

Minutes of the Audit Committee

25 July 2016 at 10.30 pm
at Fire Service Headquarters, Vauxhall Road, Birmingham B7 4HW

Present: Councillors Aston, T Singh and Barrie

Apologies: Councillors B Singh and P Singh
Mr Ager (Independent Member)

30/16 Minutes of the Audit Committee held on 6 June 2016

Resolved that the minutes of the meeting held on 6 June 2016, be approved as a correct record.

31/16 Audit Findings 2015/16

The Committee considered the Audit Findings Report (AFR). The AFR set out and reported 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.

The Auditor from Grant Thornton UK presented the AFR and explained the findings to the members of the Committee. The Auditor highlighted the key messages arising from their audit of the draft accounts.

The AFR will be presented to the Fire Authority at its meeting on the 19 September 2016. The Auditor explained that he was required to provide an Opinion by the end of September 2016 and he congratulated the Financial Management Team on their achievement of producing the Statement of Accounts two months earlier than in previous years.

A requirement by the National Audit Office is that an amended sentence will be required in the Audit Opinion (Appendix B) due to the late publication of the Whole of Governments Return (WGA).

A standard Letter of Representation has been requested by the Auditor from the Authority indicating that all relevant information has been disclosed. The Letter of Representation was circulated to the Committee for their information.

The Auditor indicated that the AFR was a very good report and there was very little wrong with the accounts and stated that any issues were inconsequential.

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.

The Auditor's assessment of accounting policies, estimates and judgements was green, indicating that accounting policies were appropriate and the disclosures were sufficient.

Only one change was required to Note 9 Financial Instruments, this was reported under "misclassifications and disclosure changes".

The Auditor felt that the Authority had some challenges to face going forward due to the pace of change, particularly following the move to the Home Office and the Police and Crime Bill, and stated that the Authority should continue to keep partnerships and governance under review over the coming months and years.

The Auditor concluded that through the Authority's Medium Term Financial Strategy, adequate financial arrangements are in place.

The Auditor confirmed the final fees charged for the audit and provision of non-audit services. The additional charge was for presentations regarding changes in pension contribution allowances.

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

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

The Audit Committee's approval was sought for the Authority's Statement of Accounts for the financial year ended 31 March 2016. The full Statement is attached as Appendix A to the report and can be viewed at www.wmfs.net.

A summary of the statement outlined the main issues is 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 6 June 2016.

The Treasurer highlighted the overall revenue budget and that the actual level of general balances had shown a slight increase of £0.002m resulting in £9.233m general balances at the end of the financial year.

The level of earmarked reserves increased by £3.899m, bringing the total earmarked reserves to £40.165m at the end of the financial year.

The Treasurer summarised the earmarked reserves and anticipated spend. Approximately half of the total amount relates to capital projects. No direct government grant funding had been received for 2015/16 and a specific programme of work related to Aston and Coventry Fire Stations.

The other main earmarked reserves related to the Authority's Insurance arrangements, Project/Management Support, and systems enhancements/upgrades.

The balance of the £40.165m was set aside for specific items and Members of the Audit Committee had been provided with the details at their meeting on 6 June 2016.

The balance sheet showed the value of the Authority's long term assets, land and buildings as £154m. The balance sheet is a snapshot of the financial position at a point in time. Member's attention was brought to long term borrowing of £38.627m and short term borrowing of £1.073m as at 31/3/16. This is the total amount outstanding and this affects our interest payments.

A summary of the accounts was provided as Appendix B to the report.

In response to a Member's question regarding insurance, it was confirmed that the £100,000 excess was based on historic records and past claims. It was confirmed that buildings are fully insured separately.

In response to another Member's enquiry, the Treasurer confirmed that he felt that the Authority's level of reserves are appropriate and compared well to other Metropolitan Fire Authorities.

The Auditor felt that the Authority were in a healthy position in respect of its reserves and this enabled the work to be undertaken at Aston and Coventry Fire Station but also stated that reserves can only be spent once.

The Deputy Chief Fire Officer reiterated that the Authority were making an investment in the Estate ensuring that the Authority were able to support the Service Delivery Model which is based on the 38 fire stations and how the Service manages risk. It also provides investment for the future and continually ensures the assets are fit for purpose.

It was noted by a Member that the Fire Service were the only emergency service investing in its estate. It was also noted that the Police and Ambulance Services were collaborating and sharing facilities on fire stations.

Resolved:

1. that the Statement of Accounts for 2015/16 as set out in Appendix A be approved.
2. that the Statement of Accounts summary for 2015/16 set out in Appendix B be noted.

33/16 **Treasury Management Annual Report 2015/16**

The Committee received the Treasury Management Annual Report 2015/16, which covered the Treasury Activity during 2015/16 and the actual Prudential Indicators for 2015/16.

The Authority approved its Treasury Management strategy as part of the Budget Setting process in February and the Audit Committee received a mid-year Treasury Management update in November 2015.

The key Treasury Management activities were:

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

In answer to a Member's question, relating to the ex-West Midland County Council's debt, it was unclear at this stage if the West Midlands Combined Authority would take on any of the outstanding debt.

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

34/16 **Corporate Risk Update**

Further to minute number 25/16, the Committee received a Corporate Risk Update and considered the current and new themed Corporate Risks attached as Appendices to the report. The risks had been revised to include existing and emerging influences that have the potential to impact on the Authority's ability to delivery against the priorities set out in The Plan. These were considered to be the changing governance arrangements, the Police and Crime Bill, and the funding opportunity through business development.

The outcomes of the review have sought to simplify the approach to identify corporate risks, to better explain what the risk is and also theming each risk into one of the following themes:

- External (Political and legislative) environment
- People
- Delivery of Services – Prevention
- Delivery of Services – Protection
- Delivery of Services – Response
- Business continuity and Preparedness
- Information, Community and Technology
- Finance and Assets
- Business Development

Two additional risks were identified as:

- External (Political and Legislative) Environment
- Business Development

At future Audit Committees, interim briefings will be provided on specific risks and any changes to risk will be brought to the Audit Committee between the six monthly Corporate Risk Updates.

In answer to a Member's question, the Deputy Chief Fire Officer confirmed that the Risk Assurance map provided more detail on how the risk is being reviewed, managed and controlled below Audit Committee.

The DCFO stated that if Members wanted to see the Risk Assurance Map this could be arranged, however due to the amount of detail it was not thought suitable to go through at an Audit Committee meeting.

Resolved that the changes to the Corporate Risks be approved.

35/16 **CIPFA Audit Committee Update 19**

The Committee noted the CIPFA Audit Committee Update No. 19, this edition focused on the new framework for Good Governance in Local Government and the process for appointing local auditors. The update also provided a list of workshops and training events for Audit Committee Members.

36/16 **Self-assessment of good practice and effectiveness**

The Committee received a report requesting that Members of the Audit Committee complete and return the knowledge and skills framework in advance of the next Audit Committee on 5 September 2016.

It was explained that the self-assessment forms part of an overall review of the Audit Committee based around the CIPFA guidance and includes three separate activities:

Self-assessment exercise;
Members knowledge and skills framework;
Evaluation.

Members agreed to complete the framework, either electronically or manually and were provided with a short checklist at the end of the meeting to assist with the completion of the form.

The Internal Auditor requested that all forms to be returned to him before 15 August 2016.

Resolved that all members of the Audit Committee complete stage two of their self-assessment of good practice and effectiveness exercise and return the forms to the Internal Auditor by the 15 August 2016.

37/16 **Audit Committee Work Programme 2016/17**

The Committee noted its Work Programme for 2016/17 and that the next meeting of the Audit Committee would be on 5 September 2016. It was also noted that the meeting scheduled for 10 October 2016 would now be held on 14 November 2016 at 1030 hours.

38/16 **Update on Topical, Legal and Regulatory Issues**

There was no new information to be presented

(The meeting ended at 11.15 am)

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