





Clerk Name:	Karen Gowreesunker
Clerk Telephone:	0121 380 6678
Clerk Email:	Karen.Gowreesunker@wmfs.net



**Minutes of the Audit and Risk Committee**

Item 3

**6 December 2021 at 12.00 hours**

Conducted as a public meeting at Headquarters and digitally via Microsoft Teams

- Present:** Councillor Catherine Miks (Chair), Councillor Padda, Councillor Barrie
- Virtually:** Councillor Miller, Councillor Spence, John Mathews (Internal Audit), Avtar Sohal (Grant Thornton)
- Officers:** Gary Taylor, Mike Griffiths, Satinder Sahota, Kal Shoker, Paul Gwynn, Karen Gowreesunker, Phil Fellows, Stephen Timmington and Kirsty Tuffin.
- Observers:** Alan Tranter and Adam Harper.

43/21 **Apologies for Absence**

Apologies for absence were received from Mr Ager due to technical issues.

44/21 **Declarations of Interest**

There were no declarations of interest registered.

45/21 **Minutes of the Audit and Risk Committee held on 27 September 2021**

Resolved:

1. That the minutes of the previous meeting, held on 27 September 2021, be approved as a correct record of proceedings, subject to Councillor Padda's name be amended.

46/21 **Treasury Management Mid-Year Review 2021-22**

Kal Shoker, Finance Manager, presented the Treasury Management Mid-Year Review 2021-22 report that outlined the performance of the Treasury Management function of the Authority in the current financial year.

The Committee were advised that the Authority approved the strategy for its treasury management in February 2021 and the Authority had been required to produce a mid-year review report

on activities. The 3 key treasury management indicators highlighted were:

1. Capital Expenditure
2. The Authorities Debt
3. The Authorities investment

The Committee were advised that the Authority approved a £7.8m capital programme for the current financial year at its meeting in February 2021. This had been updated and reflected the outturn position and financing decisions for 2020/21. This increased the capital programme to £8.1m, which was reported at the October Authority meeting. The forecast outturn as at 30th September for 2021/22 was £6.8m, a variance of £1.3m.

The main reason for the variance within the capital programme in the current year related to:

- Vehicle Replacement Programme (£0.750m) – delayed purchase of a number of vehicles slipping into 2022/23.
- Roof replacement at Transport Engineering Workshops (£0.500m) had been delayed due to the need to retender.

Kal Shoker advised the Committee that the Authority's total external debt as at 30<sup>th</sup> September 2021 had been £31.9m of which £29.7m had been in respect of borrowing undertaken with PWLB and the balance £2.2m had been in respect of the Authority's share of the Existing WMCC debt.

As at 30<sup>th</sup> September 2021 the Authority's investments totalled £57.9m which were invested with Sandwell MBC as part of the treasury management arrangement between them and the Authority.

Interest received on our investments ~~and~~ was based on the average return achieved by Sandwell MBC plus 10 basis points. However, the interest to be received this financial year would be less than the £1m budget, and performance for the year to date was estimated to be £0.050m below budget.

Resolved:

1. That it be agreed that the Treasury Management Mid-Year Review 2021-22 report be noted.

2. That it be agreed that the prudential and treasury indicators be approved.

#### 47/21 **Corporate Risk Report**

Gary Taylor, SIRO – Assistant Chief Fire Officer, presented the Corporate Risk Report that outlined all aspects related to the management of the Authority's Corporate Risks, over a 6month period, covering Quarter 1 and Quarter 2.

The Committee were advised that the service maintained 8 corporate risks, each assigned to a member of the Strategic Enabling Team (SET), as a risk owner, who would be responsible for monitoring and reviewing progress made in managing the risk. Each risk had been categorised and scored against the likelihood that the risk could occur and the impact that would have. The key changes to each highlighted were:

- The risk score for risk 5.2, as per report, had been increased from 9 in quarter 1 to 12 in quarter 2. This increased because the Command-and-Control System, Vision 4, upgrade had been delayed. It had been anticipated that the upgrade would be live by Capita in the new year.
- The risk score for risk 7.1, as per report, had been increased from 6 to 9 for both quarter 1 and 2. The risk had been increased due to a failure in the mobilisation system that resulted in Fire Control to be moved to a second Fire Control unit. A further review and test of the system would take place. Business continuity arrangements had been in place.
- The risk score for risk 4.1, as per report, had been decreased from 6 to 4 converting the confidence level from amber to green for both quarter 1 and 2. The risk had decreased due to increased capacity within the testing team and increased frequency of testing of water hydrants.

The Committee were advised that, as per appendix 2, risk 6.1 (Business Continuity and Preparedness) had been highlighted red due to the impact of possible industrial action by green book workers. A ballot had been circulated to green book members by unions on possible strike action over its pay agreement.

Following queries on the impact of supplies to IT equipment/chip shortages, the Committee were re-assured that although the

service had slowed down the replacement process of equipment, initial software had not been impacted. The management of radios used by the service had been managed centrally so had also not been impacted.

Following the Chair of the Committee query on the move to a new system and a delay in some payments to pensions, Paul Gwynn, Payroll and Pensions Manager, re-assured the Committee that the new system had transferred tax details from the old system however, a small number of pensions had been paid incorrectly as the incorrect tax amount had been deducted. The majority of cases affected had been paid the correct amount of the same day however, a select few would receive any outstanding amount in January 2022.

Resolved:

1. That it be agreed that the Corporate Risk Summaries for Quarter 1 and Quarter 2, be approved.
2. That it be agreed that the management of corporate risk through and emerged from the business continuity arrangements be noted.

#### 48/21 **Vacant Residential Properties Update**

Mike Griffiths, (WMFS) Section 151 Officer, presented the Vacant Residential Properties update report that provided the Committee with an update on the current position related to vacant residential properties.

The Committee were advised that across the following sites, there were 17 vacant properties:

- Kings Norton – 6 flats (currently being sold), 4 houses
- Perry Barr – 6 houses
- Bloxwich – 2 first floor apartments
- Erdington – 5 flats

With reference to diagram pictures, as per report, each location and surrounding area were explained to the Committee. Discussions had been held with property agents for each site, with the exception of the vacant flats in Kings Norton that were in the process of disposal. Feedback from the property agents outlined to the Committee were:

- Kings Norton – sale of the houses would not be viable due to access/parking/security. Letting of the properties would be viable if the properties were refurbished. However, the estimated cost of refurbishment would be £120k and so the draw on the Authority's limited capital resources and on management resources required to manage such an arrangement made this option unattractive.
- Perry Barr – sale of houses was not recommended due to location of dwellings. Letting of the properties would be viable if the properties would be refurbished. However, the estimated cost of refurbishment would be £300k and so the draw on the Authority's limited capital resources and on management resources required to manage such an arrangement made this option unattractive.
- Bloxwich – sale of the houses would not be viable due to the flying freehold. Letting of the properties would not be viable due to access, parking and lack of security.
- Erdington – The sale or letting of the properties would not be viable due to location, access and lack of security.

Following queries on the secured tenants at the Kings Norton site and the use of the area the committee were advised that if residents of the other 7 properties in the area wished to move, appropriate housing would need to be provided to them and further opportunities for the site could be investigated. It was agreed that Mike Griffiths would contact the secure tenants regarding potential relocation, if it was deemed appropriate.

The Committee were advised that planning permission had been obtained to separate the houses on the Perry Barr Station site away from the station and provide access to the rear. However, the Housing Association at the rear of the station had refused consent for vehicular access for the properties. It was agreed that the Chair of the Committee and Mike Griffiths would discuss the options the authority had following the Housing Associations refusal for vehicle access. It was agreed that an update on the vacant properties be brought to a future Audit and Risk Committee.

Resolved:

1. That it be agreed that the Vacant Residential Properties Update report be noted.
2. That it be agreed that the Chair of the Committee and Mike Griffiths would discuss the options the Authority had following the Housing Associations refusal for vehicle access to the properties in Perry Barr.
3. That it be agreed that Mike Griffiths would contact the secure tenants at the Kings Norton Station site regarding potential relocation, if it was deemed appropriate.
4. That it be agreed that an update on the vacant properties be brought to a future Audit and Risk Committee.

49/21 **Whistleblowing and RIPA 2019-2020 & 2021-22**

Satinder Sahota, Monitoring Officer, presented the Whistleblowing and RIPA 2019-2020 & 2021-22 report that outlined (if any) whistleblowing allegations reported through the Whistle Blowing Policy for the periods 1 April 2019-31 March 2020 and 1 April 2020 – 31 March 2021.

The Committee were advised that between the period of 1 April 2019-31 March 2020, no whistleblowing allegations were received. Between the 1 April 2020 – 31 March 2021, 1 case had been received that resulted in a formal investigation. This case had now been resolved and all relevant parties had been made aware of the resolution. During both periods, no requests had been made to commence a RIPA authorisation under the Regulation of Investigatory Powers Act 2000 by the service.

Resolved:

1. That it be agreed that during the period of 1 April 2019 – 31 March 2020 no whistleblowing allegations were reported through the Whistle Blowing Policy, be noted.
2. That it be agreed that during the period of 1 April 2020 – 31 March 2021, 1 whistleblowing allegation had been reported through the Whistle Blowing Policy, be noted.
3. That it be agreed that during both periods, no requests had been made to commence a RIPA authorisation under the Regulation of Investigatory Powers Act 2000 by the service, be noted.

4. That it be agreed that the content of the Whistle Blowing Standing Order 2/20 (appendix 1) and the Management of Information Framework, Standing Order 1/5 (appendix 2), be noted.

50/21 **Internal Audit Progress Report**

John Mathews, internal auditor, presented the Internal Audit Progress Report that outlined the issues raised from the work undertaken by internal audit so far in the current financial year.

The Committee were advised that, as per issues arising within appendix 1, since the publication of the report, the outstanding action plan for environmental targets had been received. The final report had been issued and the service had been in a good position for its environmental Protection targets. A key member of staff responsible for implementing the actions had left the Service therefore, internal auditors would follow up on the agreed actions as part of the 2022-23 Internal Audit Plan. Re-assurance was provided that an absence process had been in place that focused upon individual efficiency and ensuring that members of staff return to work safely. It was agreed that information be brought to Committee on the member of staff who left and the delay this had caused in the delivery of actions. The Management of fuel could be marked off.

The Committee were advised that a training session on Fraud Awareness would be provided in March 2022.

Resolved:

1. That it be agreed that the Internal Audit Progress Report be noted.
2. That it be agreed that information be brought to Committee on the member of staff who left and the delay this had caused in the delivery of actions.

51/21 **Pension Board Minutes – 8 September 2021**

Kal Shoker provided an overview of the Pension Board Minutes for the meeting that took place on 8 September 2021, highlighting sections on Remedy.

Resolved:

1. That it be agreed that the Pension Board Minutes – 8 September be noted.

52/21 **Update on Topical, Legal and Regulatory Issues (Verbal Report)**

Paul Gwynn, Payroll and Pensions Manager, provided a verbal update to Members of the Committee on the position with Immediate Detriment. The Committee were advised that since the last Audit and Risk Committee that took place on 27 September 2021, the Home Office guidance on Immediate Detriment had been withdrawn, with immediate effect.

The Committee were advised that as a result of this withdrawal there would be a risk to the Service both legally and financially if it continued with its current approach. It was hoped that guidance would be issued from the Local Government Association and National Fire Chief Council (NFCC) the week commencing 13 December 2021. Following the withdrawal of the Home Office Guidance, the service had sought legal advice, corresponded with other Fire Services and the NFCC and recommended to Committee that the Authority:

1. Pause and review the criteria for processing Immediate Detriment affected pension claims. For clarity, this meant not agreeing to settle any new retirement notifications in line with the previously agreed guidance from Audit and Risk Committee. This pause would allow the Authority to consider:
  - Pending legal advice from the LGA (Local Government Association) and NFCC (National Fire Chief Council).
  - Any further guidance from the Home Office and/or the Treasury.
2. Continue to process any current retirements in line with the agreed process at the time. For clarity, this meant all

pension claims that are currently being processed (including current retrospective claims).

3. Not process any new retrospective retirement pension claims related to Immediate Detriment until point 1 above is resolved.

Satinder Sahota, Monitoring Officer for the Authority, advised that the service needed to identify the scope on potential legal challenges that could be received. It was agreed that Satinder Sahota would work with Members of the finance team to identify (if any) the tax implications associated with the above recommendation.

Resolved:

1. That it be agreed that the following recommendation be agreed:
  1. Pause and review the criteria for processing Immediate Detriment affected pension claims. For clarity, this meant not agreeing to settle any new retirement notifications in line with the previously agreed guidance from Audit and Risk Committee. This pause would allow the Authority to consider:
    - a. Pending legal advice from the LGA (Local Government Association) and NFCC (National Fire Chief Council).
    - b. Any further guidance from the Home Office and/or the Treasury.
  2. Continue to process any current retirements in line with the agreed process at the time. For clarity, this meant all pension claims that are currently being processed (including current retrospective claims).
  3. Not process any new retrospective retirement pension claims related to Immediate Detriment until point 1 above is resolved.
2. That it be agreed that Satinder Sahota would work with Members of the finance team to identify (if any) the tax implications associated with the above recommendation.

53/21 **Audit and Risk Committee Work Plan 2021-2022**

Karen Gowreesunker presented the Audit and Risk Committee Work Plan for 2021-2022 that outlined the planned agenda items for future scheduled Audit and Risk Committee meetings.

The Committee were advised that following the cancellation of October's meeting, items had been moved forward on the work plan accordingly. It was agreed that John Mathews would advise Members of the Committee as to whether the Fraud Awareness training session delivered by an external company would be conducted virtually in March 2022.

Resolved:

1. That it be agreed that the Audit and Risk Committee Work Plan 2021-2022 be noted.
2. That it be agreed that John Mathews would advise Members as to whether the Fraud Awareness training session, due to take place in March 2022, delivered by an external company, would be conducted virtually.

The meeting closed at 13:40 hours.

Kirsty Tuffin Strategic Hub 0121 380 6906 Kirsty.tuffin@wmfs.net
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**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**21<sup>ST</sup> MARCH 2022**

1. **ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

Report of the Chief Fire Officer

RECOMMENDED

- 1.1 THAT the Committee give approval for the Annual Report of the Senior Information Risk Owner (SIRO).

2. **PURPOSE OF REPORT**

- 2.1 This report provides the rationale for the planned publication of an annual report from the SIRO to provide assurance in relation to how the organisation discharges its duties and responsibilities in relation to information governance.

3. **BACKGROUND**

- 3.1 The organisation has an existing Management of Information framework and supporting policies that define how information is managed within the organisation.
- 3.2 The digital transformation that the organisation has undertaken has delivered many benefits including increasing reliance on the underlying information systems, infrastructure and data.
- 3.3 Across the public sector, many organisations produce an Annual Report from the SIRO to provide further detail about performance against specific legislation such as the Data Protection Act 2018 but also to consider the wider risks and mitigations related to information governance.

#### 4. **EQUALITY IMPACT ASSESSMENT**

4.1 This is not required as this report does not impact any positive characteristics.

#### 5. **LEGAL IMPLICATIONS**

5.1 It is considered best practice for organisations to provide assurance in relation to its performance in relation to information governance.

#### 6. **FINANCIAL IMPLICATIONS**

6.1 There are no financial implications.

#### 7. **ENVIRONMENTAL IMPLICATIONS**

7.1 There are no environmental implications.

### **BACKGROUND PAPERS**

[Annual Report of the SIRO](#)

The contact for this report is Assistant Chief Fire Officer, Gary Taylor, telephone number 0121 380 6006.

PHIL LOACH  
CHIEF FIRE OFFICER

**Appendix 1**

# ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

2021

## [Abstract](#)

This annual report provides an update from the Senior Information Risk Owner (SIRO) in respect of activity and performance related to information governance. It provides assurances that information risks are being effectively managed; what is going well; and where improvements are required.

Gary Taylor  
Gary.Taylor@wmfs.net

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

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**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER****Executive Summary**

This annual report provides an update from the Senior Information Risk Owner (SIRO) in respect of activity and performance related to information governance against a backdrop of a global pandemic. It provides assurances that information risks are being effectively managed; what is going well; and where improvements are required. The report outlines new and emerging information governance considerations and the projects and tasks the organisation has in place to minimise risk and improve performance. West Midlands Fire Service continues to be committed to effective information governance, with robust arrangements in place to ensure the organisation complies with legislation and adopts best practice. Governance arrangements are closely monitored to ensure systems, policies and procedures are fit for purpose; and that all employees and elected members understand the importance of information governance and security so that good practice is everyone's business and embedded as part of the West Midlands Fire Service culture. The most recent audit undertaken gave an outcome of 'substantial assurance' for data protection disclosure arrangements. Cyber risks present a real and increasing challenge to all organisations with a summary included to list action already undertaken and further activity planned to maintain and strengthen defences and enhance corporate resilience. Performance in relation to information requests processed under for example Freedom of Information and Data Protection legislation is summarised in the report.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

### Introduction

- The annual report from the Senior Information Risk Owner (SIRO) Annual reflects on the organisation's information governance work undertaken during the preceding year and provides assurances that personal data is held securely; that information is disseminated effectively and provides an overview of key performance indicators relating to the organisation's processing of information requests within the necessary legal frameworks.
- The Annual Report also provides a forward look at new and emerging information governance considerations for the organisation, the work the organisation has in place to minimise risk or improve performance.

### Key Roles and Responsibilities

The Chief Fire Officer is the most senior role in the service; he is responsible for advising the Fire Authority and for ensuring, along with the Authority's Monitoring Officer and Treasurer, that the Authority can effectively discharge all responsibilities imposed upon it by statute and guidance.

West Midlands Fire and Rescue Authority are responsible for the governance of West Midlands Fire Service and are required to operate in accordance with a wide range of legislation. They are accountable to the communities of the West Midlands for the service provided by the fire service.

The role of Senior Information Risk Owner (SIRO) is held by the Assistant Chief Fire Officer for Operations with responsibility for information security within West Midlands Fire Service.

The SIRO role is supported by the information Asset Owners (IAO) who are the Strategic Enabling Team (SET) with responsibilities for information assets within their respective areas.

The Data Protection Officer is responsible for monitoring internal compliance, informing and advising on the organisation's data protection obligations, providing advice regarding Data Protection Impact Assessments (DPIAs) and acting as a contact point for data subjects and the supervisory authority i.e. The Information Commissioner's Office (ICO).

The Data and Governance team support the Data Protection Officer to effectively undertake her duties and provide specialist skills and experience to ensure appropriate resilience for information governance activities.

Employees are responsible for adhering to the relevant policies of the organisation in respect of protecting information and adhering to appropriate classifications, handling instructions and confidentiality requirements.



## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

### Governance and Monitoring Arrangements

West Midlands Fire Service is audited by Sandwell MBC who conduct an annual themed review of matters related to information management. External audits are also undertaken by Grant Thornton to provide an additional layer of assurance. The most recent audit from Sandwell MBC gave the highest level of 'substantial assurance' in relation to data protection activities for this reporting period. The planned information governance activities will build upon this outcome and seek to exceed this assessment.

The Audit and Risk Committee of West Midlands Fire Authority provide scrutiny of the arrangements in place within West Midlands Fire Service including information governance and compliance with relevant legislation.

The ICO is the UK's independent supervisory body set up to uphold information rights with responsibility for data protection, freedom of information and other legislation related to accessing information.

### Management and Assurance

West Midlands Fire Service has a Corporate Risk Register and Risks 7.1 and 7.2 relate to the confidentiality, integrity and availability of systems including identification of risk and the controls applied to mitigate the risk. This is reviewed and reported to the Strategic Enabling Team monthly to



ensure that emerging and new risks are captured in a timely manner.

The Portfolio, Programmes and Project system (3PT) captures risks related to transition and operational activities and ensures that these are monitored at Programme Board

The outcomes of audits by Sandwell MBC are integrated into the organisational policies, processes, and procedures.

Periodically the organisation will

commission external organisational assurance reviews to provide independent scrutiny of specialist areas such as Digital and Data to provide assurance that the organisational infrastructure is secure, and the threat of cyber security incidents is minimised.

The organisation has a Management of Information framework that is a comprehensive policy covering how information should be managed and includes classification, handling instructions, best practice, and guidance for all employees and is based upon the government Data Quality Life Cycle.

Training is provided by the Data and Governance Team and covers managing information principles and compliance with data protection legislation. This training will be refreshed in the coming months and considers feedback from stakeholders about length and structure. This is supported by regular global updates to remind employees about protocols related to the security of information. SET as the Information Asset Owners also receive bespoke training sourced externally to enable them to perform their role.

**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

## Training Uptake

Course Name	Completed	Not Completed
Management of Information	75%	25%
GDPR	87%	13%

The GDPR module will be withdrawn, and data protection will be embedded across the Management of Information training. It will be modular in structure focusing in-depth on specific aspects of information governance. This aligns to the organisation's strategy and data driven approach requiring a greater level of maturity and enhanced capability in the organisation.

### Planned and Completed Activity in 3PT

Initially there was a project within 3PT called Management of Information which contains tasks and sub-tasks to improve and transform the way in which information is managed within the organisation. As information governance has been embedded as a key part of the digital transformation within the organisation, this area of work has moved to the Enabling Services Programme of Work and Digital and Data Business as Usual (BAU) project.

#### Completed in the Reporting Period:

The Management of information framework is a fast-moving policy and under continual review to ensure that the digital first strategy of the organisation is achieved and supported by the framework. The policy was updated to align to the government data quality life cycle and to set out a digital first approach to record retention thus reducing paper archives.

The automated enforced marking of documents, emails and other material was implemented and is being monitored for compliance against data loss prevention policies whereby incorrect application of the classification and labelling of material can be intelligently and automatically identified without manual intervention.

Automated information retrieval is currently being piloted to improve compliance with statutory time limits for subject access requests under the Data protection Act 2018 and reduce reliance on manual processes. This technology is also being used to maintain the information sharing register to ensure that a complete picture of where proactive information sharing is taking place with partner agencies.

Implementation of a Data Protection Feedback process has been implemented capture organisational learning from data protection breaches to aid future prevention and identify emerging risks.

A programme of work has commenced to reduce or remove permanent paper archives and continue to digitise information going forward.

#### Planned for the next Reporting Period:

The Management of Information framework will be updated further to include positive outcomes from the current pilots being undertaken and embed new processes in the framework.

Enforcement of information protection processes such as encryption will be implemented by default to minimise data loss and ensure that information is adequately protected in line with its classification.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

If the pilot is successful, the automation of existing mechanisms to ensure that organisational information sharing is managed centrally will be implemented. Initial results are very positive indicating a significant reduction in manual processing leading to greater inefficiency.

The implementation of an automated FOI management process is in development and develop time has been substantially reduced by reusing existing code and align this process to the very successful Complaints, Compliments and Comments (CCC) system that has been introduced within the organisation.

Progress within this workstreams is reported monthly to the Enabling Services Programme Board including issues, risks, assumptions and dependencies with other organisational projects and programmes of work. Deviations from expected outputs are highlighted and discussed and impacts upon the expected value from the project are considered.

## Digital and Data Security & Cyber Risks



Information governance and cyber risk are considered to be significant risk areas for all organisations locally, nationally and globally, with risks of accidental data loss, physical system failures and direct malicious cyber-attacks an ongoing area requiring focus. There is an ongoing need for the organisation to address all aspects of this risk through robust technical solutions and risk management processes as well as addressing the cultural and behavioural elements of this risk.

The National Cyber Security Centre (NCSC) produces a weekly cyber security threat bulletin that evidences the risks to organisations both within the public and private sector.

### What has been done

In summary, the following key actions were delivered which has improved the organisation's management of information risks:

- Attainment of Cyber Essentials which is a government backed scheme that enables organisations to assess themselves against a set of pre-defined standards.
- Implementation of outcomes from an external information assurance to remediate weaknesses in the management of passwords, patching of systems and treatment of legacy hardware and software systems.
- Proactive scanning of infrastructure to monitor activities and more easily identify areas of concern.
- Implementation of multi-factor authentication giving improved management of identification of users and devices rolled out to systems administrators, middle and strategic managers.

### What is planned

Progress has also been made with the following actions, with further work planned during the next year:

- Compliance with Government Minimum Technical Cyber Security Standards and accreditation with Cyber Essentials Plus which is an external verification and assurance of the organisational approach to information security.

**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

- Implementation of multi-factor authentication giving improved management of identification of users and devices to be rolled out to all users.
- Automated classification of information and application of controls by default to reduce data loss.
- Planned internal cyber security exercises using toolkits provided by the Cabinet Office.
- Sharing of the content within this report with the Organisational Intelligence Team to improve policies and learning
- Inclusion of the content within this report within the Station Peer Assessment (SPA) process.

As the importance of digital information and networks grows, cyber security is of high importance and remains a corporate priority. The type of risks posed include theft of sensitive corporate and personal data, theft or damage to data, threat of hacking for criminal or fraud purposes and potential disruption to infrastructure such as ICT systems, intranet, and public facing website. The National Cyber Security Centre (NCSC) has advised that cyber risk has been increasing for several years and where possible WMFS has followed the published guidance and achieved accreditation with Cyber Essentials. Pockets of global instability heighten the risk of cyber-attacks, and this has been experienced by the organisation through 'spoofing' emails from Russian email domain addresses.

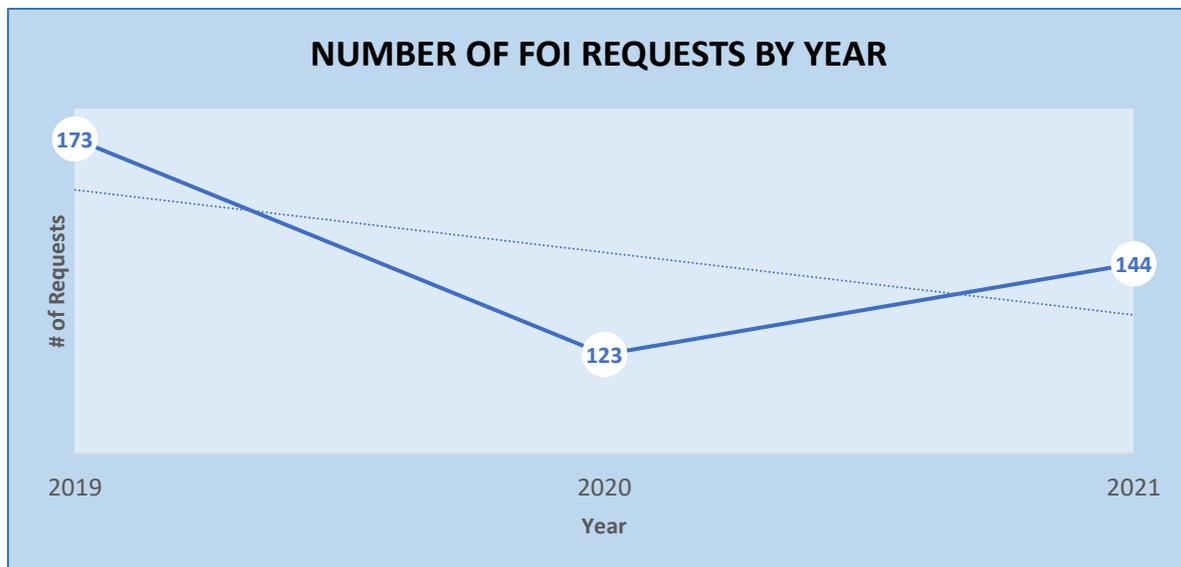
**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

**Freedom of Information 2000**

The Freedom of Information Act 2000 gives people the right to request information from public authorities and is intended to promote a culture of openness, transparency and accountability amongst public sector bodies and enable the public to better understand how public authorities carry out their duties, how they make decisions and how they spend their money.

Level of activity

Year	Number of FOI requests
2019	173
2020	123
2021	144



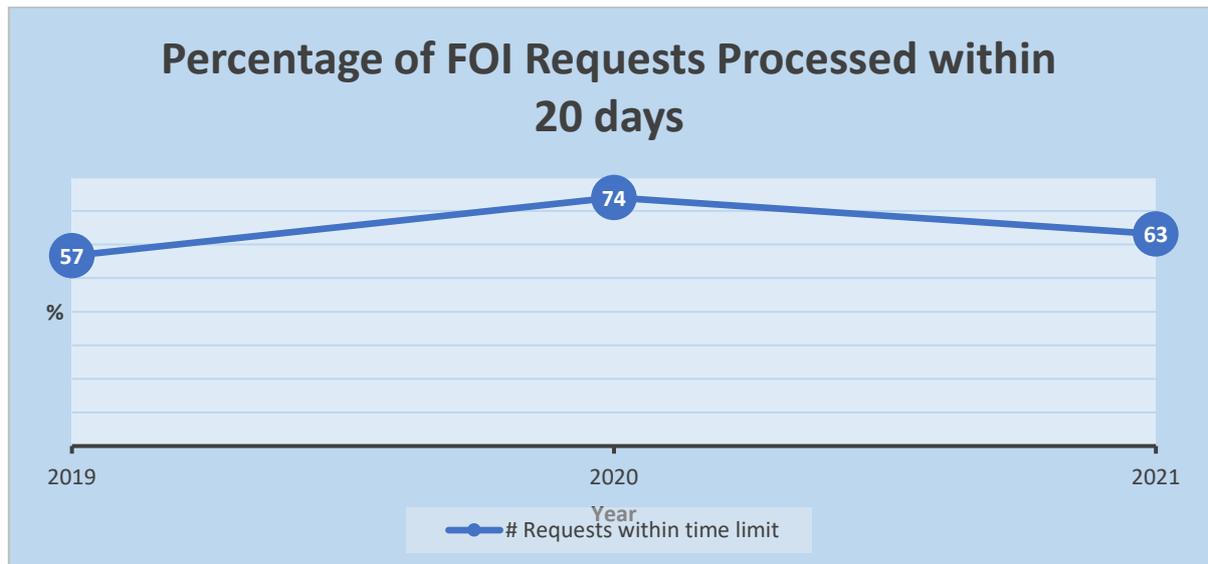
There was a decrease in the number of requests processed and the trendline was downwards during 2020 possibly due to external factors such as the global pandemic but it is increasing again. Anecdotal evidence from the Data and Governance team indicates that the complexity of requests has increased.

Statistics are showing that the number of occasions where the information is readily accessible to the requester has increased. This negates the requirement to gather the information, which is more resource intensive, instead allowing us to signpost to where the data is published or available. This approach adopted by the organisation to proactively publish information has underpinned this increased efficiency and also aided transparency and openness.

**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

FOI requests processed within 20-day statutory time limit

Year	Within time limit
2019	98
2020	61
2021	91



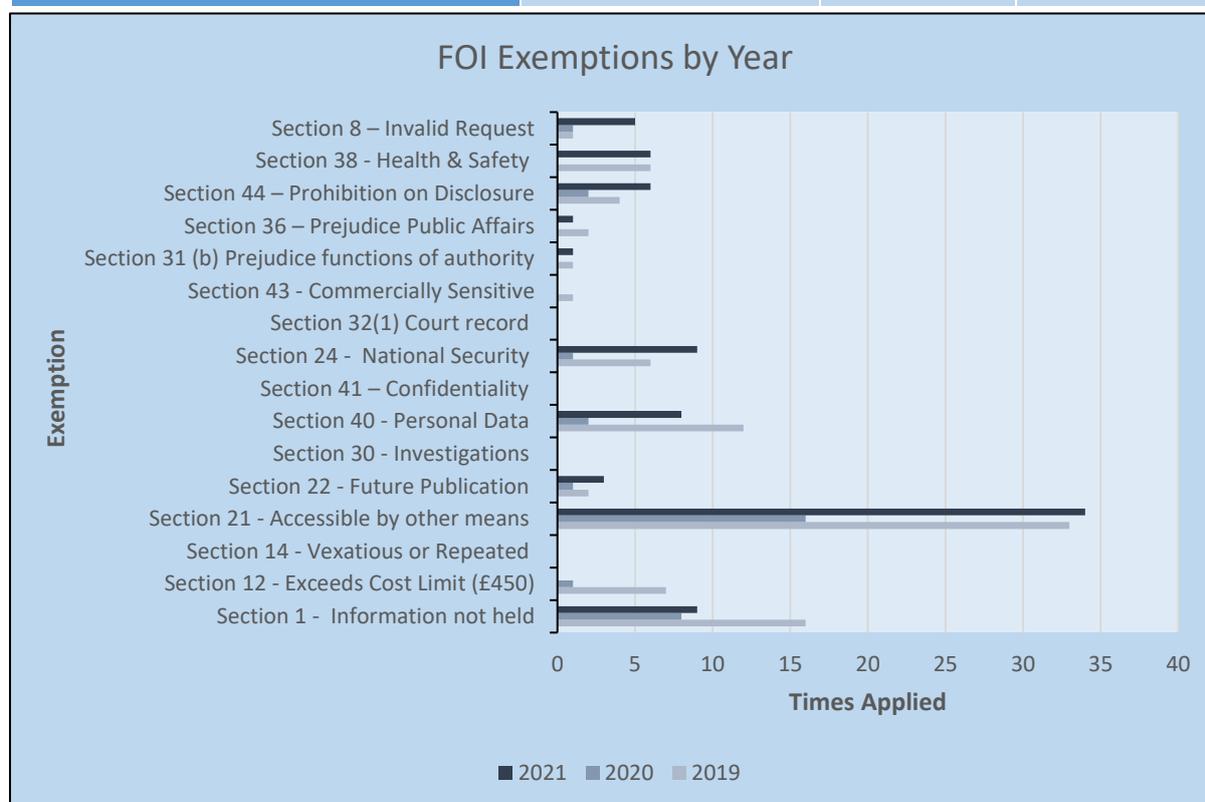
It was identified during an internal audit in 2019 that a significant number of requests were not being processed within the statutory time limit and this was considered as part of the restructure within Digital and Data. The reorganisation of resources and the creation of a Governance Team has delivered significant improvement but unfortunately, 2021 saw a decline in the number of FOI requests being processed within the statutory time limit. The strategy to proactively publish information has meant that some requests are easier to process. Due to the complexity of the remaining requests and to the impacts of remote working, the time elapsed to gather information has on occasion taken longer. The process is currently predominantly manual and reliant on the Governance Team to retrieve information to fulfil requests from other sections who may not always appreciate the statutory time scale for response.

There are automation improvements planned for an FOI system to automatically flag, send alerts and escalate elapsed time to improve the number of requests that are completed within the statutory time limit of 20 days. The FOI system is currently in development using O365 technology ensuring that the investment in this technology is maximised and manual processes reduced to deliver increased efficiency. The aspiration would be to respond to 100% of requests within the statutory timescale. The Information Commissioner’s Officer has set the tolerance threshold at 90% and currently 52% of central government departments are not meeting this threshold. The organisation would want to at least achieve the 90% threshold by Q4 2022.

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Exemptions

Exemption Times Applied:	2019	2020	2021
Section 1 - Information not held	16	8	9
Section 12 - Exceeds Cost Limit (£450)	7	1	0
Section 14 - Vexatious or Repeated	0	0	0
Section 21 - Accessible by other means	33	16	34
Section 22 - Future Publication	2	1	3
Section 30 - Investigations	0	0	0
Section 40 - Personal Data	12	2	8
Section 41 – Confidentiality	0	0	0
Section 24 - National Security	6	1	9
Section 32(1) Information contained in a court record	0	0	0
Section 43 - commercially sensitive information	1	0	0
Section 31 (b) exempt information likely to, prejudice - (b) the apprehension or prosecution of offenders, (g) the exercise by any public authority of its functions	1	0	1
Section 36 – Prejudice Public Affairs	2	0	1
Section 44 – Prohibition on Disclosure	4	2	6
Section 38 - Health & Safety	6	0	6
Section 8 – Invalid Request	1	1	5
<b>Total</b>	<b>91</b>	<b>32</b>	<b>79</b>



**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER****Charges**

WMFS cannot charge for the provision of information, however if it is estimated that a request will incur unreasonable cost then it can issue a Refusal Notice under Section 12 of the Act and issue a Fees Notice. The threshold set by the Act is 18 hours (equivalent to £450 at a notional hourly rate of £25).

To reach a decision about whether to apply a Section 12 exemption, the Data and Governance Team works with the service area to estimate the expected time to:

- determine whether the information is held
- locate information or appropriate documents
- retrieve the information or document containing it
- extract the information.
- process the request

Year	Section 12 Notice	Total value	Paid
2019	7	£17,750	None
2020	1	£6,250	None
2021	0	0	Not applicable

**Internal Reviews**

Customers who submit a FOI request can request an internal review if they are not satisfied with the response provided. Internal reviews provide WMFS with an opportunity to review the request handling process prior to any potential referral to the Information Commissioner's Office by the requester

Year	Internal Review Requests
2019	3
2020	1
2021	1

**Outcomes of Internal Reviews**

Year	Decision upheld	Fee notice	Further information
2019	1	2	0
2020	1	1	0
2021	1	0	1*

\*The requester had been directed to the information in the data published by the organisation but could not find it so further clarity was provided.

**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

**Referrals to the Information Commissioner’s Office (ICO)**

If an applicant is not satisfied with the outcome of an Internal Review, they can refer their case to the Information Commissioner, who will assess the case and make an independent decision about the way WMFS has handled the request.

Following a referral and a subsequent case investigation, the ICO can issue a Decision Notice requiring WMFS to disclose information it may previously have refused to disclose.

Year	Number
2019	1
2020	0
2021	0

This was due to late response in 2019 and a Fees Notice was issued.

**Referrals to the First Tier Tribunal (FTT)**

If an applicant is dissatisfied with the Information Commissioner’s decision, they have the right to refer the matter to the First Tier Tribunal (FTT). WMFS can also appeal fines issued for data breaches and enforcement notices to the FTT. The FTT is independent of the Government and listens to representation from both parties before it reaches a decision. Any party wishing to appeal against an ICO Decision Notice has 28 days to do so.

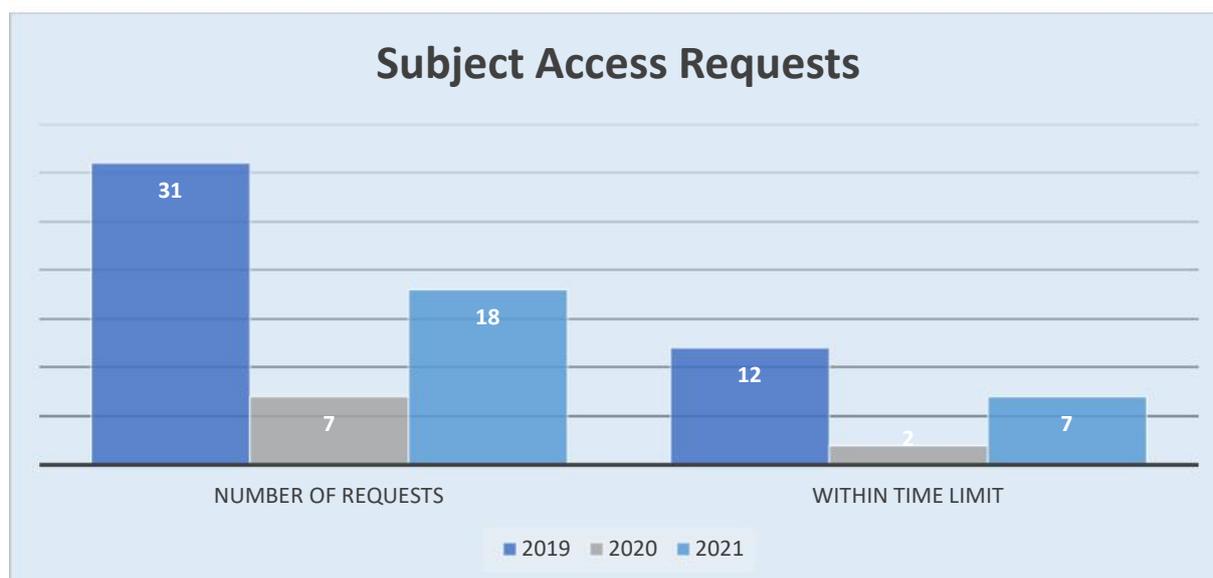
There have been 0 referrals to the FTT in the past 3 years.

**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

**Data Protection Act 2018 (DPA)**

Under the Data Protection Act 2018 any living person, regardless of their age, can request information about themselves that is held by WMFS. This application process is referred to as a Subject Access Request (SAR).

Year	Number of requests	Within time limit
2019	31	12
2020	7	2
2021	18	7



Automation Improvements are being piloted to support the retrieval of information for SARs as currently the process was predominantly manual searches and redaction. It was reliant upon employees responding promptly to requests from the Governance Team, but this can be impacted by availability and capacity. Initial findings have shown a significant improvement in retrieving relevant information increasing from 29% in 2020 to 39% in 2021. This is expected to improve further with increased automation of information retrieval.

**Data Breach Management and Reporting**

Any concerns relating to potential data breaches are promptly investigated and risk assessed based on scale, assessment of numbers of people affected, sensitivity, nature of breach and likely impact. Dependant on the assessment, the incident may need escalation to the SIRO and IAO and may be self-referred by WMFS to the Information Commissioners Office (ICO). The reporting, attempt to recover, investigation and learning phases of data breach incidents play a key role in the management of risk and improvement of internal controls. The introduction of the data protection feedback process also captures organisation learning and identifies improvements to prevent similar occurrences.

**Summary of Data Protection Breaches**

**ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER**

The table below shows the number and broad categories of the type of data protection breaches within the organisation. The data protection breaches increased from 2018 which aligned with the introduction of the General Data Protection Regulations and Data Protection Act 2018. Within the organisational implementation plan, increased training and guidance was made available to all employees so the increase in reporting may be an indicator of greater awareness.

	<b>Number</b>
<b>2019</b>	<b>43</b>
DM Security Incident - Human error - Personal information - breached	35
DM Security Incident : Hacking of email accounts : Personal Information Breached	1
DM Security Incident : Hardware Loss / Theft : Personal Information - Not Breached	1
DM Security Incident : System Error : Personal Information - Breached	1
DM Security Incident : Systems Error : Personal Information - Not Breached	1
DM Security Incident : Unauthorised Access : Personal Information - Breached	4
<b>2020</b>	<b>10</b>
DM Security Incident : Human Error : Personal Information - Breached	8
DM Security Incident : Human Error : Personal Information -Possible Breach	1
DM Security Incident : Unauthorised Access : Personal Information – Breached	1
<b>2021</b>	<b>22</b>
DM Security Incident - Human error - Personal information - breached	8
DM Security Incident : Criminal Activity : Spoofing Email: Personal Information - Breached	1
DM Security Incident : Unauthorised Access : Personal Information - Breached	4
DM Security Incident : Systems Error : Personal Information - Breached	6
DM Security Incident : Systems Error : Personal Information - Not Breached	2
DM: Security Incident: Ransomware 3 <sup>rd</sup> Party Supplier: Personal Information - Breached	1
<b>Total</b>	<b>67</b>

Consistently across the reporting period 'Human Error' was the single highest factor in data protection breaches. A refresh of the organisational Management of Information training is currently in progress to reduce the number of these incidents. Emerging risk in 2021 related to Systems Errors being mitigated by more training across the organisation.

There were 2 data protection breaches that classified as High risk to the individual's rights and freedoms:



1. Spoofing email – Payroll employee contacted via email by fraudulent individual posing as an employee requesting change of bank account details. Organisational loss and individual's email compromised. Reported to Action Fraud through Sandwell MBC.
2. Ransomware attack on 3<sup>rd</sup> Party Supplier of Insurance Services through Sandwell MBC. Reported to the ICO by 3<sup>rd</sup> Party Supplier.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

### Environmental Information Regulations 2004 (EIR)



Since the EIR Regulations came into force in 2004, WMFS has processed a very limited number of requests for information under this legislation.

EIR is similar to the Freedom of Information Act insofar as it gives the public access to environmental information to encourage greater awareness of issues that affect the environment. It includes policies, plans and procedures relating to the environment, reports on the state of the environment, and environmental impact studies. It also includes data taken from monitoring activities and risk assessments that affect or are likely to affect the environment.

There have been no requests received within the organisation under this legislation. However this

may change due to a recent decision by the ICO ([Reference: IC-90850-D4P0](#)) that fire safety reports are environmental information and the appropriate legislation is the Environmental Information Regulations 2004.

## 12. Transparency and Open Data

The organisation routinely publishes data about its activities to promote awareness, understanding and scrutiny as a public body. It also creates efficiencies and reduces the time taken to handle FOI requests if the requester can be directed to the information.

Incident data is published on the organisational website and gives an anonymised overview of the incidents received, the type of incidents and the operational response in terms of appliances sent to deal with the incident. This information is processed against standardised geographies that are published from the Office of National Statistics (ONS).

Information about the breakdown of the workforce is also published giving detail about gender, ethnicity, belief systems, sexual orientation, age, and gender pay differentials.

Every FOI request is anonymised and published on the organisational website so that the public can see what has already been requested and re-use that information.

The Community Risk Management Plan is published on the organisational website setting out the priorities and objectives in 'Our Plan'. It is a rolling, three-year document which covers things like reducing serious traffic accidents, helping people have safer, healthier lives and ensuring emergencies are tackled effectively and safely.

The Annual Assurance Report provides a yearly overview of governance activities and the framework in which the organisation operates. The document is available on the organisational website and links to other key pieces of information such as the Statement of Accounts (Summary and Full Reports), Annual Audit Letter, Efficiency Plan, Contracts, Expenditure over £500, land and building assets of the Authority and the Pay policy.

## ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER

Information about fire safety enforcement action such as prohibitions and enforcement notices under the Regulatory Reform (Fire Safety) Order 2005 are published for every fire and rescue service through a data portal managed by the National Fire Chiefs' Council (NFCC).

The organisation also routinely provides returns to the Home Office about the incidents that it attends, the number of safe and well visits and fire safety audits it has undertaken, and information about the workforce profile. This information is anonymised and published on the government (.gov.uk ) website.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) publishes its assessment about how effectively and efficiently West Midlands Fire Service prevents, protects the public against and responds to fires and other emergencies. It also assesses how well the organisation looks after the people who work for the service.

## 13. Conclusion

Information is a key organisational asset and West Midlands Fire Service strives to derive maximum benefit from the information that it collects, shares and receives. To deliver this it is critical that information is protected in terms of confidentiality, integrity and availability so that organisation can make data driven decisions as part of its underlying strategy of being evidence led in its approach. A program of work is in place as part of the organisation's Portfolio to ensure that the benefits of data driven decision making are firmly embedded and the risks to this approach are mitigated.

The foundations of a robust information management framework have been delivered and is being reviewed to align with new ways of working and the introduction of technologies that will automate protecting data and accessing systems. Minimum cyber security standards have been published by government and progress is being made against to achieve compliance and where possible exceed what is required. An external audit of information systems, hardware and infrastructure was undertaken by a specialist technology company, and areas of vulnerability have been addressed. Within the next reporting period, there will be a concerted effort to ensure that we build upon the 'substantial assurance' outcome from the last information governance themed audit by Sandwell MBC and maintain a position of excellence with information governance and assurance activities. Where possible technology is being used to simplify how we protect the confidentiality, integrity, and availability of information

The focus for the following year is to implement functionality across the organisation to improve cyber security, protect information assets and prevent data loss by default. There are projects in place to digitise paper records and as part of this process, retention and archiving will become more automated and proactive. There will also be a drive to consolidate and simplify data across fewer platforms so that it becomes easier to make information available to those who need it and protect it from those who do not need it.



# Annual Report of the Senior Information Risk Owner (SIRO)

Audit and Risk Committee



# Roles and Responsibilities

- West Midlands Fire and Rescue Authority
- The Chief Fire Officer
- Senior Information Risk Owner (SIRO)
- Information Asset Owners (IAO)
- The Data Protection Officer
- Data and Governance Team
- Employees, Contractors, Third Parties



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ASSURANCE



# Annual Report - Purpose

- Good Practice
- Assurance
  - Internal
  - External
- Identify
  - Weaknesses
  - Strengths
- Transparency

# Annual Report - Overview

- Legislation & Standards
  - Data Protection Act 2018
  - Freedom of Information Act 2000
  - Government Technical Standards
  - Environmental Information Regulations 2004
- Performance
  - Statutory Time Limits
  - Local Performance Indicators (LPI)
  - Audit Outcomes
- Risk Mitigation
  - Corporate Risk
  - Cyber Security
  - National Cyber Security Centre
- Future Developments
  - Continued Digital Enablement
  - Automated Processes



# Key Findings

- Responsibilities and Roles supported by Policy
- Compliance performance indicators impacted
- Digital transformation
  - Benefits
  - Challenges
- Cyber Security is increasing globally
- Improvements identified and scheduled
- Improved Transparency
  - Dashboards
  - Real-time information
- Mature framework
  - Embedded processes
  - Automation
- Proactive not reactive
- Audit – Sandwell MBC
  - Outcome
    - ‘Substantial Assurance’



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**21 MARCH 2022**

1. **INTERNAL AUDIT CHARTER – ANNUAL REVIEW**

Report of the Audit Services and Risk Management Manager  
[Sandwell MBC].

RECOMMENDED

- 1.1 THAT the existing Internal Audit Charter be reviewed and approved subject to its next annual review.

2. **PURPOSE OF REPORT.**

- 2.1 To ask the Committee to review the Internal Audit Charter.

3. **BACKGROUND**

- 3.1 There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Internal Audit Charter reflects this and was first approved by the Audit and Risk Committee in January 2014. It was last reviewed in March 2021 and is now due for its next review.

- 3.2 There have been no changes to the Charter since it was last reviewed.

4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 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**

- 5.1 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**

- 6.1 Implementation of the recommendation will be undertaken within existing resources.

## **BACKGROUND PAPERS**

None.

The contact for this report is Mr Peter Farrow, Audit Services and Risk Management Manager.

Peter Farrow  
Audit Services and Risk Management Manager, Sandwell MBC

# Internal Audit Charter

## Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## Mission of internal audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## Core Principles for the Professional Practice of Internal Auditing

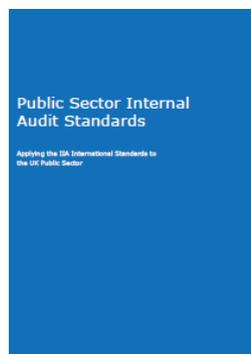
- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement

## Authority and standards

Internal audit is a statutory service in the context of the Accounts and Audit Regulations (Amendment)(England) 2015. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer to have responsibility for those arrangements

The Local Government, England and Wales, Accounts and Audit Regulations 2015 states that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management,*

Ref. AU/A&R/10903222



*control and governance processes, taking into account public sector internal auditing standards or guidance”.*

These Standards have been adopted by the Fire Authority’s internal audit section.

Internal audit have the right of access to all records, assets, personnel and premises, including those of partner organisations, and has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Throughout the Public Sector Internal Audit Standards, reference is made to the terms ‘Chief Audit Executive’, ‘board’ and ‘senior management’. For the purposes of this Charter, the ‘Chief Audit Executive’ is defined as the Audit Services Manager the ‘board’ as the Audit and Risk Committee and ‘senior management’ as the senior managers within the Fire Authority.

### **Scope and objectives of internal audit activities**

The scope of work of internal audit is to determine whether the Fire Authority’s risk management, control, and governance processes are adequate and effective in order to ensure that:

- Key risks are identified and managed;
- Key financial, managerial, and operating information is accurate, reliable, and timely;
- Employees’ actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the Fire Authority’s control process; and
- Key legislative and regulatory issues impacting the Fire Authority are identified and addressed appropriately.

Internal audit’s remit extends to the entire control environment of the Fire Authority and not just financial controls.

Where other internal or external assurance providers may have undertaken relevant assurance and audit work, internal audit will seek to rely on the work of these other assurance providers where professional standards would make it appropriate to do so.

### **Responsibilities**

Internal audit has a responsibility to:

Ref. AU/A&R/10903222

- Provide a cost effective and value added full internal audit service;
- Develop a flexible annual audit plan using a risk-based methodology;
- Implement the annual audit plan;
- Track status of outstanding management actions;
- Provide regular updates on the work of internal audit to the Audit and Risk Committee and where appropriate, senior officers;
- Assist, as needed, in the investigation of significant suspected fraudulent activities within the organisation; and
- Work with the External Auditor (currently Grant Thornton) and other review bodies to share assurance and minimise duplication.

### **Organisational independence**

Internal audit is involved in the determination of its priorities in consultation with those charged with governance. The Audit Services Manager has direct access and freedom to report in his own name to all officers and Members and particularly to those charged with governance. If required the Audit Services Manager may request to meet privately with the Audit and Risk Committee.

Internal audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

Objectivity is presumed to be impaired when individual auditors review any activity in which they have previously had operational responsibility. If individual auditors are extensively consulted during system, policy or procedure development, and independence could be seen as being compromised, or if they have had previous operational roles, they will be precluded from reviewing and making comments during routine or future audits, for the remainder of that financial year and for the following financial year after their involvement.

### **Accountability, reporting lines and relationships**

The Audit Services Manager reports on an administrative basis to the Strategic Enabler - Finance and Resources, and reports functionally to the Audit and Risk Committee, and other senior management. The Audit Services Manager also, where appropriate, works closely with the Monitoring Officer. An Annual report will also be produced and presented to the Audit and Risk Committee which will include an 'opinion' from the Audit Services Manager on the adequacy and

effectiveness of internal control, risk management and governance within the Fire Authority.

A written report will be prepared by internal audit for every internal audit review. The report will be subject to an internal quality review before being issued to the responsible officer and, where appropriate, will include an 'opinion' on the adequacy of controls in the area that has been audited. The responsible officer will be asked to respond to the report in writing. The written response must show what actions have been taken or are planned in relation to each recommendation.

Accountability for the response to the advice and recommendation of internal audit lies with management, who either accept and implement the advice or formally reject it.

The full role and responsibilities of the Audit and Risk Committee are detailed in their terms of reference, which are based on the model provided by CIPFA in their "Audit Committees – Practical Guidance for Local Authorities".

### **Internal audit resourcing**

Internal audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience. Internal auditors need to be properly trained to fulfill their responsibilities and should maintain their professional competence.

The Strategic Enabler - Finance and Resources is responsible for the appointment of the Audit Service, which then provides the Audit Services Manager, who must be suitably qualified and experienced. The Audit Services Manager is responsible for appointing all of the other staff to internal audit and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

The Audit Services Manager is responsible for ensuring that the resources of internal audit are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient, this must be formally reported to the Strategic Enabler - Finance and Resources, and if the position is not resolved, to the Audit and Risk Committee.

## **Fraud**

Managing the risk of fraud is the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal audit may be requested by management to assist with fraud related work. The Fire Authority's Financial Regulations require that all suspected irregularities are reported to the Audit Services Manager.

## **Advisory work**

The Public Sector Internal Audit Standards allow that internal audit effort may, where considered to have the right skills, experience and available resource, sometimes be more usefully focused towards providing advice rather than assurance over key controls. Any such internal audit involvement in consultancy and advisory work, would only take place where it would not constitute a conflict of interest in keeping an independent stance. Any significant additional consulting services will be approved by the Audit and Risk Committee beforehand.

## **Review of the internal audit charter**

This charter will be reviewed annually by the Audit Services Manager and the Audit and Risk Committee.



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**21 MARCH 2022**

1. **INTERNAL AUDIT PLAN – 2022/23**

Report of the Audit Services and Risk Management Manager  
[Sandwell MBC].

RECOMMENDED

1.1 THAT the Internal Audit Plan for 2022/23 be approved.

2. **PURPOSE OF REPORT.**

2.1 This report is submitted for member comment and approval.

3. **BACKGROUND**

3.1 The attached report details the proposed Internal Audit Plan for 2022/23, with an indicative plan covering the period 2023/24 to 2024/25.

3.2 The Internal Audit Plan is a fluid plan which may be updated periodically to reflect changes in the risks faced by the Authority. During the period covered by the plan, the priority and frequency of audit work may be subject to amendment in order to recognise alterations in the assessment of assurance need/risk analysis, caused by changes within the Authority and the requirements of the Audit and Risk Committee and senior managers.

3.3 During the year regular meetings will be held with senior managers and the external auditors to review the plan and discuss the scope, nature and timescales of planned reviews. Any key changes to the plan will be brought before the Audit and Risk Committee for approval.

#### 4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 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**

- 5.1 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**

- 6.1 There are no direct financial implications arising from this report.

#### **BACKGROUND PAPERS**

Internal Audit Plan 2022/23 and indicative plan for 2023/24 to 2024/25.

The contact for this report is Mr Peter Farrow, Audit Services and Risk Management Manager.

Peter Farrow  
Audit Services and Risk Management Manager, Sandwell MBC

## Draft Internal Audit Plan 2022/23



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# A quick guide to the audit planning process

## Step 1 – audit universe/auditable areas and the Authority's objectives

Identify the audit universe (i.e. a list of areas that may require auditing) using a variety of methods:

- Areas of risk identified by the Authority as having the potential to impact upon its ability to deliver its objectives and its statutory responsibilities, captured through a strategic risk register.
- Areas such as the key financial systems work we do to, which where appropriate, help inform the work of the external auditors, grant claim certification etc.
- Areas where we use auditor's knowledge, management requests and past experience etc.



## Step 2 – ranking

Score each auditable area as high, medium or low risk using the CIPFA scoring methodology: materiality/business impact/audit experience/risk/potential for fraud.



## Step 3 – the 2022/23 audit plan

Identify the areas where assurance will be provided in 2022/23. High risk areas will generally be audited annually, while medium risks may be visited once in a three-year cycle. A watching brief will remain on the low risks.

# Glossary of terms

## Governance

The arrangements in place to ensure that the Authority fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

## Control environment

This comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the Authority's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the Authority and the reporting of financial management; and
- the performance management of the Authority and the reporting of performance management

## System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

## Risk management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

## Risk based audit

An audit that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks
- identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- determines an appropriate strategy to test the effectiveness of controls i.e. through compliance and/or substantive testing; and
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment

## Audit Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

## Internal audit

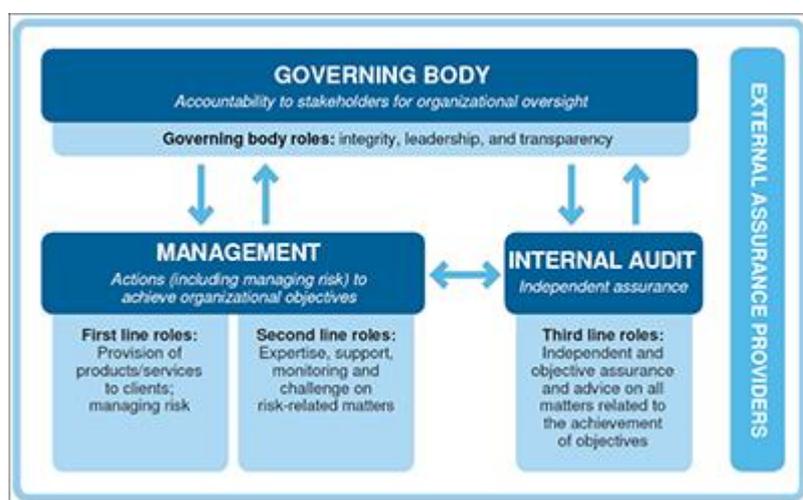
### Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

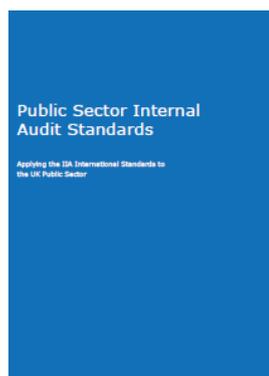
### Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the Authority's policies, processes and controls and the second being managers' own checks of this first line.

### The Three Lines of Defence



### Internal Audit standards



The Internal Audit team comply with the standards as laid out in the Public Sector Internal Audit Standards that came into effect on 1 April 2013.

# 1 Introduction

The purpose of internal audit is to provide the Authority with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Authority's agreed objectives. To provide this opinion, we need to review on a cyclical basis, the operation of internal control systems and where appropriate governance and risk management within the Authority. Internal audit is not a substitute for effective internal control. The proper role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.

There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Authority has an internal audit charter which was approved by the Audit and Risk Committee and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the Authority. This document sits alongside the charter and helps determine how the internal audit service will be developed.

The purpose of this document is to provide the Authority with an internal audit plan based upon an assessment of the Authority's audit needs. The assessment of assurance need exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Authority which are assessed as generating the greatest risk to the achievement of its objectives.

## 2 Assessing the effectiveness of risk management and governance

The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Authority. This opinion is reflected in the general level of assurance given in our annual report and within separate reports covering risk management and governance. This review will cover the elements of the risk analysis which we regard as essential for annual review to provide a positive, reasonable assurance to the Authority.

## 3 Assessing the effectiveness of the system of control

To be adequate and effective, management should:

- establish and monitor the achievement of the Authority's objectives and facilitate policy and decision making
- identify, assess and manage the risks to achieving the Authority's objectives
- ensure the economical, effective and efficient use of resources
- ensure compliance with established policies, procedures, laws and regulations
- safeguard the Authority's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data

These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control. The annual reviews of risk

management and governance will cover the control environment and risk assessment elements, at a high level.

The internal audit plan contained within this report is our assessment of the audit work required to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

## 4 Assessment of assurance need methodology

Internal audit should encompass the whole internal control system and not be limited only to financial control systems, the scope of internal audit work should reflect the core objectives of the Authority and the key risks that it faces. As such, each audit cycle starts with an analysis of the whole system of internal control that ensures the achievements of the Authority's objectives.

Activities that contribute significantly to the Authority's internal control system and to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks not to try and measure the level of risk in activities, but to assign a relative risk value. The purpose of this approach is to enable the delivery of assurance to the Authority over the reliability of its system of control in an effective and efficient manner.

We have undertaken the assessment using the following process:

- We identified the core objectives of the Authority and, where available, the specific key risks associated with the achievement of those objectives.
- We then identified the auditable areas that impact significantly on the achievement of the control objectives.
- We assigned risk values to the auditable areas, based on the evidence we obtained.

The plan is drawn out of the assessment of audit need. The proposed internal audit plan covering the period 2022/23 is detailed towards the back of this document.

## 5 The assessment of internal audit assurance needs

### Identifying the Authority's objectives and the associated risks

The Authority's objectives are as follows:

- Safer and healthier communities.
- Stronger business communities.
- Dealing effectively with emergencies.

The key risks to the Authority in meeting these objectives, as identified through its risk management process, at the time this plan was prepared, were:

Risk Ref	Risk
CR1 1.2	The Fire Authority is unable to positively position itself within public service reform to sustain and create new services resulting in reduced confidence, credibility and/or reputational damage.
CR2 2.1	The Fire Authority is unable to maintain positive staff consultation and engagement, resulting in an inability to deliver strategic objectives, outcomes and continuous improvement.
CR2 2.2	The Fire Authority is unable to deliver its Service Delivery Model effectively, as a result of insufficient or ineffective employees, throughout the organisation, resulting in reduced confidence and credibility; and increased reputational damage.
CR2 2.3	The Fire Authority is unable to meet statutory duties to provide a safe and healthy workplace and protect the environment, resulting in a significant failure and reduced confidence and credibility; and increased criminal proceedings, litigation and reputational damage.
CR3 3.1	The Fire Authority is unable to engage with the most vulnerable members of the community and reduce community risk resulting in increased fire and non-fire related incidents, fatalities and injuries.
CR3 3.2	The Fire Authority is unable to establish effective partnership arrangements and deliver community outcomes, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives.
CR4 4.1	The Fire Authority is unable to effectively discharge its duties under the Regulatory Reform (Fire Safety) Order and associated legislation, resulting in a decline in non-domestic fire safety standards; reduced confidence and credibility; and increased litigation and reputational damage.
CR5 5.1	The Fire Authority is unable to ensure that operational incidents are dealt with safely, assertively and effectively using appropriate levels of resources and personnel, resulting in increased firefighter and community risk; reduced confidence and credibility; and increased reputational damage.
CR5 5.2	The Fire Authority is unable to maintain its command and control function, resulting in an inability to receive, process and respond to emergency calls effectively, so increasing community risk; reducing confidence and credibility; and increasing reputational damage.
CR6 6.1	The Fire Authority is unable to provide business continuity arrangements, to maintain delivery of core functions, as a result of extensive disruption to normal working arrangements, including national and international deployments, significant and major events, resulting in increased community risk; reduced confidence; increased reputational damage; and external scrutiny.
CR7 7.1	The Fire Authority is unable to provide and maintain an effective ICT provision to support the delivery of core functions, resulting in significant disruption to the organisation's functionality, reduced confidence, credibility, reputational damage and external scrutiny.
CR7	The Fire Authority is unable to provide effective management and security of

7.2	organisational information and documentation including the receipt, storage, sharing and transfer of information and data, resulting in reputational damage, litigation, substantial fines and external scrutiny.
CR8 8.1	The Fire Authority is unable to deliver its statutory responsibilities, predominantly through the Service Delivery Model, due to insufficient funds, resulting in external scrutiny and intervention; reduced confidence and credibility; and increased reputational damage.
CR8 8.2	The Fire Authority is unable to deliver effective financial management arrangements, due to misuse of funds, resulting in external scrutiny, intervention and litigation.

Where appropriate, these risks are then used to drive a key part of the internal audit plan.

### Identifying the “audit universe”

The audit universe describes all the systems, functions, operations and activities undertaken by the Authority. Given that the key risk to the Authority is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of these objectives in section 3 above. These auditable areas include the control processes put in place to address the key risks.

### Assessing the risk of auditable areas

Risk management is the process of identifying risks, evaluating their probability and potential consequences and determining the most effective methods of controlling or responding to them. The aim of risk management is to contribute to continued service improvement through improved risk-taking activities, reducing the frequency of loss events occurring, and minimising the consequences if they do occur.

There are a number of key factors for assessing the degree of risk within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:

- Risk
- Business impact
- Materiality
- Audit experience
- Potential for fraud and error

### Deriving the level of risk from the risk values

In this model, the overall scores are translated into an assessment of risk. The risk ratings used are high, medium or low to establish the frequency of coverage of internal audit.

## 6 Developing an internal audit plan

The internal audit plan is based on management's risk priorities, as set out in the Authority's own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by this risk analysis.

The level of risk, and other possible sources of assurance, will always determine the frequency by which auditable areas will be subject to audit. This ensures that key risk areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

During the period covered by this plan, the priority and frequency of audit work will be subject to amendment to recognise any changes in the risk profile of the Authority.

Auditor's judgement has been applied in assessing the number of days required for each audit identified in the strategic cycle.

The assessment of assurance need's purpose is to:

- determine priorities and establish the most cost-effective means of achieving audit objectives; and
- assist in the direction and control of all audit work

This approach builds upon and supersedes previous internal audit plans.

Included within the plan, in addition to audit days for field assignments are:

- a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested. This element has been calculated on the basis of past experience
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior year; and
- an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various meetings including the Audit Committee etc.

## 7 Considerations required of the Audit and Risk Committee and Senior Management

Are the objectives and key risks identified consistent with those recognised by the Authority?

Does the audit universe identified include all those systems which would be expected to be subject to internal audit?

Are the risk scores applied to the audit universe reasonable and reflect the service as it is recognised by the Authority?

Does the Internal Audit Plan cover the key risks as they are recognised?

Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

## 8 Information to support the Internal Audit Plan

### **Resources required**

It is envisaged that 185 audit days will be required for delivery of the first year of the strategy.

### **Communication of results**

The outcome of internal audit reviews is communicated by way of a written report on each assignment undertaken. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

### **Staffing**

Where appropriate, audit staff are either professionally qualified, or sponsored to undertake relevant professional qualifications. All staff are subject to an appraisal programme, which leads to an identification of training needs. In this way, we ensure that staff are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

### **Quality assurance**

The internal audit service will adhere to the Public Sector Internal Audit Standards.

## 9 Internal Audit Plan for the period 1 April 2022 to 31 March 2023

Auditable Area	Purpose	Assessment of Assurance Need	Estimated Days
<b>Strategic Enabler Portfolio</b>			
Risk Management	<p>A review to ensure the Authority is adequately identifying, assessing and managing the risks it faces in achieving its objectives.</p> <p>(The Head of Internal Audit is required to give an annual opinion on the adequacy and effectiveness of the Authority's risk management arrangements.)</p>	High	10
Governance	<p>An annual review of aspects of the Authority's governance arrangements. This audit will evaluate the design, implementation and effectiveness of its ethics-related objectives, programmes and activities.</p> <p>(The Head of Internal Audit is required to give an annual opinion on the adequacy and effectiveness of the Authority's governance arrangements.)</p>	High	10
<b>Strategic Enabler Community Risk Management</b>			
Partnerships	<p>A review of the strategic management (governance, reporting, risk management) of key partnerships, with particular emphasis on monitoring and measurement of outcomes.</p> <p>(Linked to risk CR3 3.2)</p>	Medium	10
<b>Strategic Enabler Digital and Data</b>			
IT	<p>A review to ensure that access to systems and data is controlled, encompassing setting up system users, removal of leavers system access, maintaining password and access controls and monitoring access rights.</p> <p>(Linked to risk CR7 7.1)</p>	High	15
Data Protection	<p>A review of the Authority's monitoring of adherence to the requirements of the General Data Protection Regulations.</p> <p>(Linked to risk CR7 7.2)</p>	High	15

Auditable Area	Purpose	Assessment of Assurance Need	Estimated Days
Freedom of Information	A review to ensure that the Authority has acknowledged the transparency code and have formally agreed to adhere to the reporting requirements.  (Linked to risk CR7 7.2)	Medium	10
<b>Strategic Enabler Finance and Resources</b>			
One of the roles of our Key Financial System reviews is to help inform the work of the Authority's external auditors where appropriate. All such reviews in these areas are deemed high risk by their very nature.			
Payroll /Pensions	A review of the key financial controls relating to the administration of the Payroll System.  (Linked to risk CR8 8.2)	High	15
Pension Certification	A review of the entries on the annual pension statement to confirm the accuracy of the employee and employer contributions calculated in respect of contributors to the fund.  (Linked to risk CR8 8.2)	High	3
Accounts Receivable	A review of the key financial controls relating to invoicing and collection of debts.  (Linked to risk CR8 8.2)	High	10
Accounts Payable	A review of the key financial controls relating to the ordering and payment of goods and services.  (Linked to risk CR8 8.2)	High	10
Fixed Asset Accounting/Asset Planning	A review of the key financial controls relating to the accurate recording of fixed assets, including assessing the impact of potential asset sales and valuation reductions.  (Linked to risk CR8 8.2)	High	10
Budgetary Control	A review of the key financial controls relating to Budgetary Control.  (Linked to risk CR8 8.2)	High	15
Counter Fraud	The council's Counter Fraud Unit provide support and advice to tackle fraud and corruption, including assistance with the Cabinet Office's National Fraud Initiative. Over	-	10

Auditable Area	Purpose	Assessment of Assurance Need	Estimated Days
(Demonstrating a pro-active approach to countering fraud and corruption is a key element of good governance)	<p>the course of the next 12 months officers of the Counter Fraud Unit will liaise with key Chief Officers to assess the need for sample and deep dive fraud preventative testing exercises and measure the requirements for fraud awareness training.</p> <p>In addition, the Counter Fraud Unit is available to conduct investigations when required to do so. Days/costs can be discussed on a case by case basis.</p> <p>(Linked to risk CR8 8.2)</p>		
National Fraud Initiative	<p>We will lead on the Authority's NFI requirements. We will work with the Cabinet Office to ensure that the Authority continues to meet all its responsibilities.</p> <p>(It is a requirement that this exercise is undertaken.)</p>	-	10
<b>Other</b>			
Contingency	Special projects, investigations, advice and assistance and ad-hoc work as requested.	-	7
Management	An allocation of time for the management of the internal audit service. To include meeting any training requirements of the Authority or Members and for preparation for, and attendance at, various meetings including the Audit and Risk Committee (to include where appropriate, a Committee skills audit and self-assessment workshop).	-	14
Follow up	<p>A follow up of the key audit recommendations made during the previous year.</p> <p>(The Head of Internal Audit is required to obtain assurances that previously agreed actions have been implemented.)</p>	-	11
<b>Total</b>			<b>185</b>

## Indicative Future Internal Audit Plan

Auditable Areas:	Risk	23/24	24/25
<b>Strategic Enabler Portfolio</b>			
Risk Management	High	✓	✓
Governance	High	✓	✓
<b>Strategic Enabler Response</b>			
Fire Stations – Management of Fuel	Medium	✓	
<b>Strategic Enabler People Support Services</b>			
Absence Management	Medium		✓
Environmental Protection Targets	Medium		✓
Workforce Planning	Medium		✓
<b>Strategic Enabler Organisational Preparedness</b>			
Business Continuity Plan	Medium	✓	
<b>Strategic Enabler Community Risk Management</b>			
Partnerships	Medium		
<b>Strategic Enabler Digital and Data</b>			
IT	High	✓	✓
Freedom of Information	Medium		
Data Protection	High	✓	✓
<b>Strategic Enabler Finance and Resources</b>			
Payroll/Pensions (KFS)	High	✓	✓
Pension Certification	High	✓	✓
Accounts Receivable (KFS)	High	✓	✓
Accounts Payable (KFS)	High	✓	✓
Fixed Asset Accounting/Asset Planning (KFS)	High	✓	✓
Budgetary Control (KFS)	High	✓	✓
Counter Fraud	-	✓	✓
National Fraud Initiative	-	✓	✓
<b>Other</b>			
Contingency	-	✓	✓
Management	-	✓	✓
Follow Up	-	✓	✓
<b>Total</b>		<b>185</b>	<b>185</b>



**AUDIT AND RISK COMMITTEE**

**21 MARCH 2022**

1. **INTERNAL AUDIT – PROGRESS REPORT**

Report of the Audit Services and Risk Management Manager  
[Sandwell MBC].

RECOMMENDED

1.1 THAT the Internal Audit Progress Report be noted.

2. **PURPOSE OF REPORT.**

2.1 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**

3.1 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 Committee up to date with the progress made against the delivery of the 2021/22 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.

3.2 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**

- 4.1 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**

- 5.1 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**

- 6.1 There are no direct financial implications arising from this report.

#### **BACKGROUND PAPERS**

None.

The contact officer for this report is Mr Peter Farrow, Audit Services and Risk Management Manager.

Peter Farrow  
Audit Services and Risk Management Manager, Sandwell MBC.

# Internal Audit Progress Report as at 3 March 2022 Audit and Risk Committee – 21 March 2022



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 and Risk Committee up to date with the progress made against the delivery of the 2021/22 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:

No Assurance	Limited	Reasonable	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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

**Fundamental** action is imperative to ensure that the objectives for the area under review are met.

**Significant** requires action to avoid exposure to significant risks in achieving the objectives for the area under review.

**Merits attention** action is advised to enhance risk mitigation, or control and operational efficiency.

## 2 Summary of work in progress as at 3 March 2022

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Complete and reported previously:</b>							
Data Protection	High	0	1	1	2	2	Substantial
Management of Fuel	Medium	0	3	1	4	2	Reasonable
Environmental Protection Targets	Medium	0	0	2	2	2	Substantial
Absence Management Follow-Up	NA	NA	NA	NA	NA	NA	NA
<b>Complete and reported for first time:</b>							
Workforce Planning	Medium	0	2	0	2	2	Reasonable
Fixed Asset Accounting/Asset Planning	KFS	0	0	0	0	0	Substantial
Accounts Payable	KFS	0	0	0	0	0	Substantial
Budgetary Control	KFS	0	0	0	0	0	Substantial
<b>In progress:</b>							
Risk Management	High						

Ref. AU/A&amp;R/10903224

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Governance	High						
Accounts Receivable	KFS						
<b>To be started:</b>							
IT	High						
Payroll	KFS						

Key: KFS = Key Financial System  
 ANA = Audit Needs Assessment  
 Draft = Draft report issued to client and awaiting formal response  
 NA = Not Applicable

### 3 Issues arising

#### **Workforce Planning**

Workforce planning is integral to the operation of the Fire Authority and the delivery of its strategic plan. The purpose of the review was to assess the adequacy of the workforce planning processes and to provide assurance on how well they were embedded within the Fire Authority. In general, the processes in place effectively support the Fire Authority in delivering its strategic plan. The review did identify two issues of significance relating to:

- A system of multiple spreadsheets is used to maintain and monitor the staffing establishment. It was identified that process notes had not been established to document the system to be followed to maintain and monitor the various spreadsheets. As such, there was a risk of inconsistencies in approach, or loss of knowledge should key staff be unavailable. They would also be a useful training aid for any new staff.
- Due to problems experienced with the reporting functionality in respect of the new Oracle Fusion system, it had not been possible to produce and publish the performance indicators which are required to support the management of absence within the Fire Authority. As such, there is a risk that absences may not be effectively managed.

The Fire Authority has devised a plan to address these issues. A follow-up review of these issues will be undertaken as part of the Internal Audit Plan for 2022/23.

#### **Fixed Asset Accounting/Asset Management**

A review of fixed asset accounting was undertaken in respect of planned capital expenditure. The review was undertaken to provide assurance that an appropriate process was in place to maintain details of fixed assets and to record them correctly in the accounts. No issues of significance were identified.

#### **Accounts Payable**

A review of the accounts payable system was undertaken to ensure that adequate key controls were in place. Our review focused on the controls designed to prevent, overpayments, fraud and incorrect accounting. No issues of significance were identified.

#### **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. No issues of significance were identified.

## 4 Other activities

### **Advice and Guidance**

We provide on-going advice and guidance to the authority to assist with the continuous improvement of the overall control environment.

### **CIPFA – Audit Committee Updates**

We continue to present the regular CIPFA Audit Committee Updates to the Audit and Risk Committee.

### **Internal Audit Plan 2021/22**

We submitted the Internal Audit annual plan for 2021/22 to the committee for approval at the March 2021 meeting.

### **Internal Audit Annual Report 2020/21**

We presented the Internal Audit annual report for 2020/21 to the committee for comment and approval at the June 2021 meeting.

### **Counter Fraud**

We continue to lead on the Cabinet Office's National Fraud Initiative and their other associated fraud related activity (such as the Annual Fraud Survey), on behalf of the authority and to provide the main point of contact for any investigations into potential fraudulent activity.

## 5 Service quality questionnaire (SQQ) feedback

Feedback to be provided when completed SQQs are received.

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**21 MARCH 2022**

1. **INFORMING THE AUDIT RISK ASSESSMENT - WEST MIDLANDS FIRE AND RESCUE AUTHORITY 2021/22**

Joint report of the Chief Fire Officer and Treasurer

RECOMMENDED

- 1.1 THAT the Committee note the content of the Informing the Audit Risk Assessment – West Midlands Fire & Rescue Authority 2021/22 attached as an Appendix.

2. **PURPOSE OF REPORT**

- 2.1 The report is provided to keep the Audit and Risk Committee Members informed upon the progress of the external auditor (Grant Thornton UK LLP) in delivering their responsibilities.

3. **BACKGROUND**

- 3.1 In order to ensure that the Audit and Risk Committee members continue to remain informed upon audit matters, the external auditor has provided a report to the Audit and Risk Committee report. It is the intention of the external auditor to provide an update at all Audit and Risk Committee meetings.

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

- Matters in relation to fraud.
- Matters in relation to law and regulations.
- Matters in relation to related parties.
- Matters in relation to going concern.
- Matters in relation to accounting estimate.

3.3 Representatives from Grant Thornton will be in attendance at the meeting to discuss the report with Members.

#### 4. **EQUALITY IMPACT ASSESSMENT**

4.1 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**

5.1 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**

6.1 The scale fee for undertaking West Midlands Fire and Rescue Authority's external audit work for 2021/22 was set at £48,000.

#### **BACKGROUND PAPERS**

None.

The contact officer for this report is Wayne Brown, Deputy Chief Officer, telephone number 0121 380 6907.

PHIL LOACH  
CHIEF FIRE OFFICER

MIKE GRIFFITHS  
TREASURER

# Informing the audit risk assessment for West Midlands Fire and Rescue Authority 2021/22

## Appendix 1

**Avtar Sohal**  
Key Audit Partner  
T 0121 232 5420  
E Avtar.S.Sohal@uk.gt.com



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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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between West Midlands Fire and Rescue Authority's external auditors and West Midlands Fire and Rescue Authority's Audit and Risk Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Risk Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Risk Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Risk Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Committee and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from West Midlands Fire and Rescue Authority's management. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	Pensions – McCloud / Sargeant remedy Asset valuations
2. Have you considered the appropriateness of the accounting policies adopted by West Midlands Fire and Rescue Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes – Accounting policies are reviewed annually  No events or transactions
3. Is there any use of financial instruments, including derivatives? If so, please explain	None Known
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	None Known

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None Known
6. Are you aware of any guarantee contracts? If so, please provide further details	None Known
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None Known
8. Other than in house solicitors, can you provide details of those solicitors utilised by West Midlands Fire and Rescue Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Authority's legal services are provided by the Monitoring Officer and Sandwell (MBC) Legal Services. Any specific specialist legal advice is obtained from external professional legal firms.

## General Enquiries of Management

Question	Management response
9. Have any of the West Midlands Fire and Rescue Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None Known
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Pensions – West Midlands Pension Fund & Government Actuaries Department Asset Valuations – Sandwell MBC & Wilks Head & Eve Clinical / Medical Governance – Andrew Thurgood
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	None Known/Identified

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As West Midlands Fire and Rescue Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Risk Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West Midlands Fire and Rescue Authority's management.

## Fraud risk assessment

Question	Management response
<p>1. Has West Midlands Fire and Rescue Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>Although there is an on-going risk of fraud being committed against the Authority, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas. However, the risk of material misstatement of the accounts due to undetected fraud is considered to be low.</p> <p>The Authority has a Anti Fraud &amp; Corruption policy in place. This is also supported by a Whistleblowing Policy which includes a confidential reporting framework; these are reviewed in a timely manner. Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Regular reports are made to Audit and Risk Committee. In addition, the Authority receives advice from the Audit Fraud Team at Sandwell Metropolitan Borough Council.</p> <p>Regular monthly monitoring of finances are reported to the Strategic Enabling Team (SET). Monitoring of Finances report at the Fire Authority meeting. Internal Audit provide an update of their work to the Audit &amp; Risk Committee.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>None Known</p>

## Fraud risk assessment

Question	Management response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West Midlands Fire and Rescue Authority as a whole, or within specific departments since 1 April 2021? If so, please provide details	There are no known instances of fraud that have been identified during the year.
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Internal and External Audit reports to the Audit and Risk Committee
5. Have you identified any specific fraud risks? If so, please provide details  Do you have any concerns there are areas that are at risk of fraud?  Are there particular locations within West Midlands Fire and Rescue Authority where fraud is more likely to occur?	None known. Head of Internal Audit Opinion in 2021/22 did not highlight any weaknesses  No Specific concerns. Head of Internal Audit Opinion in 2021/22 did not highlight any weaknesses  None known. Head of Internal Audit Opinion in 2021/22 did not highlight any weaknesses
6. What processes do West Midlands Fire and Rescue Authority have in place to identify and respond to risks of fraud?	The Authority has a Anti Fraud & Corruption policy in place. This is also supported by a Whistleblowing Policy which includes a confidential reporting framework; these are reviewed in a timely manner. Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Regular reports are made to Audit and Risk Committee. In addition, the Authority receives advice from the Audit Fraud Team at Sandwell Metropolitan Borough Council.

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for West Midlands Fire and Rescue Authority, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>There are adequate processes in place for reviewing the system of internal control via the work of Internal Audit. Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud.</p> <p>Financial Regulations Anti fraud and corruption policy Internal controls and segregation of duties</p> <p>None known. Head of Internal Audit Opinion in 2021/22 did not highlight any weaknesses in this area.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None known.</p>

## Fraud risk assessment

Question	Management response
<p>9. How does West Midlands Fire and Rescue Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>There is an Employee Code of Conduct and Financial Regulations. Staff are regularly reminded of these.</p> <p>There is a Anti Fraud &amp; Corruption policy in place and a Whistleblowing procedure in place which explain the procedures to follow. No significant issues have been reported under the Bribery Act</p> <p>No issues of significant fraud have been reported.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts within Financial Management and Revenues</p> <p>Compliance with Financial Regulations and Policies (Standing Orders) Internal Audit Reports Segregation of duties</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The financial statement disclosure of related party transactions does not identify potential fraud risk. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Authority and Committee meetings.</p>

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Risk Committee?</p> <p>How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud. Regular reports are made to Audit and Risk Committee.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The Monitoring Officer has confirmed that there were no allegations of whistle blowing in 2021/22 (as at end of February 2022).</p> <p>An update to be provided at the Audit &amp; Risk Committee meeting on 6 June 2022 - Monitoring Policies on Raising Concerns at Work – Whistle Blowing Standing Order 2/20 and Regulation of Investigatory Power Act 2000.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>There are no known instances that have been identified during the year.</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Committee, is responsible for ensuring that West Midlands Fire and Rescue Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Risk Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West Midlands Fire and Rescue Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>The Monitoring Officer is responsible for ensuring the Authority is compliant with laws and regulations. These responsibilities cover:</p> <ul style="list-style-type: none"> <li>•complying with the law of the land (including any relevant Codes of Conduct);</li> <li>•complying with any General Guidance issued, from time to time, by the Standards Committee and / or advice of the Monitoring Officer;</li> <li>•making lawful and proportionate decisions; and</li> <li>•generally, not taking action that would bring the Authority, their offices or professions into disrepute.</li> </ul> <p>This officer has access to all Authority Committee reports. The Monitoring Officer raises awareness on legal requirements at meeting where needed. In addition, in terms of any specific legal issues the Monitoring Officer would get involved at an early stage. Further information on how the Monitoring Officer carries out these responsibilities are detailed in the Constitution.</p> <p>The Strategic Enabler of Finance &amp; Resources, the Authority's s151 officer is responsible for preparing the accounting statements in accordance with relevant legal and regulatory requirements.</p> <p>The Senior Financial Accountant also attends the West Midlands Support Group for Financial Matters to exchange information, share best practice and discuss the implementation of relevant changes. This is supplemented by the annual technical accounting workshops run by Grant Thornton.</p>
<p>2. How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>See response above</p>

## Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	None noted
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	None noted
5. What arrangements does West Midlands Fire and Rescue Authority have in place to identify, evaluate and account for litigation or claims?	See response to 1 above
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None noted

# Related Parties

## Matters in relation to Related Parties

West Midlands Fire and Rescue Authority are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by West Midlands Fire and Rescue Authority;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any body that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in West Midlands Fire and Rescue Authority's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and West Midlands Fire and Rescue Authority whether the Authority has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>None noted</p>
<p>2. What controls does West Midlands Fire and Rescue Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> <li>Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.</li> <li>Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests.</li> <li>Annual return from Members stating details of any known related party interests.</li> <li>Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.</li> <li>Review of related information with subsidiaries, companies and joint ventures, e.g. accounts.</li> <li>Review of the accounts payable system and identification of amounts paid to assisted or voluntary organizations.</li> </ul>

## Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	See response above
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	See response above

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for authority bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

## Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by West Midlands Fire and Rescue Authority will no longer continue?</p>	<p>The Authority has prepared and approved a Budget and Precept Report 2022/23 (14 February 2022) which includes a Medium Term Financial Plan for 2023/24 to 2024/25.</p> <p>There are no known indications that the statutory service would no longer continue.</p>
<p>2. Are management aware of any factors which may mean for West Midlands Fire and Rescue Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>None Known</p>
<p>3. With regard to the statutory services currently provided by West Midlands Fire and Rescue Authority, does the Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Authority to cease to exist?</p>	<p>The Authority is aware that a Government White Paper is being prepared which would consider the future governance arrangements of the WMF&amp;RA.</p>
<p>4. Are management satisfied that the financial reporting framework permits West Midlands Fire and Rescue Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes</p>

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance. Asset valuations are made in line with RICS guidance.
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	See response above The Principal Accountant also attends the West Midlands Support Group for financial matters to exchange information, share best practice and discuss the implementation of relevant changes. This is supplemented by the annual technical accounting workshops run by Grant Thornton.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Specialist advisors are consulted with and source data provided to enable key accounting estimates. These include: Pensions – Government Actuaries Department Pensions – West Midlands Pension Fund Asset Valuations – Sandwell MBC & Wilks Head & Eve
4. How do management review the outcomes of previous accounting estimates?	Consideration/recommendations within the previous years Audit Findings Report and Annual Audit Letter. Internal Audit recommendations.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	Other than additional scrutiny required for asset and pension estimated, no significant changes made to the estimation process in 2021/22.

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>The Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK (Code), supported by International Financial Reporting Standards (IFRS), RICS and statutory guidance.</p> <p>Where estimates are required appropriate estimation methodology is utilised. Estimates are prepared by those who are best qualified e.g. for pension and asset valuations.</p>
<p>7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>See response above</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>See response above</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>See response above</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>There are no major changes in circumstances for accounting estimates in 2021/22. Any changes to the Code and IFRS are reflected within the Statement of Accounts.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes, where estimates are required appropriate estimation methodology is utilised. Estimates are prepared by those who are best qualified e.g. for pension and asset valuations.</p>
<p>12. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Accounting policies provide details within the Authority's Statement of Accounts. The Treasurer provides assurance to the Audit and Risk Committee and signs the Statement of Accounts. Internal Audit and Grant Thornton also report to the Audit and Risk Committee.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment (PPE) valuations.	Valuations are made by the appointed Valuer (Wilkes, Head and Eve Chartered Surveyors and Town Planners) in line with RICS guidance on the basis of 5 year valuations with interim reviews. The Authority are having a full valuation in 2021/22.	Members of the Finance Team notifies the Valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation.	Valuer used for PPE valuations.	Valuations are made in line with RICS guidance - reliance on expert.	No
Estimated remaining useful lives of PPE	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Valuer used for PPE and estimated remaining useful life assessments.	Valuations are made in line with RICS guidance - reliance on expert.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Valuer used for PPE valuations	Valuations are made in line with RICS guidance - reliance on expert.	No
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing.	Members of the Finance Team calculate the provisions from the aged debt listing based upon prior experience.	No	A consistent proportion of the aged debt listing is applied after any specific debts have been provided for where circumstances of certainty are known. The proportion is based upon the type of debt and historic payment pattern.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	The Authority values financial instruments at fair value based upon current conditions and Senior Finance team judgement.	An estimate is made by senior members of the finance team.	No	The Authority does not have many balances which are required to be disclosed as a financial instrument. Considered straight forward with a low degree of estimation required.	No
Accruals	The Finance Team collate accruals of income and expenditure from sales ledger, purchase ledger and budget information. Activity is accounted for in the financial year that it takes place, not when the money is paid or received in line with the accounting policies.	Sales ledger, purchase ledger and management accounts information are assessed by the Finance Team.	No	Accruals for income and expenditure have been principally based on known values. Where estimates have to be made these are based upon the latest available information.	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
<p>Depreciation and Amortisation</p>	<p>The following asset categories have general asset lives:</p> <ul style="list-style-type: none"> <li>•Operational Vehicles –straight line over 10 years.</li> <li>•Ancillary Vehicles -straight line over 5 years.</li> <li>•Equipment -straight line over 5 years.</li> </ul> <p>Depreciation is provided for all fixed assets with a finite life on a straight line basis. Asset lives for buildings are obtained from the Valuer. Freehold land is not depreciated.</p> <p>No depreciation is accounted for in the year of acquisition but is accounted for in the year of disposal.</p>	<p>Consistent asset lives applied to each asset category.</p>	<p>Valuer used for PPE and estimated remaining useful life assessments</p>	<p>The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS or CIB Member.</p>	<p>No</p>

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	<p>Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement, by a transfer of economic benefits or service potential, and a reliable estimate made of the value.</p> <p>Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.</p>	<p>Charged in the year that the Authority becomes aware of the obligation. A Calculation is made by Senior members of the finance team based upon information from third parties e.g. insurers, solicitors.</p>	No	<p>Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.</p> <p>Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Authority.</p>	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension liability	<p>The Authority is an admitted body to the Local Government Pension Scheme (LGPS). The Uniformed Schemes are unfunded and are administered by the Authority based upon guidance from DLUHC. Information is passed from the Authority to the Actuaries upon which they base their assessment for the estimate.</p>	<p>The Actuary reports are reviewed by Finance Staff for reasonableness.</p>	<p>Yes – the Actuary for the LGPS and the Uniformed Schemes.</p>	<p>Reliance upon another auditor – PwC for their work on the Actuary of the LGPS through their audit of the City of Wolverhampton Council. Reliance upon the expertise of the Actuary of the Uniformed Pension Schemes.</p>	<p>No</p>

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non Adjusting events – events after the balance sheet date	The Treasurer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an adjusting event which is disclosed as a note to the accounts identifying the nature of the event and where possible estimates of the financial effect.	The Treasurer liaises with the Finance team and considers all known information.	Yes – the Actuary for the LGPS and the Uniformed Schemes.	This would be considered individually for each case.	No



**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT AND RISK COMMITTEE**

**21 MARCH 2022**

1. **AUDITOR'S ANNUAL REPORT 2020/21**

Report of the Treasurer.

RECOMMENDED

- 1.1 THAT the Audit and Risk Committee notes the Auditor's Annual Report (AAR) 2020/21 on the West Midlands Fire and Rescue Authority attached as an Appendix to this report.

2. **PURPOSE OF REPORT**

- 2.1 This report is submitted to inform the Audit and Risk Committee of the findings of the external audit work undertaken for the audit year 2020/21 which is summarised in the AAR.

3. **BACKGROUND**

- 3.1 The AAR summarises the key findings from external audit work undertaken for the 2020/21 audit year. The audit comprised two elements:
- To audit and give an opinion on the Authority's financial statements.
  - An assessment of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).
- 3.2 The Audit Findings Reports (AFR) presented to the Audit and Risk Committee on 27 September 2021 outlined the findings of the audit work undertaken.

- 3.3 The auditor issued an unqualified opinion on the Authority's 2020/21 financial statements included in the Authority's Statement of Accounts on 19 October 2021.
- 3.4 As part of the external audit work programme, the auditor was also required to provide a value for money conclusion. In carrying out this work the auditor is required to follow the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 03. The NAO Code specifies the following criterion for auditors to evaluate:
- Financial Sustainability
  - Governance
  - Improving economy, efficiency and effectiveness
- 3.5 As a consequence of this work, the auditor concluded that for 2020/21 the Authority had proper arrangements in all significant respects to secure economy, efficiency and effectiveness and to ensure it delivered value for money in its use of resources.
- 3.6 The Treasurer has been consulted and has agreed the content of the AAR.
- 3.7 Representatives from Grant Thornton will present and explain the findings detailed in the AAR to the Audit and Risk Committee.

#### 4. **EQUALITY IMPACT ASSESSMENT**

- 4.1 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**

- 5.1 There is a legal requirement for the Authority to consider the AAR Statutory Instrument 2015 No. 234 – The Accounts and Audit Regulations 2015.

6. **FINANCIAL IMPLICATIONS**

6.1 The agreed scale fee for the provision of external audit services for the audit year 2020/21 was set at £45,500.

7. **ENVIRONMENTAL IMPLICATIONS**

7.1 There are no environmental implications arising from this report.

**BACKGROUND PAPERS**

Audit Findings Report 2020/21 – Agenda item 8 – Audit & Risk Committee 27 September 2021.

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

MIKE GRIFFITHS  
TREASURER



# Auditor's Annual Report on West Midlands Fire and Rescue Authority 2020-21

March 2022



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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# Executive summary



## Value for money arrangements and key recommendation(s)

We presented our Audit Plan to the Audit & Risk Committee on 7 June 2021. In this we set out the revised approach to Value for Money work for 2020/21 onwards. We noted there are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We reported at that time that we had not identified any risks of significant weaknesses from our initial planning work. We have continued our review of your arrangements, and are now able to issue our auditor's annual report.



## Financial sustainability

The Authority continues to enjoy a comparatively healthy financial position. This has been achieved through robust financial management and cost savings, with robust arrangements in place to monitor activity and report to both management and committee members.



## Governance

The Authority has robust governance arrangements in place, including risk management and internal audit. These have continued throughout the pandemic.



## Improving economy, efficiency and effectiveness

The Authority has a history of tackling areas where it believes savings can be made, without comprising service delivery. Key performance indicators are included in quarterly reports to Full Authority, underpinned by robust data.



## Covid-19 Arrangements

The Authority has had robust arrangements in place to deal with its response to the Covid-19 pandemic, receiving a complimentary report from HMICFRS in January 2021.



## Opinion on the financial statements

We have completed our work on the audit of the Authority's financial statements and include our detailed findings in our Audit Findings Report. We issued an unqualified audit opinion for 2020/21.

# Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Fire Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Authority's responsibilities are set out in Appendix A.

Fire Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 8.

# Financial sustainability



## We considered how the Authority:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any “Significant Weaknesses”.

## Key findings

On the 17 February 2020 the Authority’s budget of £100m which included a Council Tax Requirement of £44m was approved. As a result of a more favourable government settlement in 2020/21 there was a £2m improved funding position compared to budget forecasts in February 2019. The Authority decided to utilise the improved settlement position to reduce the scale of savings required based on previous forecasted budgets by £1m, deferring the use of £0.75m from the general fund in 2020/21 and investing £0.25m in digital services to enhance future operational capability.

The financial planning at this time also looked at 2021/22 and 2022/23 where it was anticipated that a balanced position would be achieved across the forthcoming years, based on 2% Council Tax increases, inflation assumptions and continuation of Section 31 government grant to fund employer’s firefighter pension contribution increase. The assumptions applied at this point of time were deemed reasonable.

In the middle of 2018/19 the Authority introduced a risk-based approach to fleet management to help the Authority meet its budget shortfalls within its financial efficiency plan and this was first mentioned in the budget report for 2019/20. The impact of this was monitored on a quarterly basis and reported to the **Strategic Enabling Team [SET]**. Going into 2020/21 a saving of £2.8m was required, and the Authority applied the following principles, resourcing to risk and demand, aligning fleet availability o key contact time, maintaining late shift availability and a flexible approach to respond to seasonal risk.

The Authority delivered a £5m underspend against a final budget of £44m, with a final outturn of £39m. The significant variations were in respect to contingency underspends and staffing costs not realised as a result of Covid-19. The underspend did not impact the service delivery of the Authority, with all statutory responsibilities fulfilled.

The 3 Year Strategy 2021-24, “Our Plan” and Annual Plan 2021-22, sets the Authority’s strategic direction for the medium term. The Authority bases its financial planning based on the strategy and objectives within these to ensure consistency of approach and enable delivery requirements to be met. The key areas covered by “Our Plan” include ensuring response priorities deal excellently with emergency incidents, prevention to support safer and healthier communities and protection priorities to focus on stronger businesses and safer communities. These areas of focus are built into how the Authority manages its finances to deliver these objectives.

The Fire & Rescue Authority carries out its duties under the Fire and Rescue Services Act 2004 in relation to fire prevention, fire safety, firefighting and rescues, including emergencies such as road traffic collisions and flooding events. Unlike local councils, there aren’t any discretionary services that have a net negative financial impact - the additional services provided are designed to be revenue generating - such as working with other blue light services.

We are satisfied that from our review of the arrangements that the Authority has in place over financial sustainability that there are no significant weaknesses which we need to bring to your attention.

# Governance



## We considered how the Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any “Significant Weaknesses”.

## Key findings

Because of the nature of the services the Fire Authority provides, it takes risk management extremely seriously, both in operational and non-operational aspects. The Authority has a structured risk management framework in place which supports its assessment and treatment of its corporate risks. Corporate risks are defined by the Authority as those which if they occurred would seriously affect the Authority’s ability to carry out its core functions, or deliver objectives set out in “The Plan”. Risks are identified by a variety of sources including the Audit and Risk Committee, Strategic Enabling Team (SET), Quarterly Performance Review (QPR), intelligence by organisational and operational pathways, work of the Organisational Assurance Team and feedback from any group or member of the Authority. The corporate risks identified are assigned a suitable risk owner and these are captured in the Corporate Risk Assurance Map. Each risk is assigned a risk estimation based on the likelihood and impact. On a quarterly basis the position statement against each risk is drafted and is reported to the QPR. The Audit and Risk Committee is presented with the summary and position statement twice yearly, and if there are any significant changes to the corporate risk environment, this update will be taken to the next Audit and Risk Committee. Having assessed the risk management process at the Authority and its reporting we are satisfied that the arrangements over identification, monitoring, and treatment of corporate risk are appropriate.

Internal Audit is provided by Sandwell Audit Services. From review of internal audit work, and attendance at Audit and Risk Committee, we can confirm that internal audit is adequate and effective. The Internal Audit function has in place a three-year Internal Audit strategy and annual audit plan which provides sufficient coverage of the Service’s risk environment.

The Audit and Risk Committee receives update reports at each meeting, and these summarise the key messages and conclusions, providing sufficient assurance to enable it to assess whether internal controls have operated as expected.

The annual budget is built to support the statutory responsibilities of the Authority and to deliver the objectives set out in the Annual Plan and the 3 Year Strategy 2021-24. The budget setting process is seen as a key part of the Authority’s arrangements to establish the level of funding available and how it uses this to deliver its key priorities and services. Budget-holders have access to real time financial management information. The nature of the budgets means that there are few for which profiling is relevant. Financial monitoring reports are presented to the Fire Authority on a quarterly basis. All forecast variances against individual budget lines are reported. The body of the reports explains the larger variances, and changes to previous budgets, in detail. Budget changes are approved by Committee (or Full Authority) within each quarterly report.

The Authority undertakes public consultation of the people who live, work and travel within the West Midlands, and take these views into account when developing their 3 year strategy and annual plan. The last consultation of the public occurred in 2020.

The Fire Authority share its provisional budget with District Leaders, to ensure that appropriate levels of funding are agreed in respect to Council Tax. For the 2021/22 this included the impact of the provisional 2021/22 financial settlement

From our review of the arrangements that the Authority has over governance we have not identified any significant weaknesses which we need to report on.

# Improving economy, efficiency and effectiveness



## We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any “Significant Weaknesses”.

## Key messages

The Authority has in place a number of targets against operational and performance indicators to ensure that the Authority maintains and improves upon its service delivery in the region. Performance information is submitted and considered regularly by SET, so to help performance and provide assurance around the ongoing performance against the annual plan. The performance indicators the following areas

- Response, Prevention and Protection
- People
- Safety, Health and Environment
- Strategic Objective as outline the Authority’s “Our Plan”

Key performance indicators are included in quarterly reports to Full Authority. The analysis of quarterly performance is made against the annual plan.

The Fire Authority is subject to inspection by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services [HMICFRS] with the last full inspection being undertaken in 2018/19 where the Authority was rated overall good across each of the three areas, Effectiveness, Efficiency and People, with limited improvement recommendations. Any improvement points highlighted in the report were acknowledged by the Authority, and considered in its future service delivery.

A further review was undertaken by HMICFRS in respect of Covid-19 arrangements, we have considered the findings of the report in more detail, on page 8 of the report where we specifically look at Covid-19 arrangements.

The Authority has established arrangements with neighbouring fire and rescue services in Staffordshire, Warwickshire, Hereford and Worcester and Shropshire, for reciprocal support at times of peak demand. " These arrangements are formalised in documented agreements between services. The Authority also holds 'Observer' status within the West Midlands Combined Authority, which provides the ability to fully participate in the debate and work of the Combined Authority and actively contribute to better joint working and visioning for public sector services.

The Authority has a statutory duty to ensure that procurement of supplies, works and services represent the most cost-effective solution and value for money is achieved. On its website the Authority outlines its procurements processes, which includes the use of Corporate Procurement Section, which uses competitive or joint arrangements to get the best value out of its corporate contracts. The procurement procedures are governed by internal standings orders, financial regulations and EU Procurement Directives. We are satisfied that the procurement process at the Authority are appropriate.

Looking forward, the Authority has a capital programme in place from 2021/2022 to 2023/24. The programme is predominately funded through earmarked reserves and there is an overall deficit of £1.4m in funding for the 3 year period against a total budgeted spend of £14.9m, which we do not deem to be significant. We also have noted that there is slippage in delivery of the Capital Programme at the authority, but this is due to the impact of Covid-19 and associated supply chain issues, which is reflective of national issues.

# Covid-19 Arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Authority's arrangements have adapted to respond to the new risks they are facing.

## Overview

We are satisfied that the arrangements are reasonable, and do not give rise to any "Significant Weaknesses".

## Key messages

The Covid-19 pandemic is a global event that has impacted all people and organisations. The Fire Authority during this period has had to continue to provide this key service with a number of restrictions imposed.

The Fire Authority responded to the pandemic by reducing the extent of non essential activity so that firefighters were able to continue to respond to emergency calls, while also supporting the county wide response.

The Authority allowed its staff to work flexibly and efficiently during the pandemic, making use of technology to implement agile working and video conferencing where required and plans to adopt these changes into its usual procedures. The Authority used technology to conduct safe and well visits and business fire safety audits remotely, and to stay in touch with the public.

No significant weaknesses in controls have been raised by Internal Audit. Governance has adapted appropriately, with meetings happening through Teams. We have not seen any diminution in the quality of debate or challenge as a result of the pandemic.

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services COVID-19 Inspection took place between 5 and 16 October 2020, reporting in January 2021. The report summarises "In Summary, we were impressed by how the service evolved its ways of working during the pandemic. This enabled it to continue to provide its statutory functions, as well as supporting the wellbeing needs of its staff. The service updated its plans as it understood the new risks introduced by the pandemic and has already started to develop plans to adapt and adopt the best aspects of its new ways of working."

The financial position of the Authority was not significantly impacted by the pandemic, the service received £4.6m of extra government funding to facilitate its response. The main extra costs incurred were in relation to extra staffing costs, PPE, ICT and building alterations. The additional funding meant that the authority did not need to use any of its reserves to meet these extra costs.

During the pandemic staff wellbeing was an area of focus for the Authority. Mental wellbeing support was available to the Authority's staff. The Authority effectively identified staff most at risk from COVID-19, including those from a black, Asian and minority ethnic background and those with underlying health problems, and worked with staff to develop and implement strategies for support and safety.

In our view the Authority has appropriately responded to the challenges made by the pandemic to continue to deliver key services to the public and provided arrangements for its staff to work throughout the period, and therefore there is no evidence of significant weaknesses in its arrangements.

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 19 October 2021.

## Audit Findings Report

More detailed findings can be found in our ISA 260 report, which was presented at the 27 September Audit and Risk Committee.

## Whole of Government Accounts

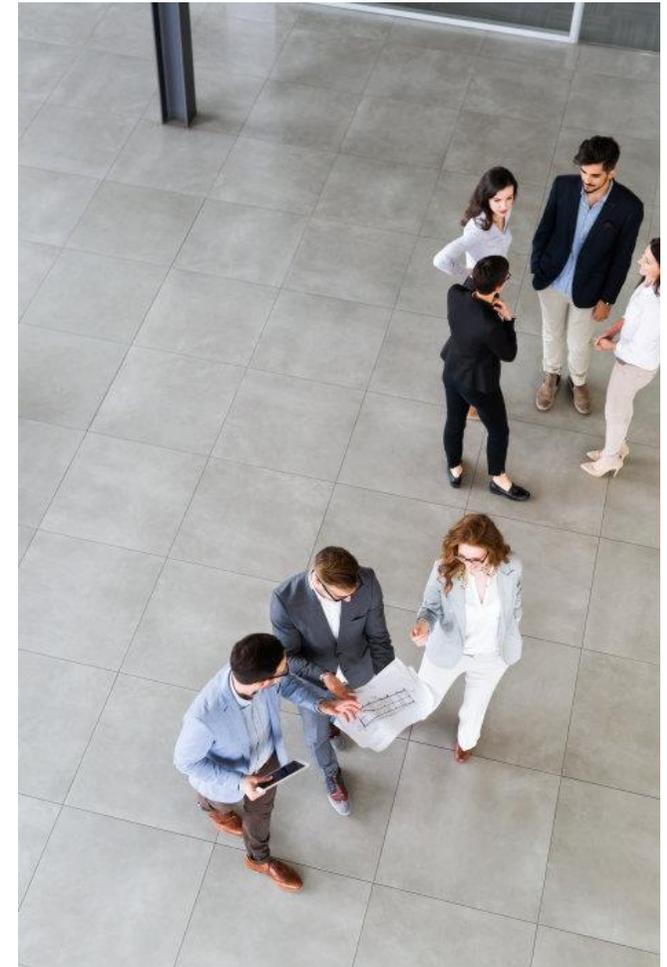
The Fire Authority is below the threshold for an audit of the Whole of Government Accounts (WGA) return. However, the guidance and template return is not expected until July 2022, so we are unable to conclude our audit at this stage.

## Preparation of the accounts

The Authority provided draft accounts in line with the national deadline of 30 July,

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Appendices

# Appendix A - Responsibilities of the Fire Authority



## Role of the accountable officer:

- Preparation of the statement of accounts
- Assessing the Authority's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

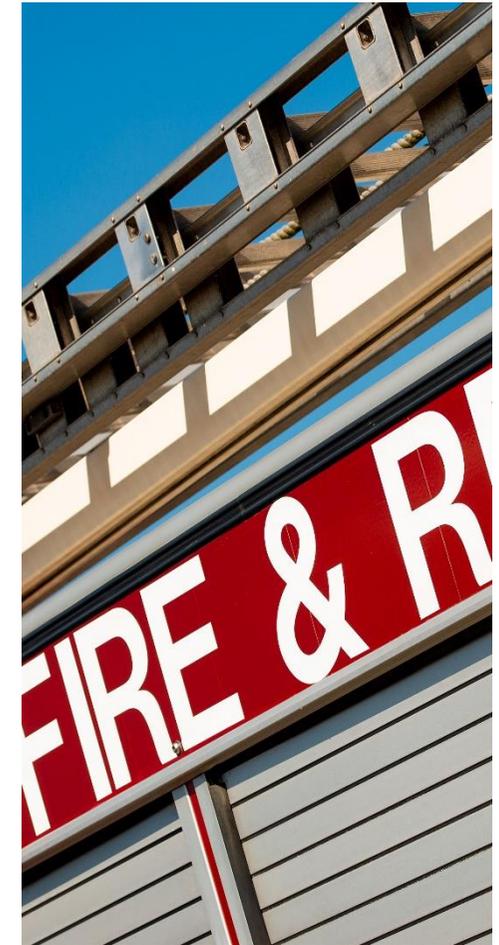
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Authority's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority's arrangements.	No	N/A

# Appendix C – Use of formal auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue a statutory recommendation.

## Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not issue an application to the Court.

## Advisory notice

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for a judicial review.



## WEST MIDLANDS FIRE AND RESCUE AUTHORITY

## AUDIT AND RISK COMMITTEE

## WORK PROGRAMME 2021/22

Date of Meeting	Item	Responsible Officer	Completed
<b>2021</b>			
19 July 2021	Statement of Accounts 2020/21 (Draft Unaudited Approval)	Treasurer	19 <sup>th</sup> July 2021
	Treasury Management Annual Report 2020/21	Treasurer	19 <sup>th</sup> July 2021
	Monitoring Policies and RIPA (Annual Whistleblowing Report)	Monitoring Officer/ACFO Strategic Enabler (Enabling Services)	Note: deferred to 6 December
	Minutes of the Audit and Risk Committee held on 7 June 2021	Democratic Services Officer	19 <sup>th</sup> July 2021
	Minutes of the Pension Board held on 30 March 2021	Democratic Services Officer	19 <sup>th</sup> July 2021
	Minutes of the Pension Board held on 9 June 2021	Democratic Services Officer	19 <sup>th</sup> July 2021

	<p>Training Requirements of Audit and Risk Members</p> <p>Audit and Risk Committee Draft Work Plan 2021/22</p> <p>Request for a decision on Action to be taken in respect of immediate detriment cases under the McCloud_Sargeant Ruling</p>	<p>Democratic Services Officer</p> <p>Democratic Services Officer</p> <p>ACFO Strategic Enabler (Enabling Services) / Treasurer</p>	<p>Note: deferred from 19 July meeting</p> <p>19<sup>th</sup> July 2021</p> <p>19<sup>th</sup> July 2021</p>
27 Sept 2021	<p>Terms of Reference of Audit and Risk Committee</p> <p>Audit Findings Report 2020/21</p> <p>Statement of Accounts 2020/21 (for approval)</p> <p>Audit Progress &amp; Sector Update</p> <p>Internal Audit Progress Report</p> <p>Internal Audit Report - Data Governance</p>	<p>Democratic Services Officer</p> <p>Grant Thornton</p> <p>Treasurer</p> <p>Grant Thornton</p> <p>Audit Manager</p> <p>ACFO Strategic Enabler (Enabling Services) /Data and Governance Manager</p>	<p>27<sup>th</sup> September 2021</p> <p>27<sup>th</sup> September 2021</p> <p>27<sup>th</sup> September 2021</p> <p>Deferred from 27<sup>th</sup> Sept Meeting</p> <p>27<sup>th</sup> September 2021</p> <p>27<sup>th</sup> September 2021</p>

	Minutes of the Audit and Risk Committee held on 19 July 2021	Democratic Services Officer	27 <sup>th</sup> September 2021
	Audit and Risk Committee Work Plan 2021/22	Democratic Services Officer	27 <sup>th</sup> September 2021
4 Oct 2021 [Authority]	Audit Findings Report 2020/21	Grant Thornton	4 <sup>th</sup> October 2021
	Statement of Accounts 2020/21	Treasurer	4 <sup>th</sup> October 2021
	Minutes of the Audit and Risk Committee held on 07 June and 19 July	Democratic Services Officer	4 <sup>th</sup> October 2021
25 Oct 2021 - <i>Cancelled</i>	Minutes of the Audit and Risk Committee held on 27 September 2021	Democratic Services Officer	Deferred to 6 December
	Audit Progress & Sector Update	Grant Thornton	Deferred to 6 December
	Internal Audit Progress Report	Audit Manager	Deferred to 6 December
	Treasury Management Mid-Year Report 2021/22	Treasurer	Deferred to 6 December
	Annual Audit Letter 2020/21	Grant Thornton	Deferred to 21 March 2022
	Corporate Risk Update Q1 & Q2 2021/22	ACFO Strategic Enabler (Enabling Services)	Deferred to 6 December

	Annual SIRO report	ACFO Strategic Enabler (Enabling Services)	Deferred to 21 March 2022
	Audit and Risk Committee Work Plan 2021/22	Democratic Services Officer	Deferred to 6 December
	Minutes of the Pension Board held on 08 September 2021	Democratic Services Officer	Deferred to 6 December
	Fraud Awareness Training (tbc)	Phil Tromans John Matthews	Deferred to 21 March 2022
6 December 2021	Minutes of the Audit and Risk Committee held on 27 September 2021	Democratic Services Officer	6 December 2021
	Audit Progress & Sector Update	Grant Thornton	Deferred to 21 March 2022
	Internal Audit Progress Report	Audit Manager	6 December 2021
	Treasury Management Mid-Year Report 2021/22	Treasurer	6 December 2021
	Corporate Risk Update Q1 & Q2 2021/22	ACFO Strategic Enabler (Enabling Services)	6 December 2021
	Vacant Residential Properties Update	Treasurer	6 December 2021
	Monitoring Policies and RIPA (Annual Whistleblowing Report)	Monitoring Officer/ACFO Strategic Enabler	6 December 2021

	Audit and Risk Committee Work Plan 2021/22	(Enabling Services) Democratic Services Officer	6 December 2021
	Minutes of the Pension Board held on 08 September 2021	Democratic Services Officer	6 December 2021
13 December 2021 (Authority)	Minutes of the Audit and Risk Committee held on 27 September	Democratic Services Officer	13 December 2021
	Annual Audit Letter 2020/21	Grant Thornton	Deferred to 27 June

**2022**

14 February 2022 (Authority)			
21 March 2022	Minutes of the Audit and Risk Committee held on 6 December 2021	Democratic Services Officer	21 March 2022
	Internal Audit Progress Report	Audit Manager	21 March 2022
	Audit Progress & Sector Update	Grant Thornton	
	Internal Audit Plan 2022/23	Audit Manager	21 March 2022
	Audit Plan 2021/22 (possibly in June 2022 - tbc)	Grant Thornton	

	Internal Audit Charter – Annual Review	Audit Manager	21 March 2022
	Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2021/22 (possibly in March 2022 but may need to be June 2022 - tbc)	Grant Thornton	21 March 2022
	Annual Audit Letter 2020/21	Grant Thornton	Deferred to 06 June 2022
	Annual SIRO report	ACFO Strategic Enabler (Enabling Services)	21 March 2022
	Minutes of the Pensions Board held on 10 December 2021	Democratic Services Officer	06 June 2022
	Audit and Risk Committee Work Plan 2021/22	Democratic Services Officer	21 March 2022
	Fraud Awareness Training	Phil Tromans John Matthews	21 March 2022
	<i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i>	<i>Audit Manager</i>	21 March 2022
6 June 2022	Annual Internal Audit Report 2021/22	Audit Manager	
	Governance Statement 2021/22	Treasurer	
	Monitoring Policies and RIPA (Annual Whistleblowing Report)	Monitoring Officer/ACFO	

		Strategic Enabler (Enabling Services)	
	Corporate Risk Update Q3 & Q4 2021/22	ACFO Strategic Enabler (Enabling Services)	
	Audit Plan 2021/22 (possibly in March 2022 - tbc)	Grant Thornton	
	Informing the Audit Risk Assessment – West Midlands Fire and Rescue Authority 2021/22 (possibly in March 2022 but may need to be June 2022 - tbc)	Grant Thornton	
	Annual Report of the Audit and Risk Committee 2021/22 for approval	Chair, Audit and Risk	
	Audit Progress & Sector Update	Grant Thornton	
	Internal Audit Progress Report	Audit Manager	
	Minutes of the Audit and Risk Committee held on 21 March 2022	Democratic Services Officer	
	Minutes of the Pensions Board held on XXXX - tbc	Democratic Services Officer	
	Annual Report of the Pension Board 2021/22	Chair, Pensions Board	

	<p>Audit and Risk Committee Work Plan 2021/22</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts 2021/22</i></p>	<p>Democratic Services Officer</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p>	
<p>27 June 2022 [Authority]</p>	<p>Governance Statement 2021/22</p> <p>Annual Audit Letter 2020/21</p> <p>Minutes of the Audit and Risk Committee held on 21 March 2022</p> <p>Minutes of the Audit and Risk Committee held on 6 December 2021</p> <p>Annual Report of the Audit and Risk Committee 2021/22</p>	<p>Treasurer</p> <p>Grant Thornton</p> <p>Democratic Services Officer</p> <p>Democratic Services Officer</p> <p>Chair, Audit and Risk</p>	<p>Deferred to October 2022</p>

<p>XX July 2022 (Audit and Risk Committee 2022/23)</p>	<p>Minutes of the Audit and Risk Committee held on 6 June 2022</p> <p>Statement of Accounts 2021/22 (Draft Unaudited Approval)</p> <p>Treasury Management Annual Report 2021/22</p>	<p>Democratic Services Officer</p> <p>Treasurer</p> <p>Treasurer</p>	
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	<p>Audit and Risk Committee Draft Work Plan 2022/23</p> <p>Minutes of the Pension Board (tbc)</p> <p>Note: Audit Findings Report 2021/22 (needs to be in Sept 2022)</p>	<p>Democratic Services Officer</p> <p>Democratic Services Officer</p> <p>Grant Thornton</p>	
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