

Minutes of the Audit Committee

24 July 2017
at Fire Service Headquarters, Vauxhall Road, Birmingham
B7 4HW

Present: Councillors T Singh (Chair), Aston, Idrees, Singh, Williams
Mr M Ager (Independent)

25/17 Minutes of the Audit Committee held on 12 June 2017

Resolved that the minutes of the meeting held on 12 June 2017 be approved as a correct record.

26/17 Audit Findings 2016/17

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

Mr Richard Percival, Grant Thornton, introduced himself and introduced Emily Mayne, Grant Thornton. The Auditor explained the findings to the members of the Committee. The Auditor highlighted the key messages arising from their audit of the draft accounts. The Auditor stated this was a good audit, he was pleased with the outcome and there were very few changes to the accounts. The Auditor stated his team were well supported and thanked the Treasurer and Deputy Treasurer for their assistance.

The AFR will be presented to the Fire Authority at its meetings on the 18 September 2017. The Auditor is required to provide an Opinion by the end of September 2017.

The Auditor anticipated providing a clean and unqualified opinion on the Financial Statements. Based on a review of the Authority's arrangement to secure economy, efficiency and effectiveness in its use of resources, the Auditor also proposed to give a clean and unqualified Value for Money conclusion.

Following an initial risk assessment in March 2017, two significant risk were identified in respect of specific areas of proper arrangements using the guidance contained in AGN03.

The significant risks that were identified by the Auditor were:

1. Financial Resilience – the Authority had historically managed its finances well and had consistently achieved saving targets. The Authority was on course to deliver the 2017/18 budget, however, delivering savings year on year would become increasingly difficult and further savings of £9.415 million would be required in the 4 years 2016/17 – 2019/20.
2. Partnership working with other emergency services – there was evidence of the Authority working in partnership with West Midlands Police and other emergency services effectively where the opportunity had arisen. However, there was some uncertainty over what form further collaboration will take and how this will lead to wider integration. Development of the West Midlands Combined Authority Mayoral arrangements and the recent legislative changes are now forcing a faster paced change. This would be a key challenge.

The Auditor anticipated providing the Authority with an Unqualified Audit Opinion.

In response to a Member's enquiry regarding the key findings in respect of key performance indicators, it was confirmed that poor decision making was not the reason for the prevention targets not being met.

The Auditor confirmed that some of the circumstances are predominantly out of the control of officers, for example the targets for arson.

The Treasurer confirmed that the Performance Indicators were incorporated into the Statement of Accounts and challenging targets had been set in respect of Arson related issues.

Resolved that the contents of the Audit Findings Report (AFR) be noted.

27/17 **Statement of Accounts**

The Audit Committee's approval was sought for the Authority's Statement of Accounts for the financial year ended 31 March 2017. The full Statement was attached as Appendix A to the report and can be viewed at www.wmfs.net

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

It was confirmed that the Letter of Representation circulated to the Audit Committee would be circulated and signed at the end of the meeting.

Members were informed that the Statement linked to the Workshop held for Members of the Audit Committee on 12 June 2017.

The Treasurer stated that the Financial Statement sets out the Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, movement of reserves, the balance sheet, cash flow statement and pension arrangements.

The Treasurer highlighted the overall revenue budget and the level of general balances had shown a slight increase of £0.003m resulting in £9.236m general balances at the end of the financial year.

The level of earmarked reserves had increased by £3.569m resulting in £43.734m earmarked balances at the end of the financial year. It was highlighted that approximately 75% of earmarked balances related to capital schemes and the Authority's Insurance arrangements.

Resolved:

1. That the Statement of Accounts for 2016/17 as set out in Appendix A be approved.
2. That the Statement of Accounts summary for 2016/17 set out in Appendix B be noted.

28/17 Treasury Management Annual Report 2016/17

The Committee received the Treasury Management Annual Report 2016/17, which covered the Treasury Activity during 2016/17 and the actual Prudential Indicators for 2016/17.

The Authority approved its Treasury Management strategy as part of the Budget Setting process in February 2016 and the Audit Committee received a mid-year Treasury Management update in November 2016.

The key Treasury Management activities were:

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

In response to a Member's enquiry it was confirmed that the Authority would be required to pay a penalty if any of the debts were paid early. The Treasurer stated that payment of a 'premium' would ordinarily make it less attractive to repay debt early, although the situation is monitored.

It was confirmed that the Balance Sheet in the Statement of Accounts clearly sets out the assets of the Authority.

It was confirmed that the Public Works Loan Board (PWLB) issue loans from the Government and is more beneficial than other borrowing, some loans were taken out between 20 and 40 years ago.

In answer to a question from one of the Members, the Deputy Treasurer confirmed that the value of Headquarters was included in the total assets of property, vehicles, plant and equipment of £146m, but would confirm the value of Headquarters separately.

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

29/17 **Work Programme**

The Committee noted and agreed its Work Programme for 2017/18 and that the next meeting of the Audit Committee would be on 4 September 2017.

30/17 **Update on Topical, Legal and Regulatory Issues**

The Treasurer informed the Audit Committee of the outcome of the work undertaken for the future external audit arrangements. Most Fire and Rescue Authorities and Police Authorities chose to umbrella option of the Public Sector Audit Body. The Broad outcomes of the was that the work was broken down into 6 lots, Lot 1, the highest value lot was awarded to Grant Thornton, although some details are still to be established.

Overall the exercise was successful and many different organisations are involved. The exercise has created a scale of fee savings across the piece and more analysis will be forthcoming.

Richard Percival, Grant Thornton, stated that he was pleased that his company had secured the largest share of the market and this would ensure continuity of service for the Fire Authority. There would be a reduction in the fee for 2017/18.

31/17 **A Member of the Committee asked for an update on Aston Fire Station**

There had been a number of attempts to progress the rebuilding of Aston Fire Station. It was recognised that the listed status of the building would be problematic. West Midlands Police had expressed interest in a joint heritage site with the Fire Service. The Ambulance Service would not be taking up a level of occupation at the new Station. New drawings had been undertaken with the current fire station remaining in situ with an additional new building. There would be some heritage space available and the officers were currently at the point of preparing a planning application. A subsequent report outlining the redesigned station would be submitted to the Fire Authority.

32/17 **Request for a Decision – Use of Discretion to Increase Widows Pension**

The Audit Committee, in their role as Scheme Manager for the Firefighters' Pension Scheme, were asked to confirm the decision of the Deputy Chief Fire Officer not to use the Authority's discretion to increase the widow's pension payable to a widow.

The Payroll and Pension manager outlined the circumstances that led to the decision of the Deputy Chief Fire Officer being made.

Having considered the circumstances and the options available, the Audit Committee supported and confirmed the decision taken by the Deputy Chief Fire Officer.

(The meeting ended at 1055 hours)

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