues**

There was no new information to be presented

(The meeting ended at 12:56 pm)

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