

# West Midlands Fire and Rescue Authority

## Audit and Risk Committee

**You are summoned to attend the meeting of Audit and Risk Committee to be held on Monday, 13 January 2020 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  |                |
| 3 | Minutes of the Audit and Risk Committee held on 11 November 2019 | <b>3 - 14</b>  |
| 4 | Corporate Risk Report 13 January 2020                            | <b>15 - 18</b> |
| 5 | Internal Audit Progress Report                                   | <b>19 - 26</b> |
| 6 | Minutes of the Pension Board held on the 10 September 2019       | <b>27 - 38</b> |
| 7 | Audit and Risk Work Programme 2019-2020                          | <b>39 - 44</b> |
| 8 | Update on Topical, Legal and Regulatory Issues (Verbal Report).  |                |

### **Distribution:**

David Barrie - Member, Manjit Gill - Vice Chair, Catherine Miks - Chair, Peter Miller - Member, Sybil Spence - Member

**Agenda prepared by Julie Connor**

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<b>Minutes of the Audit and Risk Committee</b>
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Item 3

11 November 2019

At Fire Service Headquarters, Vauxhall Road,  
Birmingham B74HW

**Present:** Councillor Gill (Vice Chair), Miller and Spence and Mr Ager  
Councillors Brackenridge, Barlow and Dehar (Observing)

**Apologies:** Councillor Catherine Miks (Chair)

Councillor Barrie

55/19 Declarations of Interest

Councillor Brackenridge declared a non-pecuniary interest as he is in receipt of a fire service pension.

56/19 Minutes of the Audit and Risk Committee held on 2 September 2019

The minutes of the Audit and Risk Committee held on 2 September 2019 were approved.

57/19 Vacant Residential Properties

David Gardiner, Head of the Facilities Management team, attended the meeting at the request of the Audit and Risk Committee and gave a detailed update on the Vacant Residential Properties at:

**Kings Norton** – 6 flats, 7 houses – there are access issues (health and safety and security), 2 of the 7 houses are occupied by secure tenants and it may be possible to commercially lease two of the remaining houses. 2 of the flats have been merged and leased as offices.

Planning permission would take 12 – 18 months. There wouldn't be any onsite parking, but the station has good access to public transport.

**Erdington** – 9 flats- there are access issues (health and safety and security). The flats are located above and therefore integral to the station. Of the 9 flats only 1 is currently empty – 2 are leased as offices, 1 is occupied by a secure tenant, the National Association of Retired Firefighters utilise a flat, 2 flats are used for cold training purposes and 2 flats are used for storage.

There was limited opportunities for disposal.

One Member enquired if it would be possible to demolish the station and rebuild. Officers stated that if this was to be considered they would be required to look at alternatives and possibly dispose of the site if the Authority chose to do this.

Another Member enquired if an architect had been asked to look at the site, as they sometimes have unusual ideas to get around difficult building problems. The Facilities Manager confirmed that an architect had looked at the site and ramped access to the first floor had been looked at but this would cause other problems with access to the appliance bay.

**Perry Barr** – 8 houses – there are access issues (health and safety and security). One of the 8 houses is occupied by a secure tenant. Planning Permission has been obtained to separate the houses from the station site but Officers are still trying to obtain consent from the Housing Association to the rear of the plot to access their driveway.

Discussions are being held with Midland Heart Housing Association regarding access to the houses via an unadopted road.

**Bloxwich** - 2 apartments – there are access issues (health and safety and security). The two apartments are located at the rear of the plot on the first floor level above an 'old' vehicle workshop, which is being used by Fire Service Cadets, and partial site disposal is not viable as there is no other access

The Old Bank Building that is on the site is being leased and does not lend itself to being sold.

One Member enquired if the whole site could be leased for the training of young people.

Another Member confirmed that she would love to see the properties being used due to the shortage of places to live currently.

The Facilities Manager agreed and was hopeful of a positive outcome with Midland Heart in respect of the houses at Perry Barr.

The Independent Member enquired why the Audit and Risk Committee were looking at this area, and asked if anyone had looked at the financial implications. The Facilities Manager stated that these would be considered, did not have the figures at the moment.

The proposed next steps were to prioritise Perry Barr (via the Housing Association negotiations) and Kings Norton (to consider part disposal of the site – flats).

## **58/19 Treasury Management**

The Committee received the Treasury Management Mid Year Review 2019/20.

The Authority approved its Treasury Management strategy as part of the Budget setting report in February 2019. The Authority was required to produce a mid year review report of its Treasury Management activities and request that Members approve its updated prudential and treasury indicators for 2019/20. The Appendix to the report provided economic background information.

The economic background information was as things were at the time of writing the report and therefore did not reflect recent events (e.g. announcement of the General Election).

The key Treasury Management Indicators to note were:

### **1. Capital Expenditure**

The Authority approved a £6.5m capital programme for the current financial year at its meeting in February 2019. This had since been updated to reflect the outturn position and financing decisions for 2018/19. The forecast outturn as at 30th

September for 2019/20 was £7.3m. The increase, which had been reported at the Authority meetings, was mainly due to slippage from the previous financial year. No borrowing had been undertaken to finance any capital expenditure during the first half of the current financial year.

## 2. The Authority's Debt

The Authority's total external debt as at 30th September 2019 was £36m of which £33.1m is in respect of borrowing undertaken with PWLB and the balance £2.9m is in respect of the Authority's share of the Ex WMCC debt. The estimated average rate of interest payable on this debt for the current financial year is 5.3%.

## 3. The Authority's Investments

As at 30th September 2019, the Authority's investments totalled £62.5m which are invested with Sandwell MBC as part of the treasury management arrangement the Authority has with them. Interest is received on the investments and is based on the average return achieved by Sandwell MBC plus 10 basis points which for the first six months of 2019/20 was 0.78%. This compares favourably to the benchmark, which is the average 7 day LIBID rate of 0.57%.

Cllr Brackenridge joined the meeting at this point of the meeting as an Observer.

The Internal Audit Progress Report was moved to the end of the agenda due to the two minutes silence.

## 59/19 Audit and Risk Update

Richard Percival from Grant Thornton stated that the Auditors were currently planning for the 2019/20 audit and would issue a detailed audit plan, setting out their proposed approach to the audit of the Fire and Rescue Authority's 2019/20 financial statements.

The Auditors will begin their interim Audit in January 2020 and will continue with this work until the end of January.

The Auditor set out the Progress made as at October 2019

Members attention was drawn to the PSAA contracts for all local authorities and that there may need to be a fee variation as there had been a number of developments within the accounting and audit profession. The Financial Reporting Council (FRC) had set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Nothing had been decided as yet and the Auditor would be talking to the Treasurer about the matter. In the previous year (2018/19) the fee increase had related to pensions issues and asset valuations.

In the sector update there was nothing specific relating to fire and issues were more general.

There was also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work would be required.

The Committee received details of the National Audit Office – Code of Audit Practice. Which would be reviewed and a new Code laid in parliament in time for it to come into force no later than 1 April 2020.

The Committee received details of the House of Commons Committee of Public Account regarding Local Government Governance and Accountability. The Committee were critical of the Ministry of Housing, Communities and Local Government and the government’s overarching role was to ensure that, at a time when local authority budgets are under extreme pressure, governance systems are improved.

## 60/19 **Corporate Risk Update**

The Committee received a report requesting approval of Corporate Risk 1.1:

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

The Committee received six monthly updates of any significant risks and at the last meeting of the Audit and Risk Committee held on the 2nd September 2019, Members were informed that in Quarter 1, 2019/20 there was a decrease in Corporate Risk 1.1 External (Political and Legislative) Environment. This decreased from 6 (Likelihood 3 and Impact 2) to 2 (Likelihood 1 x Impact 2).

The recent review of this risk had recognised that the revision of the Authority’s strategy in February changed its approach to the development of locally commissioned work to support the wider prevention agenda, public service reform and the achievement of the financial efficiency plan. An impact of this was the need to adopt an approach to delivering front line services, flexibly enabling the management of resources on a daily basis to ensure the achievement of a balanced budget. This had reduced the Authority’s involvement in this activity and led to the discontinuation of the transfer of government reduced the reform of services for local communities.

It was considered that this risk was no longer relevant at a strategic level. There was currently limited to no risk of public service reform impacting on the delivery of strategy, statutory and core service delivery.

ACO Taylor explained that because of the revision of the strategy away from health services and changes in governance arrangements, i.e. reformation of the Fire Authority and withdrawal from the Combined Authority and Mayoral Governance, and having due diligence the risk was no longer relevant.

ACO Taylor reiterated the methodology of Corporate Risk and the reasons for the removal of Corporate Risk 1.1 As business development had been withdrawn and there was no desire to



move under the Mayoral Governance Model, the Service had a stable approach in these areas and would now focus on the remaining risks.

**Resolved** that the removal of Corporate Risk 1.1 from the Risk Register be approved.

#### 61/19 **Work Programme**

The Committee reviewed its Work Programme.

#### 62/19 **Update on Topical Legal and Regulatory Issues**

ACO Taylor informed the Committee that following the first full round of Inspections by Her Majesty's Inspector of Constabulary and Fire and Rescue Services a consultation exercise was being undertaken for the next round of Inspections.

CFOs and Service Liaison Officers would be completing the consultation by the 29 November 2019. The Inspectorate had asked for thoughts from Authorities on how the Inspection process could be improved and what other areas should be looked.

It was confirmed that the response would be made available to Members in the future.

The Chair of the Authority confirmed that himself and the Chief Fire Officer had met with HMICFRS to discuss the big issues. Chair's had been able to give their political view and many Services had similar feelings about the Inspection. The Chair also stated that the West Midlands Fire Service were amongst the top ten Brigades in the country and the only Brigade to receive an Outstanding mark for Operational Response.

It was felt that West Midlands would be Inspected again towards the end of the next tranche of Inspections. A further update would be provided in the future to Members following the consultation outcomes.

The External Auditor noted that at the Authority Meeting held on 30 September, as part of the Annual Audit Letter, a question had been raised in respect of Materiality and how it is applied.

The External Auditor stated that he is required to draw a conclusion on the accounts. The conclusion is to confirm that the accounts are ok and right, but the conclusion does not say that the accounts are totally correct.

The conclusion confirms that the accounts meet the threshold and are complete and accurate and any issues that are below the threshold, the Auditor would report them back to the Authority.

The External Auditor determines a level of materiality by using auditing standards. The Auditor would find it difficult to convert the textbook level and therefore looks for a sensible proxy and felt that the most appropriate level would be 2% of gross revenue expenditure. For the Fire Authority the benchmark is £2.4m.

The Service has a track record and the Treasurer provides a set of accounts, in accordance with CIPFA guidances. The Treasurer is well supported by his team and the Auditor has confidence with the accounts that are submitted.

The second key factor that the Auditor would look at, would be, if there was anything unusual with the accounts, e.g. if the Authority entered an unexpected transaction. This may bring the materiality level down.

Generally, added pressures may make the Authority think that they need to bring the materiality level down.

The External Auditor stated that from the quality of the accounts submitted in previous years, he was confident with the materiality level. If there were any issues, Members would need to make the Authority/Auditor aware.

The Meeting adjourned for the two minute silence

## 63/19 Internal Audit Progress Report

Mr Peter Farrow, gave a presentation on the role of Internal Audit including the Internal Audit Progress Report.

The presentation covered:

Internal audit which is a statutory service, and looks at governance, internal controls, risk management, and a definition of Internal Audit.

The Mission of Internal Audit is “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

Public sector internal audit standards

Internal Audit Charter

The three lines of defence model

1. Service area-how managed
2. Corporate services
3. Internal auditors

The Internal Audit Plan contains:

- Planning Process
- List areas – 60 items
- Risk assess
- Financial impact
- Areas of concern
- Rag rated

Internal Audit Reports provide:

- Individual report for each review
- Scope and Objectives
- Testing
- Findings and Recommendations (RAG)
- Overall conclusion

Currently there was nothing to concern the committee and at the end of the year the Internal Auditor would give an overall assurance opinion.

The Internal Auditor has been able to give an unqualified opinion of reasonable overall assurance for a number of years.

This Opinion is based on absolute work that had been considered by the Auditor in his Annual Internal Audit Report.

The Auditor provides:

- CIPFA – Audit Committee Updates
- Audit and Risk Committee – Terms of Reference
- Internal Audit Plan 2019/20
- Internal Audit Annual Report
- Audit and Risk Committee Annual Report – assistance
- Counter Fraud information
- Ad hoc Training

The presentation also looked at the role of the Audit and Risk Committee and the National overview provided by the National Audit Office's report on local authority governance.

The External Auditor's review of local authorities was generally positive.

One Member enquired if the Auditor looked at areas not covered by the audit and whether they had adequate resources.

The Auditor stated that resources did play a part but that audits were not all resource driven but rather risk focused and the auditors would keep a watching briefing on issues arising and these issues would then be incorporated into reports

It was explained that some areas, as well as the three lines of defence may have another control e.g. The Health and Safety Executive and it would make sense to focus resources on another area that did not have additional controls.

At the end of year, the Treasurer or Finance Manager could suggest a contingency list of audits, however, the cost would need to be balanced. The Auditor stated that there were no major gaps but the Authority would need to consider the finances to pay for additional audits.

#### 64/19 **An Introduction to the Counter Fraud Unit**

The Committee received a presentation on Fraud Awareness from Mr Philip Tromans, Counter Fraud Investigator, from Sandwell Metropolitan Council. The presentation covered:

- Current Fraud Landscape
- CIPFA's Code of Practice on managing the risk of fraud and corruption
- Work of the Counter Fraud Unit
- Local Government Act 1972
  - Sections 111, 151, 222 and 223
- Other Legislation
- Awareness and Publicity
- Counter Fraud Unit 2018/19
- National Fraud Initiative Report
- CIPFA Fraud and Corruption Tracker
- Fraud and the Audit and Risk Committee
- Fraud Risk Register

The meeting closed at 1230 hours.

Julie Connor Strategic Hub 0121 380 6906 Julie.Connor@wmfs.net
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# **WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Item 4

## **AUDIT & RISK COMMITTEE**

**13 JANUARY 2020**

### **1. CORPORATE RISK UPDATE**

Report of the Chief Fire Officer.

RECOMMENDED

THAT Audit and Risk Committee note the increase Corporate Risk 6 – Business Continuity and Preparedness to ‘High’.

### **2. PURPOSE OF REPORT**

For the Audit and Risk Committee to note a significant change to the Corporate Risk 6, Business Continuity and Preparedness. The agreed reporting frequency for updates on the Corporate Risk Register is twice yearly but Policy 22/07 - Corporate Risk Management states, “Should there be any significant change to the corporate risk environment, Audit and Risk Committee will be informed of this at the next available Audit and Risk Committee meeting. In order to build and maintain Audit and Risk Committee Members capability and to ensure their continued engagement in corporate risk issues, timely and relevant reports on specific corporate risk topics will be presented by Officers to Audit and Risk Committee.”

### **3. BACKGROUND**

- 3.1 Members will be aware that all corporate risk is reviewed on an ongoing basis as part of normal business. As part of this process and in response to changes in the risk environment, officers reviewed the risk control measures for business continuity and more specifically the impact of industrial strike action.

- 3.2 This was primarily influenced by the change to the National Security Risk Assessment in August 2019, which for the first time included industrial strike action and considered the capability to respond to significant high rise fires following the Grenfell tragedy.
- 3.3. As an outcome of the review, the control measures were considered inadequate so a report, 'Business Continuity Arrangements' outlining this issue and enhanced capability to manage the situation, was prepared for members to consider at the Fire Authority meeting on the 30 September 2019.
- 3.4. As a consequence of the enhanced capability that would strengthen the existing control measures when implemented, the risk level was rated as Medium.
- 3.5. Following the meeting of the Scrutiny Committee on 26 September 2019 and on request of the Scrutiny Committee, this report was subsequently deferred at the Fire Authority meeting on 30 September 2019, to allow the review of the matter to be conducted.
- 3.6. In support of this decision and as part of the Annual Scrutiny Review Programme, on the 7 October 2019 the Scrutiny Committee formally agreed, 'To review the recommendations made by the Chief Fire Officer to meet the Fire Authority's responsibility for sufficient business continuity and resilience arrangements for the delivery of response services.'
- 3.7. To conduct the review in a timely manner the Scrutiny Committee met on 21 October 2019 and considered information from both WMFS officers, Representative Bodies and external contributors. The recommendation of the Scrutiny Review was deferred to allow members to consider further information.
- 3.8. The Scrutiny Committee reconvened on the 4 November 2019 and considered additional information, reviewed previous submissions and subsequently recommended that, 'the Fire Authority continues to utilise existing arrangements for business continuity during industrial action, through the use of volunteers drawn from existing staff numbers.'
- 3.9 On the 18 November 2019 the report, 'Business Continuity Arrangements' was presented to the Fire Authority as part of the private session.



The Chair of the Scrutiny Committee also provided an overview of the review process that had been undertaken in respect of the above report and presented the additional option developed and recommended by the Scrutiny Committee outlined in paragraph 3.8 above. This recommendation was supported by the Fire Authority.

- 3.10 As an outcome of the decision, the Risk Owner who has the overall responsibility for monitoring and reviewing the progress being made in managing the risk, considers that the control measures remain inadequate and has subsequently increased the risk level to 'High'. (Likelihood 3, Impact 4, Overall Score 12)

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

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

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

West Midlands Fire and Rescue Authority (FRA) have a legal duty as detailed in Part 2, Section 7-9 of the Fire and Rescue Services Act, 2004. The FRA must make provision for responding to fires, road traffic accidents and emergencies.

The Civil Contingencies Act, 2004 also requires Category 1 responders to maintain relative to risk(s) appropriate business continuity plans to ensure that they can continue to deliver key services in the event of an emergency.

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

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

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

None

## **BACKGROUND PAPERS**

Business Continuity Arrangements Report  
Fire Authority, 30 September 2019 & 18 November 2019

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

PHIL LOACH  
CHIEF FIRE OFFICER

**WEST MIDLANDS FIRE AND RESCUE AUTHORITY**

Item 5

**AUDIT AND RISK COMMITTEE**

**13 JANUARY 2020**

1. **INTERNAL AUDIT – PROGRESS REPORT**

Report of the Audit Services Manager [Sandwell MBC].

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 2019/20 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 as at 2 December 2019 Audit and Risk Committee – 13 January 2020



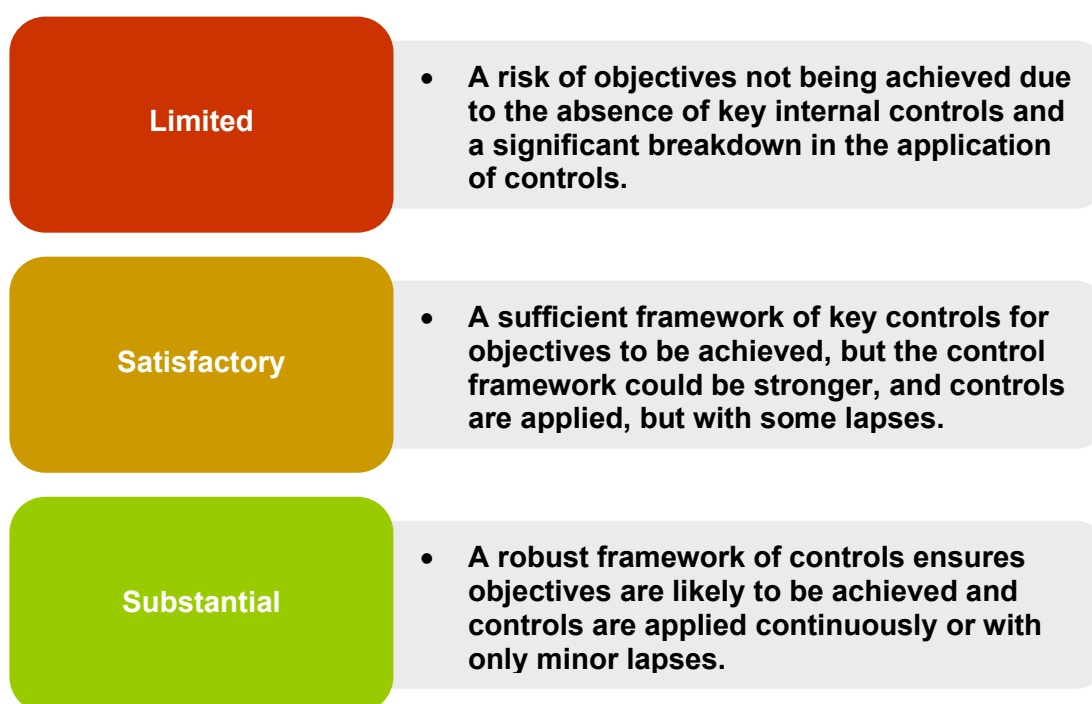
1. Introduction
2. Summary of work completed and in progress
3. Issues arising
4. Other activities
5. Service quality questionnaire feedback

# 1 Introduction

The purpose of this report is to bring the Audit and Risk Committee up to date with the progress made against the delivery of the 2019/20 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:



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.

## 2 Summary of work completed and in progress as at 2 December 2019

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
<b>Completed and reported previously:</b>							
Governance	High	0	0	1	1	1	Substantial
Freedom of Information	Medium	0	1	2	3	draft	Substantial
Risk Management	High	0	0	1	1	1	Substantial
Partnerships	Medium	0	0	0	0	0	Substantial
<b>Completed:</b>							
Accounts Payable	KFS	0	0	0	0	0	Substantial
<b>In progress:</b>							
Accounts Receivable	KFS						
Payroll	KFS						

Key: KFS = Key Financial System  
ANA = Audit Needs Assessment

[IL0: UNCLASSIFIED]

### 3 Issues arising

#### **Accounts Payable**

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

### 4 Other activities

#### **Advice and Guidance**

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

#### **Ad hoc Training**

We provided training to the committee on the role of Internal Audit and the responsibilities of the Audit and Risk Committee in monitoring this function. In addition, we provided training on "Fraud Awareness". Both took place at the November 2019 meeting.

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

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

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

We submitted the Audit and Risk Committee Terms of Reference for annual review at the March 2019 meeting of the committee.

#### **Internal Audit Plan 2019/20**

We submitted the Internal Audit annual plan for 2019/20 to the committee for approval at the March 2019 meeting.

#### **Internal Audit Annual Report 2018/19**

We presented the Internal Audit annual report for 2018/19 to the committee for comment and approval at the June 2019 meeting.

#### **Internal Audit Charter**

We submitted the Internal Audit Charter to the committee for annual review at the January 2020 meeting.



## Audit and Risk Committee Annual Report

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

### Counter Fraud

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

## 5 Service quality questionnaire (SQQ) feedback

	Average Score
Overall Satisfaction with Audit Services	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**.



## Pension Board

Item 6

10 September 2019 at Fire Service Headquarters

Attendance: Neil Chamberlain (Chair),  
Alan Tranter, Employee Representative  
Emmett Robertson, Employee Representative  
Wendy Browning Sampson, Employer  
Representative  
Kal Shoker, Employer Representative  
Julie Felton, Employer Representative  
Paul Gwynn, Pensions Adviser  
Karen Gowreesunker, Clerk to the Authority

The Board welcomed its new Employer Representative,  
Julie Felton.

### 27/19 Apologies

Apologies were received from Adam Harper.

### 28/19 Minutes of the meeting held on 4 June 2019

The minutes were approved as received as a correct record  
of the meeting.

The actions arising from the minutes were discussed.

Karen Gowreesunker, Clerk to the Authority, had been  
invited to attend the meeting to discuss the link with the  
Scheme Manager and governance arrangements.

It was noted that the Pension Board Minutes are forwarded  
to the Audit and Risk Committee. The Clerk had discussed  
the Pensions Board with the Chair of the Audit and Risk  
Committee, Councillor Miks, who had agreed would attend  
the Pension Board on a six-monthly basis and would  
hopefully attend the December 2019 meeting.

In respect of the question around a named person as a  
Scheme Manager, the Clerk confirmed that currently it was  
not appropriate to allocate a named person. The Audit and  
Risk Committee are delegated as the Scheme Manager.

Alan Tranter was content with this position as long as there was a point where questions from the Board could be directed.

The Clerk confirmed she would encourage discussions with the Chair of Pensions Board and the Chair of Audit and Risk Committee.

The Board discussed the difference between accountability and responsibility and concluded it was the Chair's responsibility to create a line of communication and not a line of responsibility. It was felt that a richer relationship could be developed between the Chair of Pensions Board and Chair of the Audit and Risk Committee and suggested that the Chair attended Pensions Board at least once a year to be assured of the Pensions Board's work.

The Pensions Adviser re-iterated that the Scheme Manager is the Fire Authority but that this had been delegated to the Audit and Risk Committee. The Audit and Risk Committee's role is to act as a decision making body. The Audit and Risk Committee should have an understanding of the work of the Pensions Board. The Pensions Board's role is to advise that the governance and administration is being managed well.

It was suggested that the Internal Auditor should be invited to attend the Pension Board by exception. The Internal Auditor provides reports on the functions and uses a series of controls. The Internal Audit updates and reports to the Audit and Risk Committee.

The Pension Adviser was asked to provide the Board with a copy of the Internal Auditor's latest report.

## 29/19 **Pension Section Supporting Information**

The Board received an update from the Pensions Adviser. There were no major changes since last the meeting.

There had been an increase in the number of opt outs. During the 12 months ending 31 August 2019, 60 members opted out of the Firefighters' Pension Scheme. These were primarily as a result of Auto-enrolment, which had taken place on 1 June 2019.

All firefighters are enrolled into the Scheme upon Recruitment and at Auto Enrolment, which takes place every three years. Auto enrolment was brought forward to 1 June 2019 from 31 August 2019 to avoid difficulties in the event of a transfer of governance taking place on 1<sup>st</sup> October.

It was confirmed that this was the number of individuals who have opted out within the last 12 months

Kal Shoker to work with Paul Gwynn to provide an indication of the number of leavers and an estimated projection of starters and leavers

The Pension Board wished to be cited on these figures in the future.

Wendy Browning Sampson confirmed that the Service was currently understaffed to meet the Service Delivery Model. Paul Gwynn stated that the pension scheme is unfunded, but each year, together with workforce planning, Paul Gwynn and Carl Guest discuss top up grant forecast for future years, and look at the expectations and predict the number of members, contributions and the number of leavers. The government pay the shortfall.

In response to Alan Tranter's question regarding a ceiling being set by the Treasury. Paul Gwynn stated that they work on predictions and not actuals in January 2019 they paid 80% of the predicted shortfall. This can affect the employers contributions, but the level of income does not drive the figures.

The number of Activity Requests had reduced to the end of August. However, response time had increased, this was due to increasingly complex benefits and also the Annual Benefit Statement going out to meet the 31 August 2019 deadline.

It was noted that the average response time was 75 days. However, 90 is the statutory time limit (three months). The Pensions Team have an obligation to provide one estimate a year.

Pensions accept every request, but may receive three requests from same individual.

Alan Tranter stated the Pensions Team are doing well and Emmett Robertson suggested this was because the West Midlands Fire Service had its own Pensions Team.

It was confirmed that the Annual Benefit Statements have all gone out to all Members with a few returns from deferred members as they had changed address.

#### Internal Dispute Resolution Procedure (IDRP)

Two further cases had progressed to IDRP since the last Board meeting. Both cases related to the treatment of pay during temporary promotion. In both cases the Members dispute had been rejected. One Member had submitted an appeal, the other had not but was still within time to do so.

The Responsible Officer is Mike Griffiths, Strategic Enabler, Finance and Resources, and the Clerk recommended this role stays with the Treasurer.

Alan Tranter enquired about the likelihood of similar cases being raised again in the future and what the organisations' strategic view was on this.

Paul explained the details of each case and the issues would be revisited once they had been through IDRP.

The organisation's policy of temporary promotions had created some problems.

Paul Gwynn provided further details of the last eight IDPR cases.

2 down to Additional Pension Benefit (APB)

1 to Regulator – scheme info not provided in time frame

1 case advised on point of 30 years

1 case widows benefit

2 cases – retained scheme – in one of which a payment was made to the member

1 Ticked the wrong box

There were no major themes.

Paul Gwynn stated that he would be providing more detailed presentations to Recruits about the pension scheme.

The Scheme Manager (Audit and Risk Committee) had made two decisions since the last meeting. One regarded an application to stop paying additional contributions and this was accepted.

The second related to the canine responsibility allowance being paid to the dog handler and the Scheme Manager had agreed that this allowance was pensionable.

### 30/19 **RISK REGISTER**

Wendy Browning-Sampson and Paul Gwynn had liaised with the Local Government Association who provided a template Risk Register. This was then modified to suit the West Midlands Fire Service.

Approval was requested for the proposed new Risk Register and Members of the Board were asked to let Wendy have their view.

The Chair suggested that the Pension Board should be made aware of any changes to risks.

Karen Gowreesunker stated that if anything was high level, Kal could feed them into the Corporate Risk Register via the Strategic Enabler (Finance) Treasurer.

Kal Shoker requested that a key and colour coding was added to match with Corporate Risk Register.

Wendy and Paul to look at final Register and Members of the Board to provided feedback by the end of October. The Risk Register would then be agreed and the Board to plan when the Risk Register was going to be reported to the Board.

### 31/19 **III Health Retirements**

The Boards attention was brought to the Service's approach to ill-health retirements and the fact that there are national requirements.

The Service were looking at ill health retirements at Level 1 and Level 2

Pension Board Members requested further information on ill health retirements and wanted details that the Authority were making the correct payments.

It was confirmed by Wendy Browning-Sampson that reviews are undertaken every three years.

Wendy Browning-Sampson stated that there has been a Freedom of Information about the number of medical reviews that had been reassessed. The request had been minuted and a process would need to be implemented.

It was felt that the Pension Board should be cited on the process and administration information initially so that they could comment back to the organisation.

Paul Gwynn stated that all ill health retirements are reviewed 5 yearly to ensure the member's health is the same.

It was noted that a process is missing but in the wider sense this is not within Pensions Board's remit.



The Service could be under or over paying benefits and Paul Gwynn could produce a list of ill health pensioners.

Neil Chamberlain enquired whether internal audit had picked up on this process and Wendy Browning Sampson said this had happened in 2012.

### 32/19 Bulletins

The Pensions Board had received Bulletins 20 – 24. The Board's attention was brought to the McCloud Judgment and it was suggested that the Board was want to consider the implications of the remedy and Pensionable Pay Guidance when received in December.

### 33/19 TPR Governance and Administration Survey

Pension Board had received and considered the local impacts of the Administration and Benchmarking Report.

It was noted that notifications by the Scheme Manager decision's could be received from the Minutes of the Audit and Risk Committee as an agenda item for the Pension Board.

Mr Kal Shoker, Employer Representative, attends the Audit and Risk Committee.

It was agreed that following any decisions made by the Audit and Risk Committee that the Pension Advisor would provide an update as part of his regular reports.

### 34/19 Public Service Governance and Administration Survey 2018

The Pension Board received the Research Report and were asked for their observations or recommendations.

Emmett Robertson had attended the meeting where the Survey had been discussed and whilst some Brigades had received poor results the West Midlands Pension Board were seen to be performing well and was well thought of.

Malcolm Eastwood, Chair of the SAB had been complimentary about the West Midland's Pension Board when he had visited the Service in March 2019.

Alan Tranter stated he thought there were some contradictions in the report and it was inward looking and although some Boards were not working as effectively as they could, there was encouragement to work with others collaboratively.

### 35/19eNews From GAD

The Pensions Board received the latest round up of information from the Government Actuary's Department.

It was agreed that the newsletters would be circulated electronically to Members of the Board and that Paul Gwynn would make the Board aware of any potential problems in the future.

Paul Gwynn agreed to clarify the vision or plan for the national portal and provide an update.

Other Pension portals are self-service and allow Members to access benefit statements and access pension projections.

Paul Gwynn stated that the potential is unknown and as an organisation the Fire Service had stayed away from self service. However, when the contract is renewed the new system would have self-serve element.

It was noted from the Administration and Benchmarking survey that one third of Services don't have a self-serve system and also that many are externally provided.

It was expected that the cost of the self-service module would be approximately £10,000.

### 36/19Conference

Alan Tranter felt it should be the Chair's decision as to which representative of the Pension Board attends the Conference if the Chair is unable to attend.

Adam Harper, Paul Gwynn, and Councillor Miks, Chair of the Audit and Risk Committee would be attending the Conference.

Feedback from the Conference was requested to be provided at the next meeting.

#### 37/19 Regional training – 17 September – Shropshire

Basic Pension Board Training had been arranged to take place at Shropshire Fire and Rescue Headquarters on 17 September 2019 and this was open to all Members. Each Regional Pension Board would be hosting a training session that was open to regional Pension Board members.

#### 38/19 Topical legal regulatory issues

Paul Gwynn stated that he was waiting on next steps in McCloud Judgement and no timeframes were known. However, it was hoped that details would be received before Christmas with a Tribunal possibly at the end of 2020 or 2021.

#### 39/19 Activity Log

The activity log to be updated for the next meeting removing previous year's activities.

#### 40/19 Work Programme

The work programme was noted. The Board wished to factor in training and annual events and requirements.

#### 41/19 Date and Time of Next Meeting

The next meeting of the Board was due to take place in December and the date would be confirmed. The Scheme Manager training would also take place following this meeting.

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## Pension Board

10 September 2019

### Actions

23	Paul Gwynn to notify the Board of the Internal Auditors Report	
24	Kal Shoker to work with Paul Gwynn to provide an estimated indication of number of leavers, estimated projection of starters and levers	
25	Wendy Browning Sampson and Paul Gwynn to look at final work required on Risk Register	
26	Wendy Browning Sampson requested feedback on the final Risk Register by the end of October 2019	
27	Paul Gwynn/Kal Shoker to report back to Pension Board any relevant decisions made by the Audit and Risk Committee	
28	Paul Gwynn would check GAD enews and flag up potential problems for the future	
29	Activity Log to be updated	



# WEST MIDLANDS FIRE AND RESCUE AUTHORITY

## AUDIT AND RISK COMMITTEE

### WORK PROGRAMME 2019/20

Date of Meeting	Item	Responsible Officer	Completed
<b>2019</b>			
29 July 2019	Terms of Reference of Audit and Risk Committee	Democratic Officer	
	Audit Findings 2018/19	Grant Thornton	
	Statement of Accounts 2018/19 (Approval)	Treasurer	
	Treasury Management Annual Report 2018/19	Treasurer	
	Minutes of the Audit and Risk Committee held on 3 June 2019	Democratic Officer	
	Minutes of the Pensions Board held on 4 March 2019	Pension Board Representative	
	Minutes of the Pensions Board held on 4 June 2019	Pension Board Representative	
	Pension Board Annual Report	Pension Board Representative	
	Training Requirements of Audit and Risk Members		

(Official – WMFS – Public)

	Audit and Risk Committee Draft Work Plan 2019/20	Democratic Officer Democratic Officer	
2 September	Corporate Risk Six Monthly Report	ACO Strategic Enabler (Process)	
	Annual Audit Letter 2018/19	Grant Thornton	
	Audit and Risk Committee Update	Grant Thornton	
	Request of Member to Discontinue Payment of Periodical Contributions – New Firefighters' Pension Scheme (2006)	Treasurer	
	Pensionable Pay Decision	Treasurer	
	Residential Homes	Treasurer	
	Minutes of the Audit and Risk Committee held on 29 July 2019	Democratic Officer	
	CIPFA Audit Committee Update Issue 29	Auditor	
	Audit and Risk Committee Workplan 2019/20	Democratic Officer	
30 September [Authority]	Audit Findings 2018/19 Statement of Accounts 2018/19 (to note)	Grant Thornton Treasurer	

(Official – WMFS – Public)



11 November	Presentation on Vacant Resident Properties	David Gardiner	
	Minutes of the Audit and Risk Committee held on 2 September 2019	Democratic Officer	
	Treasury Management – Mid year review 2019/20	Treasurer	
	Audit and Risk Committee Update	Grant Thornton	
	Internal Audit Progress Report and Audit Overview	Audit Manager	
	Corporate Risk Update	Democratic Officer	
	Audit Committee Work Plan	Clerk	
	Fraud Awareness Training	Phil Tromans John Matthews	

2020			
13 January	Minutes of the Audit and Risk Committee held on 11 November 2019	Democratic Officer	
	Internal Audit Progress Report	Audit Manager	
	Internal Audit Charter – Annual Review	Audit Manager	

(Official – WMFS – Public)

	<p>Audit and Risk Committee Update</p> <p>Audit and Risk Committee Work Plan</p> <p>Minutes of the Pension Board held on 10 September 2019</p>	<p>Grant Thornton</p> <p>Democratic Officer</p> <p>Democratic Officer</p>	
23 March	<p>Audit and Risk Committee Terms of Reference</p> <p>Internal Audit Plan 2020/21</p> <p>Audit Plan 2019/10</p> <p>Corporate Risk Report Six Monthly Update</p> <p>Communication with the Audit Committee for WMFRA</p> <p>Audit and Risk Committee Update</p> <p>Minutes of the Audit and Risk Committee held on 13 January 2020</p> <p>Minutes of the Pensions Board held on 16 December 2019</p> <p>Audit and Risk Committee Work Plan</p>	<p>Audit Manager</p> <p>Audit Manager</p> <p>Grant Thornton</p> <p>ACO Strategic Enabler (Process)</p> <p>Grant Thornton</p> <p>Grant Thornton</p> <p>Democratic Officer</p> <p><i>Audit Manager</i></p>	

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	<i>Committee Members' Private meeting with Internal Auditors (to follow Committee)</i>		
1 June 2019	<p>Annual Internal Audit Report 2019/20</p> <p>Governance Statement 2019/20</p> <p>Monitoring Policies and RIPA (Annual Whistleblowing Report)</p> <p>Annual Report of the Audit and Risk Committee 2019/20 for approval</p> <p>Audit and Risk Committee – Verbal Update</p> <p>Minutes of the Audit and Risk Committee held on 23 March 2019</p> <p>Minutes of the Pensions Board held on March 2019</p> <p>Annual Report of the Pension Board 2019/10</p> <p>Audit and Risk Committee Work Plan 2019/2020</p> <p><i>Committee Members' Private meeting with External Auditors</i></p> <p><i>Workshop for Members on Statement of Accounts 2019/20</i></p>	<p>Audit Manager</p> <p>Treasurer</p> <p>Monitoring Officer/ ACO Strategic Enabler (Process)</p> <p>Chair</p> <p>Grant Thornton</p> <p>Democratic Officer</p> <p>Democratic Officer</p> <p>Chair, Pensions Board</p> <p>Democratic Officer</p> <p><i>Grant Thornton</i></p> <p><i>Treasurer</i></p>	

(Official – WMFS – Public)

22 June 2020 [Authority]	Governance Statement 2019/2020  Minutes of the Audit and Risk Committee held on 1 June 2019  Annual Report of the Audit and Risk Committee 2019/20	Treasurer  Democratic Officer  Chair	

July 2020 (Audit and Risk Committee 2020/21)	Audit Findings 2019/20  Statement of Accounts 2019/20 (Approval)  Treasury Management Annual Report 2019/20  Audit and Risk Committee Draft Work Plan 2020/21  Minutes of the Pension Board held June 2020 Annual Report of the Pension Board	Grant Thornton  Treasurer  Treasurer  Democratic Officer
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(Official – WMFS – Public)