

# **West Midlands Fire and Rescue Authority**

## **Audit Committee**

**You are summoned to attend the meeting of Audit Committee to be held on  
Monday, 15 January 2018 at 12:00**

**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 in contracts or other matters         |                |
| 3 | Minutes of the Audit Committee held on 19 December 2017         | <b>3 - 4</b>   |
| 4 | Internal Audit Charter 2018                                     | <b>5 - 10</b>  |
| 5 | Audit Committee Update  | <b>11 - 26</b> |
| 6 | Internal Audit Progress Report                                  | <b>27 - 34</b> |
| 7 | Self-assessment Evaluating the Effectiveness                    | <b>35 - 40</b> |
| 8 | Audit Committee Work Programme 2017-18                          | <b>41 - 46</b> |
| 9 | Update on Topical, Legal and Regulatory Issues (Verbal Report). |                |

#### **Distribution:**

Adam Aston - Member, Mohammed Idrees - Member, Robert Sealey - Member, Paul Singh - Member, Tersaim Singh - Chairman, Fiona Williams - Member

**Agenda prepared by Julie Connor**

**Strategic Hub, West Midlands Fire Service**

**Tel: 0121 380 6906 email: [strategichub@wmfs.net](mailto:strategichub@wmfs.net)**

**This agenda and supporting documents are also available electronically on the West Midlands Fire Service website at [www.wmfs.net](http://www.wmfs.net)**

Minutes of the Audit Committee

19 December 2017  
at Fire Service Headquarters, Vauxhall Road, Birmingham B7 4HW

**Present:** Councillors T Singh (Chair), Aston, Idrees, Sealey, P Singh  
Mr Ager (Independent)

**Apology:** Cllr Williams

**54/17 Declarations of Interests in contracts or other matters**

There were no declarations of interest.

**55/17 Minutes of the Audit Committee held on 13 November 2017**

**Resolved** that the minutes of the meeting held on the 13 November 2017 be approved as a correct record.

Members confirmed that they had received a briefing note on Sprinklers as agreed at the meeting on the 13 November 2017.

**56/17 Update on Topical, Legal and Regulatory Issues**

The Deputy Chief Fire Officer advised that the Provisional 2018/19 Financial Settlement was due to be published on the 19 December 2017.

The Treasurer stated that he had received official confirmation by email that the External Auditors for the Authority were Grant Thornton for the years 2018/19 – 2022/23.

**57/17 Exclusion of the Public and Press**

**Resolved** that the public and press be excluded from the rest of the meeting to avoid the possible disclosure of exempt information under Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 relating to information which was likely to reveal the identity of an individual.

58/17 **Decision on Qualifying Injury**

The Payroll and Pension Manager informed the Audit Committee, who act as the Scheme Manager, that the Regulator required the Scheme Manager to confirm their decision on a qualifying injury under the compensation regulations.

The Committee were informed of the details of the case and received the formal diagnosis from the Medical Adviser.

If confirmed, the Authority would be liable for the costs of any ill health injury claim and that these payments would be made by the Authority and not the Pension Scheme.

The Committee considered the specific points in relation to this case and it was confirmed that each case should be considered on its own merits and on the medical evidence provided. A decision in this case would not set a precedent for future cases.

The Committee also discussed the Injury benefits legislation and the future possible outcomes of confirming the case as a qualifying injury.

**RESOLVED** that the ill-health absence of the firefighter referred to the Committee be confirmed as a result of a qualifying injury under the rules of the 1992 Firefighters' Pension Scheme.

The meeting finished at 1218 hours.

Julie Connor  
Strategic Hub  
0121 380 6906  
[Julie.Connor@wmfs.net](mailto:Julie.Connor@wmfs.net)

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**15 JANUARY 2018**

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

Report of the Audit Manager [Sandwell MBC].

RECOMMENDED

THAT the existing Internal Audit Charter be subject to its next annual review.

2. **PURPOSE OF REPORT**

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

3. **BACKGROUND**

3.1 There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Internal Audit Charter reflects this and was first approved by the Audit Committee in January 2014. It was last reviewed in January 2017, and is now due for its next annual review. There have been no changes to the Charter since it was last reviewed.

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**

The Accounts and Audit Regulations Act states that a relevant body must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

## 6. **FINANCIAL IMPLICATIONS**

Implementation of the recommendation will be undertaken within existing resources.

## **BACKGROUND PAPERS**

None

Peter Farrow  
Audit Services and Risk Management Manager, Sandwell MBC

## Definition of internal auditing

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

## Mission of internal audit

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

## Core Principles for the Professional Practice of Internal Auditing

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

## Authority and standards

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

The Local Government, England and Wales, Accounts and Audit Regulations 2015 states that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"*. These Standards have been adopted by the Fire Authority's internal audit section.



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

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

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

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

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

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

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

## **Responsibilities**

Internal audit has a responsibility to:

- Provide a cost effective and value added full internal audit service;
- Develop a flexible annual audit plan using a risk-based methodology;
- Implement the annual audit plan;
- Track status of outstanding management actions;
- Provide regular updates on the work of internal audit to the Audit Committee and where appropriate, senior officers;



- Assist, as needed, in the investigation of significant suspected fraudulent activities within the organisation; and
- Work with the External Auditor (currently Grant Thornton) and other review bodies to share assurance and minimise duplication.

### **Organisational independence**

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

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

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

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

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

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

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

## **Internal audit resourcing**

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

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

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

## **Fraud**

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

## **Advisory work**

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

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

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

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**15 JANUARY 2018**

1. **AUDIT COMMITTEE UPDATE FOR WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Joint report of the Chief Fire Officer and Treasurer.

RECOMMENDED

THAT the Committee note the content of the Audit Committee Update attached as an Appendix.

2. **PURPOSE OF REPORT**

This update is provided to keep Audit Committee Members informed of the progress of the external auditor (Grant Thornton UK LLP) in delivering their responsibilities.

3. **BACKGROUND**

- 3.1 In order to ensure that Audit Committee Members continue to remain informed on audit matters, the external auditor has provided an Audit Committee Update report. It is the intention of the external auditor to provide an update at all Audit Committee meetings.
- 3.2 The update provides the Audit Committee with a report on Grant Thornton's progress in delivering their responsibilities as the Authority's external auditors.
- 3.3 Representatives from Grant Thornton will be in attendance at the meeting to discuss the reports with Members.

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 a policy change.

5. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

**BACKGROUND PAPERS**

None

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

PHIL LOACH  
CHIEF FIRE OFFICER

MIKE GRIFFITHS  
TREASURER

# Audit Progress Report and Sector Update

West Midlands Fire and Rescue Authority  
Year ending 31 March 2018

January 2018



# Contents

Section	Page
Introduction	03
Progress to date	04
Audit Deliverables	05
Sector Update	06
Links	12

# Introduction



**Richard Percival**

**Engagement Lead**

T 0121 232 5434  
M 07584 591508  
E richard.d.percival@uk.gt.com



**Emily Mayne**

**Engagement Manager**

T 0121 232 5309  
M 07880 456112  
E emily.j.mayne@uk.gt.com

This paper provides the Audit 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; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit 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. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://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

## Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2017/18 financial statements.

We are due to commence our interim audit in January 2018. Our interim fieldwork visit will include:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any significant findings from the interim audit to you in our Progress Report at the next Audit Committee.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We discuss our plan and timetable with officers.

The final accounts audit is due to begin at the end of May with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in January 2018 and report this to you in our Progress Report at the next Audit Committee

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Meetings

We met with Finance Officers in November 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

2017/18 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2017/18.	April 2017	Complete
<b>Accounts Audit Plan</b> 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 2018	In progress
<b>Interim Audit Findings</b> 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 2018	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	September 2018	Not yet due

# Sector Update

Local government finances are at a tipping point. Local Government bodies are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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, the wider NHS 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 this update. We also 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 local government 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 by clicking on the logos below:

Public Sector

Local  
government

# Independent Review of Building Regulations and Fire Safety: interim report

Commissioned by government following the Grenfell Tower fire to make recommendations on the future regulatory system, Dame Judith Hackitt's interim report was published on 18 December 2017. Its purpose is to make recommendations that will ensure we have a sufficiently robust regulatory system for the future and to provide further assurance to residents that the complete system is working to ensure the buildings they live in are safe and remain so. It is examining the building and fire safety regulatory system, with a focus on high-rise residential buildings.

The work of the review to date has found that the current regulatory system for ensuring fire safety in high-rise and complex buildings is not fit for purpose. This applies throughout the life cycle of a building, both during construction and occupation, and is a problem connected both to the culture of the construction industry and the effectiveness of the regulators.

The key reasons for this are:

- Current regulations and guidance are too complex and unclear. This can lead to confusion and misinterpretation in their application to high-rise and complex buildings.
- Clarity of roles and responsibilities is poor. Even where there are requirements for key activities to take place across design, construction and maintenance, it is not always clear who has responsibility for making it happen.
- Despite many who demonstrate good practice, the means of assessing and ensuring the competency of key people throughout the system is inadequate. There is often no differentiation in competency requirements for those working on high-rise and complex buildings.

- Compliance, enforcement and sanctions processes are too weak. What is being designed is not what is being built and there is a lack of robust change control. The lack of meaningful sanctions does not drive the right behaviours.
- The route for residents to escalate concerns is unclear and inadequate.
- The system of product testing, marketing and quality assurance is not clear.

The National Fire Chiefs Council has welcomed the report's findings. The interim recommendations highlight significant fire safety matters that fire and rescue services up and down the country are concerned about, including:

- Clarity of guidance
- Competence of those working on the design, construction, inspection and maintenance of complex and high-risk buildings
- Timing of consultation with fire and rescue services during the build process
- Procedures for the handover of safety information before buildings are occupied; and
- Fire Risk Assessments and the lack of formal qualifications

The Independent Review will now undertake its second phase of work and publish a final report in spring 2018. This will include targeted work in partnership with the sector and other stakeholders.

[Click on the report cover to download and read more.](#)



## DCLG Publication

### Challenge question:

Has your Authority considered the findings of the Interim Report?



# Combined Authorities: Signs of Success

In her foreword to ‘Building our Industrial Strategy’ the Prime Minister states that the initiative “will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East.”

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

## Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

[Click on the report cover to download and read more.](#)



## Grant Thornton Publication

### Challenge question:

Is your Authority considering how the combined authority model may evolve?



# Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

## Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



## Grant Thornton Publication

### Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?



# Overview of General Data Protection Regulation (GDPR)

## What is it?

GDPR is the most significant regulatory data protection development in 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

## What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25<sup>th</sup> May 2018.

### How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that might reasonably be used to identify a living individual, either directly or indirectly. Various unique identifiers (including online cookies and IP addresses) will likely fall within the scope of personal data

### What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

## Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

## Notifications and Rights

- Organisations must notify relevant incidents to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

## Claims and Fines

- Privacy regulators can impose penalties of up to €1 million on public sector organisations, for the most serious violations
- Individuals and representative organisations may be able to seek compensation for infringements of data protection rights

## GDPR

### Challenge question:

Can your authority effectively erase Personally Identifiable Data?

Have you appointed a Data Protection Officer?

How will your authority ensure citizens' data isn't duplicated across different information siloes without their knowledge?

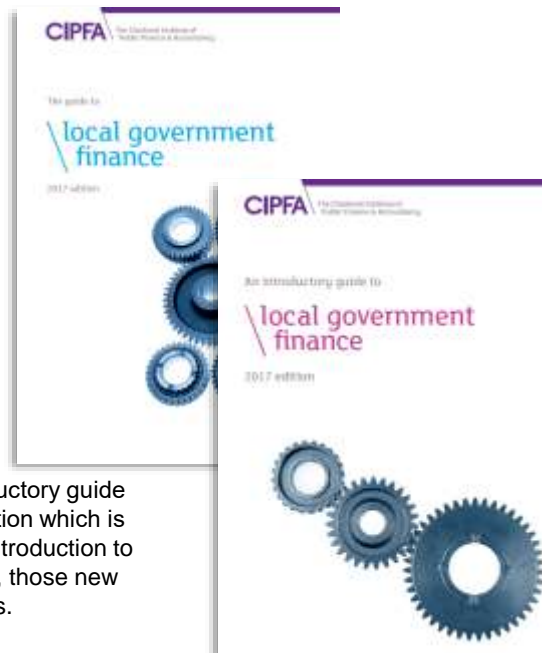
# CIPFA publications

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.

CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.



CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

## CIPFA Publication

### Challenge question:

Are these publications of use to you?





# DCLG Consultation

## DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

### Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

### Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

### DCLG consultation

#### Challenge question:

- Is your Strategic Enabler for Finance and Resources planning to respond to the consultation?





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# Links

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## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

## CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

## DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/668831/Independent Review of Building Regulations and Fire Safety web accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/668831/Independent_Review_of_Building_Regulations_and_Fire_Safety_web_accessible.pdf)



**AUDIT COMMITTEE**

**15 JANUARY 2018**

1. **INTERNAL AUDIT – PROGRESS REPORT**

Report of the Audit Services Manager.

RECOMMENDED

THAT the Internal Audit Progress Report be noted.

2. **PURPOSE OF REPORT.**

To ask the Committee to note the issues raised from the work undertaken by Internal Audit so far in the current financial year.

3. **BACKGROUND**

The Internal Audit Progress Report contains details of the matters arising from internal audit work undertaken so far in the current year. The purpose of the report is to bring the Committee up to date with the progress made against the delivery of the 2017/18 Internal Audit Plan. The information included in the progress report will feed into, and inform, the overall opinion in the Internal Audit Annual Report issued at the year end.

It summarises the audit work undertaken in a tabular format, and includes:

- the areas subject to review (Auditable Area).
- the level of risk to the Authority assigned to each auditable area (high, medium or low).
- the number and type of recommendations made as a result of each audit review.
- the number of recommendations accepted by management.
- the level of assurance given to each system under review.
- details of any key issues arising from the above.

4. **EQUALITY IMPACT ASSESSMENT**

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**

The Accounts and Audit Regulations Act states that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

**BACKGROUND PAPERS**

None

Peter Farrow  
Audit Services Manager, Sandwell MBC

## Internal Audit Progress Report @ 31 December 2017 Audit Committee – 15 January 2018



1. Introduction
2. Summary of work completed and in progress
3. Issues arising
4. Other activities
5. Service quality questionnaire feedback

# 1 Introduction

The purpose of this report is to bring the Audit Committee up to date with the progress made against the delivery of the 2017/18 Internal Audit Plan.

The information included in this progress report will feed into, and inform our overall opinion in our Internal Audit Annual Report issued at the year end.

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

<b>Limited</b>	<ul style="list-style-type: none"> <li>A risk of objectives not being achieved due to the absence of key internal controls and a significant breakdown in the application of controls.</li> </ul>
<b>Satisfactory</b>	<ul style="list-style-type: none"> <li>A sufficient framework of key controls for objectives to be achieved, but the control framework could be stronger and controls are applied, but with some lapses.</li> </ul>
<b>Substantial</b>	<ul style="list-style-type: none"> <li>A robust framework of controls ensures objectives are likely to be achieved and controls are applied continuously or with only minor lapses.</li> </ul>

This is based upon the number and type of recommendations we make in each report. Each recommendation is categorised in line with the following:

Priority rating for issues identified		
<b>Fundamental</b> action is imperative to ensure that the objectives for the area under review are met.	<b>Significant</b> requires action to avoid exposure to significant risks in achieving the objectives for the area under review.	<b>Merits attention</b> action is advised to enhance risk mitigation, or control and operational efficiency.

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## 2 Summary of work completed and in progress @ 31 December 2017

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Completed:</b>							
Risk Management*	High	-	-	-	-	-	Substantial
Fixed Asset Accounting*	KFS	-	-	-	-	-	Substantial
Fire Stations – Management of Fuel	Medium	-	3	2	5	draft	Satisfactory
<b>In progress:</b>							
IT	High						
Payroll	KFS						
Pension Certification	High						
Accounts Payable	High						
Accounts Receivable	High						
Absence Management	Medium						

Key: KFS = Key Financial System

\* = Reported upon in previous report

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### 3 Issues arising

#### **Fire Stations – Management of Fuel**

The procedures for management of fuel are contained within Standing Order 9/1. The purpose of the review was to provide assurance on compliance with established controls relating to ordering, receipt and dispensing of fuel at a sample of stations. Issues of significance identified related to:

- Fuel being ordered when the tank was below the re-order level. In addition, it is a requirement that fuel is delivered within two days. This target was not always achieved. This exposes the authority to the risk of having insufficient fuel to provide the level of service required.
- It is a requirement of the standing order to report variances between fuel book stock and physical stock, which exceed 150 litres. Examples were found where such variances were not reported and as such, not investigated.

### 4 Other activities

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

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

#### **Audit Committee – Terms of Reference**

We submitted the Audit Committee Terms of Reference for annual review at the March 2017 meeting of the Audit Committee.

#### **Internal Audit Plan 2017/18**

We submitted the Internal Audit annual plan for 2017/18 to the committee for approval at the March 2017 meeting.

#### **Internal Audit Annual Report 2016/17**

We presented the Internal Audit annual report for 2016/17 to the committee for comment and approval at the June 2017 meeting.

#### **Audit Committee Annual Report**

Assistance was provided in the preparation of the Annual Report of the Chair, on the work of the Audit Committee.

#### **Audit Committee – Self Assessment of Good Practice and Effectiveness**

The Audit Committee commenced a self-assessment of good practice and effectiveness exercise, based on the model provided by the Chartered

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Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities. We are facilitating this exercise.

### Counter Fraud

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

## 5 Service quality questionnaire feedback

	Average Score
<b>Overall Satisfaction with Audit Services</b>	No SQQs received to date

Scores range between 1 = Poor and 5 = very good. We have a target of achieving an average score of **4 = good**.

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

**AUDIT COMMITTEE**

**15 JANUARY 2018**

1. **AUDIT COMMITTEE – SELF ASSESSMENT - EVALUATING THE EFFECTIVENESS**

Report of the Audit Services Manager [Sandwell MBC].

RECOMMENDED

THAT the Committee complete stage three of their self-assessment of good practice and effectiveness exercise.

2. **PURPOSE OF REPORT.**

- 2.1 To ask members of the Committee to complete and return stage three of their self-assessment of good practice and effectiveness exercise and use it to help inform any future training needs and exercises.

3. **BACKGROUND**

- 3.1 The Audit Committee has completed a Member's knowledge and skills framework assessment, based on the model provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities.
- 3.2 The assessment forms part of an overall review of the Audit Committee, again based around guidance Chartered Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities. This includes three separate activities:

**Self-assessment exercise**

This has already been completed by the Audit Committee.

**Members knowledge and skills framework**

This has also already been completed by the Audit Committee.

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### **Evaluating the effectiveness**

This is the third and final part of the exercise evaluating the effectiveness of the 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**

The Accounts and Audit Regulations Act states that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

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

There are no direct financial implications arising from this report.

### **BACKGROUND PAPERS**

Appendix A – Evaluating the Effectiveness of the Audit Committee Checklist

Peter Farrow  
Audit Services Manager, Sandwell MBC

## Evaluating the effectiveness of the Audit Committee

## Appendix A

Key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the committee can add value by supporting improvement	Examples of how the committee can add value and provide evidence of effectiveness	Self-evaluation examples – areas of strength and weakness	Overall assessment 5 – 1
Promoting the principles of good governance and their application to decision making	<p>Providing robust review of the AGS and the assurances underpinning it.</p> <p>Working with key members to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting review/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>		

Contributing to the development of an effective control environment	<p>Monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>		
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major / strategic risks.</p>		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<p>Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>Seeing to streamline assurance gathering and reporting.</p> <p>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.</p>		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>Reviewing the audit charter and functional reporting arrangements.</p> <p>Assessing the effectiveness of internal audit arrangements and supporting improvements.</p>		

Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</p> <p>Reviewing the effectiveness of performance management arrangements.</p>		
Supporting the development of robust arrangements for ensuring value for money.	<p>Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee.</p> <p>Considering how performance in value for money is evaluated as part of the AGS.</p>		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangement against the standards set out by CIPFA</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements for both staff and governors.</p>		
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p>		





# WEST MIDLANDS FIRE AND RESCUE AUTHORITY

## AUDIT COMMITTEE WORK PROGRAMME 2017/18

Date of Meeting	Item	Responsible Officer	Completed
<b>2017</b>			
24 July	Audit Findings 2016/17  Statement of Accounts 2016/17 (Approval)  Treasury Management Annual Report 2016/17  Minutes of the Audit Committee held on 12 June 2017  Audit Committee Draft Work Plan 2017/18	Grant Thornton  Grant Thornton  Treasurer  Democratic Officer  Democratic Officer	
4 September	Corporate Risk Six Monthly Report  Audit Committee Update  Minutes of the Audit Committee held on 24 July 2017  Minutes of the Pension Board held on 20 July 2017 Work Programme 2017/18	Director of Service Support  Grant Thornton  Democratic Officer  Democratic Officer	

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(Official – WMFS – Public)

18 September [Authority]	Audit Findings 2016/17  Statement of Accounts 2016/17 (note)	Grant Thornton  Treasurer	
13 November	Treasury Management – Mid year review 2017/18 Briefing on ESMCP Annual Audit Letter 2016/17 Audit Committee Update Internal Audit Progress Report Assessment of Good Practice and Effectiveness Pensionability of Temporary Allowance – Flexibility Allowance (Falls Response) The Pension Regulator - Scheme Returns 31 March 2017 - Firefighter Pension Schemes Minutes of the Audit Committee held on 4 September 2017 Audit Committee Work Plan	Treasurer DCFO Grant Thornton Grant Thornton Audit Manager Audit Manager DCFO  DCFO  Democratic Officer Democratic Officer	
19 December	Minutes of the Audit Committee held on 13 November 2017  Decision on Qualifying Injury	       DCFO	

2018			
15 January 2018	Minutes of the Audit Committee held on 19 December 2017	Democratic Officer	
	Internal Audit Progress Report	Audit Manager	
	Internal Audit Charter – Annual Review	Audit Manager	
	Audit Committee Update	Grant Thornton	
	Assessment of Good Practice and Effectiveness	Audit Manager	
	Audit Committee Work Plan	Democratic Officer	
26 March 2018	Audit Committee Update	Grant Thornton	
	Communication with the Audit Committee for WMFRA	Grant Thornton	
	Audit Plan 2017/18	Grant Thornton	
	Internal Audit Plan 2017/18	Audit Manager	
	Audit Committee Terms of Reference	Audit Manager	
	External Audit Work Programme and Scale of Fees	Director of Service Support	
	Corporate Risk Report Six Monthly Update	Director of Service Support	

	<p>Minutes of the Pensions Board held on 19 February 2018</p> <p>Minutes of the Audit Committee held on 15 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>	
4 June 2018	<p>Annual Internal Audit Report 2017/18</p> <p>Governance Statement 2017/18</p> <p>Monitoring Policies and RIPA (Annual Whistleblowing Report)</p> <p>Annual Report of the Audit Committee for approval</p> <p>Audit Committee – Verbal Update</p> <p>Minutes of the Audit Committee held on 26 March 2018</p> <p>Audit Committee Work Plan</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts 2017/18</i></p>	<p>Audit Manager</p> <p>Treasurer Monitoring Officer/Director of Service Support Chair</p> <p>Grant Thornton</p> <p>Democratic Officer Democratic Officer</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p>	

25 June 2018 [Authority]	<p>Governance Statement 2017/2018</p> <p>Audit Committee – Terms of Reference, Annual Review (will now be reported to the Authority's AGM)</p> <p>Annual Report of the Audit Committee 2017/18</p>	<p>Treasurer</p> <p>Audit Manager</p> <p>Chair</p>	

23 July 2018 (Audit Committee 2018/19)	<p>Audit Findings 2017/18</p> <p>Statement of Accounts 2017/18 (Approval)</p> <p>Treasury Management Annual Report 2017/18</p> <p>Audit Committee Draft Work Plan 2018/19</p>	<p>Grant Thornton</p> <p>Grant Thornton</p> <p>Treasurer</p> <p>Democratic Officer</p>
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