

West Midlands Fire and Rescue Authority

Audit Committee

**You are summoned to attend the meeting of Audit Committee to be held on
Monday, 18 January 2016 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 in contracts or other matters | |
| 3 | Minutes of the Audit Committee held on 9 November 2015 | 3 - 8 |
| 4 | Corporate Risk Quarter 2 Update 201516 | 9 - 22 |
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| 9 | Audit Work Programme 2015-16 | 53 - 56 |
| 10 | Update on Topical, Legal and Regulatory Issues (Verbal Report). | |

Distribution:

Adam Aston - Member, Tersaim Singh - Chairman, Hendrina Quinnen - Member, Robert Sealey - Member, Paul Singh - Member, Catherine Miks - Member

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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 Committee

9 November 2015 at 12.15 pm
at Fire Service Headquarters, Vauxhall Road, Birmingham B7 4HW

Present: Councillor T. Singh (Chair);
Councillors Aston, P. Singh and Quinnen.
Mr Ager (Independent Member).

Apology: Councillor Miks (Vice-Chair);

37/15 **Minutes**

Resolved that the minutes of the meeting held on 7 September 2015, be approved as a correct record.

38/15 **Report on Value for Money for West Midlands Fire and Rescue Authority**

The Committee received and noted the report on Value for Money for West Midlands Fire and Rescue Authority provided by Grant Thornton. The external auditor stated that of the seven areas examined in the Executive Summary, the financial challenge was the most important issue for the Authority, but felt able to give a green assurance.

At this point Councillor P. Singh left the meeting.

The Treasurer and Deputy Chief Fire Officer had both approved the report. In answer to Members questions, it was confirmed that the report was for the period ended 31 March 2015. However, the latest position was reflected in some of the detail provided and the opinion work carried out over the Summer gave an element of the direction of travel.

The 2015/16 Value for Money risk assessment would give an indication if any areas were going to drop into amber rating, but at this stage the external auditor was not aware of any areas where this may occur.

Discussions were taking place with officers regarding the general arrangements and a close eye was being kept on the medium term financial arrangements. It was noted that the Comprehensive Spending

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Review was due to be announced on 25 November 2015 and could force a change of direction.

Some of the views were longer term and covered the next three years. The external auditor stated that he would keep a watching brief but there was currently nothing to bring to the Committee's attention.

In answer to a Member's question, it was confirmed that the report was timely and covered the external audit for the previous year. The report had been previously presented to the full Authority meeting on 23 September 2015 and the external auditor shared the contents of the report which provided more detail to the Members of the Audit Committee.

39/15 Annual Audit Letter 2014/15

The Audit Committee received and noted the contents of the Annual Audit Letter (AAL). The letter is intended to communicate key message to the Authority and external stakeholders, including members of the public.

The key messages included the financial statements audit, (including audit opinion), the Value for Money conclusion and the Audit fees charged for audit and non-audit services and the titles and dates of when reports had been issued.

Appendix C of the report gave an assessment of how external audit had worked with the Authority Members and Officers. Grant Thornton were keen to build on relationships with officers and new members of the Audit Committee and asked them to liaise directly so that they can build this work into their approach.

The Independent Member of the Committee stated that the key issues and recommendations broadly fell into the IT area and asked whether the Internal Auditor had seen the recommendation and management responses to these issues. It was confirmed that these issues would be addressed in the Internal Audit Plan, the Terms of Reference were to be agreed with Treasurer.

40/15 Audit Committee Update for West Midlands Fire and Rescue Authority

The Committee noted the contents of the Audit Committee Update. The Update included a summary of emerging national issues and developments that may be relevant to the Fire and Rescue Authority and a number of challenge questions in respect of the emerging issues that the Committee may wish to consider.

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The report included information on:

- Progress to date on External Audit Work
- The impact of Devolution
- The Government's Spending Review
- Enabling Closer Working between the Emergency Services Consultation
- Fire Statistics April 2014 to March 2015
- Change of Director for Fire, Resilience and Emergencies

41/15

Treasury Management - Mid Year Review Report 2015/16

The Members of the Committee considered the Treasury Management Mid Year Review Report 2015/16.

The Authority agreed its Treasury Management Strategy Statement and Annual Investment Strategy and its Prudential Indicators in February 2015 and part of the requirements of the Treasury Strategy and Prudential Code are that periodic reports are presented to Members. The Mid Year update was presented to the Audit Committee with the key areas being:

Capital expenditure was approved in February 2015 at £3.9m, this has been updated and now reflects the outturn position and financing decisions for 2014/15. The Forecast Outturn was revised to £5.3m. There would be no borrowing in the current financial year.

The Prudential Indicator (CFR) showed an Outstanding debt of £41m as at 31st March 2015. Gross borrowing of £37m has been undertaken with the Public Works Loan Board, the remaining £4m relates to the ex-West Midlands County Council. The estimated average rate of interest payable on this debt in the current financial year is 5.7%.

The Authority holds £76m of investments as at 30 September 2015 which are pooled with Sandwell MBC. The interest received for the first six months of the year is 0.41% which is favourable when compared against a benchmark, the average 7 day LIBID rate at 0.35%.

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Resolved that the Treasury Management – Mid Year Review Report 2015/16 be noted and the prudential and treasury indicators be approved.

42/15 Internal Audit – Progress Report

The Committee noted a report which detailed the progress made against the delivery of the 2015/16 Internal Audit Plan. The information contained within the report included a summary of the work completed with no significant issues.

43/15 Self-assessment of good practice and effectiveness

The Committee agreed to complete stage two of their self-assessment of good practice and effectiveness exercise.

The first stage of the process, the self-assessment exercise had already been completed. However, as there were new Members on the Audit Committee it was felt opportune to reinvigorate the process. Members were requested to return their completed forms to the Clerk by the 30 November 2015. Members were advised to leave blank any areas they were unsure of.

It was noted that an External Review of the Audit Committee would take place every 5 years and a further consideration would be required on the team who would undertake the review and the possibility of a reciprocal arrangement with other members of another local authority Audit Committee.

44/15 Work Programme

The Committee noted its work programme for 2015/2016. The Treasurer indicated a meeting of the Audit Committee would be required in July 2016, due to earlier timescales for the closedown of accounts process.

45/15 Update on Topical, Legal and Regulatory Issues

The Treasurer stated that the announcement of the Comprehensive Spending Review would be made on the 25 November 2015, but the Authority may not know specific implications until the finance settlement anticipated around mid-December 2015.

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The internal auditor informed the members of the Committee that he would forward the details of any events and Seminars that are arranged specifically for Members of the Audit Committee and the Chair encouraged all Audit Committee members to attend the training.

The meeting ended at 13.13pm)

Contact Officer: Julie Connor Strategic Hub 0121 380 6906

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

18 JANUARY 2016

1. **CORPORATE RISK QUARTER 2 UPDATE 2015/16**

Report of the Chief Fire Officer.

RECOMMENDED

THAT Audit Committee approve the Corporate Risk Assurance Map Summary (Appendix 1) and notes the Position Statement (Appendix 2) for each risk.

2. **PURPOSE OF REPORT**

This quarterly update is provided to ensure Members remain informed about all aspects relating to the management of the Authority's corporate risks.

3. **BACKGROUND**

- 3.1 In accordance with the Service's risk management strategy, the Corporate Risk Assurance Map Summary is submitted for approval by the Audit Committee on a quarterly basis, following its submission and discussion at the Corporate Performance Review Meeting.
- 3.2 Corporate risks are those risks which, if they occurred, would seriously affect the Authority's ability to carry out its core functions or deliver its strategic objectives as set out in The Plan. Currently, the Service maintains 11 corporate risks.
- 3.3 Each corporate risk has assigned to it 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.

- 3.4 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 on the basis of 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

- 3.5 In order to ensure that Members are kept informed of corporate risk matters, a Position Statement (Appendix 2) and the overall Corporate Risk Assurance Map Summary are attached (Appendix 1).
- 3.6 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 score.
 - 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 being implemented to further reduce the likelihood or impact.

- Control Owners who are responsible for the implementation, maintenance and review of individual control measures.
- 3.7 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.
- 3.8 Where ongoing additional controls are being implemented, Risk Owners have confirmed the progress in implementing such controls.
- 3.9 The Position Statement attached as Appendix 2 provides the detail of the risk management activity undertaken or ongoing in respect of the Authority's eleven Corporate Risks for quarter 2 of 2015/16. The overall risk rating and scores remain unaltered this quarter when compared to the previous quarter. The Level of Risk Owner confidence in the effectiveness of the Service's risk management and control environment remains high with the following confidence opinions being awarded:-
- Corporate Risks 1, 7, 8, 9, 10, 11 and 13 have been awarded a green confidence (substantial) opinion, which is the highest level that can be awarded.
 - Corporate Risks 2, 4, 5, 6 and have been awarded an amber (satisfactory) confidence opinion. In all cases, work is in progress to enable for a green rating to be attained.
 - No red (limited) confidence opinions were awarded.
- 3.10 The overall risk score for Corporate Risk 4 concerning the effective governance and management of partnerships has been increased. This is because the likelihood of risk realisation has increased from 2 to 3 based upon the evidence provided in a recent Scrutiny Committee review of partnerships. This review identified that improvements are required to strengthen the governance and management of partnerships. An action plan for improvement was approved

by Executive Committee at its December meeting. Upon implementation the risk score will be reconsidered.

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 do not relate to 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 financial implications arising from this report.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

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

PHIL LOACH
CHIEF FIRE OFFICER

Corporate Risk Assurance Map - Summary - October 2015

Appendix 1

Outcome of risk realisation	Owner	Direction of travel	Overall confidence	Likelihood	Impact	Risk Score
1 The Fire Authority would be unable to maintain the positive engagement of its employees, resulting in an inability to deliver its key priorities and objectives.	SET People Support Services	↔		4	3	12
2 The Fire Authority would be unable to maintain an effective ICT provision (excluding mobilising and communications), resulting in significant disruption to the organisation's ICT functionality.	SET ICT	↔		4	2	8
4 The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives	SET Prevention	↑		3	2	6
5 The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of extensive disruption to normal working methods.	SET Emergency Response	↔		4	3	12
6 The Fire Authority would be unable to ensure that operational incidents are dealt with safely and effectively using appropriate levels of resources and personnel.	SET Ops, Intel, Policy & Trng	↔		2	4	8
7 The Fire Authority would be unable to deliver the core responsibilities of preventing, protecting and responding effectively as a result of insufficient key assets such as buildings and vehicles.	SET Finance & Resources	↔		2	3	6
8 The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively due to a lack of funding or the misuse of funds, e.g. fraudulent activity.	SET Finance & Resources	↔		3	3	9
9 The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective employees.	SET People Support Services	↔		2	3	6
10 The Fire Authority would be unable to manage its responsibilities under the Regulatory Reform (Fire Safety) Order and associated legislation resulting in a decline in non-domestic fire safety standards or legal action being taken against the Authority.	SET Protection	↔		2	2	4
11 The Fire Authority would be unable to maintain its command and control function, resulting in an inability to receive, process and respond to emergency calls effectively.	SET Emergency Response	↔		2	4	8
13 The Fire Authority suffers a significant health, safety or environmental failure, resulting in legal challenge and/or litigation.	SET Emergency Response	↔		2	3	6

Corporate Risk Amendments October 2015**Position Statement****Risk 1- The Fire Authority would be unable to maintain the positive engagement of its employees resulting in an inability to deliver its key priorities and objectives**

Emerging Issues	<p>The Risk Owner has determined that, with the continued uncertainty over industrial action, that the likelihood score (potential for risk realisation) should be maintained at a level of 4 as the risk of further action is still high. Whilst engagement with the workforce and representative bodies is ongoing regarding the staffing proposal, there is still a risk of a local dispute. Similarly, as the Service seeks to move into commissioning, discussions are ongoing with representative bodies, a mutually agreeable solution is likely via the National Joint Council. This provides an indication of the range of changes currently being considered by the Service, raising the potential for disagreement with the representative bodies, impacting adversely on engagement levels.</p> <p>The Service is currently engaged with the representative body on a staffing proposal. It is recognised that this proposal does have the potential to affect the positive engagement of employees. However, in considering and mitigating against the impact of these changes, the Service is using its established frameworks and communication approaches for engaging with and consulting with both employees and representative bodies on this matter. As part of this, briefings have been held with managers and information packs have been provided to managers to help ensure consistency of message in shaping, influencing and communicating with local teams.</p>
Changes to control measures	There have been no changes to control measures in this quarter.
Assurance Updates	<p>The level of assurance provided by control owners against this particular risk is high, with the assurances being green and provided within the last 12 months. A number of assurances have been updated in this quarter, reflecting the proactive approach to managing this particular risk.</p> <p>The Risk Owner is assured that the collective control environment is strong and effective. This is reflected in the 'substantial (green) 'confidence opinion' which is shown on the Corporate Risk Assurance Map Summary.</p>

Risk 2 – The Fire Authority would be unable to maintain an effective ICT provision (excluding mobilising and communications), resulting in significant disruption to the organisation's ICT functionality

Emerging Issues	The overall risk score is 8. The risk continues to be medium. The risk level remains as it was for last quarter.
Changes to control measures	<p>Classification of the Service's information assets has been prioritised and implemented to ensure appropriate data handling and the creation of appropriate ICT environments in line with government recommendations.</p> <p>Upon completion appropriate availability, access and resilience can be applied to these all information assets.</p> <p>In addition, work is ongoing to establish accreditation for Code of Connection (CoCo) to the Emergency Services Network (ESN) and the Public Services Network (PSN). Accreditation for ICCS has already been achieved</p>
Assurance updates	The overall risk confidence opinion is amber.

Risk 4 – The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives.

Emerging Issues	<p>The overall risk score has risen as an increase in likelihood from 2 to 3. The impact score remains at 2. This means an overall revised risk rating of 6 (medium).</p> <p>Following the receipt of a recent internal audit report into the Service's risk management arrangements and in line with the initial findings of the scrutiny review of partnerships, the Service has clear evidence that its partnership governance arrangements require strengthening. In light of this information the Risk Owner has determined that the likelihood of risk realisation is to be increased.</p> <p>Of particular concern is that evidence indicates that there is no systematic and consistent approach to recording partnerships and their purpose either centrally, at command level or at stations. In view of this and in consultation with ACFO Service Delivery a review of the Service's partnership working arrangements, was commissioned by the Scrutiny Committee.</p> <p>This work will be completed in November 2015. Proposals for change will be submitted to Scrutiny Committee which will strengthen the governance environment around partnerships, with a view to ensuring the Service is best placed to respond to the changing political and funding landscape in respect of public health and well-being commissioning.</p>
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Changes to control measures	There have been no changes to control measures.
Assurance updates	The overall confidence opinion associated with this risk is amber.

Risk 5 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of extensive disruption to normal working methods.

Emerging Issues	<p>The Risk Owner has determined that with the continued uncertainty over industrial action that the likelihood score (potential for risk realisation) should be maintained at a level of 4 as the risk of further action is still high. Similarly, whilst engagement with the workforce and representative bodies in ongoing regarding the staffing proposal there is still a risk of a local dispute. Similarly as the Service seeks to move into commissioning, discussions are ongoing with representative bodies. Although a mutually agreeable solution is likely via the National Joint Council it provides an indication of the range of changes currently being considered by the Service, raising the potential for disagreement with the representative bodies.</p> <p>Therefore the risk rating remains high generating an overall Risk Score of likelihood 4 x impact 3 = 12.</p>
Changes to control measures	The responsibility for a number of control measures within the risk management environment has been re-aligned to reflect the current service structure. This has enabled for a number of assurances to be reconsidered and updated, with the highest level of 'substantial' green rating being awarded against the vast majority of controls.
Assurance updates	The overall confidence opinion associated with this risk is amber on the basis of whilst the Service is doing all that is reasonably practicable to avoid industrial action, there is still likely to be a short term impact to the delivery of strategic priorities as a result of industrial action. This creates uncertainty as to how the Service would continue to meet its specific legislative response responsibilities should a significant or a number of incidents occur during a period of industrial action

Risk 6- The Fire Authority would be unable to ensure that operational incidents are dealt with safely and effectively, using appropriate levels of resource and personnel.

Emerging Issues	The overall risk Score remains at 2 (likelihood) x 4 (impact) = 8 and the risk remains at Medium.
Changes to control measures	<p>The Service's continues to improve Site Risk Survey (SRS) arrangements (site specific risk information SSRI). SSRI is intended to ensure that risk assessed informed decisions can be made pre-incident and at the incident ground, through the provision of relevant, timely and accurate information, ensuring safe and effective firefighters and operations.</p> <p>Now that the integration with Staffordshire control staff is complete, it is now appropriate to review Fire Control staffing levels. This work is ongoing and has been submitted and discussed to the Fire Control Governance Board.</p> <p>In responding to the current funding challenge the Service is to implement an additional shifts staffing model, whereby in order to sustain the Service's Delivery Model, against a reducing establishment, staff are offered the opportunity to undertake additional shifts should they choose to do so. The impact of this approach will continue to be monitored for its impact upon the Service' delivery model.</p>
Assurance Updates	<p>Level 1 assurance has been provided across the risk environment. However, the Risk Owner has awarded an overall Satisfactory (amber) confidence opinion as to the collective strength of the controls in preventing or reducing risk realisation. This judgement has been informed by the independent limited (red) assurance awarded in respect of SRS. A project to improve SRS (SSRI) arrangements is due to be completed by late 2015. Subject to the new arrangements becoming embedded and the Risk Owner being assured as to their effectiveness, the Risk Owner will consider the effectiveness opinion of SRS as a preventative control measure. This will provide the opportunity for the Risk Owner to consider his confidence opinion of the overall control environment.</p>

Risk 7 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective key assets, such as buildings and vehicles.

Emerging Issues	<p>The overall risk score remains unchanged at 2(likelihood) x 3 (impact) = 6. The risk level remains at Medium. The Risk Owner has determined that this score is appropriate.</p> <p>In considering our current and future fleet requirements Strategic Enabler Operational Intelligence and Risk Reduction has been commissioned to undertake a review of Service fleet arrangements. This will be reflected as a control on the assurance map.</p>
Changes to control measures	<p>Some relatively minor updates have been made to the assurance map. However, this is a well managed risk with a strong control environment.</p> <p>An addition has been made to reflect the move to improve security arrangements as the Service moves towards an electronic swipe card system. This will replace the yellow disk keys and provide a better system of control, strengthening the security arrangements at all fire service locations.</p>
Assurance Updates	<p>Level 1 assurance has been provided across the range of control measures. The level 1 control environment provides for substantial assurance (green rating) across the majority of controls. No controls were identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required. This has enabled for the Risk Owner to provide a Substantial (green) confidence opinion and this is reflected on the Corporate Risk Assurance Map summary.</p>

Risk 8 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively due to a lack of funding or the misuse of funds e.g. fraudulent activity.

Emerging Issues	<p>The risk score remains at 3 (Likelihood) x 3 (Impact) = 9. The overall risk level is Medium. Whilst the Authority continues to manage its budget and accounts in such a way that provides for an unqualified financial opinion and value for money conclusion, the external auditors have recognised the risk posed by the continued challenge presented by the Government funding cuts agenda.</p> <p>To date the Authority has managed to maintain and improve its delivery model and balance its budget despite a £28M (35%) cut in funding (up to March 2016). Following on from the general election anticipated cuts to central grant may be deeper and at a quicker pace than original indications. The Service awaits confirmation of this position. The joint message from the CFO and Chair of the Authority sets out the concerns of the Authority and Service alike.</p>
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	<p>Given that the level of central funding is fundamental in enabling the effective delivery of Service's core objectives, the Risk Owner has determined that the likelihood risk score of 3 defined as 'High 25%-50% or likely to occur within two years' is still appropriate. In terms of funding reductions for 2016/17 -2018/19 the Service will continue to explore and implement a range of approaches to balance its budget.</p>
Changes to control measures	<p>The control environment remains strong and is supported by independent assurance provided by both external and internal auditors. Both the external and internal audit programmes have provided independent evidence that the Service still continues to provide value for money (The Value for Money conclusion) and provides an unqualified opinion of the Authority's accounts, supported by effective governance arrangements as detailed in the annual governance statement. This has enabled for a number of control measures to be independently updated.</p> <p>Through a structured approach, the Strategic Enabling Team are considering and, where appropriate, implementing a range of approaches across both support and delivery services to enable further efficiencies to be made whilst continuing to meet our delivery model commitments to the community of the West Midlands. This approach has been sent out in a briefing pack communication supplied to managers and the approaches to offsetting the £14M deficit have been reflected within the control environment.</p> <p>As part of this the Service has set an expectation that up to £2M will be delivered through commissioning providing a framework in support of securing commissions has been considered by SET. This has been reflected on the assurance map.</p> <p>Similarly, the implementation of an additional staffing model has been approved and has been implemented. This will provide significant financial savings and maintain the Service Delivery Model.</p>
Assurance updates	<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 particular risk.</p>

Risk 9 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective employees.

Emerging Issues	The overall risk score is 2 (likelihood) x 3 (impact) = 6 although the risk level remains at Medium. This means that it is likely to occur within a period of 2-5 years (10-24% chance).
Changes to control measures	<p>The Service continues to explore a range of avenues to address the ongoing funding challenge.</p> <p>As part of its workforce planning arrangements, the Service is to implement an additional staffing model in order to sustain the service delivery model. Staff continue to be engaged on this matter. Discussions with representative bodies are ongoing.</p> <p>An entry has been made onto the assurance map to reflect that there will be a freeze on operational staff recruitment in the current financial year.</p> <p>In support of providing assurance of its approaches to organisational development, a number of controls on the assurance map (standing order 6) will be reviewed and updated to provide a more appropriate framework and guidance for personnel. This is a joint piece of work between People Support Services and Operational Training.</p>
Assurance updates	<p>The Risk Owner has ensured that control owners have provided assurance for the controls for this particular risk. This proactive approach has strengthened the control environment and level 1 assurance has been provided across the control environment. To date no limited assurances (red ratings) have been identified and, as such, no immediate interventions are required.</p> <p>The Risk Owner has provided a high (green) confidence opinion as to the effectiveness of the control environment in managing this risk.</p>

Risk 10- The Fire Authority would be unable to manage its responsibilities under the Regulatory Reform (Fire Safety) Order and associated legislation, resulting in a decline in non domestic fire safety standards or legal action being taken against the Authority.

Emerging issues	<p>The risk score using the likelihood x impact matrix is 2 (likelihood) x 2 (Impact) generating an overall risk score of 4 which is unchanged from the previous quarter.</p> <p>The current score is still valid.</p> <p>Business Support Vehicles (BSV) are operational and are having an impact in supporting the maintenance of the Service's delivery model. In terms of wider integration into Service Delivery, performance against Performance Indicators (PIs) continues to be green and within tolerances and capability continues to be built at delivery level to support increased volume of inspections</p> <p>In order to maintain the establishment a Watch Commander selection process is ongoing</p>
Changes to control measures	There are no changes to or additional control measures required.
Assurance updates	Level 1 assurance has been updated and provided across the range of control measures. The level 1 control environment provides for substantial assurance (green rating) across the majority of controls. No controls were identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required. This has enabled for the Risk Owner to provide a Substantial (green) confidence opinion and this is reflected on the Corporate Risk Assurance Map summary.

Risk 11 – The Fire Authority would be unable to maintain its command and control function, resulting in an inability to receive process and respond to emergency calls effectively.

Emerging Issues	<p>The overall risk score remains at $2(\text{likelihood}) \times 4(\text{Impact}) = 8$.</p> <p>The joint control working arrangements between Staffordshire and West Midlands are embedded. It is therefore appropriate to consider whether the current resources and staffing model represent the most efficient way of working. A number of proposals for change have been submitted to the Fire Control Governance Board for consideration and staff consultation is ongoing.</p>
Changes to control measures	None
Assurance updates	<p>Level 1 assurance has been provided across the majority of the control environment with a substantial (green rating) being provided for much of the controls. Where amber assurances have been provided, corrective action has been identified. To date no limited assurances (red ratings) have been identified and as such no immediate interventions are required. Therefore, the Risk Owner has provided a Substantial (green) confidence opinion as to the overall collective strength of the control environment and this is reflected on the Corporate Risk Assurance Map summary.</p>

Risk 13 – The Fire Authority suffered a significant health, safety or environmental failure, resulting in a legal challenge and/or litigation

Emerging Issues	<p>None. The overall risk score is $2(\text{impact}) \times 3(\text{likelihood}) = 6$ and the risk level remains at Medium.</p>
Changes to control measures	The Risk Owner has confirmed there were no changes this quarter.
Assurances updates	<p>Level 1 assurance has been provided across the majority of the control environment. To date no limited assurances (red ratings) have been identified and as such no immediate interventions are required. Where satisfactory assurances have been provided action to provide for substantial (green) assurance has been identified. Performance against Health and Safety PIs continues to be strong and this has been reflected in reduced targets against PIs for 2015/16. This has enabled for the Risk Owner to provide a Substantial (green) confidence opinion as to the overall collective strength of the control environment and this is reflected on the Corporate Risk Assurance Map summary.</p>

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

18 JANUARY 2016

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

Report of the Chief Fire Officer

RECOMMENDED

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

2. **PURPOSE OF REPORT**

The 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 and also includes:-

- a summary of emerging national issues and developments that may be relevant to West Midlands Fire and Rescue Authority; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

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.

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

Audit Committee Update for West Midlands Fire & Rescue Authority

Year ended 31 March 2016

January 2016

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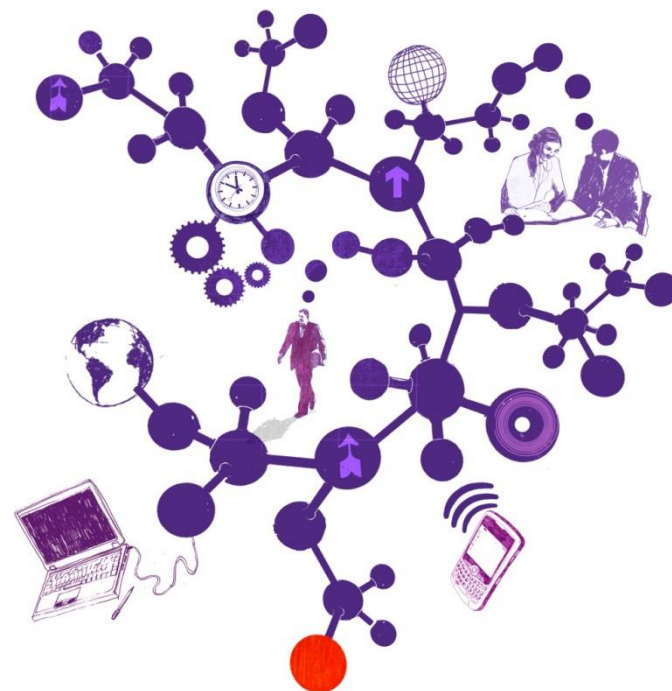
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England
- Making devolution work: A practical guide for local leaders

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 Audit Manager.

Progress to date

Work	Planned date	Complete?	Comments
2015/16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Fire Authority setting out our proposed approach in order to give an opinion on the Fire Authority's 2015/16 financial statements.	March 2016	In progress	We continue to assess the risks facing your Authority and meet with Senior Officers to ensure that these risks are fully understood and our audit work is appropriate. If there are any changes to our plan between our initial risk assessment and the delivery of your opinion we will discuss this with the Strategic Enabler for Finance and Resources before presenting to the Audit Committee.
Interim accounts audit Our interim fieldwork visits include: <ul style="list-style-type: none"> • updating our review of the Fire Authority's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January and March 2016	In progress	We will: <ul style="list-style-type: none"> • engage with the finance team to streamline and improve the audit approach for 2015/16 where possible • Discuss any technical issues early the impact from the pension commutation guidance • undertake as much early testing as possible. We will continue to work closely with Internal Audit in relation to risk, work on the financial statements and fraud.
2015/16 final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015/16 financial statements • proposed opinion on the Fire Authority's accounts • proposed Value for Money conclusion. 	June – September 2016	Not started	We will undertake work on your draft financial statements to provide an opinion by the statutory deadline. Our discussions with the finance team have agreed that we will aim to deliver this work ahead of the national timetable in preparation for the shorter deadlines in 2016/17.

Progress to date (continued)

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2015/16 VfM conclusion requires conclusions on whether:</p> <p><i>"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."</i></p> <p>The sub-criteria we will use to consider this conclusion are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. 	January – July 2016	In progress	<p>We will undertake work on the VFM risks identified, including attending meetings with key Senior Officers. We will provide our conclusion on your arrangements to provide economy, efficiency and effectiveness by the statutory deadline. Our discussions with the finance team have agreed that we will aim to deliver this work ahead of the national timetable in preparation for the shorter deadlines in 2016/17.</p> <p>The Authority is preparing itself for challenges financially in future years. We will also review the partnership working as this is a key theme within all areas of the assessment.</p>
<p>Annual Audit Letter</p> <p>A summary of all work completed as part of the 2015/16 audit.</p>	October 2016	Not started	We will summarise our findings from the 2015/16 audit and report to the November 2016 Audit Committee.
<p>Engagement with the Authority since the last Committee meeting</p>	N/A	N/A	<ul style="list-style-type: none"> • Meetings with key Senior Officers to discuss key risks facing the Authority to inform the 2015/16 planning including the impact of the CSR. • Introduction of pension specialists to support the Authority in their discussions with staff ahead of the forthcoming pension changes in April 2016. • Update with key Senior Officers on the progress of the Combined Authority for the West Midlands and the specific impacts for your Authority.

Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

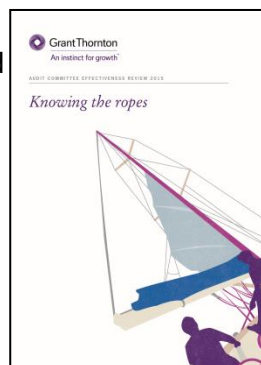
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



Supporting members in governance

Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

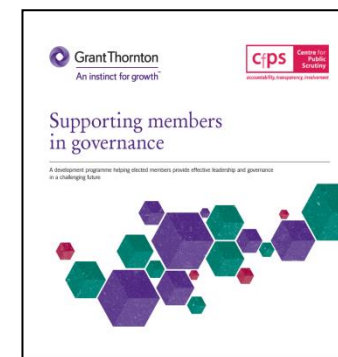
Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager



Code of Audit Practice

National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

National Audit Office Report

National Audit Office

On 5 November 2015 the National Audit Office published their report on the '*Financial sustainability of fire and rescue services*' and their companion report, '*Impact of funding reductions on fire and rescue services*'.

Background

The National Audit Office have examined whether the Department for Communities and Local Government understands the impact of funding reductions on the financial and service sustainability of fire and rescue services.

The report and accompanying documents can be found here: <https://www.nao.org.uk/report/financial-sustainability-of-fire-and-rescue-services/>

Supporting Public Service Transformation

Public Transformation Network

Background

Many fire and rescue authorities are considering how to transform or redesign their fire prevention and community safety services in a way that improves value for money for the taxpayer and makes best use of the latent capacity of their staff. Increasingly, this involves fire and rescue services supporting and delivering against the objectives of other public service providers, such as local authorities, the police and ambulance service and public and national health organisations, as well as range of voluntary and community based organisations.

Effective evaluation offers important insights into why some approaches are more successful than others and into how to deliver better services within constrained budgets. It provides decision makers – both in fire and rescue authorities and in their partner organisations – with the evidence they need to support new ways of service provision and to make the best possible case for securing the resources needed to deliver them.

The Public Transformation Network champions a 'whole place', multi-agency approach to public service reform. It helps local public sector partners remodel services so they are designed around the needs of people, not the needs of organisations. It has produced an introductory guide to evaluation which community safety practitioners and analysts in fire and rescue services may find helpful.

The guide is complemented by the Network's guidance on Cost Benefit Analysis for Local Partnerships which can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300214/cost_benefit_analysis_guidance_for_local_partnerships.pdf

Information

The Network's evaluation guide sets out some guiding principles and key considerations to help local providers measure the impact of changes to services. It aims to help local providers to ensure the highest quality, credibility and accountability for services that have been redesigned and enable multi-agency partnerships delivering new services to demonstrate value for money and how redesigned services make a real difference to local communities.

The guide can be found at: <http://publicservicetransformation.org/images/articles/learning-zone/evaluation-analysis/EvaluationGuideFinalv2.0.pdf>

The Network's website also hosts a number of webinars and useful resources on evaluation and other elements of public service reform, such as collaborative leadership and commissioning. Link to the website: www.publicservicetransformation.org



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WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

18 JANUARY 2016

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 Audit Committee up to date with the progress made against the delivery of the 2015/16 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 @ 30 November 2015 Audit Committee – 18 January 2016



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 2015/16 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:

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

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

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

2 Summary of work completed and in progress @ 30 November 2015

Auditable Area	ANA Rating	Suggested/Agreed Actions				Number accepted	Level of Assurance
		Fundamental	Significant	Merits attention	Total		
Completed:							
Pension Certification	-	-	-	-	-	-	Substantial
Budgetary Control	KFS	-	-	-	-	-	Substantial
Procurement	High	-	-	-	-	-	Substantial
Accounts Receivable	KFS	-	-	-	-	-	Substantial
Fixed Asset Accounting/Asset Planning	KFS	-	-	-	-	-	Substantial
In progress:							
Accounts Payable	KFS						
National Fraud Initiative	-						

Key:

KFS = Key Financial System

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3 Issues arising

Accounts Receivable

A review of the accounts receivable system was undertaken to ensure that an effective system was in place for raising invoices and managing debtors. This included the integrity and reliability of charging information recorded in the accounts, the collection of payments and the process to monitor and report the debtor position.

Fixed Asset Accounting/Asset Planning

An audit of fixed asset accounting was undertaken in respect of planned capital expenditure. The review was undertaken to provide assurance that an appropriate process was in place to maintain details of fixed assets and to record them correctly in the accounts.

Procurement

A review of the procurement process was undertaken to provide assurance over the control of non-contract spend within the Fire Authority. It was established that:

- There was a clear strategy in place which enabled contracts to be procured in accordance with contract and procedure rules and on a timely basis.
- The sections within the Fire Authority were utilising the contracts in place.
- Non-contract spend was well controlled.

4 Other Activities

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 Institute of Public Finance and Accountancy (CIPFA) in their Audit Committees – Practical Guidance for Local Authorities 2013 Edition. Internal Audit is facilitating this exercise.

5 Service quality questionnaire feedback

No feedback has been received so far:

Overall Satisfaction with Audit Services	Average Score
	4.6

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

18 JANUARY 2016

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 then reviewed in January 2015, and is now due for its next annual review. There have been no significant changes to the Charter since the last review.

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

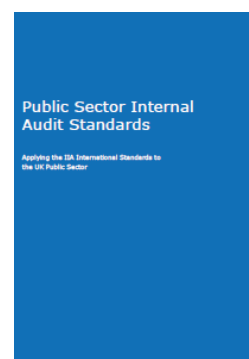
Definition of internal auditing

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.

Authority and standards

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'. These Standards are mandatory and have been adopted by the internal auditors.

Internal audit is a statutory service in the context of the Accounts and Audit Regulations (Amendment)(England) 2011, which states that a relevant body must 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.



The Accounts and Audit Regulations, require that the Fire Authority "maintains an adequate and effective system of internal control in accordance with proper practices in relation to internal control.

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;

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Ref. *

- 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

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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

18 JANUARY 2016

1. **CIPFA AUDIT COMMITTEE UPDATE NO. 18**

Report of the Audit Services Manager [Sandwell MBC].

RECOMMENDED

THAT the Audit Committee notes issue 18 of CIPFA's Audit Committee Update.

2. **PURPOSE OF REPORT.**

- 2.1 To ask the Committee to note the publication and contents of issue 18 of CIPFA's Audit Committee Update.

3. **BACKGROUND**

- 3.1 CIPFA continue to develop a series of briefing papers to support public sector audit committee members and to provide a practical resource for those who support audit committees. The update is published approximately three times a year. Each one includes a main feature, together with pointers to new developments or guidance that audit committee members may need to be aware of. The focus for the latest edition is on the Self-assessment and Improving Effectiveness of an Audit Committee and the Appointment and Procurement of External Auditors

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

CIPFA Audit Committee Update – Issue 18

Peter Farrow
Audit Services Manager, Sandwell MBC

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE WORK PROGRAMME 2015/16

Date of Meeting	Item	Responsible Officer	Completed
2015			
29 June [Authority]	Annual Report of the Audit Committee 2014/15	Chair	
7 September	Corporate Risk 2015/16 – Quarter 1	Director of Service Support	
	Treasury Management Annual Report 2014/15	Treasurer	
	CIPFA Audit Committee Update	Audit Manager	
	Minutes and Terms of Reference of the Pensions Board	Chair of the Pensions Board	
	Decisions on Discretions to Firefighter Pension Scheme	Pension and Payroll Manager	
	Work Programme 2015/16	Democratic Officer	
21 September [Authority]	Audit Issues 2014/15	Grant Thornton	
	Approval of Statement of Accounts 2014/2015	Treasurer	

Agenda Item 9

9 November 2015	Quarter 1 Internal Audit Progress Report	Audit Manager	
	Treasury Management – Mid year review 2015/16	Treasurer	
	Audit Committee – Knowledge and Skills Framework	Audit Manager	
	External Audit progress Report	Grant Thornton	
	Value for Money Report 2014/15	Grant Thornton	
	Annual Audit Letter 2014/15	Grant Thornton	
November	<i>Corporate Risk Management Training</i>	Strategic Hub	
2016			
18 January	Quarter 2 Internal Audit Progress Report	Audit Manager	
	Internal Audit Charter – Annual Review	Audit Manager	
	CIPFA Audit Committee Update No. 18	Audit Manager	
	Quarter 2 Corporate Risk Report	Director of Service Support	
	Evaluating the effectiveness of the Audit Committee	Audit Manager	

Agenda Item 9

	External Audit Committee Update	Grant Thornton	
21 March	<p>External Audit Committee Update</p> <p>Quarter 3 Internal Audit Progress Report</p> <p>Strategy for Internal Audit 2015/16 – 2017/18</p> <p>Audit Committee Skills Audit</p> <p>Quarter 3 Corporate Risk Report</p> <p>Minutes of the Pensions Board</p> <p><i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i></p>	<p>Grant Thornton</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Director of Service Support</p> <p>Chair of the Pensions Board</p> <p><i>Audit Manager</i></p>	
11 April [Authority]	Approval of Audit Plan 2015/2016 [fee letter and proposed actions].	Grant Thornton	
6 June	<p>System Memorandum (If applicable)</p> <p>Annual Internal Audit Report</p> <p>Review of the Effectiveness of the System of Internal Audit</p> <p>Consider Governance Statement</p>	<p>Grant Thornton</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Treasurer</p>	

	<p>Annual Whistleblowing report</p> <p>Annual Report of the Audit Committee</p> <p>Quarter 4 Corporate Risk Report</p> <p>External Opinion Plan 2015/16 Audit Year (approach to financial statements)</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts</i></p>	<p>Monitoring Officer/Director of Service Support</p> <p>Chair</p> <p>Director of Service Support</p> <p>Grant Thornton</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p>	
27 June [Authority]	<p>Approval of the Governance Statement 2014/2015</p> <p>Audit Committee – Terms of Reference, Annual Review (will now be reported to the Authority's AGM)</p>	<p>Treasurer</p> <p>Audit Manager</p>	