

Minutes of the Audit and Risk Committee

22 March 2021 at 10.30hrs

Conducted as a digital meeting

Present: Councillor Catherine Miks (Chair), Councillors Barrie, Miller, Spence, Mr Ager, Richard Percival and Siobhan Barnard (Grant Thornton) Peter Farrow and John Matthews (Sandwell MBC)

Apologies: Councillor Gill (Vice Chair), Neil Chamberlain (West Midlands Police and Chair of WMFS Pension Board)

Officers in attendance: Karen Gowreesunker, Mike Griffiths, Kal Shoker

01/21 **Declarations of Interest**

There were no declarations of interest registered.

02/21 **Minutes of the Audit and Risk Committee held on 07 December 2020**

Resolved that the minutes of the Audit and Risk Committee held on 07 December 2020 be approved as a correct record of proceedings.

03/21 **Annual Audit Letter 2019-20**

Richard Percival presented the report. The Annual Audit Letter (AAL) summarised the key findings from external audit work undertaken for the 2019/20 audit year. The delay in production of the AAL was contextualised, re-capping progress reports covered previously in both Audit and Risk Committee and Fire and Rescue Authority. It was confirmed the AAL was unqualified in release, the Certificate of Audit having been issued on 03 March 2021 and the audit formally closed.

Richard Percival cited three items for Members reference. The re-visiting of property valuations had been resolved in

conjunction with the Financial Management Section and the Property Team at Sandwell MBC; the uncertainty created by Pension Remedy, Government Grant funding and effects of the Covid-19 pandemic would have implications for medium/long term financial planning and; the variation in Audit Fee was explained.

A Member noted that all Councils and Fire Services would be affected by financial uncertainty but would inevitably make the tough decisions required to achieve a balanced budget. A Member sought clarification that all Councils would have featured property valuations as an item of auditor focus due to the regulation now placed upon them; Richard Percival confirmed this to be an accurate statement.

The Chair enquired of Mike Griffiths (West Midlands Fire Service (WMFS) Section 151 Officer) the context of the valuation review. It was explained that property valuation was re-visited at the end of the audit process, the elongated period to progress caused by the reliance on two external intermediary companies to complete, who like WMFS and Grant Thornton were also having to manage resource capacity and revised systems of work due to the Covid-19 pandemic. The requirement to have a shared view of the valuation outcome generates a long chain of activity, which became uniquely challenging during this past year. Richard Percival stated this was an accurate assessment of circumstances and excellent support had been received from the WMFS Finance Team to progress this item, as had been the experience across the whole audit process.

Mike Griffiths responded to the observation regarding financial planning, reminding Members the future uncertainty on funding being substantially referenced in the Budget Setting report approved by the Fire and Rescue Authority on 15 February 2021. He also referenced the regular discussion that ensues at Policy Planning Forum on options for the sustainability of the Service Delivery Model.

The Chair thanked Richard Percival for his commitment to WMFS during recent years and audits, noting his impending retirement from Grant Thornton. It was confirmed by Richard Percival that Avtar Sohal would be the new engagement lead

representative of Grant Thornton attending this Committee.

The Committee **noted** the Annual Audit Letter (AAL) attached as an Appendix to the report.

04/21 **Internal Audit Progress Report (26 February 2021)**

Peter Farrow introduced the report and passed to John Matthews for presentation of its content. The focus was placed upon progress since the last meeting of the Committee, confirming that five audits had been completed since December 2020. There were no fundamental recommendations required on any audit, four of which had achieved Substantial Level of Assurance and one had achieved Limited Level of Assurance. Members were re-appraised of the different levels of assurance and the definitions therein.

John Matthews confirmed the Absence Management Audit (Limited Assurance) had established inconsistent recording of return fit to work notes. The action to be implemented is sample checks at each trigger stage of the absence management process, to assess managerial application of responsibility, policy and process.

A Member enquired if the prevailing circumstances were due to managerial inattentiveness or seeking to do right at the time. Peter Farrow stated that deviations found were caused solely by the application of best intentions, however the application of policy and process needed to be consistent.

A Member enquired if the application of the Absence Management Policy as described breached the Audit Charter. Peter Farrow confirmed it did not, the Policy and its process controls were robust in structure, it was the effectiveness of application that required review. The unprecedented level of remote working had created an unforeseen impact.

The Chair requested the Scrutiny Committee check the proposed sampling checks are being conducted.

Peter Farrow confirmed the annual end of year opinion would be presented upon completion of all the 2020/21 audits. He stated the issues identified in the Absence Management audit did not necessitate that overall a poor opinion would be registered.

The Committee **noted** the Internal Audit Progress Report.

05/21 **Internal Audit Charter - Annual Review - 2021**

Peter Farrow presented the report, summarising context of the statutory requirement for Internal Audit to work in accordance with the 'proper audit practices' defined in the Public Sector Internal Audit Standards. The Internal Audit Charter, first approved by the Committee in January 2014, reflects the practices required. It was last reviewed in July 2020 since which there have been no changes and is now due for its next review.

The Chair requested that an electronic copy of the Public Sector Internal Audit Standards be made available to Members. There were not questions arising.

The Committee **approved** the existing Internal Audit Charter be subject to its next annual review.

06/21 **Internal Audit Plan 2021 - 22**

Peter Farrow presented the report, summarising details of the proposed Internal Audit Plan for 2021/22, together with an indicative plan covering the period 2022/23 to 2023/24. It was emphasised as a fluid plan which may be updated periodically to reflect changes in the risks faced by the Fire and Rescue Authority.

The assessment of assurance need/risk analysis were explained, providing context that during the period covered by the plan, the priority and frequency of audit work may be subject to amendment to recognise alterations in the same. These alterations may be caused by changes within the Fire and Rescue Authority and the requirements of the Audit and Risk Committee and Senior Managers.

A Member welcomed the report and commented that the fluid nature of the plan to enable changes by risk was a valuable approach; the experience of managing through the Covid-19 pandemic illustrated the necessity to have robust yet flexible arrangements.

The Committee **approved** the Internal Audit Plan for 2021/22.

07/21 **Minutes of the Pensions Board on the 09 December 2020**

The minutes were presented for information to the Audit and Risk Committee in their role as Scheme Manager. There were no matters arising. The Chair expressed thanks for the diligence of Members of the Pension Board in fulfilling their roles.

The Committee **noted** the content of the minutes.

08/21 **Audit and Risk Committee Work Plan 2020-2021 March 21**

The Committee **noted and approved** progress of its work programme for 2020-21.

09/21 **Update on Topical, Legal and Regulatory Issues**

Mike Griffiths (WMFS Section 151 Officer) informed the Committee of additional Covid-19 funding. The Ministry of Housing, Communities and Local Government advised on 16 March 2021 the Authority would be allocated £1.351M, following an application for additional funding to cover 2020/21 (the annual provision totalling £4.137M). In addition, a third tranche of funding was announced for the Fire Sector specific to 2021/22; the Authority's allocation was indicated as £494k.

The Committee **noted** the content of the verbal report.

Exclusion of the public and press

Resolved that the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Scheduled 12A to the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 relating to the document containing some information which cannot be made readily available.

10/21 **Audit & Risk Committee Update Issue 33**

Peter Farrow presented for information the latest issue of the audit committee update from the Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum.

Members were advised this was presented in private session due to the document being copyrighted and not for the confidentiality of content. Two items were cited for Members attention: details of new guidance from CIPFA to local government on the head of internal audit's annual opinion and key recommendations of interest from the Redmond Review.

There were no matters arising from Members.

The meeting closed at 11.40 hours.

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