

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, 14 January 2019 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 Committee held on 12 November 2018 | 3 - 12 |
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| 9 | Audit and Risk Workplan 2018-2019 | 65 - 70 |
| 10 | Update on Topical, Legal and Regulatory Issues (Verbal Report). | |

Distribution:

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

Agenda prepared by Julie Connor

Strategic Hub, West Midlands Fire Service

Tel: 0121 380 6906 email: strategichub@wmfs.net

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

Minutes of the Audit and Risk Committee

12 November 2018
at Fire Service Headquarters, Vauxhall Road,
Birmingham B7 4HW

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

Apology: Councillor Iqbal, P Farrow, M Griffiths,
K Shoker

49/18 Declarations of Interest in contracts or other matters

There were no declarations of interest.

**50/18 Minutes of the Audit and Risk Committee held on
4 September 2018**

The Independent Member requested a change to Minute 44/18 and requested that the third paragraph on page 8 be amended. The minutes were amended to this effect and changes made to copies on CMIS.

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

51/18 Treasury Management Mid Year Review 2018/19

The Authority approved its Treasury Management strategy as part of the Budget setting report in February this year.

The Authority is 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 2018/19.

The key Treasury Management indicators to note are:

1. Capital Expenditure

The Authority approved a £13.3m capital programme for the current financial year at its meeting in February. This has since been updated to reflect the outturn position and financing decisions for 2017/18. The forecast outturn as at 30th September for 2018/19 is £13.8m. The increase, which has been reported at the Authority meetings, is mainly due to slippage from the previous financial year.

No borrowing has 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 31st March 2018 was £37.4m of which £34.2m is in respect of borrowing undertaken with PWLB and the balance £3.2m is in respect of the Authority's share of the Ex West Midlands County Council debt.

The estimated average rate of interest payable on this debt for the current financial year is 5.4%.

3. The Authority's Investment

As at 30th September 2018 the Authority's investments (i.e. its bank balance) was £65m, this is invested with Sandwell MBC as part of the pooling of bank accounts arrangement we have with them.

Interest is received on the Authority's average cash balance and is based on the average rate of return achieved by Sandwell MBC.

For the first six months this was 0.60% which compares favourably to the benchmark, which is the average 7 day LIBID rate of 0.45%

Further to a Member's enquiry, it was confirmed that the slippage shown on page 22 of the report was the difference between the revised estimated and the forecast outturn.

It was noted that the interest rate of 5.4% was high and a Member enquired if there was scope for paying off debts from the £65m in reserves and wondered how actively officers were pursuing better interest rates.

Officers confirmed that the interest rates had been agreed previously and any renegotiation of loans would incur severe penalties.

The Audit and Risk Committee requested a schedule of debts and loans and interest rates being paid for the next Audit and Risk Committee meeting.

The Chair confirmed that she had met with the Chair of the West Midlands Combined Authority Audit Risk and Assurance Committee and would be looking for the best returns on investments.

52/18 Audit and Risk Committee Update

The Auditor stated that his progress report was shorter on this occasion as the Financial Statements Audit had yet to commence and they were still in the planning stages, but were in discussion with management and these would continue until Christmas 2018.

An initial risk assessment to determine the Auditors Approach to Value for Money would be made in January 2019 and will be reported in the Audit Plan. The Auditor will report on his work in the Audit Findings Report and will give a Value for Money Conclusion by the deadline in July 2019.

After Christmas, the finance team would be invited to the Chief Accountants' Workshops.

The key focus for 2019 would be the move to the West Midlands Combined Authority.

The Annual audit fee letter for 2018/19 had been completed in April 2018.

The Auditor provided a Sector Update and links to detailed reports/briefings were provided.

The Auditor shared information on creating and operating a successful fire trading company and a link to the latest study report.

The DCFO confirmed that the Authority had set up the Business Safety Co Ltd., four years previously but this company was now dormant. The Authority were generating income through a variety of means including ICT services, Technical Engineering Workshops and training

The Auditor had discussed the key marks of success and the DCFO agreed to talk to the Treasurer about this.

One Member expressed his disappointment that the business development plan was not going forward as he felt the reputational aspects of the Fire Service would be huge and that there was a raft of things that the Service Badge could be used on to provide potential opportunities.

The DCFO confirmed that this had been looked at several times but stated that the Service found it difficult and gave an example of the problems experienced recently in obtaining £2,000 in sponsorship for the Rewards and Recognition evening.

Whilst accepting the opportunities to use the Fire Service Brand, the Service could not compete. The service had previously tried to provide Fire safety training for Marks and Spencer but could not provide the resources to deliver against a National contract

There is a lot of competition in the field of Fire Engineering and there is also the challenge of the Authority being the

enforcing body for the Regulatory Reform Order which could cause a conflict of interests when trying to bring prosecutions.

The Chair stated that Councils were in a different position in respect of Building Regulations and the Occupied Housing Act.

The Home Office were keen for fire trading companies, but did not provide any assistance in this area.

The Chair was concerned to see the comment from the NFCC on the latest Home Office Workforce and prevention statistics and the 23% reduction in the number of whole time firefighters over the last ten years.

The Authority had recently noted that it had 20% less support staff and 40% reduction in fire safety officers, however, there had been spate fire conditions in the Summer and more fire safety work required following the Grenfell Tower incident.

The DCFO stated that the challenge is providing evidence to central government to show the risks associated with the reduction in staff.

Members felt that The Mayor should be made aware of the decreasing number of firefighters.

In answer to a Member's enquiry, the DCFO stated that verbal attacks had taken place on fire crews as reported to the Scrutiny Committee, however, during the recent Bonfire Season, West Midlands had not experienced the same level of attacks that had been seen elsewhere in the UK.

It was confirmed that one body cam per crew was available but the wearing of body cams was voluntary. Cameras were also on appliances. This evidence could be used in prosecutions, however, it was noted that members of the

public also shared evidence of incidents filmed on mobile phones.

The Auditor drew Members attention to the CIPFA consultation on its plans to provide an authoritative Financial Resilience Index.

Grant Thornton had developed a Vibrant Economy app that sought to marry up the financial and non-financial statistics but was focused mainly on Councils.

53/18 **Internal Audit Progress Report**

The Committee noted an update report from the Internal Auditor on the progress and any issues arising from internal audit work undertaken so far in the current year.

The Internal Auditor outlined the process used to provide information to inform and feed into the overall opinion in the Internal Audit Annual Report at the year end.

The Internal Auditor identifies the Audit Universe which is developed from the risk register. The key financial systems are looked at and discussions are held with Directors and the Treasurer.

An Audit Plan is approved by the Audit and Risk Committee each year, who are responsible for covering risk for the Authority and ensure that risk is mitigated.

The Internal Auditor undertakes work throughout the year and progress is reported three times a year in the form of a progress report from the Internal Auditor.

Where appropriate each report that is issued by the Internal Auditor throughout the year is given an overall opinion based on the following criteria:

Limited
Satisfactory
Substantial

Each recommendation is categorised in line with the following:

Fundamental
Significant
Merits Attention

A summary of the work completed as at 30 September was provided. Two Audits had been completed in Procurement and Performance Management. Both had a substantial level of assurance.

Two areas of Accounts Receivable and Accounts payable were in progress. An update would be brought to the next meeting of the Committee.

The Internal Auditor also provides advice and guidance to the authority, CIPFA Audit Committee updates, reviews the Terms of Reference of the Audit and Risk Committee each March. The Internal Audit Plan for 2018/19 was presented to the Committee in March 2018, The Internal Audit Annual Report 2017/18 was presented to the Committee in June 2018 for comment and approval. The Internal Auditor assists the Chair of the Audit and Risk Committee in the preparation of the Annual Report.

The Internal Auditors continues to lead on the Cabinet Office's National Fraud Initiative and the Annual Fraud Survey and provide the main point of contact for the Authority for any investigational into potential fraudulent activity.

The Internal Auditor has a target of achieving an average score of 4 = good from the Service Quality questionnaire.

The Independent Member stated that he sat on two local authority Audit Committees and noted that the Audit and Risk Committee had only had occasion when it had received a limited score following an audit.

It was confirmed that ANA represents Audit Needs Assessment and the Internal Auditor agreed to amend the reports in future replacing dashes with zeros.

54/18 CIPFA Audit Committee Update

The Committee noted Issue 26 of CIPFA's Audit Committee update. The updates had been developed to support public sector audit committee members and provide a practical resource of those who support audit Committees.

Issue 26, September 2018, included CIPFA's Position Statement on Audit Committees in Local Authorities and Police, a briefing on topical issue and Audit Committee Training.

The Committee requested earlier sight of the updates to enable possible attendance on training courses. The Internal Auditor agreed to forward the Updates to the Clerk for early circulation.

Members were also encouraged to register as non-members of CIPFA.

55/18 Audit and Risk Workplan 2018/19

The Committee noted its Work Programme. It was noted that the meetings in June and July would fall under the West Midlands Combined Authority.

56/18 Topical, legal and regulatory issues

It was noted that the Governance and Transformation Committee were still working on the proposed structure for the WMCA and this would become clearer in January 2019. The Committee felt the Audit process should be clear, but agreed that this would be dependent on the Order and approval by the Mayor.

57/18 Training

The Committee received two presentations. One gave an overview of an effective and Audit and Risk Committee and also a presentation on Fraud Awareness. Both presentations were to be circulated to Members of the Committee following the meeting.

The meeting finished at 1122 hours.

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

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

Item 4

AUDIT AND RISK COMMITTEE

14 JANUARY 2019

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 2018/19 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 2018 Audit and Risk Committee – 14 January 2019



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 2018/19 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 2018

Auditable Area	ANA Rating	Suggested/Agreed Actions					Level of Assurance
		Fundamental	Significant	Merits attention	Total	Number accepted	
Completed:							
Procurement*	Medium	0	0	0	0	0	Substantial
Performance Management*	Medium	0	0	0	0	0	Substantial
Accounts Payable	KFS	0	0	0	0	0	Substantial
In progress:							
Fixed Asset Accounting	KFS						
Accounts Receivable	KFS						
Follow up of 2017/18 Action Points	High						

Key: KFS = Key Financial System

ANA = Audit Needs Assessment

* = Reported upon in previous report

[ILO: 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.

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 2018 meeting of the committee.

Internal Audit Plan 2017/18

We submitted the Internal Audit annual plan for 2018/19 to the committee for approval at the March 2018 meeting.

Internal Audit Annual Report 2017/18

We presented the Internal Audit annual report for 2017/18 to the committee for comment and approval at the June 2018 meeting.

Internal Audit Charter

We submitted the Internal Audit Charter to the committee for annual review at its January 2019 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.

Ad hoc Training

We provided training to the committee on the operation of an effective Audit Committee, in accordance with the guidance issued by CIPFA in its publication “Audit Committees – Practical Guidance for Local Authorities and Police (2018 Edition)”. In addition, we provided training on “Fraud Awareness”. Both took place at the meeting held in November 2018.

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**.

AUDIT AND RISK COMMITTEE

14 JANUARY 2019

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 and Risk Committee in January 2014. It was last reviewed in January 2018, and is now due for its next annual review. There have been no changes to the Charter since it was last reviewed.

4. EQUALITY IMPACT ASSESSMENT

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

5. LEGAL IMPLICATIONS

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

6. **FINANCIAL IMPLICATIONS**

Implementation of the recommendation will be undertaken within existing resources.

BACKGROUND PAPERS

None

Peter Farrow
Audit Services and Risk Management Manager, Sandwell MBC

Definition of internal auditing

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

Mission of internal audit

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

Core Principles for the Professional Practice of Internal Auditing

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

Authority and standards

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

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

Public Sector Internal
Audit Standards
Applying the ISA International Standards to
the UK Public Sector

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 and Risk Committee and 'senior management' as the senior managers within the Fire Authority.

Scope and objectives of internal audit activities

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

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

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

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

Responsibilities

Internal audit has a responsibility to:

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

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

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

Accountability, reporting lines and relationships

The Audit Services Manager reports on an administrative basis to the Strategic Enabler - Finance and Resources, and reports functionally to the Audit and Risk 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 and Risk 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 and Risk 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, which then provides 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 and Risk 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 and Risk Committee beforehand.

Review of the internal audit charter

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

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

Item 6

14 JANUARY 2019

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

Joint report of the Chief Fire Officer and Treasurer.

RECOMMENDED

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

2. PURPOSE OF REPORT

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

4. EQUALITY IMPACT ASSESSMENT

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

5. **LEGAL IMPLICATIONS**

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

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

None

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

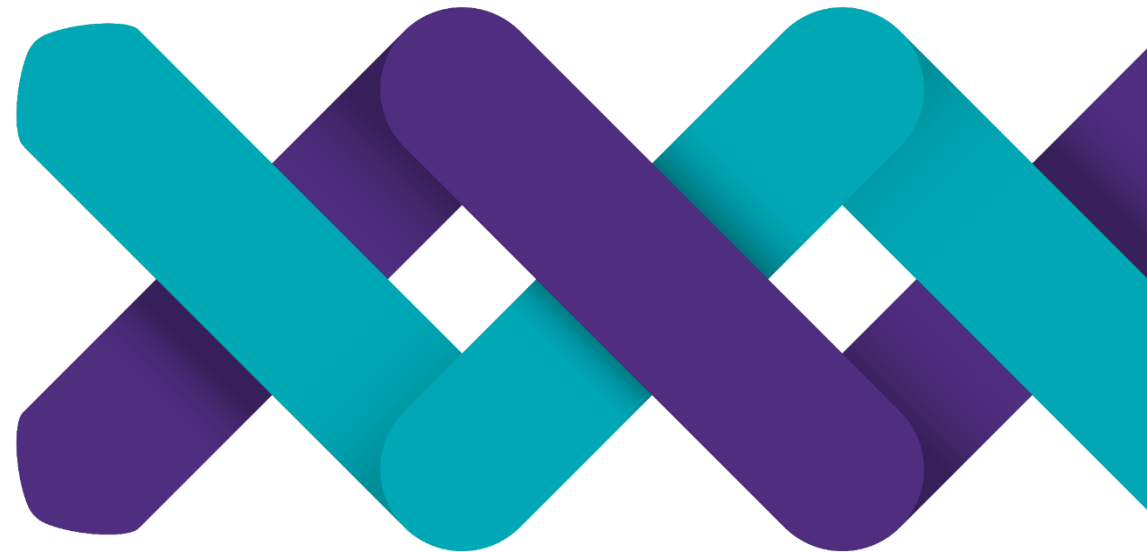
PHIL LOACH
CHIEF FIRE OFFICER

MIKE GRIFFITHS
TREASURER

Audit Progress Report and Sector Update

West Midlands Fire and Rescue Authority
Year ending 31 March 2019

January 2019



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Introduction

Richard Percival

Engagement Lead

T 0121 232 5434

M 07584 591508

E richard.d.percival@uk.gt.com

Javed Akhtar

Engagement Manager

T 0121 232 5340

E javed.akhtar@uk.gt.com

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

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

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

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

Progress to date

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2018/19 financial statements.

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

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

This is a particularly challenging year for the Authority as they navigate their position and ensure that governance arrangements are robust. In relation to your financial statements, we will continue to engage with the finance team on any emerging financial reporting issues as a result of this.

Value for Money

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

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

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

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

We will make our initial risk assessment to determine our approach in January 2019 and report this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Meetings

We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also meet with your Chief Fire Officer to discuss the Authority's strategic priorities and plans.

Events

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

Your finance team will shortly receive an invitation to the Chief Accountants' Workshops which we hold, offering an opportunity to hear about the latest financial reporting requirements, and also network with others who face similar reporting challenges.

Audit Deliverables

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

Sector Update

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

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

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

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

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

HMICFRS news

Fire and Rescue Service inspections 2018/19 - summary of findings from tranche 1



HMICFRS has published the results of the first independent inspection into fire and rescue services (FRSs) for 12 years. This is the first of three tranches of reports to be issued over the next twelve months, as a result of ongoing inspections of the 45 fire and rescue services in England.

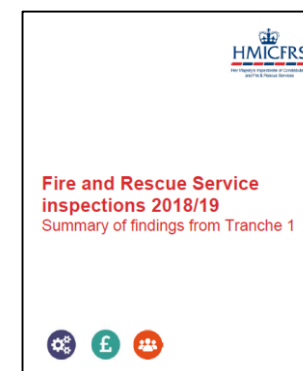
Her Majesty's Inspector of Fire and Rescue Services, Zoë Billingham, who led the report said: "We looked at 14 fire and rescue services in this first phase of our reports on the fire and rescue services, and we were pleased to find that overall, when people really need them, fire and rescue services respond quickly, and they do this with bravery and dedication. Anyone who saw coverage of the terrible fire at Grenfell Tower will appreciate the danger that firefighters put themselves into, in order to keep people safe. The public rightly hold the work of fire and rescue services in high regard."

"This is the first time that fire and rescue services have been independently inspected in 12 years, and so it is not surprising perhaps that we found that there is some work for services to do. For example, a vital part of a fire and rescue service's role is to ensure that premises are being kept safe, but protection work is not a priority currently. This integral part of a fire and rescue service's role has not been given sufficient focus and that needs to change."

"We were also concerned to find fundamental cultural problems in too many services. We found extraordinarily outdated practices, like no dedicated provision for female firefighters to change or shower, or staff being humiliated by their peers. Too often these outdated practices are not occurring under the radar – most worryingly they are seen as the norm. Swift and sustained action is required for fire and rescue services to create a modern, inclusive environment, where everyone feels welcome."

Overall most fire and rescue services are operationally effective, with ten services judged to be 'good' and four 'requiring improvement'. This judgment is reached by HMICFRS's assessment of services' activities in understanding risk, prevention, protection, response and responding to national incidents.

The full report can be accessed by clicking on the cover of the report below and following the hyperlink:





The Chair of the National Fire Chiefs Council has received the fire and rescue inspectorate report (Thursday December 20th) which gives the first overview of inspections of English Fire and Rescue Services.

The inspections focused on three key areas: How effective is the fire and rescue service at keeping people safe from fire and other risks; how efficient is the service at keeping people safe from fire and other risks; and how well does the service look after its people?

NFCC Chair Roy Wilsher noted the new inspectorate regime and report, but highlighted only a third of services have been inspected to date.

He said: "These are the first inspections of fire and rescue services for more than a decade and the first inspections not conducted by ex-Chief Fire Officers. I am pleased to see this report has finally been published. It is important to note we will not see the full national picture until all services have been inspected.

"NFCC has worked closely with the Inspectorate to help develop the inspection methodology. We will now work with fire and rescue services to review the inspectorate reports as they are published. This will allow us, working together, to ensure areas for improvement are identified and addressed. It is important to note that Government policy, prior to Fire and Rescue moving back to the Home Office, has been for localism to be the priority and for the removal of national fire and rescue institutions including the old Inspectorate, core progression training, examinations, national standards and the sale of the Fire Service College.

"Working with the Home Office we are now seeing some national work in England returning, including the Inspectorate and the new Fire Standards Board, which will build on the good work led by NFCC including National Operational Guidance."

"The inspections also highlight areas which may need additional government support, including funding, particularly in the area of Fire Protection and Prevention, even more important since the Grenfell Tower Tragedy and Hackitt review. We will then work with services, the Home Office and HMICFRS to address these issues.

"The report states that long-term under-investment in areas such as protection has resulted in large reductions in fire safety audits. However, to address these issues, it is essential fire and rescue services receive adequate funding.

"We must be resourced to risk, not only to demand, especially with additional work likely to come out of the Hackitt Review. We must ensure the public have confidence in their fire and rescue service to keep them safe. NFCC has several work streams focusing on these areas, including our national Community Risk Programme and a programme focusing on digital and data.

"It is disappointing to see that not everywhere has so far achieved a positive internal working culture and we will continue work on this extremely important area. Diversity and embracing difference is another area for improvement however we have several NFCC initiatives underway to address this, which are being well-supported by fire services."

The 14 individual reports can be accessed here:

<https://www.justiceinspectors.gov.uk/hmicfrs/publications/fire-and-rescue-service-inspections-2018-19/>

Fire Chiefs Broadly Welcome Hackitt Plans



The National Fire Chiefs Council (NFCC) has welcomed announcements made on 18 December 2018 that the Government will accept most of the findings from Dame Judith Hackitt's Independent Review of Building Regulations and Fire Safety, but expressed concern that key aspects need to go further.

The Implementation Plan, published by the Secretary of State for Housing, Communities and Local Government, James Brokenshire, laid out the Government's response to the Independent Review and a plan to consult on further details in 2019.

NFCC Chair, Roy Wilsher, welcomed the Government's plan to consult on the definition of high-risk buildings, noting "NFCC remain disappointed that Dame Judith's working groups did not consult on what constitutes a high-risk building. The result was an arbitrary recommendation based on limited analysis, which has hampered further progress from being made to date. We believe the regime should apply more widely to buildings where a considerable number of people sleep, and be built on better risk information."

Mark Hardingham, Chair of the Protection and Business Safety Committee added "We are pleased the Government has now called for evidence on a full technical review of Approved Document B (ADB). The NFCC will be calling for improvements to sprinkler requirements, firefighting access and other provisions needed to help make communities safer, such as technical requirements for fire hydrants."

Terry McDermott, NFCC lead for Automatic Water Suppression Systems added "Sprinkler requirements in Wales and Scotland surpass those in England, including domestic sprinklers in new social housing developments and suppression systems in new homes. This month, Scotland announced changes to reduce some height related building regulations requirements from 18 metres to 11 metres, and where possible, extend mandatory installation of sprinklers in flats, regardless of height, and in larger multi-occupancy dwellings and those which provide care. NFCC would like to see English standards enhanced to improve consistency and public safety across the UK."

Roy Wilsher added "Recent announcements to ban dangerous cladding are welcomed, but we remain disappointed the ban does not go further and apply to buildings of any height. People in buildings below 18 metres should be afforded the same protection as those in other buildings. This threshold is a historical height which does not reflect modern firefighting equipment and practices. As such, we hope the review of ADB will properly reconsider the appropriateness of the 18 metre threshold."

NFCC is also concerned that issues about the competency of those in the building and fire safety sector remain and were highlighted in detail by Dame Judith Hackitt in her report. Urgent action is needed to address this skills gap otherwise the plans to improve the oversight of a building's design, construction and maintenance, will be thwarted because of insufficient numbers of people with the relevant skills, qualifications, and behaviours to provide the proper scrutiny.

The full written statement made by James Brokenshire, Secretary of State for Ministry of Housing, Communities and Local Government, can be accessed here:

<https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2018-12-18/HCWS1201/>

Links

Grant Thornton website links

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

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

HMICFRS website link

<https://www.justiceinspectors.gov.uk/hmicfrs/fire-and-rescue-services/>

Minutes of the Pensions Board

**27 September 2018 at 1100 hours at
Fire Service Headquarters, Vauxhall Road, Birmingham**

Present: Mr Neil Chamberlain (Chair)
Mr Kal Shoker – Employer Representative
Wendy Browning Sampson – Employer
Representative
Emmett Robertson – Employee Representative
Mr Paul Gwynn (Adviser)

1/18 Apologies for Absence

Adam Harper, Employee Representative

2/18 Declarations of Interest

Emmett Robertson declared his interest as a Member of the Pension Scheme.

3/18 Minutes of Pension Board held on 20 July 2017

The minutes of the Pension Board held on 20 July 2017 were received.

4/18 Terms of Reference

The Terms of Reference of the Pension had been reviewed, revised and approved at the Annual General Meeting of the Fire Authority.

The number of employee and employer representatives had increased from 2 to 3. Employee representatives are elected and Employer representatives are appointed.

The Pension Board would now be meeting four times a year and Members were requested to familiarise themselves with the revised Terms of Reference, the role of the Board and its purpose.

The Board asked for a letter of invitation to be forwarded to Malcolm Eastwood, Chairman of the Scheme Advisory Board to attend a future meeting of the Pension Board.

The Board requested that the LGA Pension Adviser be approached to attend the December meeting of the Board to provide the free training available to all Pension Boards.

The Adviser also suggested that the Service could offer to host any of the national Pension meetings and agreed to contact the Pension Adviser.

It was also confirmed that the West Midlands Fire and Rescue Authority as Scheme Manager have delegated the role to the Audit and Risk Committee and the Chair of the Pension Board reports back to the Chair of the Audit and Risk Committee.

The Adviser stated that he had attended the Conference and stated that it was open to all Pension Board Members to attend to gain a better understanding of the legislation.

A copy of the Pension Regulator Guidance had been used and referenced when appointing new members and it was agreed that a link would be circulated to all Member.

5/18 Pension Board Supporting Information

The Pension Board received a presentation from the Pension Advisor in conjunction with the Pension Section Supporting Information report. The report covered the Basic Demographics as at 31 August 2018.

The Board noted the high number of non-members and the Adviser stated the main reason for this was a possible lack of understanding. The Adviser had noticed that people who were in 1992 scheme had joined reasonably young, moved to the 2015 scheme and then opted out in their late 30s.

It was confirmed that members are made aware of their benefits before they opt out.

The main reason for opt-outs was financial with many taking a break of 3 – 4 years and it was considered that they may opt back in. Then reason was considered to be because of the rise in the pension age to 67 in the new Scheme.

It was noted that the Police Pension Scheme was experiencing a similar pattern. Half of those who approached the Pension Team about opting out did not follow up with an application.

Activity Levels and Performance

The average age of members retiring was age 60 and the number had been a little lower than previous year.

There had been a slight increase in opt outs and this was mainly recruits. The recruits are auto enrolled as part of their contractual enrolment in accordance with the 2015 rules, then can opt out. During the six months ending August 2018, 18 Members had opted out, 15 of these were male, and the average age at opt out was 31. 8 of those opting out did so in the first 3 months and the average length of membership was 3 years and 313 days.

32 Applications to transfer in and out of the Scheme had been received

The average response time for divorce issues was 96 days, higher than the target of 92 days, primarily because the number of divorces had increased. The spike was also caused by two calculations now being required from the old scheme and the 2015 scheme.

The Advisor stated the obligatory time to respond to requests was 90 days. The work involved depended on the age and position and specific questions/follow up questions and what other work was required in the department.

Wendy Browning Sampson asked if there were any concerns with the gender of those opting out.

The Advisor was asked to report back to the Pension Board. He confirmed that he provided this information to the centre and would confirm in his next report. The number of men opting out was 3 to 1 woman and the ages were similar.

The Advisor suggested that people opted out due to financial reasons not gender and recruits are given information on Pensions when they join.

The Adviser informed the Board of the views of the Head of the Pensions Association in that people are making mid-life assessments and looking at moving their pension with their careers and pensions needed to become more portable.

The Adviser agreed to contact the Scheme Advisory Board Chair about national statistics for opts outs.

Internal Dispute Resolution Procedure (IDPR)

This is the method by which anybody with a complaint regarding the Pension Scheme and how its handled can get their complaint heard. They cannot put it through the grievance procedure.

IDPR is open to Scheme Members whether they a member (active, deferred or pensioner), a widow, widower or surviving dependant of a decease member or a surviving non-dependant beneficiary. All could potentially have a complaint.

During the year being reported four cases were received under the IDRP. The cases were set out in the report. The Adviser suggested that more people are using the complaints system as they don't like the scheme or some don't understand the scheme.

1 case had gone to the Ombudsman who had found in the Authority's favour.

1 case was when the complainant had subsequently gone back to speak to Chief Fire Officer.

2 cases were upheld at Appeal.

IDRP has 4 stages

- 1 DCFO
2. Appeals Committee
- 3 Ombudsman
- 4 Supreme Court – only if mistake of law involved.

Reconciliation of Guaranteed Minimum Pension (GMP) Records

Stage 1 queries submitted by 31 January deadlines for all schemes

HMRC initial data featured 2,212 records

Currently 777 records awaiting further investigation

The task is 63.4% complete and must be completed by the 31 December 2018.

The Home Office asked Services to a report to HMRC where GMP transferred to another fire authority but has become orphaned in the eyes of Revenue

The Adviser stated there may be one case that falls into this category from the mid 1980s and would check his records.

There were 230 cases where the HMRC thought members were with WMFS but they had transferred.

Data Quality Reporting to The Pension Regulator

There was a new expectation that Schemes would measure their data and test it for quality purposes. A further report would be presented on this subject to the December 2018 meeting of the Pension Board.

The Service had measured the Common Data, name, address, date of birth, service start date and had achieved a score of 95.12% and a target date for 100% completion was to be agreed by March 2019 .

The Scheme Advisory Board were to confirm details of the conditional data.

The Adviser would provide updated statistics on the missing information.

Collaborative working

Officers had met with West Midlands Police Managers on 19 October 2018 to discuss Data Quality checking. This had not gone ahead. A date was yet to be agreed for a joint training session with the Police.

Contact had been made with Warwickshire FRS however, their Pensions expert had left and not been replaced. The Adviser had given information to Warwickshire on a specific technical enquiry.

The Adviser was waiting for future advice and would discuss the Collaboration agreement with Warwickshire project with the Treasurer.

It was noted that the Pensions Team are represented on a lot of pension and payroll working groups.

The service had tendered to provide pensions services for Hereford and Worcester FRS but had lost out to West Yorkshire FRS on the basis of cost and inexperience of retained firefighter pensions.

FPS Bulletins and Scheme Advisory Board

Seven Bulletins had been issued since the last Pension Board meeting covering a wide range of topics

Local Pension Board were put in place to help the Scheme Manager, the Scheme Advisory Board (SAB) was put in place to assist the Minister

The Adviser stated that the SAB was helpful and active, Malcolm Eastwood was the Chair, and Claire Alcock, Adviser, Claire Hey, Assistant Adviser, Helen Scargill Technical Advisor, and other Members appointed by the Unions were able to provide advice and support to Pensions Teams.

The SAB have Working Groups:

- Technical Working Group - looks at Regulations
- Communications - to ensure consistent messages across the country
- Benchmarking – looks at the cost of administration.

Paul Gwynn is on Technical Working Group

Christina Jackson is on the Communications group

Ian Cross is a member of the Regional Fire Officers Group

The Brigade had hosted the Communications Group and Claire Hey and Clair Allcock had attended. The Adviser recommended making contact with them and getting involved with the SAB as this would bring the many benefits of networking.

Members would review the FPS Bulletins and The Adviser would bring important items to the attention of the Pension Board.

The Advisor confirmed the Annual Benefit Statements had all been issued on 25 July 2018 which was before the 31 August 2018 deadline and this work was managed by the Pensions Team.

The Chair thanked the Advisor for the time and effort put into producing the report and presentation and found it useful and informative.

6/18 **Scheme Advisory Board Survey – West Midlands responses**

The Adviser stated that the 2018 Annual survey was expected imminently and was aimed at the Board. It was suggested that Members view the Survey and feed their thoughts into the return to achieve a shared input in the completion of the survey. This would take place outside of the meeting.

It was noted that the Pension Board is operating more in line with the outcomes of the 2017 Survey.

7/18 **Scheme Advisory Board Bulletins**

The Scheme Advisory Board Bulletins had been circulated to Members of the Board and the contents discussed under other item 5 of the Agenda.

8/18 **Annual Pensions Conference 2018**

The Adviser had attended Day 2 of the Annual Pensions Conference 2018 and had circulated powerpoint slides from the Conference which he had found highly informative. The Adviser had attended a Pensions Appeal on the first day of the conference and couldn't attend, but recommended attendance at the Conference in 2019 as it provided highly useful networking opportunities. A full list of attendees was provided via a link in FPS Bulletin 12, but an example of attendees was given as HR Managers, Treasurers, Pension Board Members, Firefighters and Solicitors.

Dates of future Conferences would be advertised in future Bulletins and the Adviser stated that attendance would be very worthwhile for members of the Board.

The government were reviewing the valuation of the Scheme which occurs every 3 years.

The cost of the scheme had fallen below the floor, and therefore was costing less than the government had anticipated.

The likely outcome of this is that from April they will alter the accrual rates. This will mean that members will earn more Pension per year for the next 3 years.

Turning to Employers contributions the SCAPE rate has changed and this is impacting on the Employers contribution rate.

SCAPE means the Superannuation Contributions Adjusted for Past Experience and is used to measure the potential return for unfunded public sector pension schemes as if they had real money.

The imaginary returns have gone down as a result of the change to the SCAPE rate and as such Employers will need to pay more.

The suggestion is that the increase will be reasonably sizable.

Fire Leaders Association have submitted an appeal to HM Revenue on the amount of tax being paid by their members which they believe is an unintended result of changes to pension taxation.

Budgeting
Medical appeals
Pension scheme when combined useful technically.

Case law

It should be noted in the Risk Register that on 5 November – the Pension Appeal on the 2015 transitional regulations will take place.

Protections in place and how benefit calculated.

10 years protection - Remain in scheme until retirement

5 or 10 years - Remain in scheme for a period of time before moving to 2015 scheme.

Over 10 years - No protection

This has been challenged by FBU on grounds of age discrimination

The original tribunal upheld the FBU's appeal on one part of the case but rejected it on the other.

The FBU appealed the part they lost and the Government did likewise.

The outcome of another Tribunal is expected 5 November 2018.

The Adviser suggested that this should be added to the Risk Register for the Board to consider. There could be a major impact on the organisation and Pension Team.

In the event of the Court finding in favour of the FBU the transitional regulations become unlawful, and potentially no one has any protection.

A question has arisen regarding what the Pensions Team should do about answering enquiries in anticipation FBU won and Appeal

Emmett Robertson asked if the scheme cost the government less to run, would they be looking at contribution rates coming down?

The Adviser felt that this could be an option.

SAB would make recommendations to the Minister. The Minister need to accept if not then there would be a change accrual rate.

SAB may suggest a change to the accrual rate.

Benchmarking Survey is for all members, Pension Boards/Scheme Manager and Scheme administrators

The Report provides information to the Minister on how the scheme is being run.

The Pension Board should be prepared to provide its views of the issues.

This would be added to the Work Plan for the next 12 months
There was an expectation that Members should attend and that attendance should be shared out.

The Pension Board would complete the Survey and should consider attending the Pensions Conference.

9/18 **Risk Register as at September 2018**

The Adviser recommended to the Board that it added the outcome of the Pension Appeal in November 2018 to the Risk Register as the outcome could cause a serious restriction on the Pension Section.

The Chair asked for Risk Owners to be added and for Members to consider the Risk Register as a “living” document and for all Members to review the Register and provide feedback on the document at the next meeting.

10/18 **Recruitment of Process for New members**

The Board discussed the recent Recruitment Process for New Members of the Board. The Adviser stated that there was not any specific legislation for this, but that the Scheme Manager is responsible for the recruitment and the Employee and Employer Representatives should be equal.

The Board had decided that it would obtain Employee Representatives by election and Employer Representatives by nomination.

There had been one expression of interest at the closing date and the date had therefore been extended with the agreement of the Chair in order to gain further expressions of interest to give Members more choice of representatives.

An Election was held but there was an unfortunate issue around the election and the elections were anonymous initially.

It was agreed that the Recruitment Process needed to be added to the Terms of Reference of the Board.

The Pension Board agreed to look at the Recruitment Process for the next round of recruitment to increase awareness. The Board agreed to plan and communicate the election period more widely and would raise awareness of the role through the Fire Brigades Union.

The third Employer Representative had not been appointed and officers were working with the organisation to identify a suitable person. The Chair said it was important to have three employer representatives.

12/18 **Future Governance Arrangements**

Mr Kal Shoker informed the Pension Board of the potential change in governance arrangements from the West Midlands Fire and Rescue Authority to the West Midlands Combined Authority (WMCA). Currently the Scheme Manager is the Audit and Risk Committee and it is not clear, at the present time, who will take on this function in the WMCA.

WMCA currently have an Audit Committee and possibly a Mayoral Fire Committee with responsibility for Fire if the Order to transfer is made law.

The Adviser stated that this matter is linked to the Scheme of Delegations. The Scheme Regulations state that the Scheme Manager will be the responsible authority. If the WMCA becomes the responsible Authority they will become the Employer and Scheme Manager and could delegate this role to a Committee or an Officer.

As an example when Manchester Fire and Rescue Authority had moved to Greater Manchester Combined Authority, the Head of HR had been appointed as the Scheme Manager.

The Chair confirmed that there would still be a requirement for a Pension Board and this change would not have any impact on employee representatives, but may affect employer representatives.

The Advisor stated that this was important as he would need to know who should be asked about discretions when the possible transfer happened on 1 April 2019.

It was noted that this issue was being discussed as part of the Transfer of Governance project plan.

It was agreed that the Board would inform the Scheme Manager of this fact and make a recommendation as to where the role should sit. The Chair would inform the Audit and Risk Committee when presenting the minutes of the Pension Board.

13/18 **Training/Pension Board Skills Audit**

The Pension Board had undertaken a skills Audit, however, had decided to undertake the exercise again to include the new members of the Pensions Board. The outcome of the Audit would dictate any future requirements. The Clerk would collate the results and provide them to the Board at the next meeting.

14/18 **Update on Topical, Legal and Regulatory Issues**

Transitional regulatory appeal. No other regulatory
Home office consultation

Nominations and an amendment regarding split pension
Legislation has been issued

IDRP Appeal

At the Appointments, Standards and Appeals Committee, Members had asked if it was appropriate for an appellant to be at the Committee. They asked if the IDRP process needed to be reviewed.

The Adviser suggested Pension Board may want to look at this.

Wendy Browning Sampson stated that from memory Appeals Committee would have been with the claimant years ago.

However, the process had changed following some dialogue with Sandwell legal who had recommended there was no need for it to be so formal. The then Appeals Committee would conduct a paper review and make a decision on the paper review.

There were no legal requirements, providing information was provided.

The Adviser could see the logic behind the paper exercise.

Currently, the Authority receives the complaint
Deputy Chief Fire Officer (DCFO) Reviews complaint and makes decision
Member can appeal DCFO decision stating the basis for their appeal.
Appointments, Standards and Appeals (ASA) Committee is called
The Adviser presents a management case and advises the Deputy Chief Officer.

The DCFO can attend to provide an overview of his decision but is not there to influence to Committee. The ASA are there to make a decision.

Members appeal don't agree with outcome.

The Board asked whether the DCFO should be there presenting overall case.

The Chair held no strong view on this matter.

Wendy Browning Sampson agreed to contact the Monitoring Officer to confirm that the previous advice given was appropriate.

Kal Shoker stated that the ASA should be acting in accordance with the regulations.

15/18 **Pension Board Activity Log 2016-18**

The Pension Board noted its Activity Log.

16/18 **Pension Board Work Programme 2018/19**

The Pension Board noted its Work Programme and the key dates would be updated.

17/18 **Home Office Consultation Response**

The Pension Board noted the Home Office Consultation Response.

18/18 **Date of Next Meeting**

The date of the next meeting was confirmed as Tuesday, 4 December 2018 at 1500 hours.

The meeting closed at 1650 hours.

Contact Officer: Julie Connor Strategic Hub 0121 380 6906 Julie.Connor@wmfs.net

PENSIONS BOARD

27 September 2018

ACTIONS

Action No.	Action
1.	Chair of SAB, Mr Malcolm Eastwood, and LGA Adviser, Mrs Clare Alcock to be invited to a future meeting of the Pension Board.
2.	A link to the Pension Regulator Guidance to be circulated to all Members of the Board.
3.	The Adviser to provide a break down of the gender of those opting out of the scheme.
4.	The Adviser to contact the Chair of the SAB for national statistics for opt outs.
5.	Data Quality Reporting Report to be prepared for December Pension Board and updated statistics.
6.	Adviser to review Bulletins and bring important items to the attention of the Board.
7.	All to Review SAB Survey and feed their thoughts into completing the Survey outside of meeting.
8.	Risk Register to be updated with Transitional Regulations and Risk Owners named to be added to the Register. All to view and provide feedback at next meeting.
9.	The Clerk to circulate the skills audit used by the Police to Pension Board members for completion. All members to complete the Skills Audit prior to the next meeting. The Chair to liaise with Julie Connor.
10.	Chair of Pension Board to inform the Scheme Manager of the risks associated with the change of Governance arrangements at the next Audit and Risk Committee.
11.	Wendy Browning Sampson agreed to contact the Monitoring Officer about the previous advice regarding IDRs.

Minutes of the Pensions Board

**12 December 2018 at 1500 hours at
Fire Service Headquarters, Vauxhall Road, Birmingham**

Present: Neil Chamberlain (Chair)
Kal Shoker – Employer Representative
Wendy Browning Sampson – Employer
Representative
Employer Representative (Vacancy)
Emmett Robertson – Employee Representative
Alan Tranter -Employee Representative - By Skype
Clair Alcock, - LGA Pension Adviser
Paul Gwynn (Adviser)

18/18 Apologies for Absence

Adam Harper, Employee Representative

19/18 Declarations of Interest

None.

20/18 Minutes of Pension Board held on 27 September 2018

The minutes of the Pension Board held on 27 September 2018 were received.

It was confirmed that in both Internal Dispute Resolution Procedure cases, the original decisions were upheld.

Officers had met with WM Police Managers but it had been decided not to progress with collaborative working.

The Board noted the Future Governance Arrangements with the Mayoral Fire Committee.

The Board confirmed that, in future, they wished for names rather than titles to be used in the minutes of meetings. Wendy Browning-Sampson had confirmed with advice given by the Monitoring Officer in respect of IDRPs review was still relevant.

It had been confirmed that Paul Gwynn attended the IDRPs to provide factual information. Following a request from the Appointments, Standards and Appeals Committee, the Clerk would be reviewing the procedures for future IDRPs.

21/18 Pensions Board Supporting Information

Paul Gwynn gave a brief update on the Membership levels as at 31 October 2018. There had been movement since the last meeting with the number of non-members (firefighters who could have been in the Scheme) increasing by 20. More retirements were expected and planned for until 2020 when there will be a drop in the numbers.

Opt outs were down by 3 over the 12 month period linked to the phasing of recruitment.

Response times to pension queries were going in the right direction and the average response time was coming down.

Following a change in the SCAPE rate, the calculation of CETVs for divorce cases was on hold. This could result in an increase in response times later in the year.

The Chair asked Clair Alcock if there were any national benchmarking standards. Clair Alcock confirmed that the LGA had never been able to look at the provision across the country and there were no national benchmarking standards.

One case was progressing through IDRPs for retained firefighters that could not be solved in-house but going to Ombudsman.

With regards to IPDR, case had been appealed and was going to the Ombudsman.

Opt out levels and reasons

The position in respect of opt outs had remained stable

Further to an email survey, the Board were informed of the reasons for the opt outs.

The main reason for opt out was affordability.

Some new recruits take a cut in their salary when joining. The salary is £22,000 for a new recruit and the pension contribution on 2015 scheme is higher than they would wish. Anecdotally firefighters opt back in when they are on the full rate of pay.

Paul Gwynn was not aware of Members taking any financial advice before opting out or if they had life insurance cover.

In response to a question from Alan Tranter, Paul Gwynn confirmed that he meets new recruits before they join at an induction day to discuss payroll and pension. The bulk of his presentation is about pensions. The presentation has been amended to show the benefits of joining the scheme. For those Members joining the 2015 Scheme, they would have made their money back within 3 years and the additional benefits of joining the scheme are also stressed. This will continue to be stressed at the next recruitment drive and Paul Gwynn will analyse the response to see if this influences numbers joining and remaining within the scheme.

Alan Tranter was concerned that there may be a lack of understanding at a younger age and those who are slightly older may already have a pension provision.

The Chair said it was good to understand the data regarding exiters and new recruits from a Service point of view.

17 members opted out in the 6 months to October 2018
The average age was 30 with the average length of service 2 years 227 days
Of those choosing to opt out 7 did so within the first three months in service.

It was unusual to see long serving members opt out and there was usually another driver for this decision, other than affordability.

Most Opt Outs were due to a lifestyle change, e.g. buying a house.

The Chair felt it was important that the Members of the Pension Board were comfortable that opt outs had been advised appropriately and given information.

Paul Gwynn confirmed that in most cases the reason for the opt out is to free up cash and the professional advice is not to opt out and signpost members to seek further financial advice.

22/18 FSB Bulletins 13/14

The Bulletins were noted.

23/18 Risk Register as at September 2018

The Risk Register had been updated and names have been added as requested at the previous meeting. The Board agreed to look at the Risk Register in more detail at its next meeting.

24/18 Pension Board Activity Log 2016-18.2

The Board noted the Activity Log and information would be built into future meetings including future training and events.

Paul Gwynn highlighted his recommendation that a Board Member attends the Pensions AGM and Conference and that attendance on the first day is invaluable.

The provisional date for the Conference was stated as 24/25 September 2019. The date of the Conference would be added to the Activity Log.

25/18 Pensions Board Work Programme 2018-19

The Board noted its Work Programme.

26/18 TPR Governance and Administration Survey 2018
Update on completion of Survey

The Survey had been completed before the deadline of the 30 November 2018 and the result would be available in May 2019.

The Board would consider the results at its June 2019 meeting.

27/18 Recruitment Process for New Members

Wendy Browning-Sampson had circulated the process to members for comment. Members were comfortable with the process.

28/18 Pension Board Assessment of Skills

The Chair agreed to work with the Clerk and take stock of the Skills Assessment and discuss in more detail at the next meeting.

29/18 Update on Topical, Legal and Regulatory Issues (verbal)

The GMP Reconciliation process was closed and all queries had been entered into the system. Paul Gwynn was awaiting the output and corrections would be made as required.

Clair Alcock stated that the national approach was to not recover over payments.

The deadline for correction on GMP was 31 December 2018, however this time frame was reliant on HMRC.

The internal deadline for us to submit queries to HMRC was October 2018.

As a result of the GMP process the Chair asked for the number overpaid and the value of these.

Paul Gwynn stated that the Legal Challenge to Transitional Regulations would have a major impact on the work of the Pension Section. The Appeal was expected to be found in the

favour of the FBU. The Home Office will most likely Appeal again and the outcome could take years.

Clair Alcock stated that there would be huge cost impacts if anything had to change but in terms of risk, nothing could be planned or mitigated for.

West Midlands Combined Authority

Assuming the governance transfer takes place on 1 April 2018, it was confirmed that the New Scheme Manager would be the Audit and Risk Assurance Committee (ARAC).

It was agreed to invite the Chair of the Audit and Risk Assurance Committee to the Pension Board following the transfer and for the Chair of the Pension Board to meet the Chair of the ARAC.

30/18 Date of Next meeting

The next meeting of the Pensions Board was scheduled to take place on the 4 March 2018 at 1400 hours.

It was confirmed that Mr Malcolm Eastwood Chair of the SAB would be attending the next Pensions Board with the purpose of meeting the members and answering any questions they may have. Clair suggested that the Board consider areas they wished to discuss with the Chair of SAB.

Wendy Browning Sampson wished to invite HR Colleagues in Region to work collaboratively and to undertake a joint training session. Clair Hey stated that she would be happy to set up and provide a Regional Training session.

31/18 Pension Board Training

The Chair thanked Clair Hay for the training provided to the Board which were reciprocated.

The meeting closed at 1650 hours.

Contact Officer:
Julie Connor
Strategic Hub
0121 380 6906
Julie.Connor@wmfs.net

PENSIONS BOARD

12 December 2018

ACTIONS

Action No.	Action
1.	Names to be used in Minutes
2.	Risk Register to be considered in more detail at 4 th March 2019 meeting
3.	Pension Conference to be added to Activity Log
4.	Members to note the dates of the next Pension Conference on 24/25 September 2019
5.	TPR Governance and Administration Survey 2018 to be discussed at June 2019 meeting
6.	Chair/Clerk to review Skills Grid and consider training requirements
7.	Invitation to be sent to the Chair of WMCA ARAC to meet with Chair of Pension Board
8.	Chair of WMCA ARAC to be invited to Pension Board
9.	Pension Board to consider questions for the meeting with the Chair of SAB on 4 March 2019

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT AND RISK COMMITTEE

WORK PROGRAMME 2018/19

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

(Official – WMFS – Public)

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

2019			
14 January	<p>Minutes of the Audit and Risk Committee held on 12 November 2018</p> <p>Internal Audit Progress Report</p> <p>Internal Audit Charter – Annual Review</p> <p>Audit and Risk Committee Update</p> <p>Audit and Risk Committee Work Plan</p> <p>Minutes of the Pension Board held on 27 September 2018</p> <p>Minutes of the Pension Board held on 12 December 2018</p>	<p>Democratic Officer</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Grant Thornton</p> <p>Democratic Officer</p> <p>Democratic Officer</p>	
25 March	<p>Audit and Risk Committee Update</p> <p>Communication with the Audit Committee for WMFRA</p> <p>Audit Plan 2018/19</p> <p>Internal Audit Plan 2018/19</p> <p>Audit and Risk Committee Terms of Reference</p> <p>External Audit Work Programme and Scale of Fees</p> <p>Corporate Risk Report Six Monthly Update</p>	<p>Grant Thornton</p> <p>Grant Thornton</p> <p>Grant Thornton</p> <p>Audit Manager</p> <p>Audit Manager</p> <p>Director of Service Support</p> <p>Director of Service Support</p>	

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

(Official – WMFS – Public)

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

