

West Midlands Fire and Rescue Authority

Audit and Risk Committee

You are summoned to attend the meeting of Audit and Risk Committee to be held on Tuesday, 04 September 2018 at 12:30

at Fire Service HQ, 99 Vauxhall Road, Nechells, Birmingham B7 4HW

for the purpose of transacting the following business:

Agenda – Public Session

- | | | |
|---|---|----------------|
| 1 | To receive apologies for absence (if any) | |
| 2 | Declarations of interests | |
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Distribution:

Stephen Craddock - Member, Jasbinder Dehar - Member, Zafar Iqbal - Member, Kerry Jenkins - Vice Chair, Catherine Miks - Chairman

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This agenda and supporting documents are also available electronically on the West Midlands Fire Service website at www.wmfs.net

Minutes of the Audit and Risk Committee

23 July 2018
at Fire Service Headquarters, Vauxhall Road,
Birmingham B7 4HW

Present: Councillors Miks (Chair), Craddock, Dehar, Iqbal,
Jenkins and Mr Ager (Independent)

Apology: Mr P Farrow, Mr J Matthews

All Members of the Committee and Officers in attendance
introduced themselves as most Members were new.

35/18 Declarations of Interest in contracts or other matters

There were no declarations of interest.

36/18 Minutes of the Audit Committee held on 4 June 2018

Resolved that the minutes of the meeting held on the 4
June 2018 be approved as a correct record.

37/18 Audit Findings 2017-18

The Committee noted the Audit Findings Report (AFR)
2017/18. The AFR set out and reported on the key
messages arising from the external audit work undertaken
during the year. The AFR is designed to support the
Auditor's opinions and conclusions and is a requirement of
the Code of Audit practice.

Mr Richard Percival, Grant Thornton, explained the findings
to the members of the Committee and summarised the key
messages on the Financial Statements and Value for Money
arrangements arising from their audit of the accounts.
The accounts had been received promptly and the Auditors
wished to record their appreciation for the assistance

provided to them by Kal Shoker and the Finance Team and other staff during the audit.

The Auditor stated that Audit Opinion would be issued in a day or two and the AFR would be presented to the Fire Authority as its meeting on the 17 September 2018.

The Management Representation letter would be signed following the meeting. Nothing unusual had been found during the audit and following update work on the final version of the accounts, the auditor would produce an unqualified Value For Money conclusion.

The External Auditor stated that they had not exercised any of their additional statutory powers or duties.

Materiality calculations remained the same as reported in the audit plan and were set out in a table in the report. The materiality level was set at circa £2.5m with the performance materiality level circa £1.8m.

Of the six standard risks, the Auditor stated there were no risks to be reported to the Committee.

The Auditor had given a green light, to the accounting policies, confirming that they were appropriate and disclosures sufficient.

There were no other matters to be reported by exception as the Annual Governance Statement and information in the narrative report were considered consistent with the accounts and passed the tests.

In respect of Value for Money, the Auditor had carried out an initial risk assessment in February 2018 and identified one significant risks in respect of certain areas of proper arrangements using the guidance contained in AGN03.

The significant risk identified by the Auditor was the development of the governance arrangements to the West Midlands Combined Authority, and recognised that the Authority was operating within a dynamic environment as part of the West Midlands.

The Auditor acknowledged that in seeking to settle its Trade Dispute with the Fire Brigades Union, the Authority's Executive Committee had decided that the Plan should be revised. New employment contracts had been withdrawn resulting in the Authority no longer being able to provide "Wider Health Related" services as planned. This too would impact on the delivery of the Financial Efficiency Plan and moving forward it would be extremely important to demonstrate to the WMCA financial sustainability.

Expansion of wider health services was now limited and the Authority would need to demonstrate how it would be working with partners.

The Auditor considered the overall pace of change to be good and there were mechanisms in place for keeping Members aware of developments.

Another key risk was the potential for delay of the Parliamentary Order in December 2018.

The Governance arrangements required a clear split between holding the Authority to account and scrutiny and this would be provided by the Mayoral Fire Advisory Committee and Overview and Scrutiny Committee with membership from each constituent authority and this would improve the accountability of the FRS through an elected Mayor.

The Auditor noted that risks were being managed at authority level and at project levels, but the detail of how arrangements would be delivered was yet to be worked through. This was due to the uncertainty of the over-arching governance arrangements and recognised this by the change of title of committee and felt this level of granularity was important.

The Chair thanked the Auditor and was impressed to note that the Authority's accounts were amongst the best in the West Midlands.

38/18 **Statement of Accounts 2017-18**

The Audit and Risk Committee's approval was sought for the Authority's Statement of Accounts for the financial year ended 31 March 2018. The full Statement was attached as Appendix A to the report and can be viewed at www.wmfs.net/your-fire-service/openness/documents

A summary of the Statement outlining the main issues was attached at Appendix B to the report. The Treasurer stated the Statement links closely with the Audit Findings Report.

It was confirmed that the Letter of Representation was to be signed by the Chair of the Audit and Risk Committee at the end of the meeting.

Members were informed that the Statement linked to the Workshop held for Members of the Audit Committee on 4 June 2018, however, as the majority of Members were new to the Audit and Risk Committee, the Treasurer recapped the main areas of the lengthy report.

The Treasurer stated that the main Statements were the Comprehensive Income and Expenditure Statement and the Balance Sheet, although both were significantly affected by accounting requirements relating to pension arrangements.

The Treasurer highlighted the Movement in Reserves Statement which showed Earmarked Reserves had decreased by £4.750 million to £38.984 million in the year ending 31st March 2018 and General Reserves had decreased by £0.846 million to £8.390 million in the year ending 31st March 2018.

This was the first year for some time the overall level of balances had reduced and would need to be closely monitored during the next three year budget cycle.

The reserve strategy presented to the Authority on 19th February 2018 as part of the budget report had indicated both General Reserves and Earmarked Reserves would fall significantly over the next three financial.

In summary, as at 31 March 2018, there was £8.390m in general balances, £38.984m in earmarked reserves and £50.027m in total usable reserves.

The Balance Sheet set out Long term borrowing as £36.002m as at 31st March 2018. No further borrowing had taken place during 2017/18 and this had reduced from £37.363m as at 31 March 2017. The Committee noted the link to the treasury management strategy later on the agenda. At the top of the Balance Sheet, Property, Vehicles, Plant and Equipment which had been acquired in part from loans taken out in previous years, totalled £144m, which was quite significant in comparison to the long term borrowing figure.

£51.379m cash and cash equivalents was held in balances as at 31st March 2018 compared to £57.428m as at 31st March 2017. The utilisation of balances reflected on the cash and cash equivalents.

Cllr Craddock noted the transfer from Earmarked Reserves of £4.750m and the increase in the use of General Reserves of £846,000 and felt there was a bigger hole in the budget than was reflected in the figures provided. Cllr Craddock indicated that the Treasurer was playing with figures.

The Treasurer advised that Grant Thornton, the Authority's Independent Auditors had audited the accounts and re-emphasised the scale of Balances used during 2017/18 as reflected within the Statement of Accounts

The Treasurer acknowledged in his view the effect of Pensions didn't help with the clarity of the accounts due to valuations and liabilities associated with this issue but confirmed that prescribed local government accounting conventions were used in the preparation of the Statement of Accounts.

Cllr Craddock still felt that the Authority was operating at a deficit and that the Treasurer was hiding the Authority's deficit.

The Treasurer stated that General Balances had been used in 2017/18 to help fund the Authority's budget but the use of balances was in line with information provided specifically in budget reports approved by Members, with the use of General Balances being £846k in 2017/18 compared to £850k reflected in the Budget report approved by the Authority on 19th February 2018 and this had specifically been highlighted within the reserve strategy contained in the budget report. The Reserve Strategy had also highlighted the anticipated significant use of Balances over the next three financial years.

Richard Percival from Grant Thornton confirmed that the accounts and their format were difficult to understand even for qualified accounts.

However, the Fire Authority as part of Local Government needed to comply with accounting standards to demonstrate its performance on council tax.

There is a deal of adjustment regarding precept figures and pension liability.

The Auditors were aware of the movement of reserves of £846,000 had been set aside to be drawn down in the current year and the Auditor would have been concerned if the amount budgeted for had not been drawn down in line with the financial plans.

The Auditor confirmed the Treasurer was right to flag to Members that the Authority would be continuing to use its balances and should be aware what the balances were and if they would be sufficient going forward. The Auditor stated that protecting balances to a reasonable level was important.

The Deputy Chief Fire Officer stated the accounts were difficult to understand and the Authority found itself in a difficult situation. However, officers were looking at options for further efficiencies, including Council Tax options, Grants, and the Fair Funding Review.

The future was unclear but would not get better and there would be continued pressure on the budget and in order to balance the budget, the Authority had agreed the use of reserves.

A report would be presented to the Fire Authority in September on the efficiencies to be made. The Authority were aware of the cuts in funding and how it had tried to find alternative ways of delivering the budget. However, this would not now be achieved and there was a need to refocus on where the money is going to come from.

There was no capital funding or transformation grants from the Government and the refurbishment of Coventry and Aston Fire stations, the purchase of fire kit and fire appliances etc. all required capital funding which was predominantly being met currently from Earmarked Reserves.

The Accounting Regulations made the Statement of Account difficult to read, however officers understood the position the Service found itself and confirmed that the use of balances was not sustainable.

He agreed that it was the purpose of Audit and Risk Committee to scrutinise the accounts, but currently there was a specific funding problem and the Authority needed a clear plan on how it was going to be addressed.

Further reports would be presented to the Audit and Risk Committee for Challenge and Review and the DCFO welcomed the scrutiny of the committee as it triangulated the issues being faced.

To meet the challenges ahead the Authority would be changing its strategy and was working on efficiency plans. The Trade Dispute had compressed the timeline but a rationale would be provided to members at future meetings of the Authority.

The Treasurer confirmed that £2m in alternative funding from health and wellbeing was appropriate at the time of preparation of the budget report, however, this was a

concern as highlighted in the Audit Findings Report presented by the Auditor at page 42 financial outlook

Resolved that the Statement of Accounts Summary be noted and the Statement of Accounts for 2017/18 as set out at Appendix A be approved.

39/18 Treasury Management Annual Report 2017-18

The Committee received the Treasury Management Annual Report 2017/18, which covered the Treasury Activity during 2017/18 and the Actual Prudential Indicators for 2017/18, which had been compiled by the Treasurer

The Authority approved its 2017/18 Treasury Management strategy as part of the Budget setting process in February 2017 and the Audit Committee received a mid-year Treasury Management update in November 2017.

The key Treasury Management activities were:

- Capital expenditure
- The Authority's Debt
- The Authority's Investment

Capital expenditure

The Authority's capital expenditure for 2017/18 was £4.527m, which was funded mainly by revenue contributions (£4.354m) and capital grants (£0.173m). The largest spend on capital was £2.1m on the redevelopment of Coventry Fire Station and £0.8m on vehicle replacements. No borrowing undertaken to finance any capital expenditure in 2017/18.

The Authority's Debt

The Authority's total External Debt as at the 31 March 2018 was £37.4m, £34.2m of the debt was with the Public Works Loan Board and the balance £3.2m is related to the Authority's Share of the ex-WMCC debt.

The Authority holds long term assets valued at of £144m which the loans have help to fund and the average rate of interest paid on the debt was 5.5%.

The Authority's Investments

As at the 31st March 2018 the Authority's investments totalled £51.9m which are invested with Sandwell MBC as part of the pooling of bank account arrangements the Authority has with them.

Interest is received on the Authority's average cash balance and is based on the average return achieved by Sandwell MBC plus 10 basis points which for 2017/18 was 0.404%. This compares favourably to the benchmark, which is the average 7-day LIBID rate of 0.21%.

In answer to a Member's question about the average interest rate of 5.5% on debt, it was noted that many loans had been taken out several years previously. There were options for refinancing, but this would require the payment of a premium. It was also noted that some of the higher interest rate loans were reaching their maturity date and would be ending soon.

Members discussed the problems facing local authorities in respect of investments and the advantages of bank accounts being part of a pool.

It was noted that the Treasurer works closely with Sandwell MBC who have appointed Treasury Management Advisors. It was felt that the pooling arrangement with Sandwell did not provide any additional level of risk or exposure.

The Treasurer stated that interest rates are expressed as an average rate and any Treasury Management reports would look at a range of loans. In respect of their interest rates, this could include fixed and variable rates.

Many of the loans were taken out in previous years when interest rates were higher. Perversely if the Authority had borrowed more recently, the interest rate would have been lower and therefore the average rate would be reduced.

Resolved that the report and Appendix be noted and the Prudential and Treasury Indicators 2017/18 be approved.

40/18 Audit and Risk Committee Work Programme 2018/19

The Committee noted the Work Programme for 2018/19.

It was agreed that the Fraud Awareness would be arranged to take place on 3 September 2018 at the Audit and Risk Committee.

Cllr Craddock agreed to enquire about the training provided by Walsall MBC and agreed to provide further information to the Committee at a future meeting.

DCFO stated this could be included in the Members Training Programme.

41/18 Update on Topical, Legal and Regulatory Issues (Verbal Report)

There were no new issues to report.

The meeting finished at 1117 hours.

Julie Connor Strategic Hub 0121 380 6906 Julie.Connor@wmfs.net

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT & RISK COMMITTEE

4 SEPTEMBER 2018

1. **ANNUAL AUDIT LETTER 2017/18**

Report of the Treasurer.

RECOMMENDED

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

2. **PURPOSE OF REPORT**

This report is submitted to inform the Audit & Risk Committee of the findings of the external audit work undertaken for the audit year 2017/18 which is summarised in the AAL.

3. **BACKGROUND**

3.1 The AAL summarises the key findings from external audit work undertaken for the 2017/18 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 Annual Findings Reports presented to the Audit Committee on 23 July 2018 outlined the findings of the audit work undertaken.

3.3 Following the Audit & Risk Committee meeting, the auditor issued an unqualified opinion on the Authority's 2017/18 financial statements included in the Authority's Statement of

Accounts.

- 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) 07 – Auditor Reporting. The NAO Code of Audit Practice specifies the following criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for tax payers and local people."

- 3.5 As a consequence of this work, the auditor concluded that for 2017/18 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 AAL.
- 3.7 Representatives from Grant Thornton will present and explain the findings detailed in the AAL to the Audit Committee.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and/or do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

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

6. **FINANCIAL IMPLICATIONS**

The agreed scale fee for the provision of external audit services for the audit year 2017/18 was £38,636.

7. ENVIRONMENTAL IMPLICATIONS

There are no environmental implications arising from this report.

BACKGROUND PAPERS

The Audit Findings 2017/18 – Agenda item 4 – Audit & Risk Committee 23 July 2018.

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

MIKE GRIFFITHS
TREASURER

Annual Audit Letter

Year ending 31 March 2018

West Midlands Fire & Rescue Authority

August 2018



Contents



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at West Midlands Fire & Rescue Authority (the Authority) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Authority and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Authority's Audit & Risk Committee as those charged with governance in our Audit Findings Report on 23 July 2018.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Authority's financial statements to be £2,489,000, which is 2% of the Authority's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Authority's financial statements on 23 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Authority's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Authority had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Authority on 23 July 2018.
Certificate	We certify that we have completed the audit of the accounts of West Midlands Fire & Rescue Authority in accordance with the requirements of the Code of Audit Practice.

Executive summary

Key messages

Financial statements

The draft accounts were provided for audit before the end of May deadline which enabled us to make a prompt start on the audit. The accounts were well supported by appropriate working papers and members of the finance team were available throughout our audit visit to deal with questions and matters arising. We appreciate the support we were given, which enabled us to complete our audit and issue our unqualified audit opinion before the statutory deadline of the end of July.

We did not identify any adjustments affecting the Authority's reported financial position. There were a small number of disclosure errors and we requested some adjustments to improve the presentation of the financial statements. These changes were agreed and made in the final version of the accounts.

Value for Money Conclusion

We are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money in the use of its resources. Our work focused on:

- the Authority's progress towards preparing governance arrangements to join the WMCA; and
- the financial strategy and assumptions relating to the Authority once it has joined the WMCA, including income streams and use of reserves.

Since April 2018 the Authority has been seeking to settle its dispute with the Fire Brigades Union. As part of its response the Authority has withdrawn the revised employment contract. As a result "Wider Health Related" services can no longer be provided as planned. This impacts on the delivery of the Financial Efficiency Plan (FEP), reducing projected income generation by £2.0 million.

The Authority has a significant funding issue to respond to. It is likely in the short term that there will be a call on working balances to balance the 2018/19 financial position. Over the medium term the FEP will need a significant re-assessment to ensure a deliverable sustainable financial plan is in place.

It is clearly important that the Fire Authority can demonstrate to the WMCA Board that it has a realistic financial strategy in place to deliver a financially sustainable service as part of the new governance framework.

We gained sufficient assurance that there were no significant VFM risks relating to the proposed WMCA governance arrangements which adversely impact on our VFM conclusion for 2017/18.

Based on the work we performed to address the significant risk, we have concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

Working with the Authority

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in June 2018, finalising the audit work 30 days before the deadline and providing the opinion 7 days before the deadline. This released your finance team to work on other priorities and is a credit to your streamlined reporting processes.
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports.
- Support outside of the audit – we responded to requests for comment or views on various issues throughout the financial year. This was mainly around governance or best practice, sharing our knowledge from the wider sector.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the Authority's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Authority's accounts to be £2,489,000, which is 2% of the Authority's gross revenue expenditure. We used this benchmark as, in our view, users of the Authority's financial statements are most interested in where the Authority has spent its revenue in the year.

We also set a lower level of specific materiality for remuneration disclosures of £100,000 due to their sensitive nature and public interest.

We set a lower threshold of £124,000, above which we reported errors to the Audit and Risk Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the narrative report, and annual governance statement published alongside the Statement of Accounts to check that they are consistent with our understanding of the Authority and with the financial statements included in the Statement of Accounts on which we give our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition, • opportunities to manipulate revenue recognition are very limited, and • the culture and ethical frameworks of local authorities, including West Midlands Fire & Rescue Authority, mean that all forms of fraud are seen as unacceptable. 	<p>We did not consider this to be a significant risk for West Midlands Fire & Rescue Authority.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • reviewed entity controls, • reviewed journal entry processes and selected unusual journal entries for testing back to supporting documentation, • reviewed accounting estimates, judgements and decisions made by management, • reviewed unusual significant transactions, and • reviewed significant related party transactions outside the normal course of business. 	<p>Our audit work did not identify any issues in respect of management override of controls. In particular, the findings of our review of journal controls and testing did not identify any significant issues.</p>
<p>Valuation of pension fund net liability</p> <p>The Authority's LGPS pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>The Firefighters Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>These estimates, by their nature, are subject to significant estimation uncertainty, being sensitive to small adjustments in the assumptions made.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement, • reviewed the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation, • gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made, and • reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work did not identify any issues in respect of the valuation of the pension fund net liabilities.</p>

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Employee remuneration</p> <p>Payroll expenditure represents a significant percentage (58%) of the Authority's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle, undertaken a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, review the reconciliation of the payroll system to the general ledger and to the financial statements to agree completeness of costs, and performed a trend analysis and detailed substantive testing of pay costs to ensure employee remuneration costs were accurate and complete. 	<p>Our audit work did not identify any issues in respect of employee remuneration.</p>
<p>Operating expenses</p> <p>Non-pay expenses on other goods and services also represents a significant percentage of the Authority's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> evaluated the Authority's accounting policy for recognition of non-pay expenditure for appropriateness, gained an understanding of the Authority's system for accounting for non-pay expenditure and evaluate the design of the associated controls, and performed expenditure cut-off testing by agreeing to source documentation to ensure that expenditure is recorded in the correct financial year. 	<p>Our audit work did not identify any issues in respect of operating expenses.</p>
<p>Firefighters pension scheme</p> <p>The Authority administers the firefighters pension schemes, with the Firefighters Pension Fund Account being included in the financial statements.</p> <p>We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> gained an understanding of the Authority's systems for calculating, accounting for and monitoring pension benefit payments and evaluated the design of the associated controls, and performed detailed testing on new firefighters pension benefit payments. 	<p>Our audit work has not identify any issues in respect of firefighter pension benefits payable.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Authority's financial statements on 23 July 2018, in advance of the national deadline.

Preparation of the accounts

The Authority presented us with draft accounts in advance of the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Authority's Audit & Risk Committee on 23 July 2018.

Annual Governance Statement and Narrative Report

We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website within the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts.

We did not identify any matters which required us to exercise our additional statutory powers.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of West Midlands Fire & Rescue Authority in accordance with the requirements of the Code of Audit Practice.

Our certificate of audit completion was issued on the 23 July 2018 with our audit opinion.

Value for money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. Our work focused on:

- the Authority's progress towards preparing governance arrangements to join the WMCA; and
- the financial strategy and assumptions relating to the Authority once it has joined the WMCA, including income streams and use of reserves.

The governance model being implemented in the West Midlands is similar to the model used in Greater Manchester. The West Midlands Combined Authority (WMCA) will be responsible for the fire service, including all employment responsibilities, all properties, and all rights and liabilities. The Mayor will have the power to 'exercise' these fire and rescue functions and the ability to delegate decision making and operation of functions, as appropriate. It is anticipated that the Mayor will delegate these functions to the CFO.

This arrangement is still subject to Home Office approval. The target date for implementation is 1 April 2019.

Since April 2018 the Authority has been seeking to settle its dispute with the Fire Brigades Union. As part of its response the Authority's Executive Committee has decided that the 'Plan', (the Authority's service and financial strategy for the three years 2018 to 2021), should be revised. In particular the revised employment contract has been withdrawn, resulting in the Authority no longer being able to provide "Wider Health Related" services as planned. This impacts on the delivery of the Financial Efficiency Plan (FEP), reducing projected income generation by £2.0 million.

The Authority has a significant funding issue to respond to. It is likely in the short term that there will be a call on working balances to balance the 2018/19 financial position. Over the medium term the FEP will need a significant re-assessment to ensure a deliverable sustainable financial plan is in place.

It is clearly important that the Fire Authority can demonstrate to the WMCA Board that it has a realistic financial strategy in place to deliver a financially sustainable service as part of the new governance framework.

As part of our Audit Findings report agreed with the Authority in July 2018, we presented our detailed findings against the risks we identified.

The key risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	Governance	<u>Delivering efficiencies</u>	Auditor view
	Development and implementation of combined governance arrangements for WMFRA and WMCA.	<p>The Authority considers that being part of the Mayoral WMCA will create further opportunities to progress transformation and create greater efficiencies enabled through a single structure with potential for efficiencies across all the governance models which were appraised considering opportunities such as (but not restricted to) emergency planning, shared estates, data sharing.</p> <p>Progressing transformation and delivering greater efficiencies is challenging. The outcome of the recent Fire Brigades Union (FBU) ballot illustrates this. The delivery of the Authority's workforce reform programme included the introduction of revised employment contracts for new firefighters. These are designed to enable sustainable service delivery including wider health activities. Over 100 firefighters have been recruited on this revised contract.</p> <p>The FBU dispute has focused on this new contract, with 74% of FBU members voting to take industrial action over this issue. In June 2018 the Authority's Executive Committee (comprising of Members from constituent authorities) decided to withdraw the new entrant contract. This requires the Authority to reconsider service changes, workforce planning and options to close the funding gap to ensure it delivers its service and financial priorities.</p> <p>The "wider health related" services are a key element of the Authority's wider integration strategy, increasing its role in delivering outcomes in conjunction with other public sector services, including Police, Health bodies and Local Government bodies. The FEP includes £2.0 million of income generated by wider health related services. This is an integral part of the financial strategy and the new entrant contract was a key part of the delivery of this. If the Authority is no longer able to provide the service as planned the ability to expand and grow this strand of the business model will be curtailed.</p>	<p><u>Delivering efficiencies</u></p> <p>It is vital that the fire service remains open and flexible to opportunities for delivering service requirements with limited resources. Partnership working will be key to this which has been recognised by the Senior Leaders of both the Fire Service and the Authority.</p> <p>The Authority needs to demonstrate how financial sustainability is deliverable with the withdrawal of the new entrant contract.</p> <p>It is likely that a use of working balances will be required to support 2018/19 budget delivery. However, the continued use of balances is not sustainable. In our view significant funding alternatives or service reductions should be identified by the Authority before the transfer to WMCA.</p> <p>Without the expansion of wider health related services there will be significant limitations on the level of integration possible with the WMCA constituent Local Authorities, Health partners and West Midlands Police.</p> <p>The Authority needs to re-assess its wider integration strategy.</p>

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	Governance	<p><u>Pace of change</u></p> <p>WMCA is a key driver of public service reform in the region. In 2016/17 WMFRA signalled its intention to become part of WMCA's overall governance structure. The Policing and Crime Act 2017 was prime legislation for facilitating closer collaboration between the police and fire and rescue services. However, the West Midlands PCC has not exercised this power to take on responsibility for Fire services. This enabled the Authority and WMCA to pursue and progress joint future structural and governance arrangements.</p> <p>There is continuous reporting through WMCA Board. This ensures that members are aware of progress and engages Leaders from the seven constituent West Midlands Local Authorities to enable informed decision making on this key structural issue.</p> <p>WMFRA is managing the 'Future Governance Project' which is in the initial phases of setting up a 'governance implementation project'. To date key milestones have been achieved, but full implementation is dependent on approval of the Parliamentary Order in December 2018. There is a risk that this may be delayed.</p> <p><u>Revised governance arrangements</u></p> <p>The proposed model submitted to the Home Office for approval in May 2018 sets out that:</p> <ul style="list-style-type: none"> • WMCA will be the employer of WMFS staff and will own all properties, rights and liabilities, having the appropriate structures in place to support the requirements of employer status, as well as any liabilities that result from this. • The Mayor (only) will have the power to 'exercise' fire and rescue functions and the ability to delegate decision making and operation of functions, as appropriate. <p>Accountability – the Mayor will delegate functions to the Chief Fire Officer (CFO) enabling the CFO to be directly accountable for managing staff, employee relations, workforce development, resources and assets to support the delivery of day to day functions, as well as the development of future delivery of services aligned to the strategy agreed with the Mayor.</p> <p>Scrutiny – development of a proposed Mayoral Fire Advisory Committee, reflecting the membership of each constituent authority. It is proposed that the WMCA Board delegates the role of reviewing decisions made by the Mayor to the committee and receives reports back on these matters.</p> <p>This proposed model seeks to create an efficient and effective decision making structure, which will support the Mayor in focusing on strategy and setting direction for the fire service. A governance review was undertaken with a scheme setting out the roles, accountabilities and powers required by each individual and body in the proposed new governance model. This was followed by consultation with constituent councils and a public consultation. This sets out the importance of a clear split between the advisory/review responsibilities of the Mayoral Fire Advisory Committee and the statutory scrutiny responsibilities of Overview & Scrutiny Committee.</p>	<p>Auditor view</p> <p><u>Pace of change</u></p> <p>There is continuous reporting through WMCA Board to engage Leaders from the seven constituent West Midlands Local Authorities to enable informed decision making on this key structural issue.</p> <p>There is a risk that full implementation may be delayed by the Parliamentary timetable.</p> <p><u>Revised governance arrangements</u></p> <p>The Governance arrangements should provide a clear split between the roles of holding to account and scrutinising. The proposed sets this out in the roles of the Mayoral Fire Advisory Committee and Overview & Scrutiny Committee.</p>

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	Governance	<u>Managing risk</u>	<u>Auditor view</u>
	Development and implementation of combined governance arrangements for WMFRA and WMCA.	<p>In response to this changing agenda (both politically and structurally), the Authority has continued to report progress against its strategic risks which includes Public Service Reform. There is an acceptance that to meet the complex and diversifying needs of the public, more cross sector working is required.</p> <p>The Corporate Risk Assurance Map reported to the Audit Committee focuses on key strategic risks for the Authority. Whilst this broadly touches on the governance reform, the project of driving structural and governance change has a separate risk register. This is reported to the Authority's internal programme board and/or the Executive team, depending on the level of risk and its status. General monitoring takes place via project meetings.</p> <p>Our review has identified additional risks for which there is currently no resolution. These are known to the Authority and will be addressed as part of the 'getting into the detail' once the overarching governance structure is approved. In summary, they relate to financial, people, governance and wider public sector risks.</p> <p>Financial risks – these include the financial impact of the decision to withdraw the new entrant contract, revenue funding and precepting, funding of pension liabilities, budget setting responsibilities and the discharge of the Chief Finance Officer role under section 151 of the Local Government Act 1972, management of assets and the impact of harmonising accounting policies.</p> <p>People risks – these include staff management and liaising with trade unions.</p> <p>Governance risks – includes managing tensions between fire service objectives and the broader Combined Authority priorities where these are not consistent.</p> <p>Wider public sector risks – including the impact of the likely curtailment of wider health related services on further integration with public sector partners, and opportunities to extend and develop partnerships with other emergency service organisations including Warwickshire Fire and Rescue Service and West Midlands Ambulance Service.</p>	<p><u>Managing risk</u></p> <p>Risks are being managed at an Authority level and at a project level but the detail of how arrangements will be delivered is not yet being worked through due to the uncertainty of the over-arching governance arrangements. This will be addressed as part of the next phase of the project, but should not be over-looked as there are significant issues which remain unresolved.</p> <p>The CFO should continue to ensure that risks are appropriately managed and reported on to those with oversight of the arrangements.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit.

Reports issued

Report	Date issued
Audit Plan	March 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

Fees for non-audit services

Service	Fees £
Audit related services	Nil
- None	
Non-Audit related services	Nil
- None	

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Authority audit	£38,636	£38,636	£38,636
Total fees	£38,636	£38,636	£38,636

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 5

AUDIT & RISK COMMITTEE

4 SEPTEMBER 2018

1. CORPORATE RISK UPDATE

Report of the Chief Fire Officer.

RECOMMENDED

THAT Audit and Risk Committee approve the Corporate Risk Assurance Map Summary (Quarter 1, 2018/19, Appendix 1) and note the Position Statement (Quarter 1, 2018/19, Appendix 2) for each risk.

2. PURPOSE OF REPORT

This six-monthly update is provided to ensure Members remain informed about all aspects relating to the management of the Authority's corporate risks. It covers Quarter 4 2017/18 and Quarter 1 2018/19.

3. BACKGROUND

- 3.1 This report includes the Corporate Risk Assurance Map Summary and the Position Statement for Quarter 1 2018/19. This is the combined six-monthly report as agreed by Members at the Audit Committee Meeting held on the 25 July 2016.
- 3.2 In accordance with the Service's risk management strategy, the Corporate Risk Assurance Map Summary is submitted for approval by the Audit and Risk Committee, following its submission and discussion at the Corporate Performance Review Meeting.
- 3.3 Corporate risks are those risks which if they occurred would seriously affect the Authority's ability to carry out its core function or deliver its strategic objectives as set out in The Plan. Currently, the Service maintains 9 corporate risks, some of which have more than one element.

- 3.4 Each corporate risk is assigned to a Risk Owner, who is a member of the Strategic Enabling Team. The Risk Owner has the overall responsibility for monitoring and reviewing the progress being made in managing the risk.
- 3.5 To enable for effective risk management, the Risk Owner will periodically undertake an assessment of each corporate risk. The frequency of this review will be based upon the estimated risk rating undertaken based on likelihood x impact. The likelihood is a measure of probability of a given risk occurring using a scale of 1 (low) to 4 (high). The impact is a measure of the severity or loss should the risk occur again, using a scale of 1 (low) to 4 (high).

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
		IMPACT			

	HIGH RISK - periodic review every 6 weeks
	MEDIUM RISK - periodic review every 3 months
	LOW RISK - periodic review every 6 months
	VERY LOW RISK - periodic review every 12 months

- 3.6 In order to ensure that Members are kept informed of corporate risk matters a Corporate Risk Assurance Map Summary for Quarter 1 2018/19 (Appendix 1) and the Position Statement for Quarter 1 2018/19 (Appendix 2) are attached.

3.7 In undertaking a review of corporate risks, the Risk Owner has reviewed the Corporate Risk Assurance Map. The Assurance Map provides details of:-

- The strategic objectives and performance indicators relevant to the risk.
- The current risk scores.
- A description of events that could lead the corporate risk to be realised.
- The control measures in place designed to reduce the likelihood of risk realisation or its impact should the risk be realised.
- Additional control measures currently implemented to further reduce the likelihood or impact.
- Control owners who are responsible for the implementation, maintenance and review of individual control measures.

3.8 As part of the review the Risk Owner has considered the risk score and rating and updated the Assurance Map. The Risk Owner has provided assurance that the control measures identified are still effective in the management of risk and identified whether any new risk events or controls have been implemented or are required.

3.9 Where ongoing additional controls are being implemented, Risk Owners have confirmed the progress in implementing such controls.

Increase/decrease in Overall Corporate Risk Score

3.10 During the six months (Quarter 4 2017/18 and Quarter 1 2018/19) there has been an increase in the risk scores for Corporate Risk 9, Business Development, 9.1 and 9.2. These two risks have materialised and so Officers are unable to provide assurance for these risks.

3.11 The Position Statement attached as Appendix 2 provides the detail of the risk management activity undertaken or ongoing in respect of the Authority's 9 Corporate Risks for the six months (Quarter 4 2017/18 and Quarter 1 2018/19).

- Corporate Risks 1.1, 1.2, 2.3, 4.1, 5.2, 8.1 and 8.2 have been awarded a green confidence (substantial) opinion, which is the highest level that can be awarded. Corporate Risk 1.2 has increased from 6 to 9, with likelihood being increased from 2 to 3.
- Corporate Risks 2.1, 2.2, 3.1, 3.2, 5.1, 6.1, 7.1 and 7.2 have been awarded an amber (satisfactory) confidence opinion. In all cases, work is in progress to enable for a green rating to be attained.
- Corporate Risks 9.1 and 9.2 have been awarded a red (high risk) confidence opinion. Corporate Risk 9.2 both likelihood and impact have increased from 3 to 4 giving an overall risk score of 16. Work is in progress for these to be reduced.

Position Statement Summary

3.14 **Corporate Risk 1 – External (Political and Legislative) Environment** The timeline of governance change has progressed effectively and a joint project team between West Midlands Combined Authority (WMCA) and West Midlands Fire Service (WMFS) has been established to manage through the transfer process as an initial phase to April 2019.

3.15 **Corporate Risk 2 – People** The risk owner is confident that positive progress is being made in relation to the resolution of the trade dispute. It is anticipated that the trade dispute will be resolved in the second quarter of 2018/19, and the risk owner anticipates reducing the likelihood from 4 to 3.

- 3.16 **Corporate Risk 3 – Prevention** It is currently unclear what the impact of the trade dispute and the withdrawal from the falls response contracts will be on this Corporate Risk. Initial feedback from one of the commissioners (Wolverhampton City Council) has not been positive and there has been some reputational damage caused.
- 3.17 **Corporate Risk 4 – Protection** Due to an unpredictable and unforeseeable increase in demand, the Planning and Building Regulations Protection Team have not met the statutory consultation timescales of 15 days for some building regulation consultations. The associated risk of not providing consultation feedback within the agreed timescales with local authorities could lead to opportunities being missed to ensure buildings following development or refurbishment are compliant with legislative requirements and safe when occupied.
- 3.18 **Corporate Risk 5 – Response** The high level of fleet availability remains consistent although this continues to be enabled through the payment of a non-evidence based disturbance allowance payment which becomes more challenging to maintain as a result of withdrawal from health related activity. The current high level of fleet availability means that WMFS continues to achieve some of the best ever attendance times to Cat 1 incidents, enabling an assertive, effective and safe response.
- 3.19 **Corporate Risk 6 – Business Continuity and Preparedness** A gap analysis is underway following the publication of the Kerslake Report – an independent review into the preparedness for and emergency response to the Manchester Arena Attack in May 2017. This will identify best practice and areas for improvement to consider both internally and as part of the multi-agency West Midlands Local Resilience Forum.
- 3.20 **Corporate Risk 7 – Information, Communications and Technology** Virtual Device Infrastructure terminals have replaced desktop computers at several organisational locations; this has reduced the storage of data on individual computers. The majority of organisational data will be held in cloud storage, reducing the reliance on in-house processes, procedures and infrastructure to access and maintain data.

3.21 Corporate Risk 8 – Finance and Assets For part or potentially all of 2018/19, the further use of General Balances is likely to be required together with a review of the Authority's Strategy to ensure the 2019/20 budget and beyond can be set in a balanced manner. However, the External Auditors commented in the Audit Findings Report that the continued use of balances is not sustainable and in their view, significant funding alternatives or service reductions should be identified by the Authority before the anticipated transfer to WMCA (i.e. 31 March 2019).

3.22 Corporate Risk 9 – Business Development On 6 June 2018 the Executive Committee approved the removal of New Entrant contacts in order to avoid industrial action by Grey Book staff. This decision will have a significant impact on the Service's ability to generate Alternative Funding and achieve the full level of staff savings reflected within the Efficiency Plan. WMFS are currently liaising with Commissioners to identify options for withdrawal from contracts, including any reputational, legal or financial issues that may arise. The Strategic Enabling Team are reviewing The Plan, IRMP and the Efficiency Plan to identify options to make further savings from other areas of the organisation. This has the potential to impact on the front-line service provision of the organisation.

4. EQUALITY IMPACT ASSESSMENT

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report do not relate to a policy change.

5. LEGAL IMPLICATIONS

There are no direct legal implications associated with the implementation of the recommendations set out in this report.

6. FINANCIAL IMPLICATIONS

There are no financial implications associated with the implementation of the recommendations set out in this report.

7. ENVIRONMENTAL IMPLICATIONS

None

BACKGROUND PAPERS

Frequency of Risk Reporting to Audit Committee,
Audit Committee Report, 11 April 2016

Corporate Risk Update to Audit Committee,
Audit Committee Report, 25 July 2016

Delivery of The Plan 2018-21
Executive Committee Report, 6 June 2018

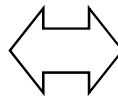
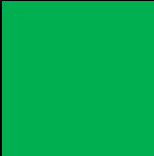


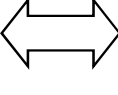

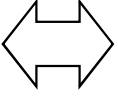
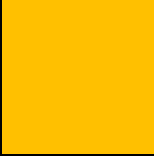
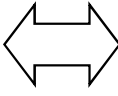

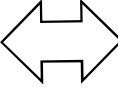

The contact for this report is Deputy Chief Fire Officer, Philip Hales,
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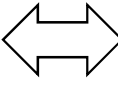
PHIL LOACH
CHIEF FIRE OFFICER

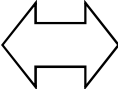
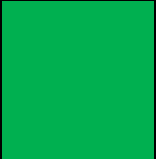
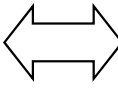
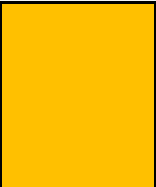
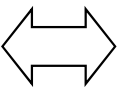
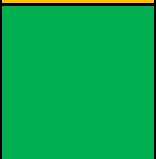
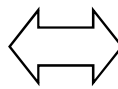
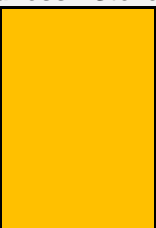
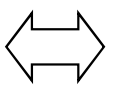
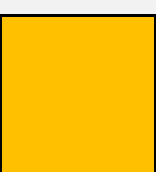
[Appendix 1](#)


[Appendix 2](#)

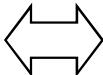
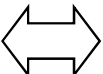
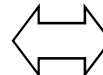

Corporate Risk Assurance Map - Summary - Qtr 1 2018/19

No.	Outcome of Risk Realisation	Risk Owner	Direction of Travel	Overall Confidence	Likelihood	Impact	Risk Score
CR1	External (Political and Legislative) Environment	SE Strategic Hub - Karen Gowreesunker					
1.1	Public Service Reform enables new duties and/or major changes to the governance, structure, role or activities of the fire and rescue service requiring major re-organisation, resulting in an inability to deliver against organisational strategy and planned community outcomes.				3	2	6
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.				3	3	9
CR2	People	SE People - Sarah Warnes (2.1 - Steve Vincent)					
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.				4	3	12
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.				3	3	9
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.				2	3	6
CR3	Delivery of Services - Prevention	SE Prevention - Jason Campbell					
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.				3	3	9

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.				2	2	4
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No.	Outcome of Risk Realisation	Risk Owner	Direction of Travel	Overall Confidence	Likelihood	Impact	Risk Score
CR4	Delivery of Services - Protection	SE Protection - Steve Taylor					
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.				2	3	6
CR5	Delivery of Services – Response	SE Response - Simon Barry					
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.				1	4	4
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.				2	3	6
CR6	Business Continuity & Preparedness	SE Organisational Preparedness - Steve Vincent					
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.				4	3	12
CR7	Information, Communications and Technology	SE ICT - Jason Danbury					
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.				2	3	6

7.2	The Fire Authority is unable to provide effective management and security of 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.				2	3	6
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No.	Outcome of Risk Realisation	Risk Owner	Direction of Travel	Overall Confidence	Likelihood	Impact	Risk Score
CR8	Finance & Assets	SE Finance and Resources - Mike Griffiths					
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.				3	3	9
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.				2	3	6
CR9	Business Development	SE Business Development - Preith Shergill					
9.1	The Fire Authority is unable to create, grow and sustain appropriate alternative funding opportunities and meet financial targets, through the delivery of these opportunities via the Service Delivery Model. This will result in a budget shortfall impacting upon our ability to maintain the Service Delivery Model and delivery of core services.				4	3	12
9.2	The Fire Authority is unable to meet contractually binding arrangements for the provision of commissioned and/or paid services resulting in litigation; reduced confidence and credibility; and increased reputational damage.				4	4	16

Individual Risk Position Statement

Corporate Risk 1 – External (Political and Legislative) Environment

Corporate Risk 1.1:

Public Service Reform enables new duties and/or major changes to the governance, structure, role or activities of the fire and rescue service requiring major re-organisation, resulting in an inability to deliver against organisational strategy and planned community outcomes.

Emerging Issues	<p>The overall risk score of 6 (likelihood 3 x Impact 2) and risk rating of 'low' is maintained against this corporate risk.</p> <p>The timeline of governance change has been progressed effectively in this period and a joint project team between West Midlands Combined Authority (WMCA) and West Midlands Fire Service (WMFS) has been convened to manage through the transfer process as an initial phase up to April 2019. It is proposed that this project team also seeks to bring the review and identification of transformation as part of this project in phase 2, post transfer to enable realisation of short and longer term public service reform outcomes.</p> <p>This approach will need to be managed effectively with the WMCA and indeed the West Midlands Fire Reformed Authority (WMFRA) to ensure influence in this approach, to ensure we can delivery against future strategic priorities.</p> <p>The benefits that will be delivered as an outcome of this governance change will reform the governance structure for the service and present opportunities to reform services delivered to communities through working with other public services to target vulnerable communities. These benefits are intended to ensure the Service is able to continue in its delivery of the Authority's approved Strategy and Integrated Risk Management Plan (IRMP) and as such planned community outcomes.</p> <p>Under the Authority's current governance structure, the National Joint Councils (NJC) trial with regards to Falls Response and the trade dispute lodged by the Fire Brigades Union (FBU) have led to a decision of the Executive Committee on 6 June to remove New Entrant Contracts to resolve the dispute. This has resulted in the need to review our strategy as the Service no longer has a sustainable mechanism to deliver wider health care services (a key platform for public service reform) from within the Service Delivery Model (SDM).</p>
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	<p>Consideration of this revision this year and for future years will be undertaken by Fire Authority over September, November and February 2019 Authority meetings. The decisions taken throughout these meetings have the potential to impact on effective management of this risk, to date.</p> <p>Whilst the environment around this risk is changing and there are changes to control measures to manage this, the risk scores remain the same as no impact to the legislative duties of the Service have been realised and are now more limited through public service reform.</p>
Changes to control measures	<p>Control measures have been updated to reflect status and there a few measures where control confidence has reduced. Engagement with the Police and Crime Commissioner (PCC) is not consistent and whilst the PCCs place on the Fire Authority provides ample opportunity for effective engagement to take place, attendance to date has not occurred. As cited above the decision taken by Executive Committee on the 6 June will impact on the future of public service reform. Whilst it will not prevent the delivery of legislative services there will be an impact on how these services can be delivered within increased financial pressures. An additional control measure has been allocated to this risk 1.1.1.11 – joint project team to manage the transfer of governance.</p>
Assurance updates	<p>The approaches and relationships needed to manage this risk effectively continue to be in place and are well established. The recent strategic changes now need to be managed from July through to February 2019 (Budget and Strategy setting) to understand the impacts and also early recognition of emerging threats.</p>

Corporate Risk 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.

Emerging Issues	<p>The overall risk score has been increased from 6 to 9 with likelihood being increased from 2 to 3, impact remaining at 3. The Authority and Service continues to progress effectively in leading on key work streams within the WMCA. However, the ability to continue to influence and deliver effective services in new areas of commissioned health work, supporting the priorities of three local authorities and targeting the needs of those most vulnerable in their homes, has been significantly reduced following the decision to withdraw New Entrant Contracts and reverse the Authorities Strategy. Business</p>
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	<p>Continuity plans have provided current commissioned health care work for three of the seven local authorities, but these plans cannot be sustained for the future as they not financially viable.</p> <p>The future proposed change in governance as outlined in risk 1.1, has the potential to change this in the future. These arrangements are not due to be implemented until April 2019. Some of the detail of the triggers for these risks are set out in the detail within risk 2.13</p>
Changes to control measures	<p>Control measures for this risk are aligned to risk 1.1</p> <p>Whilst control measures regarding governance change and engagement in areas of work with the WMCA are progressing, a key control measure relating to the delivery of wider health work has been changed to red for confidence and effectiveness. The ability for the service to continue to deliver these services is much reduced. This has the potential to impact on the ability of the Service to position itself favourably in the future, when seeking wider public service reform opportunities.</p> <p>An additional control measure has been introduced with regards to the stepped approach to the revision of the Authorities strategy. This will commence in September and be fully realised in February 2019.</p> <p>The work of the future governance working group maintains a strong evidence base upon which the proposals for governance change and the benefits of this have been built and progressed.</p> <p>Whilst control measures with regards to the progress of future governance change are positive, these need to be reviewed as the Home Office have received the scheme and are developing and challenging its content in the preparation of the Statutory Order.</p>
Assurance updates	<p>The approaches and relationships needed to manage this risk effectively continue to be in place and are well established. However, the amendment to control measure 1.2.1.8 presents a change in assurances around this risk.</p> <p>The recent strategic changes now need to be managed from July through to February 2019 (Budget and Strategy setting) to understand the impacts and early recognition of emerging threats.</p>

Corporate Risk 2 - People

Corporate Risk 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.

Emerging Issues	<p>The overall risk remains at the increased level of 12 (likelihood 4 x Impact 3) therefore the risk rating is now high. This is due to the ongoing position regarding the withdraw of support for the National Joint Council (NJC) trials and a trade dispute that was lodged by the Fire Brigades Union on 11 April 2018.</p>
Changes to control measures	<p>As previously stated the withdraw from the NJC trials commenced on 18 October 2017. Because of this the local Fire Brigade Union (FBU) have instructed their members to withdraw from the delivery of non-emergency falls response service, back home safe and well and elements of the safe and well visit.</p> <p>Business Continuity (BC) remains in place for the delivery of Falls Response and is currently being delivered outside of the service delivery model. Regarding the risk assessment, the likelihood is high and the impact remains at 3 due to the BC arrangements being in place which continue to ensure the delivery of the services associated with Falls response and the wider health agenda.</p> <p>Following a local agreement being reached with UNISON and FOA, volunteers have been requested to deliver this service.</p> <p>West Midlands Fire Service (WMFS) received notice of a trade dispute on 11 April 2018 with five points stated for the reason for the dispute being lodged. Balloting commenced on 2nd May and closed on 29th May.</p> <p>In seeking to resolve and understand the trade dispute in the early stages WMFS expressed concerns regarding the inaccuracies of the five points raised and requested engagement with the National Joint Council (NJC), Joint Secretaries to reach a common understanding of the evidence base. A meeting took place on 15 May of which the outcomes of WMFS evidence base were shared with staff.</p> <p>It was stated at the meeting on 15 May that points 1 and 2 of the trade dispute could only be resolved through national negotiations and the NJC. Further negotiations meetings took place on 29 May and 21 June regarding these points.</p>

	<p>A ballot return of a yes vote was received on 29 May with strike dates announced for 30 May and 4 June. Following this a paper was presented to the Fire Authority Executive committee on 6 June. The outcome of this meeting was an instruction from the Fire Authority to withdraw the new entrant contract with a view to ending the trade dispute.</p> <p>Following further negotiations on the 21 June a new contract was issued on 25 June to all new entrants including those staff in Fire Control. The strike dates were removed and we have not received any further notification in relation to dates.</p> <p>Further positive progress has continued with regards to the elements of the trade dispute.</p> <p>Due to the instruction to remove the new entrant contract the strategic enabling team will be making proposals for the revision of this year's strategy and 2019/20.</p>
Assurance updates	<p>Business continuity remains in place for the delivery of the wider health services. Further assessments are being conducted in relation to the visibility of continuing this work with a view of reaching a decision in the second quarter.</p> <p>The risk owner is confident that positive progress is being made in relation to the resolution of the trade dispute and ability to deliver the current strategy. It is anticipated that the trade dispute will be resolved in the second quarter and the risk owner anticipates reducing the likelihood to 3.</p>

Corporate Risk 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.

Emerging Issues	The overall risk score is 3 (likelihood) x 3 (impact) total 9. The risk score remains at 9 due to the current position as discussed in 2.1.
Changes to control measures	The three-year staffing strategy continues to provide a strong level of forecasting for the organisation. Current recruitment and selection processes continue to ensure staffing levels are maintained to ensure the delivery of the Service Delivery Model. In addition, the revised attraction and selection process is enabling a high level of successful candidates from underrepresented groups.

	<p>The Competency Risk Assessment recommendations were approved for 2018/19 and have been applied for the first quarter of the year.</p> <p>Improvements to the Distributed Training Model (DTM) project are progressing well with the agreed standardised assessments implemented on 1st May with changes being made to our competency recording tool (melio). There was a capacity issue raised in the incident command centre in the ability to deliver the number of standardised assessments however this was addressed.</p> <p>The outcomes of the DTM project are also working towards providing assurance in relation to the inspectorate and inspection to ensure we achieve good/outstanding.</p> <p>The ongoing monitoring and support of staffing to achieve the ridership factor of 12.5 continues.</p>
Assurance updates	<p>The risk owner is assured that the current control measures ensure the delivery of the services – as stated this will be monitored due to the position relating to employee relations and the potential impact on 2.1.</p>

Corporate Risk 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.

Emerging Issues	<p>The Health, Safety and Wellbeing team has moved from the People Support Services function, into Intelligence and Innovation. This does not directly affect the overall risk score but has generated several reviews to provide assurance.</p>
Changes to control measures	<ol style="list-style-type: none"> 1. The Health and Safety Policy statement and arrangements document will be reviewed under agreed Terms of Reference. 2. The Safety Committee structure will be reviewed, to provide a consistent approach between Command areas and consider improved attendance levels. 3. The Safety Event reporting structure will be reviewed, to ensure the correct reporting channels are used, e.g. near hits are received which should have been reported through other channels, such as building or vehicle defects.

	<p>4. 3 x IOSH Health and Safety in the Fire and Rescue Service courses have been arranged to catch up with several middle managers who require this training.</p> <p>5. Work is ongoing to provide assurance towards the health, safety and wellbeing elements of the HMICFRS inspection later this year.</p>
Assurance updates	

Corporate Risk 3 – Delivery of Services - Prevention

Corporate Risk 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.

Emerging Issues	<p>The National Joint Councils trial with regards to Falls Response and wider health work along with the trade dispute lodged by the Fire Brigades Union have led to a decision of the Executive Committee on 6 June to remove New Entrant Contracts to resolve the dispute. This has resulted in the need to review the strategy as the Service no longer has a sustainable mechanism to deliver wider health care services from within the Service Delivery Model. This has the potential to have a detrimental impact on the overall outcomes achieved through delivery of Safe and Well checks. At this present time, it is unclear of both the Local and National Fire Brigades Union position on their members asking what they perceive to be “health related” questions within the safe and well check. As part of the trades dispute the FBU instructed their members that asking of these questions was not contractual and therefore it was voluntary for them to be asked. Conversations are progressing to establish the current position around this issue. Initial conversations have revealed that the lifting of the voluntary status around this questions is tied into the conditions to satisfy the trade dispute (although there is no explicit reference to this anywhere).</p> <p>Our evidence shows that there is a clear link between health conditions (covered by the health related questions) and an increased risk in death or serious injury from fire in the home. By not asking these questions we leave a significant gap in our data base for managing existing and future emerging risk.</p>
Changes to control measures	No changes are currently required, however once the FBU position is known a control measures will need to be implemented to ensure effective delivery of the strategy to

	continue to effectively manage this risk or the strategy may require a refresh.
Assurance updates	

Corporate Risk 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.

Emerging Issues	<p>It is currently unclear what the impact of the trade dispute and the withdrawal from the falls response contracts will be on this Corporate Risk indicator.</p> <p>Initial feedback from one of the commissioners (City of Wolverhampton Council) has not been positive and it is fair to assume that there has been some reputational damage caused.</p> <p>It remains to be seen what the impact will be with wider partnerships. We have been successful in creating two-way referral pathways with health and social care partners whereby we are notified of an increased fire risk and we refer to health, mental health and social care services.</p>
Changes to control measures	No changes are currently required, however once the FBU position is known control measures will need to be implemented to ensure effective delivery of the strategy to continue to effectively manage this risk or the strategy may require a refresh.
Assurance updates	

Corporate Risk 4 – Delivery of Services – Protection

Corporate Risk 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.

Emerging Issues	Whilst the overall risk score remains at 6 – medium, the likelihood and impact scores have been amended to reflect positive progress continues with the development of the new
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	<p>Risk Based Inspection Programme and enhancements being made to enriching the data sets that inform premise risk scores within the risk scheduler.</p> <p>The likelihood score is remains at 2 and the impact score remains at 3 = 6 medium.</p> <p>Due to an unpredictable and as such unforeseeable increase in demand, allied to reduced resources, the Planning and Building Regulations Protection Team have not met the statutory consultation timescales of 15 days for some building regulation consultations although there has been a significant increase in performance. The associated risk of not providing consultation feedback within the agreed timescales with local authorities means that opportunities are missed to ensure buildings following development or refurbishment are compliant with legislative requirements and safe when occupied.</p> <p>The programme of work to address the areas of consideration identified within the Organisational Assurance report into the effectiveness of our current Risk Based Inspection Programme (ILAP) (as reported in last quarters submission) continues to be developed. The programme of work is being managed within a project management methodology and is currently on target for completion within scheduled milestones with the exception of the Risk Based Inspection Scheduler that has been extended to August to enable enhancement and enriching of the data sets that inform the risk score. Testing of the minimal viable product by a small number of Fire Safety Officers before going live as the Organisational Risk Based Inspection Programme is scheduled to be completed early August 2018. Because of the architect of the Risk Based Inspection Programme leaving the service before the Risk Based Inspection Programme is completed and going live additional resources from Protection, ICT and the Strategic Hub have been secured to prioritise those elements of work that require contribution of the architect before they leave the service.</p> <p>Notifications of aluminum cladding material failures or buildings with registered concerns of risks associated with aluminum cladding within the West Midlands has reduced significantly following the Grenfell Tower incident in London.</p>
Changes to control measures	<p>There are no changes to control measures in relation to the control of this risk.</p> <p>A review of the Planning and Building Regulations Protection team has been undertaken to ensure that the team is appropriately and flexibly resourced to respond to variable</p>

	<p>changes in demand. This will ensure that statutory consultation timescales are consistently achieved and maintained in the most effective and efficient way. Resources have been redirected and refocused within the team to ensure that planning and building consultations are the priority over other external activities. A significant improvement has already been reported in the number of applications being processed within the stipulated time frames.</p> <p>Protection teams continue to utilise Command Risk Profiles refined by the IRM team and professional judgement as a control measure to inform and deliver an audit schedule whilst the revised Risk Based Inspection Programme is being developed. This interim control measure provides some level of assurance that the Protection function targeting risk in the absence of a Risk Based Inspection Programme.</p> <p>The definition of fire safety risk continues to be considered within work streams of the National Fire Chiefs Council. Consideration is also being afforded within our project management methodology as to how fire safety risk can better influence and inform our Integrated Risk Management Plan. In the absence of a consistent national definition being confirmed local integrated Risk Management have provided an intelligent led approach to identifying high fire safety risks.</p> <p>Protection officers continue to prioritise notifications of buildings with suspected or confirmed aluminum cladding materials to ensure compliance with fire safety legislation to ensure public safety and enhance public confidence. All residential high-rise buildings have been audited by Fire Safety Officers.</p>
Assurance updates	Level 1 – assurance is provided by the control owner and is verified by the risk owners.

Corporate Risk 5 – Delivery of Services - Response

Corporate Risk 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.

Emerging Issues	The risk of industrial action as reported in the previous quarter has reduced due to positive progress being made to bring the trade dispute to a resolution.
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	<p>The high level of fleet availability remains consistent although this continues to be enabled through the payment of a non-evidence based disturbance allowance payment which becomes more challenging to maintain because of withdrawal from health-related activity. The current high level of fleet availability means that we are continuing to achieve some of the best attendance times to Category 1 incidents; enabling assertive, effective and safe response.</p> <p>The ridership factor remains above the organisation's target which further compounds the budgetary pressure in maintaining fleet availability.</p>
Changes to control measures	There are currently no changes to control measures however the data and intelligence is regularly analysed and updated so that the impact of any changes to current arrangements can be understood.
Assurance updates	Delivered through Quarterly Performance Reporting and has a green confidence level.

Corporate Risk 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.

Emerging Issues	<p>The Warwickshire Collaboration Programme Board decision to explore the option of delivery of a single control room for Warwickshire, West Midlands and Staffordshire from WMFS Headquarters.</p> <p>Changes to Governance arrangements within Staffordshire Fire and Rescue Service to the Police and Crime Commissioner could have an impact on shared fire control.</p>
Changes to control measures	<p>A comprehensive and joint communication plan is being developed across West Midlands and Warwickshire to ensure staff remain updated and engaged in the collaboration programme without impacting upon performance.</p> <p>Further detailed research, analysis and recommendations will take place over the next 3 months to enable a decision to be taken on how a single control room could operate. Effective project management including a focus on risks and issues will be maintained.</p>

Assurance updates	Delivered through Quarterly Performance Reporting and has an amber rating.
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Corporate Risk 6 – Business Continuity & Preparedness

Corporate Risk 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.

Emerging Issues	<p>Trade Dispute</p> <p>WMFRA/S and the FBU are working closely to resolve several issues concerned in the ongoing trade dispute. As such the FBU cancelled their two announced industrial action dates. Whilst the current discussions are positive it is recognised that there are some issues still outstanding. Business continuity arrangements have been developed and pre-planning will continue to ensure future preparedness. Business Continuity arrangements for 'Falls Response' are still meeting demand.</p> <p>Health Services Overview</p> <p>A local agreement has been reached to implement the delivery of the Health-related activities with the Fire Officer Association (FOA) and Unison. The local agreement potentially allows for a sustainable delivery of the Health Agenda that is embedded within The Plan. WMFS are now seeking volunteers or expressions of interest for staff to carry out non-emergency falls response at one of the WMFS pre-determined premises.</p>
Changes to control measures	The overall risk score has remained the same. The risk score is: 4 (likelihood) x 3 (impact) = 12 (High).
Assurance updates	The WMFS Heatwave plan will be in operation from 1 st June 2018 until 15 th September 2018. This plan uses the Met Office temperature thresholds and alert levels to determine the most appropriate advice and actions for WMFS staff. Alert levels will

be used to trigger notifications and advice to staff in relation to appropriate precautions to maintain welfare.

The West Midlands Fire Service Emergency Planning team and Incident Room Managers all receive alert notifications for any events or occurrences which may impact business continuity. These notifications include Met. Office severe weather warnings, heatwave warning, external industrial action notifications, highways disruptions and event/protest notifications. These ensure appropriate plans and actions are in place to minimise disruption to West Midlands Fire Service.

West Midlands Emergency Planning team have arranged a number of training sessions delivered by the Emergency Planning College. These include practical recovery management, tactical emergency management and planning for mass fatalities. These were attended by the West Midlands Fire Service and Wolverhampton Emergency Planning teams, as well as some partner agencies. These training sessions will be used to ensure specific internal and multi-agency plans and arrangements in the West Midlands are sufficient and meet national guidance.

A gap analysis is currently underway following the publication of the Kerslake Report – an independent review into the preparedness for and emergency response to the Manchester Arena Attack on 22nd May 2017. This will identify best practice and areas for improvement to consider both internally and as part of the multi-agency West Midlands Local Resilience Forum.

Operation Pelkin, which involves multi-agency planning for the upcoming Conservative Party Conference is in progress. This has involved site visits and attendance at multi-agency planning meetings and exercises.

The new recall to duty system is in progress, the Privacy Impact Assessment has been completed in line with new General Data Protection Regulation (GDPR). Following data management approval, the system will be signed off by Area Commander Steve Vincent. The system will then be set up with all relevant contact details and associated training will take place with staff. At present, the existing recall to duty system on the intranet will be in use, as well as WhatsApp groups which have been created as a contingency option until the new system is in place.

Fire Control have further developed and enhanced their business continuity arrangements through the training of non-

	fire control staff in emergency call handling. These arrangements will supplement a number of contingency options and help minimise disruption by creating a pool of trained volunteers in advance of a disruption to staffing.
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Corporate Risk 7 – Information, Communications and Technology

Corporate Risk 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.

Emerging Issues	<p>The overall risk score is 6. The risk continues to be medium. The risk level has reduced over the quarter based on the implementation of Office 365. This suite of Office 365 products has enabled secure accessibility to ICT functionality from a wider range of devices and locations including ones not provided by the organisation.</p> <p>The rollout of Virtual Device Infrastructure (VDI) terminals to replace desktop computers at several organisational locations has reduced the storage of data on individual computers. This means that the majority of organisational data will be held in cloud storage thus reducing the reliance on in-house processes, procedures and infrastructure to access and maintain data. The reliance upon the in-house data centre has reduced significantly.</p> <p>However, this needs to be balanced against the uplift in malicious cyber-attacks being experienced. We are working with external companies and peers in following national guidance with regard the recent increase in cyber security threat. We have also bolstered the level of in-house expertise in relation to systems and information security.</p> <p>Transfer of organisational responsibility from Department of Communities and Local Government to the Home office may change information security requirements but these are still unconfirmed.</p>
Changes to control measures	<p>The implementation of Office 365 has reduced the impact significantly of the loss of an on-premises data centre. Work is ongoing to establish accreditation for Code of Connection (CoCo) to the Emergency Services Network (ESN) and the Public Services Network (PSN) ensuring that Home Office and NFCC requirements around cyber security threats are met.</p>

Assurance updates	The overall risk confidence opinion is amber.
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Corporate Risk 7.2:

The Fire Authority is unable to provide effective management and security of 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.

Emerging Issues	<p>The overall risk score remains at 6. The risk continues to be medium. The risk level may reduce further over the next few quarters as the Management of Information Framework is embedded and improved.</p> <p>Post implementation of the European Union General Data Protection Regulations (EU GDPR) on 25th May 2018 there is an increased requirement for organisations to demonstrate ongoing compliance with the legislation.</p>
Changes to control measures	<p>Advice and guidance about information security has been published to all employees as well as the rollout of bespoke training packages related to EU GDPR to improve organisational understanding.</p> <p>Automated tools for marking documents and managing requests will replace the existing processes and provide better assurance by auditing compliance with the Management of Information framework.</p> <p>Resource was allocated and a project plan was executed to implement the requirements of the EU GDPR. The post project review will identify ongoing activities to provide continued compliance and assurance. Officers are continuing to work collaboratively through National Fire Chief's Council (NFCC) work streams to ensure national guidance is embedded consistently.</p>
Assurance updates	The overall risk confidence opinion is amber.

Corporate Risk 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.

Emerging Issues	<p>The risk score remains at 3 (Likelihood) x 3 (Impact) = 9.</p> <p>The overall risk level is Medium.</p>
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	<p>In February 2016, The Government communicated the Authority's Core Funding settlement. In setting out a provisional 4-year settlement (2016/17 to 2019/20), confirmation was received that the core funding reduction would be circa £10 Million by 2019/20. This level of reduction presents a significant challenge to the Service in terms of maintaining the Service Delivery Model whilst setting a balanced budget. In planning for significant funding reductions, the Service has set out an Efficiency Plan, which was considered and approved by the Fire Authority on 19th September 2016 and submitted to the Home Office by 14th October 2016.</p> <p>The Finance Settlement for the period 2018/19 to 2019/20 received in February 2018 was broadly in line with the figures used as the basis for the Efficiency Plan. However, the ongoing changes to the staffing arrangements which have not been fully embedded (£4 million of the Efficiency Plan) combined with the Alternative Funding target of £2 million as part of the Efficiency Plan, which have not been fully achieved at this stage, placed increasing pressure on the budgetary arrangements. Combined with this, the increasing pressure of being able to restrain public sector pay increase to 1% in particular has resulted in the use of General Balances in each of the 3 years 2018/19 to 2019/20.</p> <p>On June 6th 2018 the Executive Committee approved the removal of New Entrant contracts to avoid industrial action by Grey Book staff. This decision will have a significant impact on the Services ability to generate Alternative Funding and achieve the full level of staff savings reflected within the Efficiency Plan. For part or potentially all of 2018/19, the further use of General Balances is likely to be required together with a review of the Authority's Strategy to ensure the 2019/20 budget and beyond can be set in a balanced manner.</p> <p>As a result, the Risk Owner considers the likelihood score of 3 should remain unchanged at this stage.</p>
Changes to control measures	<p>The Authority continues to manage its budget and accounts in such a way that has enabled for an unqualified financial opinion and value for money conclusion to be provided by the external auditors. This has been confirmed to the Authority and provides a substantial independent assurance as to the quality of the financial management arrangements.</p> <p>However, The External Auditors also commented in the Audit Findings Report, regarding the Executive Committee decision</p>

	on 6 th June 2018 that the continued use of balances is not sustainable and in their view, significant funding alternatives or service reductions should be identified by the Authority before the transfer to WMCA.
Assurance updates	<p>The work and associated reports of the external auditor provides assurance against several controls in place to manage against the realisation of risk on the assurance map.</p> <p>Level 1 assurance has been provided across the majority of the control environment with most controls measures being awarded at substantial (green) rating in terms of their effectiveness in managing risk triggers and are supported by a number of level 3 assurances. No controls were identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required.</p> <p>The Risk Owner therefore has provided for a substantial (Green) confidence opinion as to the collective strength of the control environment in managing this risk.</p>

Corporate Risk 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.

Emerging Issues	The risk score is 2 (Likelihood) x 3 (Impact) = 6. The overall risk level is Medium.
Changes to control measures	There is no change to the control measures associated with the effective management of this risk
Assurance updates	<p>The work and associated reports of the Internal Auditor and External Auditor provides assurance against a number of controls in place to manage against the realisation of risk on the assurance map.</p> <p>Level 1 assurance has been provided across most the control environment with most controls measures being awarded at substantial (green) rating in terms of their effectiveness in managing risk triggers and are supported by several level 3 assurances. No controls were identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required.</p> <p>The Risk Owner therefore has provided for a substantial (Green) confidence opinion as to the collective strength of the control environment in managing this risk.</p>

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Corporate Risk 9 – Business Development

Corporate Risk 9.1:

The Fire Authority is unable to create, grow and sustain appropriate flexible funding opportunities and meet financial targets, through the delivery of these opportunities via the Service Delivery Model. This will result in a budget shortfall impacting upon our ability to maintain the Service Delivery Model and delivery of core services.

Emerging Issues	Due to the ongoing trade dispute and the direction received from the fire authority the opportunity to generate 2 million from alternative funding has not materialised. This has a significant impact on both business development and the organisations financial plans.
Changes to control measures	The Strategic Enabling Team will review the Plan, IRMP and efficiency plan to identify options to make further savings from other areas of the organisation, this has the potential to impact on the front-line service provision of the organisation. A full assurance review of the business development function will be completed by September 2018 and reported back to SET.
Assurance updates	Officers are unable to provide assurance that this risk will not materialise until new proposals for the organisational strategy are agreed by the Authority.

Corporate Risk 9.2:

The Fire Authority is unable to meet contractually binding arrangements for the provision of commissioned and/or paid services resulting in litigation; reduced confidence and credibility; and increased reputational damage.

Emerging Issues	This risk has materialised and due to the withdrawal of new entrant's contracts by the Authority and the ceasing of wider health related work by Firefighters we are no longer able to meet our contractually binding arrangements.
Changes to control measures	We are liaising with Commissioners to identify options for withdrawal from contracts. Including any reputational, legal or financial issues that may arise from the Authorities decision to withdraw from this work. Business continuity arrangements are

	<p>being considered in terms of cost and resources to enable notice periods to be honoured where possible.</p> <p>Vacancies in the business development team have not been filled and the future structure of the team will be dependent on the review of the IRMP and the Assurance review of Business Development.</p>
Assurance updates	This risk has materialised so Officers are unable to provide assurance for this risk.

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

WORK PROGRAMME 2018/19

Date of Meeting	Item	Responsible Officer	Completed
2018			
23 July	Audit Findings 2017/18 Statement of Accounts 2017/18 (Approval) Treasury Management Annual Report 2017/18 Minutes of the Audit Committee held on 4 June 2018 Audit and Risk Committee Draft Work Plan 2018/19	Grant Thornton Grant Thornton Treasurer Democratic Officer Democratic Officer	
4 September	Corporate Risk Six Monthly Report Annual Audit Letter 2017/18 Audit and Risk Committee Update	Director of Service Support Grant Thornton Grant Thornton	

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	Minutes of the Audit and Risk Committee held on 23 July 2018	Democratic Officer	
17 September [Authority]	Audit Findings 2017/18 Statement of Accounts 2017/18 (note)	Grant Thornton Treasurer	
12 November	Treasury Management – Mid year review 2018/19 Audit and Risk Committee Update Internal Audit Progress Report Assessment of Good Practice and Effectiveness Minutes of the Audit and Risk Committee held on 4 September 2018 Audit Committee Work Plan Minutes of the Pension Board held on 27 September 2018 Fraud Awareness Training	Treasurer Grant Thornton Audit Manager Audit Manager Democratic Officer Democratic Officer Peter Farrow Phil Tromans	

2019			
14 January	Minutes of the Audit and Risk Committee held on 12 November 2018 Internal Audit Progress Report Internal Audit Charter – Annual Review Audit and Risk Committee Update Assessment of Good Practice and Effectiveness Audit and Risk Committee Work Plan Minutes of the Pension Board held on 4 December 2018	Democratic Officer Audit Manager Audit Manager Grant Thornton Audit Manager Democratic Officer Democratic Officer	
25 March	Audit and Risk Committee Update Communication with the Audit Committee for WMFRA Audit Plan 2018/19 Internal Audit Plan 2018/19 Audit and Risk Committee Terms of Reference External Audit Work Programme and Scale of Fees Corporate Risk Report Six Monthly Update	Grant Thornton Grant Thornton Grant Thornton Audit Manager Audit Manager Director of Service Support Director of Service Support	

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	<p>Minutes of the Pensions Board held on 4 December 2018</p> <p>Minutes of the Audit and Risk Committee held on 14 January 2018</p> <p>Audit Committee Work Plan</p> <p><i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i></p>	<p>Pensions Board Representative</p> <p>Democratic Officer</p> <p>Democratic Officer</p> <p><i>Audit Manager</i></p>	
3 June 2018	<p>Annual Internal Audit Report 2018/19</p> <p>Governance Statement 2018/19</p> <p>Monitoring Policies and RIPA (Annual Whistleblowing Report)</p> <p>Annual Report of the Audit Committee for approval</p> <p>Audit and Risk Committee – Verbal Update</p> <p>Minutes of the Audit and Risk Committee held on 25 March 2019</p> <p>Minutes of the Pensions Board held on 4 March 2019</p> <p>Audit and Risk Committee Work Plan 2019/20</p> <p><i>Committee Members' Private meeting with External Auditors</i></p>	<p>Audit Manager</p> <p>Treasurer Monitoring Officer/Director of Service Support Chair</p> <p>Grant Thornton</p> <p>Democratic Officer</p> <p>Democratic Officer</p> <p><i>Grant Thornton</i></p>	

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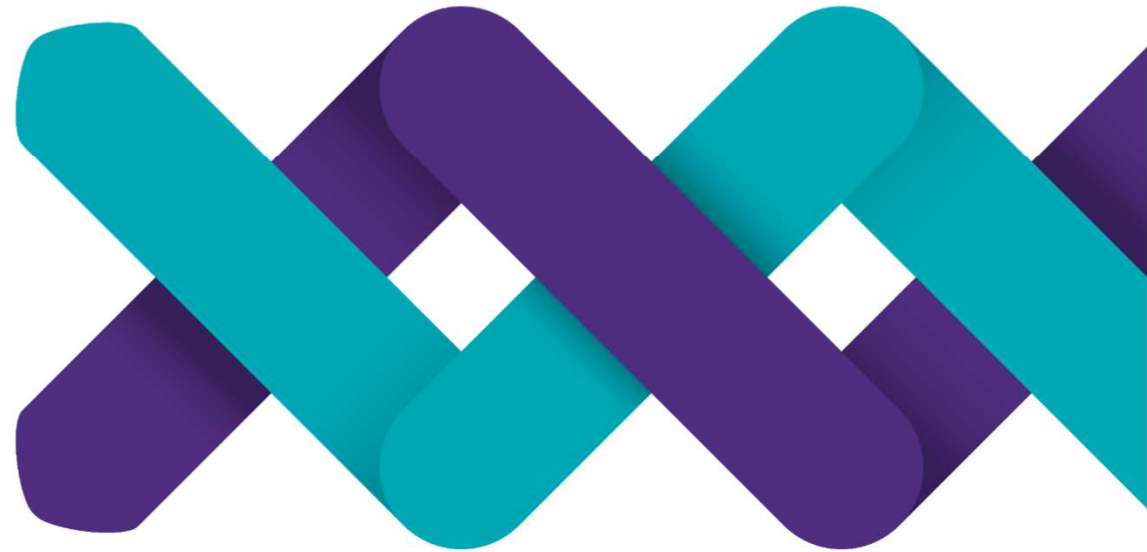
	<i>Workshop for Members on Statement of Accounts 2018/19</i>	<i>Treasurer</i>	
24 June 2019 [Authority]	<p>Governance Statement 2018/2019</p> <p>Audit and Risk Committee – Terms of Reference, Annual Review (will now be reported to the Authority's AGM)</p> <p>Annual Report of the Audit and Risk Committee 2018/19</p>	<p>Treasurer</p> <p>Audit Manager</p> <p>Chair</p>	
22 July 2019 (Audit Committee 2019/20)	<p>Audit Findings 2018/19</p> <p>Statement of Accounts 2018/19 (Approval)</p> <p>Treasury Management Annual Report 2018/19</p> <p>Audit and Risk Committee Draft Work Plan 2019/20</p>	<p>Grant Thornton</p> <p>Grant Thornton</p> <p>Treasurer</p> <p>Democratic Officer</p>	

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Audit Progress Report and Sector Update

West Midlands Fire and Rescue Authority
Year ending 31 March 2018

August 2018



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Introduction



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This paper provides the Audit and Risk Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Fire and Rescue Authority.

Members of the Audit and Risk Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. www.grant-thornton.co.uk.

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

Progress to date

2017/18

Our audit of the 2017/18 financial statements is now complete. Our Audit Findings Report was discussed with the Audit and Risk Committee on 23 July 2018 and we issued our audit opinions on 23 July 2018. We also issued our audit certificates on this date.

Overall we issued:

- unqualified opinion on the Fire Authority's financial statements; and
- unqualified value for money conclusion for the Fire Authority.

We have issued all our deliverables for 2017/18 and have concluded our work on the 2017/18 financial year. Our Annual Audit Letter is included as a separate agenda item. This summarises the findings of our audit work in 2017/18.

2018/19

We have begun our planning processes for the 2018/19 financial year audits.

Our formal work and audit visits will begin later in the year and we will discuss the timing of these visits with management. In the meantime we will:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

Other areas

Meetings

We met with Finance Officers in June as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also meet with your Chief Fire Officer to discuss the Authority's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2017-18 financial statements.	January 2019	Not started
Interim Audit Findings We will report to you the significant findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not started
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not started
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not started
Annual Audit Letter This letter communicates the key issues arising from our work.	September 2019	Not started

Sector Update

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in our updates. We include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website.

Developing the fire and rescue service inspections

In July 2017, HMICFRS extended its remit to include inspections of England's fire and rescue service. They carried out three pilot inspections in Staffordshire, Suffolk and West Yorkshire fire and rescue services in early 2018 and have been working with fire and rescue services, fire authorities and other interested parties to develop the inspection methodology and approach.

The HMICFRS report sets out what has been learned from the three pilot inspections carried out between March and May 2018. It also includes learning from the public and sector consultations on the inspection programme and framework, methodology and judgment criteria respectively. The report explains how they have adapted the inspection approach to take account of learning and feedback from services.

The pilot areas were chosen to allow HMICFRS to gain an understanding of three of the governance arrangements for fire and rescue services (county council, combined fire authority and metropolitan). The selection also allowed them to test the methodology on services of different sizes, complexities and workforce mixes, and from different areas of the country.

They consulted the external reference group (ERG) on the selection criteria for the pilot inspections and then worked with the three services as part of the planning stage. The objectives were to test the methodology and judgment criteria, and train the new staff involved in the inspection process.

The pilot inspections broadly followed the same timing and sequence as the planned inspections, however slightly larger teams were used for the pilot inspections. This has enabled training of new inspection staff alongside experienced inspectors; supporting their development, as well as testing the methodology.

During the pilot inspections, the inspection teams spoke to over ten percent of the frontline workforce of each service.

The report can be accessed at:

<https://www.justiceinspectorates.gov.uk/hmicfrs/publications/developing-fire-rescue-service-inspections/>





NFCC's response to Hackitt Review following a call for views

The National Fire Chiefs Council has submitted its response following a call for views on Dame Judith Hackitt's Independent report on Building Regulations and Fire Safety which was released in May this year.

NFCC have welcomed many of Dame Judith's recommendations and her determination shown to fix the system. While NFCC is broadly supportive of most of the recommendations and is keen to see these acted upon, NFCC also believes there are opportunities to go further, and the sector would benefit from wider application of the proposals.

Key points in the NFCC's response are as follows:

- Widening the definition of Higher Risk Residential Buildings (HRRBs). This is currently too narrow. The definition should maintain the current minimum 18 metres, with an aim to move toward an 11 metre limit. It should also be widened to include other buildings based on the vulnerability of occupants, such as residential care homes and specialised housing regardless of their height
- The Government should commit to a specified time frame in which to review implementation, and extend the recommendations to other parts of the sector
- Support for the principle of a strengthened regulator, with a developed JCA setting standards
- The current gap between the Housing Act and Regulatory Reform (Fire Safety) Order is one of the biggest problems in the current landscape which must be resolved, through primary regulation

- Competence remains one of the most important aspects across the sector and is a common thread through the majority of issues highlighted. This is key across every role and scheme
- Support for the proposals on product testing, including a robust testing programme, better market surveillance, and greater transparency on passes and failures recorded
- Sprinklers should be a requirement in all new builds above 18 metres and above, and retro-fitted in existing buildings 30 metres and above.

The full response can be accessed here:

https://www.nationalfirechiefs.org.uk/write/MediaUploads/Grenfell/NFCC_final_response_DJH_-_31_July_2018.pdf

