



# **HEREFORD & WORCESTER Fire Authority**

**Audit and Standards Committee**

## **AGENDA**

**Wednesday, 12 April 2017**

**10:30**

**Conference Suites**

**Headquarters, 2 Kings Court, Charles Hastings Way,  
Worcester, WR5 1JR**

## **ACTION ON DISCOVERING A FIRE**

- 1 Break the glass at the nearest **FIRE ALARM POINT**.  
(This will alert Control and other Personnel)
- 2 Tackle the fire with the appliances available – **IF SAFE TO DO SO**.
- 3 Proceed to the Assembly Point for a Roll Call –

**CAR PARK OF THE OFFICE BUILDING ADJACENT TO THE CYCLE SHED TO THE LEFT OF THE ENTRANCE BARRIER TO 2 KINGS COURT.**

- 4 Never re-enter the building – **GET OUT STAY OUT**.

## **ACTION ON HEARING THE ALARM**

- 1 Proceed immediately to the Assembly Point

**CAR PARK OF THE OFFICE BUILDING ADJACENT TO THE CYCLE SHED TO THE LEFT OF THE ENTRANCE BARRIER TO 2 KINGS COURT.**

- 2 Close all doors en route. The senior person present will ensure all personnel have left the room.
- 3 Never re-enter the building – **GET OUT STAY OUT**.

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- the right to inspect background papers on which reports are based for a period of up to four years from the date of the meeting.

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**WELCOME AND GUIDE TO TODAY’S MEETING.** These notes are written to assist you to follow the meeting. Decisions at the meeting will be taken by the **Councillors** who are democratically elected representatives and they will be advised by **Officers** who are paid professionals. The Fire and Rescue Authority comprises 25 Councillors and appoints committees to undertake various functions on behalf of the Authority. There are 19 Worcestershire County Councillors on the Authority and 6 Herefordshire Council Councillors.

**Agenda Papers** - Attached is the Agenda which is a summary of the issues to be discussed and the related reports by Officers.

**Chairman** - The Chairman, who is responsible for the proper conduct of the meeting, sits at the head of the table.

**Officers** - Accompanying the Chairman is the Chief Fire Officer and other Officers of the Fire and Rescue Authority who will advise on legal and procedural matters and record the proceedings. These include the Clerk and the Treasurer to the Authority.

**The Business** - The Chairman will conduct the business of the meeting. The items listed on the agenda will be discussed.

**Decisions** - At the end of the discussion on each item the Chairman will put any amendments or motions to the meeting and then ask the Councillors to vote. The Officers do not have a vote.



HEREFORD & WORCESTER  
**HWR**  
FIRE AND RESCUE SERVICE

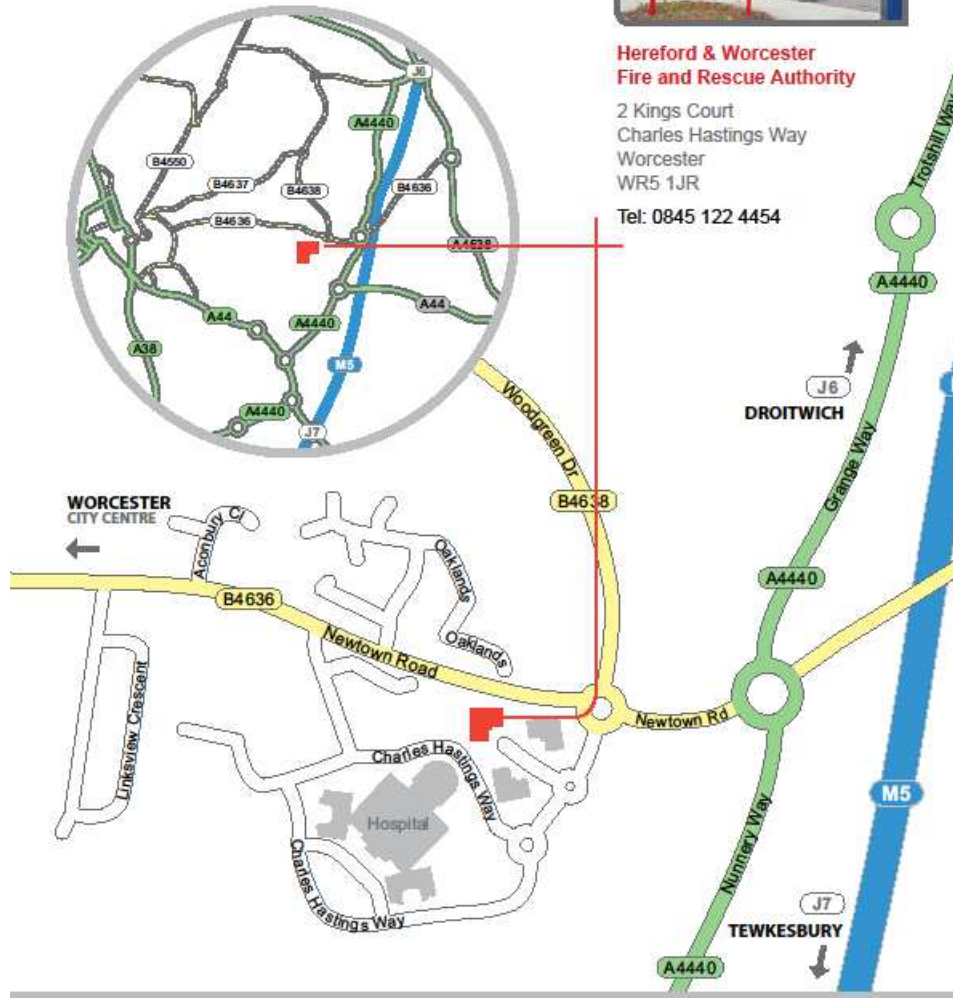
## Service Headquarters



### Hereford & Worcester Fire and Rescue Authority

2 Kings Court  
Charles Hastings Way  
Worcester  
WR5 1JR

Tel: 0845 122 4454





## Hereford & Worcester Fire Authority

### Audit and Standards Committee

Wednesday, 12 April 2017, 10:30

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## Agenda

### Councillors

Ms L R Duffy (Chairman), Mr Al Hardman (Vice Chairman), Ms P Agar, Mr A Amos, Mr S C Cross, Ms K S Guthrie, Mrs A T Hingley, Mr R I Matthews, Professor J W Raine, Mr G J Vickery, Mr S D Williams

No.	Item	Pages
1	<b>Apologies for Absence</b>  To receive any apologies for absence.	
2	<b>Named Substitutes</b>  To receive details of any Member of the Authority nominated to attend the meeting in place of a Member of the Committee.	
3	<b>Declarations of Interest (if any)</b>  This item allows the Chairman to invite any Councillor to declare an interest in any of the items on this Agenda.	
4	<b>Confirmation of Minutes</b>  To confirm the minutes of the Audit and Standards Committee meeting held on 18.01.2017	7 - 22
5	<b>Internal Audit Monitoring Report 2016/2017</b>  To provide the Committee with a progress update on the 2016/17 audit plan delivery.	23 - 32

<b>6</b>	<b>Internal Audit Draft Audit Plan 2017-18</b>	<b>33 - 37</b>
	To provide the Committee with the Draft Audit Plan for 2017/18.	
<b>7</b>	<b>External Audit Plan 2016/2017</b>	<b>38 - 58</b>
	To consider the Audit Plan from the Authority's External Auditor Grant Thornton UK LLP. that sets out the work for the 2016/17 audit.	
<b>8</b>	<b>Informing the Audit Risk Assessment 2016-17</b>	<b>59 - 83</b>
	To make Members aware of the Audit Risk Assessment carried out by Grant Thornton UK LLP, the Authority's External Auditor, in deriving the External Audit Plan.	
<b>9</b>	<b>Strategic Risk Register: Progress Against Audit Findings</b>	<b>84 - 87</b>
	To provide the Committee with an update on progress against recommendations identified following the 2015/16 Risk Management Audit.	
<b>10</b>	<b>National Fraud Initiative 2016/17</b>	<b>88 - 95</b>
	To inform Members of the results of the National Fraud Initiative (NFI), the actions taken by Officers and subsequent outcomes.	
<b>11</b>	<b>Audit and Standards Committee Terms of Reference</b>	<b>96 - 104</b>
	To consider the reallocation of areas of responsibility from Policy and Resources to Audit and Standards Committee.	
<b>12</b>	<b>Member Development Plan 2017/2018</b>	<b>105 - 108</b>
	To provide Members with the draft Member Development Plan 2017/18 for approval.	
<b>13</b>	<b>Annual Compliments, Complaints and Concerns 2016/2017</b>	<b>109 - 111</b>
	To update the Committee with details of compliments, complaints and concerns made by the public to the Service over the past 12 months.	



Hereford & Worcester Fire Authority

Audit and Standards Committee

Wednesday, 18 January 2017, 10:30

## Minutes

**Members Present:** Ms P Agar, Mr A Amos, Ms L R Duffy, Mr Al Hardman, Mrs A T Hingley, Professor J W Raine, Mr G J Vickery

**Substitutes:** none

**Absent:**

**Apologies for Absence:** Mr S C Cross, Ms K S Guthrie, Mr R I Matthews, Mr S D Williams

Also in Attendance: Mr D Prodger MBE

### 58 Confirmation of Minutes

***RESOLVED*** that the minutes of the Audit and Standards Committee held on 27 September 2016 be confirmed as a correct record and signed by the Chairman.

### 59 Annual Audit Letter 2015/2016

External Auditor Grant Thornton UK LLP presented the report and confirmed that an unqualified opinion on the Authority's 2015/16 financial statements and value for money conclusion had been issued on 27 September 2016. Financial statements were considered to give a true and fair view of the Authority's financial position and the financial statements presented for audit were sound.

It was recommended that the Authority should continue to develop the improved review process against the requirements of the CIPFA Code of Practice and incorporate these within future timetables for the preparation of the Authority's annual financial statements.

The External Auditor highlighted the following key messages arising from the Audit 2015/16.

- i The Authority has taken appropriate account of the current economic climate and plans are supported by detailed and robust assumptions.
- ii The Authority has a sound understanding of the current financial environment and undertakes robust planning for the medium and long term extending to 2020.
- iii There is a strong link between the Authority Plan and the Community Risk Management Plan.
- iv The Authority historically closely monitors its expenditure and does not exceed budget levels.
- v The Senior Management Board provide clear leadership on spending priorities and demonstrate a clear understanding of the resource requirements of the Service.
- vi Performance management is strong and appropriately challenged.
- vii The Authority benchmarks its performance with other authorities to identify areas for improvement. Efficiencies have been made and efficiency plans continue to be implemented.

[10:35 Cllr Agar entered the room]

[10:36 Cllr Amos entered the room]

Following questions from Members on the concept of materiality the External Auditor provided clarification on its definition as well as expanding on how risk factors and judgement are used to determine the materiality percentage figure.

**[Annual Audit Letter 2015/16 attached at Appendix 1 of these minutes]**

***RESOLVED* the Annual Audit Letter 2015/16 from External Auditors, Grant Thornton UK LLP be noted.**

## **60 External Audit Fee 2016/2017**

The External Auditor summarised the scale fee for audit work and confirmed that all scheduled work will take place within the fee envelope and that no additional fees had been incurred. Members were reassured that fees are independently set and that any variation has to be independently agreed.

***RESOLVED* the External Audit Fee 2016/17 be noted.**

**61 Internal Audit Monitoring Report 2016/2017**

The Head of Internal Audit Shared Service reported against the 2016/17 audit plan and highlighted to Members that of the four completed audits all had returned a 'Full' assurance level with no recommendations. The remaining audits were all underway and full report summaries would be presented at the next Committee. Members were asked to note that the CARE Scheme audit was being carried out as an additional review at the request of the Treasurer to provide assurance over held data.

***RESOLVED* the Internal Audit Monitoring Report 2016/17 be noted.**

The Meeting ended at: 10:51

Signed:.....

Date:.....

Chairman

# The Annual Audit Letter for Hereford & Worcester Fire Authority

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**Year ended 31 March 2016**

October 2016

**Mark Stocks**

Partner

T 0121 232 5437

E [mark.c.stocks@uk.gt.com](mailto:mark.c.stocks@uk.gt.com)

**Neil Preece**

Audit Manager

T 0121 232 5292

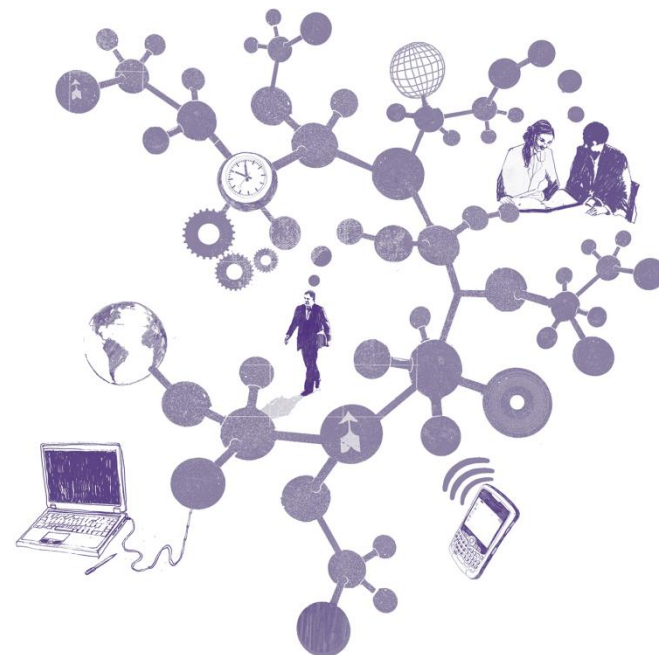
E [neil.a.preece@uk.gt.com](mailto:neil.a.preece@uk.gt.com)

**Allison Thomas**

Executive

T 0121 232 5278

E [allison.a.thomas@uk.gt.com](mailto:allison.a.thomas@uk.gt.com)



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# Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	4
3. Value for Money conclusion	9
4. Working with the Authority	11
<b>Appendices</b>	
A Reports issued and fees	12

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# Executive summary

## Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Hereford & Worcester Fire Authority (the Authority) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Authority and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Authority's Audit & Standards Committee as those charged with governance in our Audit Findings Report on 27 September 2016.

## Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## Our work

### Financial statements opinion

We gave an unqualified opinion on the Authority's financial statements on 27 September 2016.

### Value for money conclusion

We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 27 September 2016.

### Certificate

We certified that we had completed the audit of the accounts of Hereford & Worcester Fire Authority in accordance with the requirements of the Code on 27 September 2016.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

**Grant Thornton UK LLP**  
**October 2016**

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# Audit of the accounts

## **Our audit approach**

### **Materiality**

In our audit of the Authority's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Authority's accounts to be £645,000, which is 1.8% of the Authority's gross revenue expenditure. We used this benchmark, as in our view, users of the Authority's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as cash, senior officer remuneration and auditors' remuneration.

### **The scope of our audit**

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Authority's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the Narrative Report and Annual Governance Statement to check they are consistent with our understanding of the Authority and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Hereford &amp; Worcester Fire Authority, we determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition</li><li>• opportunities to manipulate revenue recognition are very limited</li><li>• the culture and ethical frameworks of local authorities, including Hereford &amp; Worcester Fire Authority, mean that all forms of fraud are seen as unacceptable.</li></ul> <p>Our audit work did not identify any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"><li>• reviewed entity controls</li><li>• tested journal entries</li><li>• reviewed accounting estimates, judgements and decisions made by management</li><li>• reviewed unusual significant transactions.</li></ul> <p>Our audit work did not identify any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries did not identified any significant issues.</p>

# Audit of the accounts (continued)

Risks identified in our audit plan	How we responded to the risk
<p><b>Valuation of pension fund net liability</b></p> <p>The Authority's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• identified the controls put in place by management to ensure that the pension fund liability is not materially misstated</li> <li>• assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>• reviewed the competence, expertise and objectivity of the actuaries who carried out your pension fund valuation</li> <li>• gained an understanding of the basis on which the valuation is carried out</li> <li>• performed procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>• reviewed the consistency of the pension fund assets and liabilities and disclosures in notes to the financial statements with the actuarial reports from your actuaries.</li> </ul> <p>We undertook additional work and sort assurance in the Letter of Representation that it is appropriate for the pension fund liability associated with those staff who transferred to Place Partnerships Ltd (PPL) to be included in the Authority's accounts rather than in PPL's accounts.</p>
<p><b>Employee remuneration</b></p> <p>Employee remuneration is understated.</p>	<p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• performed walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>• tested a sample of employee remuneration payments</li> <li>• agreed employee remuneration disclosures in the financial statements to supporting evidence</li> <li>• reviewed the reconciliation between payroll and the general ledger</li> <li>• agreed the employee remuneration accrual in the financial statements to supporting evidence.</li> </ul> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

# Audit of the accounts (continued)

Risks identified in our audit plan	How we responded to the risk
<p><b>Operating expenses</b></p> <p>Operating expenses understated or not recorded in the correct period.</p>	<p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• performed walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>• reviewed the calculation of significant accruals and other items</li> <li>• reviewed payments after the year end</li> <li>• tested a sample of operating expenses.</li> </ul> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Fire fighters' Pensions Benefit Payments</b></p> <p>Benefits improperly computed/ claims liability understated.</p>	<p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• performed walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>• tested a sample of fire fighters' pensions benefit payments</li> <li>• agreed pension disclosures in the financial statements to supporting evidence</li> <li>• performed substantive analytical procedures on the total pension liability to ensure completeness of the liability.</li> </ul> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

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# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Authority's accounts on 27 September 2016, in advance of the 30 September 2016 national deadline.

The Authority made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts of the Authority to the Authority's Audit & Standards Committee on 27 September 2016.

We identified one adjustment affecting the Authority's reported financial position. Accrued income and short term debtors were both overstated by £43k. However, officers decided not to amend the accounts for this item on the basis that it does not materially effect the Users interpretation of the Accounts and final position. This was included in our Letter of Representation and agreed by the Audit & Standards Committee on 27 September 2016.

We also asked for further assurances, through the Letter of Representation, that it is appropriate for the pension fund liability associated with those staff who transferred to Place Partnerships Ltd (PPL) to be included in the Authority's accounts rather than in PPL's accounts.

## **Annual Governance Statement and Narrative Report**

We are also required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Authority and with our knowledge of the Authority.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts.

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

## Overall VfM conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

# Value for Money

**Table 2: Value for money risks**

Risk identified	Work carried out	Findings and conclusions
<p><b>Workforce</b></p> <p>The Authority has been forward thinking in temporarily reducing the workforce, and therefore wholetime pay budget, by seconding staff to other Authorities. For the 2015/16 financial year, the secondments allowed the Authority to offset approximately £1,300k of wholetime uniformed staffing costs. With additional staff now being seconded and some staff transferring permanently as well as other unplanned leavers, the financial risk of returning staff is reduced. The Authority also has a reserve to mitigate this. However, there is still a financial risk around this.</p>	<p>We reviewed the project management and risk assurance frameworks established by the Authority to establish how it is identifying, managing and monitoring these risks.</p>	<p>The larger than required workforce has been predominantly managed through external secondments generating around £1.8m income for the Authority. A Voluntary Redundancy (VR) scheme has also been introduced. As at June 2016, as a result of the 18 VR to that date, the excess staff cost had reduced by £1.2m to £4m. The impact is that, after the secondment income, officers are forecasting that there should still be £2.3m in the Budget Reduction Strategy Reserve (which was created to manage the additional staff costs). There are still VR applications in the pipeline. If all of the applications are granted the excess staff cost would be reduced by a further £700k. By August 2018 the Authority is expecting to have the right number of fire fighters.</p> <p>The project and risk management around this issue have been good. The Authority has been at the forefront of outward secondments which has reduced the number of excess staff in the medium term, allowing more longer term solutions to be put in place. For example, different crewing patterns and VR. The Authority has also built up a financial reserve to cover this (although not all of this will be needed). Projections have been cautious and reporting has been transparent.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements.</p>
<p><b>MTFP gap</b></p> <p>The Authority recently approved an updated MTFP. This confirmed that final budget gaps will be: 2016/17 £41k; 2017/18 £393k; 2018/19 £1,363k; 2019/20 £2,166k.</p> <p>The forecast gap in the previous MTFP was £3.346m by 2019/20, so has come down by £1.2m. However, the gap is still significant for the Authority.</p>	<p>We reviewed the project management and risk assurance frameworks established by the Authority in respect of the more significant projects, to establish how the Authority is identifying, managing and monitoring these risks.</p>	<p>The latest MTFP projects an initial gap of £2.4m to 2019/20. It then makes some adjustments using government suggested and Authority assumptions to end up with a revised gap of £1.6m. These adjustments include, for example, additional pension charges of £315k, and lower inflation rates.</p> <p>After taking account of savings plans and anticipated income generation, the likely gap for 2019/20 is £760k. The Authority is planning to use reserves to smooth this, over a four year period. Even then, if it did nothing, there would still be reserves to cover a further three years.</p> <p>There are tentative long terms plans to address this residual deficit, but they need working up. In the long term, use of reserves to achieve breakeven is not sustainable and the Authority needs to consider how to get to a recurrent breakeven budget over time.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Authority has proper arrangements.</p>

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# Working with the Authority

## Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We believe we have established a positive and constructive relationship.

An efficient audit – we delivered the accounts audit before the deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work. We will build on this in 2016/17, with the aim of completing your audit by the end of July.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your Medium Term Financial Plan. We highlighted the need for detailed long terms plans to address the residual deficit. In the long term, use of reserves to achieve breakeven is not sustainable and the Authority needs to consider how to get to a recurrent breakeven budget over time.

Sharing our insight – we provided regular reports covering best practice. Areas we covered included Making devolution work and Reforging local government. We have also shared with you our insights on advanced closure of local authority accounts in our publication "Transforming the financial reporting of local authority accounts", and will continue to provide you with our insights as you bring forward your production of your year-end accounts.

Providing training – we provided your finance team with training on financial accounts and annual reporting.

We will continue to liaise closely with the senior finance team during 2016/17 on this important accounting development, with timely feedback on any emerging issues.

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Authority	32,872	32,872	43,829
<b>Total fees (excluding VAT)</b>	<b>32,872</b>	<b>32,872</b>	<b>43,829</b>

## Fees for other services

Service	Fees £
<b>Audit related services</b>	0
<b>Non-audit services</b>	0

## Reports issued

Report	Date issued
Audit Plan	March 2016
Audit Findings Report	September 2016
Annual Audit Letter	October 2016



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Hereford & Worcester Fire Authority

Audit and Standards Committee

12 April 2017

## **Report of the Head of Internal Audit Shared Service**

### **Internal Audit Monitoring Report 2016/17**

#### **Purpose of report**

To provide the Committee with a progress update on the 2016/17 audit plan delivery.

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#### **Recommendation**

***The Treasurer recommends that the report be noted.***

#### **Introduction and Background**

1. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under the Accounts and Audit (England) Regulations 2015. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer and Internal Audit is provided by Worcestershire Internal Audit Shared Service (WAISS). Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly.

#### **Objectives of Internal Audit**

2. The Public Sector Internal Audit Standards 2013 defines internal audit as: “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”. WAISS is committed to conforming to the requirements of the Public Sector Internal Audit Standards

#### **Aims of Internal Audit**

3. The objectives of WAISS are to:
  - Examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Fire Service and recommend arrangements to address weaknesses as appropriate;

- Examine, evaluate and report on arrangements to ensure compliance with legislation and the Fire Service's objectives, policies and procedures;
  - Examine, evaluate and report on procedures that the Fire Service's assets and interests are adequately protected and effectively managed;
  - Undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service's policies and procedures and relevant legislation; and
  - Advise upon the control and risk implications of new systems or other organisational changes.
4. Internal audit has worked with external audit to try and avoid duplication of effort, provide adequate coverage for the 2016/17 financial year so that an internal audit opinion can be reached and support External Audit by carrying out reviews in support of the accounts opinion work.

### **Audit Planning**

5. To provide audit coverage for 2016/17, an audit operational programme to be delivered by WIASS was discussed and agreed with the Authority's Section 151 Officer and Treasurer as well as Senior Management Board and was brought before Committee on 4<sup>th</sup> July 2016 for consideration. The audit programme provides a total audit provision of 111 audit days; 95 operational and 16 management days.

### **Audit Delivery**

6. 2016/17 audits commenced after the Committee had agreed the 2016/17 plan at the 4<sup>th</sup> July 2016 Committee.
7. To assist the Committee to consider assurance on the areas of work undertaken, an overall assurance level is given, when appropriate, to each audit area based on a predetermined scale (Appendix 2). Also, the findings are prioritised into 'high', 'medium' and 'low' within audit reports with all 'high' priority recommendations being reported before committee (Appendix 2).

### **2016/17 Audits:**

8. The summary results of these audits are included below, however, it can be reported there were no 'high' priority recommendations resulting from the work. Where recommendations have been made, these are being addressed through appropriate management actions.

### Payroll

The review found the following areas of the system were working well:

- Changes to the Establishment, starters leavers and movers
- Adjustments to pay
- Accuracy of the information transferred from the GARTAN system to the Payroll system
- Monitoring of Key Performance Indicators
- Reconciliations of monthly and four weekly pay runs to the main ledger
- Security of documentation/data

There were no 'high' or 'medium' priority recommendations reported.

Audit Type: Full System

Final Report Date: 21<sup>st</sup> December 2016

Assurance: Full

### VAT

The review found the following areas of the system were working well:

- The VAT Return is generated by the system and therefore uses the reports directly produced by the system.
- The system links the figures on the system generated VAT Return to work files so that checking of transactions is efficient.
- Foreign supplies are easily identified
- The VAT Return is signed off prior to submission.

The audit did not look in detail at VAT on creditors/debtors (accounts payable/accounts receivable) other than for the completion of the VAT Returns.

There were no 'high' or 'medium' priority recommendations reported.

Audit Type: Limited Scope

Final Report Date: 10<sup>th</sup> January 2017

Assurance: Full

9. The following reviews are currently at draft report stage the outcome of which will be reported in summary form at the next Audit Committee:

### CARE System – Pensions

The audit of the Care Scheme is being carried out as an additional review at the request of the Director of Finance and Assets (S151 Officer) to provide assurance over the data held in relation to the CARE scheme. The audit is a limited scope review of the Care Scheme.

### Safeguarding

The review is a full system review concentrating on the key requirements and areas of the safeguarding system.

### Training Centre and Technical Fire Safety

This area forms a significant part of the National Framework and is also extensively covered in the Annual Plan which reports on outcomes against previous years. The review is a critical friend review limited to key fire safety audit areas whilst taking into consideration the Annual Plan. The review is challenging the current and on-going arrangements in place at the time of the review.

### Fees and Charges

This review is a critical review that has concentrated on the following areas:

- SPI 3 – Section 7 Part 7.31 Cost Recovery including Special Services
- The process of ascertaining that a debt is due and the charge to be raised
- Raising of the invoice
- Management of the Debt
- Receipt of income

10. Reviews that are currently progressing through fieldwork stage include:

#### ICT

This critical review will be limited to the following areas of the ICT Service and will cover the period from April 2016 to the time of the audit.

- Progress in completing the Service work programme during 2016/17 to date, including completed work programme items and those underway;
- Action plans to address issues raised.

### Property – Client Management

This review will provide assurance in regard to the on-going processes in place for:

- Service Level Agreement;
- Strategic property issues;
- The provision of accurate and timely KPI data;
- Review of performance;
- Property maintenance related fees;
- Charges approval and contractual variations.

11. Follow up is continuing in regard to previously completed audits to provide assurance that recommendations have been implemented and any risk mitigated. Since the last Committee the stores stock system follow up took place in March 2017 and found that the 1 medium priority recommendation reported had been addressed and there was evidence of implementation. No further follow ups are required for this review.

## Conclusion/Summary

12. The Internal Audit Plan for 2016/17 continues to progress towards its conclusion. There were no 'high' priority recommendations arising and no potential risks that need to be reported to the Committee from the work completed to date. Recommendations that have been made are being addressed through normal management actions.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	There are no financial issues that require consideration.
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	Selected audits are risk based and linked to the delivery of priorities and policy framework.
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

## Supporting Information

Appendix 1 - 2016/17 Audit Plan progress.

Appendix 2 - 'High' priority recommendations for completed audits, and, assurance and priority definitions.

**Contact Officer**

Andy Bromage

Head of Internal Audit Shared Service - Worcestershire Internal Audit Shared Service

(01905 722051)

[andy.bromage@worcester.gov.uk](mailto:andy.bromage@worcester.gov.uk)

# APPENDIX 1

## INTERNAL AUDIT PLAN FOR THE FIRE & RESCUE SERVICE 2016/17

### WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE

Audit Area	Source (max risk score 45)	Planned Days 2016/17	Preferred Audit Quarter/ completed
<b>Accountancy &amp; Finance Systems</b>			
Main Ledger (incl. Budgetary Control & Bank Rec)	Risk Score 28	8	Completed Dec 2016
Creditors	Risk Score 28	8	Completed Dec 2016
Debtors	Risk Score 25	5	Completed Dec 2016
Payroll & Pensions (incl. GARTAN)	Risk Score 35	13	Completed Dec 2016
VAT	Risk Score 27	3	Completed Jan 2017
<b>SUB TOTAL</b>		<b>37</b>	
<b>Corporate Governance (incl Health &amp; Safety arrangements)</b>			
Corporate Governance (AGS)	Risk Score 25	10	Completed Nov 2016
ICT Audit	Risk Score 36	10	On-going
<b>System / Management Arrangements</b>			
Safeguarding	Risk Score 30	8	Draft Report Mar 2017
Training Centre	Risk Score 33	8	Draft Report Mar 2017
Property & Asset Mngt(Client Side)	Risk Score 31	9	On-going
Fees and Charges (Value for Money)	Risk Score 25	5	Draft Report Mar 2017
Technical Fire Safety (Commercial)	Risk Score 24	8	Draft Report Mar 2017
<b>SUB TOTAL</b>		<b>58</b>	
<b>General</b>			
Follow up 2014/15 & 2015/16 Reviews	Routine & s151	5	Q1 to Q4 inclusive
Advice, Guidance, Consultation, Investigations	n/a	2	Q1 to Q4 inclusive
Audit Cttee Support	n/a	5	Q1 to Q4 inclusive
Reports & Meetings	n/a	4	Q1 to Q4 inclusive
<b>SUB TOTAL</b>		<b>16</b>	
<b>TOTAL CHARGEABLE</b>		<b>111</b>	

Note: GAD has been not included ~ conformity to be provided by Worcestershire County Council.  
In addition to the plan above there will be an additional review in regard to the Pensions to ensure the CARE system is operating satisfactorily. Currently at draft report stage.

### **'High' Priority Recommendations reported**

**Audit reviews finalised in regard to the 2016/17 audit programme and reported above confirm there are no 'high' priority recommendations to report.**

### **Definition of Priority of Recommendations**

<b>Priority</b>	<b>Definition</b>
<b>High</b>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
<b>Medium</b>	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
<b>Low</b>	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

### **Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<b>Significant Assurance</b>	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Moderate Assurance</b>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

## **Report of the Head of Internal Audit Shared Service**

### **Internal Audit Draft Audit Plan 2017/18**

#### **Purpose of report**

To provide the Committee with the Draft Audit Plan for 2017/18.

---

#### **Recommendation**

**The Treasurer recommends that the 2017/18 Draft Internal Audit Plan be approved.**

#### **Introduction and Background**

1. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under the Accounts and Audit (England) Regulations 2015. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer, and, Internal Audit is provided by Worcestershire Internal Audit Shared Service (WIASS) in which Hereford and Worcester Fire and Rescue Authority is a Partner. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly.

#### **Objectives of Internal Audit**

2. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom defines internal audit as: “an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness to achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resource”. WIASS is committed to satisfying/achieving the requirement of the CIPFA Code of Practice for Internal Audit and conforms to the Public Sector Internal Audit Standards.

#### **Aims of Internal Audit**

3. The objectives of WIASS are to:
  - Examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Fire Service and recommend arrangements to address weaknesses as appropriate;

- Examine, evaluate and report on arrangements to ensure compliance with legislation and the Fire Service's objectives, policies and procedures;
  - Examine, evaluate and report on procedures that the Fire Service's assets and interests are adequately protected and effectively managed;
  - Undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service's policies and procedures and relevant legislation; and,
  - Advise upon the control and risk implications of new systems or other organisational changes.
4. Internal audit will work with external audit to avoid duplication of effort, provide adequate coverage for the 2017/18 financial year so that an internal audit opinion can be reached, and, support External Audit by carrying out reviews in support of the accounts opinion work.

### **Audit Planning**

5. To provide audit coverage for 2017/18 an audit operational programme to be delivered by WIASS was discussed and agreed with the Treasurer and the Senior Management Board and will be provided to External Audit. The audit programme provides a total audit provision of 111 audit days; 91 operational and 20 management days. As the audits and follow up reviews are completed summary update reports will be brought before Committee along with an extract of the 'high' priority recommendations. Full reports will be provided to the Chairperson of the Committee for perusal on request.
6. The Internal Audit Plan for 2017/18, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the Authority's risk management, performance management and other assurance processes. It has been based upon the Annual Plan, the risk priorities per the corporate risk register as well as upon an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2017/18 has been agreed with the Fire and Rescue Service Section 151 Officer and Treasurer and was placed before Senior Management Board for discussion on the 14<sup>th</sup> March 2017.
7. Appendix 1 provides the Committee with a breakdown of the draft 2017/18 internal audit plan.
8. Appendix 2 provides the Committee with an over view and comparison of the audits delivered over the past 5 ½ years.

### **Conclusion/Summary**

9. Operational progress against the Internal Audit Plan for 2017/18 will be closely monitored by the Head of Internal Audit Shared Service and will be reported to the Audit Committee on a quarterly basis. For information, any 'high' priority recommendations will also be included.

## Corporate Considerations:

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	There are financial implications that require consideration as the Authority is a partner in the Internal Audit Shared Service however these are not fully detailed in this report as the Treasurer is appraised of the position on a regular basis during the Partner Board meetings.
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None. There are legal issues e.g. Collaborative Agreement that require consideration but are not fully detailed in this report as they are contained within the Agreement.
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

## Supporting Information

Appendix 1 - 2017/18 Draft Internal Audit Plan

Appendix 2 - Summary of audit coverage

## Contact Officer

Contact Officer

Name: Andy Bromage  
Head of Internal Audit Shared Service - Worcestershire Internal Audit Shared Service  
Tel: 01905 722051  
E Mail: [andy.bromage@worcester.gov.uk](mailto:andy.bromage@worcester.gov.uk)

# APPENDIX 1

## FIRE & RESCUE SERVICE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE DRAFT INTERNAL AUDIT PLAN FOR THE FIRE & RESCUE SERVICE 2017/18

Audit Area	Proposed review	Planned days 2017/18	Provisional Audit Quarter
<b>Accountancy &amp; Finance Systems</b>			
Main Ledger (incl. Budgetary Control & Bank Rec)	Limited Scope	5	Q3
Creditors	Full	8	Q3
Debtors	Limited Scope	4	Q3
Payroll & Pensions (incl. GARTAN)	Full	13	Q3
Capital Programme (Fleet)	Full	8	Q2
<b>SUB TOTAL</b>		<b>38</b>	
<b>Corporate Governance (incl Health &amp; Safety arrangements)</b>			
Corporate Governance (Business continuity, resilience & emergency planning)	Full	9	Q2
ICT Audit	Full	8	Q4
Risk Management	Limited Scope	5	Q1
<b>System / Management Arrangements</b>			
Partnership Working (Governance Arrangements)	Full	6	Q2
Training (Baseline & Core skill delivery)	Full	8	Q1
Transformational Planning	Critical Friend	9	Q1
Procurement /Contracts	Full	8	Q4
<b>SUB TOTAL</b>		<b>53</b>	
<b>General</b>			
Follow up Reviews		7	Q1 to Q4 inclusive
Advice, Guidance, Consultation, Investigations		3	Q1 to Q4 inclusive
Audit Cttee Support		5	Q1 to Q4 inclusive
Reports & Meetings		5	Q1 to Q4 inclusive
<b>SUB TOTAL</b>		<b>20</b>	
<b>TOTAL CHARGEABLE</b>		<b>111</b>	

## Appendix 2

### Summary of audits delivered since WIASS became responsible for the internal audit delivery:

Audit Review	Year Undertaken						
	Handover year from County	Contractual delivery to H&WFRS by WIASS				WIASS Partnership Delivery	
Payroll & Pensions	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Debtors	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Creditors	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Petty Cash Imprest / Floats		2012/13			2015/16		
Main Ledger incl. Budgets & Budgetary Control	2011/12 (Not Main Ledger)	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Property & Asset Management		2012/13				2016/17 (Client Side)	
Capital Programme			2013/14				2017/18
Follow up	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Risk Management Arrangements		2012/13	2013/14	2014/15	2015/16		2017/18
Business Continuity ( <i>incl. in Corporate Governance for 2017/18</i> )		2012/13					(2017/18)
Corporate Governance / Management ( <i>different areas each year</i> )		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Procurement / Contracts		2012/13					2017/18
Members Allowances ( <i>incl. in Payroll</i> )		2012/13					
Computer Audit		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Community Safety			2013/14				
Urban Search and Rescue			2013/14				
Operational Logistics incl. Fleet ( <i>fleet covered as part of Capital Programme for 2017/18</i> )			2013/14				(2017/18)
Stores					2015/16		
Transformational Planning (20/20 Plan)				2014/15			2017/18
Building Maintenance				2014/15			
Equality and Diversity				2014/15			
Operations				2014/15			
Human Resources					2015/16		
Training Centre (Droitwich)						2016/17	2017/18
Technical Fire Safety						2016/17	
Fees and Charges						2016/17	
VAT						2016/17	
Safeguarding						2016/17	
Partnership Working							2017/18

## **Report of the Treasurer**

### **External Audit Plan 2016/17**

#### **Purpose of report**

To consider the Audit Plan from the Authority's External Auditor Grant Thornton UK LLP. that sets out the work for the 2016/17 audit.

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#### **Recommendation**

***The Treasurer recommends that the Audit Plan attached at Appendix 1 be noted.***

#### **Introduction and Background**

1. The External Auditor is required to inform the Authority of the work they will undertake during an annual audit and this is submitted in the form of an Audit Plan.
2. The Audit Plan is based on the Grant Thornton's risk-based approach to audit planning.
3. Grant Thornton comply with the statutory requirements that govern their work in particular:
  - The Audit Commission Act 1998; and
  - The Code of Audit Practice for local government bodies.

#### **Key Milestones and Deadlines**

4. The Authority is required to prepare the accounting statements by 30 June 2017.
5. The Authority's Auditor aims to complete the work and issue the opinion and value for money conclusion by 30 September 2017.
6. The proposed timetable and planned outputs are included within the report which will be presented by Grant Thornton.

#### **Conclusion/Summary**

7. The Audit Plan sets out the work that will be undertaken during the 2016/17 audit. The Plan is based on Grant Thornton's risk-based approach to audit planning.

However, the audit does not relieve the management or the Audit and Standards Committee, as those charged with governance of their responsibilities.

### Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	None
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	None
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	None
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	n/a

### Supporting Information: Appendix 1 –Audit Plan

**Contact Officer:** Martin Reohorn, Director of Finance & Assets (Treasurer)  
Tel: 01905 368205 Email: [mreohorn@hwfire.org.uk](mailto:mreohorn@hwfire.org.uk)

# The Indicative Audit Plan for Hereford & Worcester Fire Authority

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**Year ended 31 March 2017**

12 April 2017

**Mark Stocks**  
Audit Partner  
T 0121 232 5437  
E [mark.c.stocks@uk.gt.com](mailto:mark.c.stocks@uk.gt.com)

**Neil Preece**  
Audit Manager  
T 0121 232 5292  
E [neil.a.preece@uk.gt.com](mailto:neil.a.preece@uk.gt.com)

**Allison Thomas**  
Executive  
T 0121 232 5278  
E [allison.a.thomas@uk.gt.com](mailto:allison.a.thomas@uk.gt.com)



Hereford & Worcester Fire Authority  
2 Kings Court  
Charles Hastings Way  
Worcester  
WR5 1JR  
12 April 2017

Grant Thornton UK LLP  
Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT  
T +44 (0) 121 212 4000  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

Dear Members of the Audit and Standards Committee

**Indicative Audit Plan for Hereford & Worcester Fire Authority for the year ending 31 March 2017**

This Indicative Audit Plan sets out for the benefit of those charged with governance (in the case of Hereford & Worcester Fire Authority, the Audit and Standards Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Authority and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Authority's financial statements
- satisfy ourselves the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Mark Stocks

Engagement Lead

**Chartered Accountants**

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# Contents

**Section**

Understanding your business and key developments	4
Materiality	5
Significant risks identified	6 - 7
Other risks identified	8 - 10
Value for Money	11 - 13
Other audit responsibilities	14
The audit cycle	15
Audit fees	16
Independence and non-audit services	17
Communication of audit matters with those charged with governance	18

# Understanding your business and key developments

## Developments

### Blue light collaboration

The Government is committed to driving further collaboration between Fire and the other blue-light services. The Policing and Crime Bill is expected to come into effect in 2017, and will:

- introduce a high level duty on all three emergency services to collaborate; and
- enable Police and Crime Commissioners to take on the functions of Fire and Rescue Authorities, and to potentially create a single employer for Police and Fire personnel.

The Authority identified the changing role of the modern fire and rescue service within its Community Risk Management Plan 2014-2020. Programme and project governance arrangements have been established to support the delivery of the vision, enable priorities to be identified and the appropriate resources to be allocated.

The most visible evidence of this work being implemented is within the estates of both Fire and Police Services. This includes building a combined Police and Fire Station at Bromsgrove and construction work is now underway for the Joint Operations and Communications Centre (JOCC) located within the grounds of the Police Headquarters at Hindlip Park.

The Authority will need to continue to seek different ways of working and collaborative opportunities in order to meet future budgetary requirements.

## Key challenges

### Fire reform

The Government has set out a radical programme of Fire Reform. This is likely to include the introduction of a new inspectorate, a new standards setting body and publishing data on procurement costs. Fire services are also being challenged to improve the diversity of the workforce. In addition the Chief Fire Officers Association (CFOA) has agreed to set up a new National Fire Chiefs Council which is due to start work in April 2017.

### Medium term financial plan (MTFP)

The Authority approved a four year MTFP in February 2017. This identified a total deficit over the four years to 2020/21 of £1,750k.

The Authority is planning to use reserves to smooth this over the four year period. This would leave £1,430k in the reserve. In the long term, use of reserves to achieve breakeven is not sustainable and the Authority is working on some longer term schemes to get a recurrent budget over time.

## Key performance indicators

Measure	Budget	Forecast
Outturn	£32,825k	£31,769k

## Financial reporting changes

### CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

### Earlier closedown

The Accounts and Audit Regulations 2015 require Local Government bodies to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

We are working with you to allow for more efficient accounts closedown enabling earlier approval and audit of financial statements, well in advance of the current deadline of 30 September 2017.

## Our response

- We aim to complete all our substantive audit work of your financial statements and have an agreed Audit Findings Report, by mid August 2017 as part of a phased approach to meeting the new deadlines.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code.
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.
- We will monitor the impact of the collaboration changes from the Authority's perspective and share our knowledge of how other Authorities are responding to these changes.
- We will review the Authority's performance against the 2016/17 budget, including consideration of performance against the savings plan as part of our work on the Value for Money conclusion.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Authority. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Authority. For purposes of planning the audit we have determined overall materiality to be £717k (being 2% of gross reported revenue expenditure in 2015/16). In the previous year, we determined materiality to be £645k (being 1.8% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £36k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20k  It should be noted however, errors identified by testing will be assessed individually, with due regard given to the concept of materiality to both the Fire Authority and the related party.
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20k

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

# Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
<b>The revenue cycle includes fraudulent transactions</b>	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Hereford & Worcester Fire Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition</li><li>• opportunities to manipulate revenue recognition are very limited</li><li>• the culture and ethical frameworks of local authorities, including Hereford &amp; Worcester Fire Authority, mean that all forms of fraud are seen as unacceptable</li></ul> Therefore do not consider this to be a significant risk for Hereford & Worcester Fire Authority.
<b>Management override of controls</b>	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<b>Work planned:</b> <ul style="list-style-type: none"><li>• Review of accounting estimates, judgments and decisions made by management</li><li>• Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation</li><li>• Review of unusual significant transactions.</li></ul>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315). In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

## Significant risks identified (continued)

We have also identified the following significant risk of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks

Significant risk	Description	Audit procedures
<b>Valuation of pension fund net liability</b>	The Authority's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	<b>Work planned:</b> <ul style="list-style-type: none"><li>• We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li><li>• We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out.</li><li>• We will undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li><li>• We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li><li>• We will seek assurance from the external auditor of the Worcestershire County Council Pension Fund (WCCPF) regarding the relevant controls and processes in place at the WMPF in order that we can rely on the outputs from the WCCPF.</li></ul>

# Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	<b>Work planned:</b> <ul style="list-style-type: none"> <li>Review and documentation of the control environment for operating expenses and walkthrough testing to ensure controls in place have been functioning effectively in the period</li> <li>Review of the year end accruals process and calculation of significant accruals</li> <li>Unrecorded liabilities testing of payments after the year end</li> <li>Test of a sample of operating expenses for the period to ensure they have been accurately accounted for</li> <li>Test of a sample of creditor balances at 31/3/17.</li> </ul>
Employee remuneration	Employee remuneration accruals are understated	<b>Work planned:</b> <ul style="list-style-type: none"> <li>Review and documentation of the control environment for employee remuneration and walkthrough testing to ensure controls in place have been functioning effectively in the period, in relation to the completeness assertion which we consider to present a risk of material misstatement to the financial statements</li> <li>Review of monthly trend analysis of total payroll</li> <li>Test of a sample of employee remuneration payments for the period to ensure they have been accurately accounted for</li> <li>Review of the reconciliation between payroll and the general ledger</li> <li>Test and agreement of other payroll disclosures in the financial statements, such as senior officer remuneration and exit packages.</li> </ul>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

## Other risks identified (continued)

Reasonably possible risks	Description of risk	Audit procedures
Fire Pensions Benefits Payable	Benefits improperly computed / Claims liability understated	<b>Work planned:</b> <ul style="list-style-type: none"><li>• Review and documentation of the control environment for firefighters' pensions benefits payments and walkthrough testing to ensure controls in place have been functioning effectively in the period</li><li>• Test of a sample of firefighters' pensions benefit payments for the period to ensure they have been accurately accounted for</li><li>• Agreement of pension disclosures in the financial statements to supporting evidence</li><li>• Substantive analytical procedures on the total pensions liability to ensure completeness of liability.</li></ul>

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# Other risks identified (continued)

## Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Property, Plant & Equipment
- Assets held for sale
- Cash and cash equivalents
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- New note disclosures
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note

# Value for Money

## Background

The Code requires us to consider whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"><li>• Acting in the public interest, through demonstrating and applying the principles and values of sound governance</li><li>• Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management</li><li>• Reliable and timely financial reporting that supports the delivery of strategic priorities</li><li>• Managing risks effectively and maintaining a sound system of internal control</li></ul>
Sustainable resource deployment	<ul style="list-style-type: none"><li>• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li><li>• Managing and utilising assets effectively to support the delivery of strategic priorities</li><li>• Planning, organising and developing the workforce effectively to deliver strategic priorities.</li></ul>
Working with partners and other third parties	<ul style="list-style-type: none"><li>• Working with third parties effectively to deliver strategic priorities</li><li>• Commissioning services effectively to support the delivery of strategic priorities</li><li>• Procuring supplies and services effectively to support the delivery of strategic priorities.</li></ul>

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# Value for Money (continued)

## **Risk assessment**

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Authority, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies,
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified one significant risk which we are required to communicate to you. This is set out overleaf.

## **Reporting**

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 30 September 2017.

# Value for money (continued)

We set out below the significant risk we have identified as a result of our initial risk assessment and the work we propose to address this risk.

Significant risk	Link to sub-criteria	Work proposed to address
<p><b>Medium Term Financial Plan (MTFP)</b> The Authority approved a four year MTFP in February 2017. This identified a total deficit over the four years to 2020/21 of £1,750k.</p> <p>The Authority is planning to use reserves to smooth this over the four year period. This would still leave £1,430k in the reserve. In the long term, use of reserves to achieve breakeven is not sustainable and the Authority is working on some longer term schemes to get a recurrent budget over time.</p>	<p>This links to the Authority's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• examine the savings plans and efficiencies in the MTFP which have been identified to achieve the forecasts;</li><li>• test a sample of these to ensure they are robust and realistic; and</li><li>• look at the plans to address the residual shortfall and how well these have been worked up to ensure they also are realistic and achievable.</li></ul>

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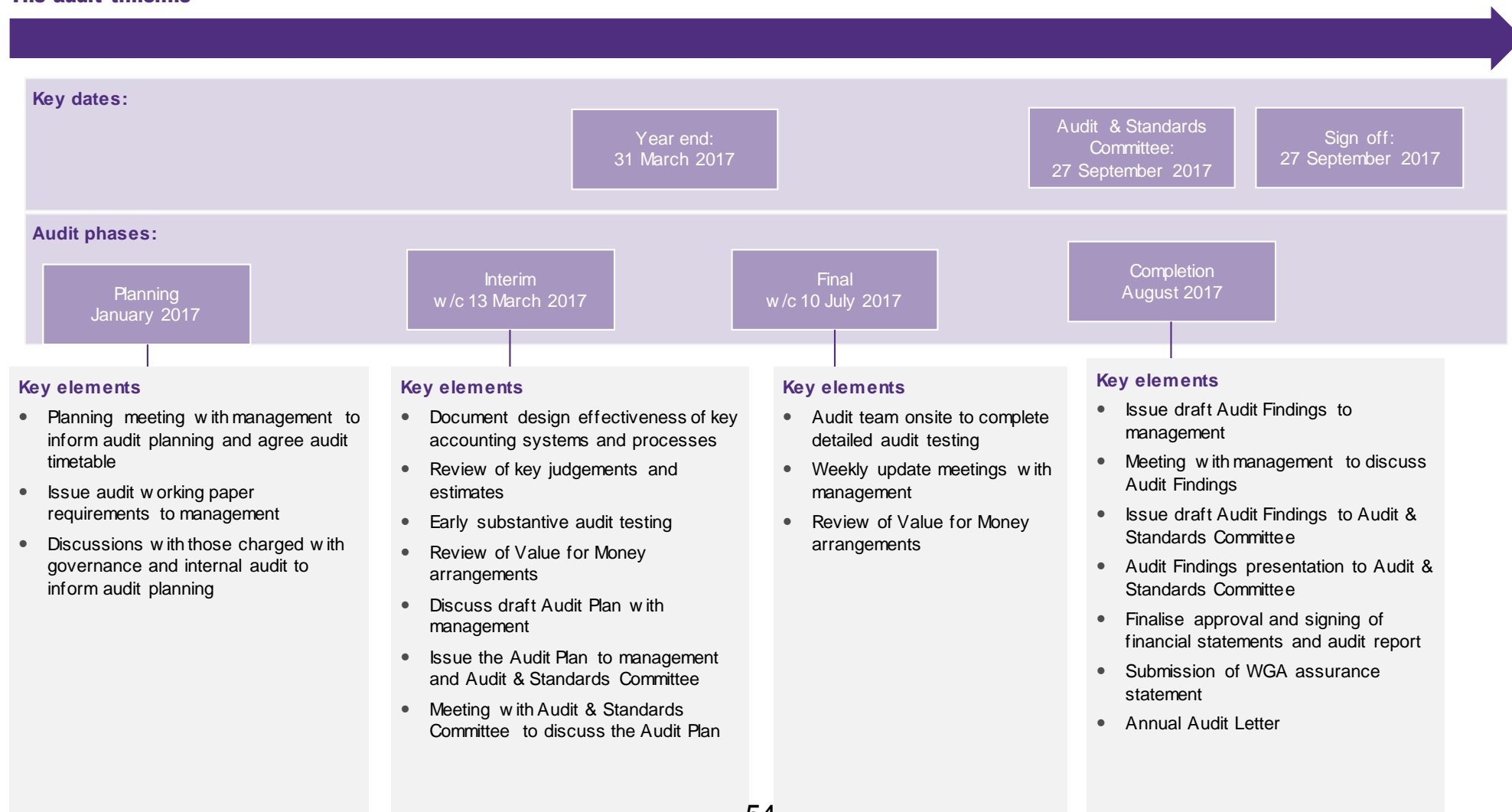
# Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Authority.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
  - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Authority, copied to the Secretary of State
- We certify completion of our audit.

# The audit cycle

## The audit timeline



# Audit Fees

Fees

Fees for other services

	£
Fire Authority audit	32,872
<b>Total audit fees (excluding VAT)</b>	<b>32,872</b>

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Authority and its activities, have not changed significantly
- The Authority will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes, and identifying potential risks, opportunities and savings
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team.

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# Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Hereford & Worcester Fire Authority.

We have not supplied any non-audit services to the Authority in 2016/17.

# Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Authority.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Authority's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓



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## **Report of the Treasurer**

### **Informing the Audit Risk Assessment 2016/17**

#### **Purpose of report**

To make Members aware of the Audit Risk Assessment carried out by Grant Thornton UK LLP, the Authority's External Auditor, in deriving the External Audit Plan.

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#### **Recommendation**

***The Treasurer recommends that the External Auditor's "Informing the Audit Risk Assessment", attached at Appendix 1, be noted.***

#### **Introduction and Background**

1. In setting out the Audit Plan, Grant Thornton takes a risk-based approach to audit planning.
2. Appendix 1 contains details of the identified risks, both specific and generic, and management responses.
3. Guidance now suggests that the Authority must give prominent attention to the Going Concern principle (pages 74-76 of Appendix 1.) The Treasurer will highlight the principles in more detail when Members consider the report.

#### **Conclusion/Summary**

4. There are no specific risks highlighted that are abnormal, or which cause the Treasurer or External Auditor particular concern.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	No
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	No
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	No
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	No
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	n/a

## Supporting Information

Appendix 1 – Informing the Audit Risk Assessment

## Contact Officer

Martin Reohorn, Treasurer

Tel: 01905 368205 Email: [mreohorn@hwfire.org.uk](mailto:mreohorn@hwfire.org.uk)

# Informing the audit risk assessment for Hereford and Worcester Fire Authority

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## Year ended

31 March 2017

### Mark Stocks

Audit Partner

T 0121 232 5437

E [mark.c.stocks@uk.gt.com](mailto:mark.c.stocks@uk.gt.com)

### Neil Preece

Audit Manager

T 0121 232 5292

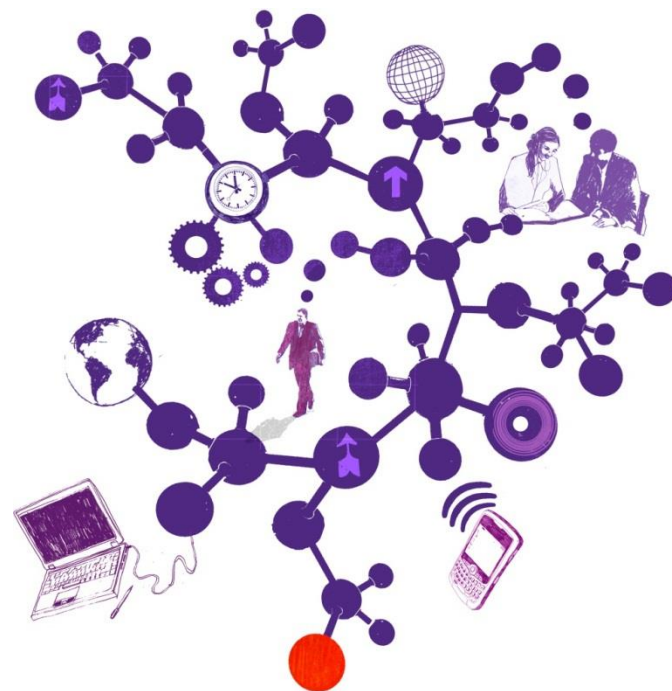
E [neil.a.preece@uk.gt.com](mailto:neil.a.preece@uk.gt.com)

### Allison Thomas

In-Charge Auditor

T 0121 232 5278

E [allison.a.thomasl@uk.gt.com](mailto:allison.a.thomasl@uk.gt.com)



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

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# Contents

Section	Page
Purpose	4
Fraud	5
Fraud Risk Assessment	6 - 8
Laws and Regulations	9
Impact of Laws and Regulations	10 - 13
Going Concern	14
Going Concern Considerations	15 – 16
Related Parties	17
Accounting Estimates	18
Appendix A Accounting Estimates	19 - 22

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# Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Authority's external auditors and the Authority's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

## Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Standards Committee and supports the Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Standards Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern
- accounting estimates
- related parties.

This report includes a series of questions on each of these areas and the response we have received from the Authority's management. The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# Fraud

Issue
<p><b>Matters in relation to fraud</b></p> <p>ISA(UK&amp;I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.</p> <p>The primary responsibility to prevent and detect fraud rests with both the Audit and Standards Committee and management. Management, with the oversight of the Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.</p> <p>As the Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.</p> <p>As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:</p> <ul style="list-style-type: none"><li>• assessment that the financial statements could be materially misstated due to fraud</li><li>• process for identifying and responding to risks of fraud, including any identified specific risks</li><li>• communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud</li><li>• communication to employees regarding business practices and ethical behaviour.</li></ul> <p>We need to understand how the Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Authority's management.</p>

# Fraud risk assessment

Question	Management response
<p>Has the Authority assessed the risk of material misstatement in the financial statements due to fraud or error?</p> <p>What are the results of this process?</p>	<p>Yes –</p> <p>By staffing the finance function of the Authority with appropriately professionally qualified and experienced officers, who adhere to both organisational ethics and a professional ethics framework.</p> <p>By establishing control systems to reduce risk through financial regulations and standing orders and financial instructions.</p> <p>By regular budget monitoring reports to highlight any unusual movements.</p> <p>By understanding and comparing the underlying position with prior years.</p>
<p>What processes does the Authority have in place to identify and respond to risks of fraud?</p>	<p>Notice is taken in reference to regular National Bulletins from government and professional bodies notifying cases of specific issues. The National Fraud Initiative (NFI) is fully reviewed and no matches have been found in the last 8 years. The Authority has access to Internal Audit in any case of suspected fraud. If there is any previous level of fraud experience it will influence the direction of assessments undertaken.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>None.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p> <p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Yes.</p> <p>N/A.</p>

## Fraud risk assessment (continued)

Question	Management response
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	No areas considered to be high risk.
Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?	No areas considered to be high risk.
How does the Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee?	<p>The Audit and Standards Committee receives reports from Internal Audit on compliance with internal controls against a risk based plan approved by the Committee. In addition, the Committee receives a regular update on governance arrangements to provide assurance that intended controls are working. This is done through regular review of and adherence to:</p> <ul style="list-style-type: none"> <li>• Code of Corporate Governance – Committee Structure &amp; Role of Members</li> <li>• Standing Orders for the conduct of business and committee process</li> <li>• Scheme of Delegation to Officers</li> <li>• Standing Orders for the regulation of contracts</li> <li>• Financial Regulations</li> <li>• Members allowance scheme</li> <li>• Member development programme</li> <li>• Whistleblowing Policy</li> <li>• Protocol for Member/Officers relations</li> <li>• Gifts and hospitality register</li> <li>• Register of interests for officers</li> <li>• Protocol on the use of Authority resources by Members</li> <li>• Anti-fraud and Corruption Policy</li> <li>• Money Laundering Policy</li> </ul>

## Fraud risk assessment (continued)

Question	Management response
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	Anti-Money Laundering, Anti-Fraud and Corruption, Ethical Framework and Code of Conduct, and Confidential Reporting (Whistleblowing) Policies information are on the staff intranet. These policies are always current, but it is practice to bring them to the attention of staff on an annual basis. As part of the induction process both members and officers are given documentation of a code of conduct setting out key views and instructions on aspects of the business function; this is supported by training at budget-holders meetings and ethical behaviour instruction where appropriate, plus the distribution of relevant leaflets which are subject specific.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	Confidential Reporting (Whistleblowing) Policy.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No – the nature of the transactions with related parties do not tend to lend themselves to risk.
Are you aware of any instances of actual, suspected or alleged fraud, either within the Authority as a whole or within specific departments since 1 April 2016?	No.
Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2016? If so, how has the Audit and Standards Committee responded to these?	No.  N/A.

# Laws and regulations

Issue
<p><b>Matters in relation to laws and regulations</b></p> <p>ISA(UK&amp;I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.</p> <p>Management, with the oversight of the Audit and Standards Committee, is responsible for ensuring that the Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.</p> <p>As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.</p> <p>Risk assessment questions have been set out below together with responses from management.</p>

# Impact of laws and regulations

Question	Management response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?	<p>The Authority has appointed a Monitoring Officer and a Treasurer, both of whom are responsible for ensuring all applicable statutes and regulations are complied with. The Monitoring Officer will report to the Authority if he/she considers any proposal or decision to be unlawful.</p> <p>The Treasurer is required to report to the Authority if a decision has been made or is about to be made that involves incurring unlawful expenditure or any unlawful action in relation to the financial accounts.</p> <p>Legal, financial and risk considerations are highlighted in reports to the Authority and its Committees</p> <p>The Authority has a Whistleblowing Policy in place to enable staff to raise concerns regarding malpractice. In addition, the Authority's constitution incorporates Financial Regulations, Standing Orders for the Regulation of Contracts, Standing Orders for the Conduct of Business, the Scheme of Delegations to Officers and the local Code of Conduct for Authority Members to ensure business is conducted in compliance with existing law and regulations.</p>

## Impact of laws and regulations (continued)

Question	Management response
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>The Monitoring Officer and Treasurer provide advice to the Senior Management Board on compliance with relevant laws and regulations.</p> <p>Internal Audit examine, evaluate and report on arrangements to ensure compliance with legislation and regulations, recommending to management any arrangements to address weaknesses, as necessary.</p> <p>The Strategic Risk Register sets out risk priorities, which will include any potential for changes to existing legislation and regulations and subsequent actions needed to be taken by management.</p> <p>There is an established process for developing Service Policies and Instructions to ensure staff comply with relevant laws and regulations.</p> <p>Lead officers and key staff are in place to ensure changes in statute and regulations are complied with. For example Finance, Human Resources, Committee &amp; Members' Services, Data Management, Asset Management, Fire Safety.</p>

## Impact of laws and regulations (continued)

Question	Management response
How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>The Monitoring Officer and Treasurer provide advice to the Audit and Standards Committee on compliance with relevant laws and regulations.</p> <p>The Committee is responsible for the approval of the Annual Governance Statement and the review of the related assurances which set out the system of internal control and detail the policies and procedures in place. This provides the Committee with assurance that management arrangements are in place for identifying and responding to changes in law and regulations and highlights any significant governance issues arising as a result of such changes.</p> <p>Internal Auditors' reports to the Audit and Standards Committee incorporate issues relating to compliance with legislation and regulations, where appropriate.</p>
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2016, or earlier with an on-going impact on the Authority's 2016/17 financial statements?	No.

## Impact of laws and regulations (continued)

Question	Management response
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	<p>The Strategic Risk Register sets out risk priorities, which would include any potential for litigation or claims and subsequent actions needed to be taken by management.</p> <p>The Authority also has arrangements in place such as the Service Complaints Policy, Grievance Policy and Whistleblowing Policy that can identify potential litigation or claims.</p> <p>The Authority has delegated the Clerk (Monitoring Officer) to decide the action to be taken in respect of legal proceedings and other matters involving the Authority. The Authority has arrangements in place for insurance to protect against costs associated with litigation and claims.</p> <p>The Treasurer has responsibility to account for litigation or claims in the annual accounts that are considered by Audit and Standards Committee and subject to external audit.</p>
Is there any actual or potential litigation or claims that would affect the financial statements?	No.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

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# Going Concern

## Issue

### Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

# Going concern considerations

Question	Management response
Does the Authority have procedures in place to assess the Authority's ability to continue as a going concern?	The Authority is established by statutory regulations and remains a going concern as a consequence.
Is management aware of the existence of other events or conditions that may cast doubt on the Authority's ability to continue as a going concern?	No.
Are arrangements in place to report the going concern assessment to the Audit and Standards Committee?	Yes.
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Authority's Business Plan and the financial information provided to the Authority throughout the year?	MTFP is based on realistic assumptions which do not compromise the 'Going Concern assumptions'.
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes.
Have there been any significant issues raised with the Audit and Standards Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal audit regarding financial performance or significant weaknesses in systems of financial control).	No – Internal Audit Reports have been satisfactory.

## Going concern considerations (continued)

Question	Management response
<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow?</p> <p>If so, what action is being taken to improve financial performance?</p>	<p>The Authority has approved a balanced budget through to the end of 2020/21 – although this involves the use of reserves, there are robust, deliverable plans in development to close the residual gap in 2021/22 – 4 years hence.</p> <p>It is also important to note that in its guidance on Efficiency Plans the Home Office regards use of balances to support services as an “efficiency.”</p>
<p>Does the Authority have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Authority’s objectives?</p> <p>If not, what action is being taken to obtain those skills?</p>	<p>Yes.</p>

# Related Parties

## Issues

### Matters in relation to Related Parties

Fire and Rescue Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Question	Management response
What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships?	Individual related party disclosures by senior staff and members, and awareness of major contracts.

# Accounting estimates

## Issue

### Matters in relation to accounting estimates

Fire and Rescue Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Authority is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Audit and Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Question	Management response
Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes.
How is the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate?	By sight of the assumption methodologies before accounts are prepared.

# Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property valuations	Property valuations are made by the external valuer from Place Partnership Limited.	Valuer notified of changes to the estate from the prior year.	Use the external valuer (RICS qualified) from Place Partnership Limited.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert.	No
Estimated remaining useful lives of PPE	Assets are assigned to asset categories with appropriate asset lives.	Consistent asset lives applied to each asset category.	Use the external valuer (RICS qualified) from Place Partnership Limited.	The useful lives of property are recorded in accordance with the recommendations of the external RICS qualified valuer.	No
Depreciation	Depreciation is provided for on property plant and equipment with a finite useful life on a straight-line basis.	Consistent application of depreciation method across assets.	No	The length of the life is determined at the point of acquisition or revaluation.	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Use the external valuer (RICS qualified) from Place Partnership Limited.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert.	No
Non adjusting events - events after the balance sheet date	The Authority follows the requirements of the CIPFA Code of Practice.	The Treasurer is notified by the Chief Accountant.	This would be considered on individual circumstances.	This would be considered on individual circumstances.	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	Measurements are obtained from appropriate sources. The Authority follows the requirements of the CIPFA Code of Practice.	The financial instruments are measured by the Chief Accountant and the accounts reviewed by the Treasurer.	No	The measurements are based upon the best information held at the current time and are provided by experts in their field.	No
Creditor accruals	Accruals are estimated by reviewing goods and services received prior to the end of the financial year for which an invoice has not been received.	The date of receipt of the goods and services is used in the estimation of the accrual.	No	The use of actual dates of receipt of goods and services gives a low degree of uncertainty.	No
Pension Fund Actuarial gains/losses	The actuarial gains and losses figures are calculated by the two actuarial experts (Mercers and Government Actuary Department) These figures are based on making % adjustments to the closing values of assets/liabilities.	For the Firefighters' pension scheme interim and final submissions made to the actuary. The Authority undertakes testing on the data prior to submission to the actuary and responds to queries raised by the actuary on the submission. For the LGPS the Authority responds to queries raised by the administering authority Worcestershire County Council.	The Authority are provided with an actuarial report by Mercers (LGPS) and Government Actuary Department (Firefighters' Pension Fund).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense line in the CI&ES in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.	Charged in the year that the Authority becomes aware of the obligation.	No	Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received by the Authority.	No



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## **Report of the Head of Operational Support**

### **Strategic Risk Register: Progress against Audit Findings**

#### **Purpose of report**

To provide the Committee with an update on progress against recommendations identified following the 2015/16 Risk Management Audit.

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#### **Recommendations**

*It is recommended that:*

- i) the closure of the outcomes of the 2015/16 audit of Strategic and Departmental Risk Registers, based upon measures now implemented, be approved; and*
- ii) the new format adopted for the Strategic Risk Register and the changes made to the process and framework of all Risk Registers be noted.*

#### **Background**

- 1. Following the Worcestershire Internal Audit Shared Service audit of Risk Management 2015/16, the Strategic and Departmental Risk Registers (and management systems) have been revised and amended to reflect the results of the audit.
- 2. The audit report stated that there was an opinion of moderate assurance with four medium priority recommendations given. All four recommendations have now been responded to and acted upon and an action plan has been completed with all recommendations having now been implemented.

#### **Revised Risk Management Strategy**

- 3. The four recommendations from the 2015/16 audit report are as follows:
  - a. *New risks were not being fully considered for the individual risk registers. There was also a lack of detailed information in the 'Guide to Risk Management'.*

This has been addressed by programmed quarterly meetings at Senior Management Board (SMB) following a departmental quarterly review of risks on

their registers. The 'Guide to Risk Management' has also been updated to include more detailed information.

- b. *Although the Risk Management strategy was fit for purpose, it was not being strictly adhered to in relation to the population of risk registers.*

This has been addressed by having formal quarterly review meetings with SMB and Department Heads in conjunction with the Emergency Planning and Resilience Officer (EPRO), who provides training and advice to the risk owners when they are completing their quarterly reviews.

- c. *A lack of an audit trail was found due to the overwriting of the risk registers when a review was being completed and there was no supporting information as to why a risks score may have changed or remained the same. There was also no archiving function of the risk registers to track when risks were being removed.*

This has been addressed by having a new risk register format which separates out each quarterly review showing a clear direction of travel of the risk. This provides an archiving function as the risk registers themselves are archived. There have also been columns added to the risk register format to show a rationale behind why the risk itself is on the risk register and the rationale behind each quarterly review.

- d. *There was no risk management training in place and risk owners who have come into post since 2012/13 when the last risk management training was completed may not have had any training at all.*

This has been addressed by risk owners receiving training during the quarterly reviews with the EPRO.

5. Worcestershire Internal Audit Shared Service is programmed to review the 2015/16 audit in quarter 1 of the forthcoming year (2017/18) and will subsequently be able to report on the effectiveness and appropriateness of the measures outlined above.
6. The Risk Management Service Policy & Instruction has been reviewed in January 2017 and will receive a future planned review in January 2020. The overall objective of this policy is to ensure that the Authority identifies strategic risks and applies the most appropriate and cost effective control mechanisms to manage those risks. Identified risks at each level should, where possible, be either eliminated or reduced to an acceptable level, with systems in place to monitor and report against them.
7. Utilising a "bottom up" approach to risk management, Departments, Heads of Departments and Directors have all assessed their known risks at each appropriate level. The highest and/or most prevalent risks have been elevated to the Strategic Risk Register through discussions held regularly at SMB as a standard agenda item quarterly review.

8. The EPRO is responsible for co-ordinating the quarterly reviews of the Departmental and Strategic Risk Registers. These reviews underpin the requirements of the Audit & Standards Committee's Terms of Reference in respect of the need to monitor and review the Authority's risk management arrangements.

### **Strategic Risk Register**

9. The Strategic Risk Register is the overarching document that looks at the highest impact organisational risks. The purpose of strategic risk management is to effectively identify risks to the success of the organisation and put effective control measures in place to mitigate their effect. For example, to manage the risk of industrial disputes, both local and national across several representative bodies, the Service has in place control measures such as a robust Business Continuity Plan and regular monitoring and meetings (formal and informal) with representative bodies.
10. The systems currently in place have been improved through the adoption of notable practice which has been taken from several other Fire and Rescue Services' Risk Registers that have been made available to the Service. The Strategic Risk Register has been updated to reflect the new framework and processes.
11. Business Continuity Plans are normally linked to the Risk Registers as they provide a control measure against the risks. Business Continuity plans are currently under review.
12. The overall responsibility for ensuring risks are managed effectively lies with the Authority as professionally advised by Officers. The Strategic Risk Register takes into account the updated National Risk Register which is intended to capture the range of emergencies that may have an impact on all, or significant parts, of the UK as well as internal risks. The National Risk Register drives the Community Risk Register held by West Mercia Local Resilience Forum (WMLRF) and is recognised in the Service's live Strategic Risk Register. From a Service perspective, the Strategic Risk Register acknowledges departmental, project and partnership risks.
13. WMLRF is a multi-agency group comprising bodies within West Mercia such as local authorities, national and local health agencies, the three emergency services and the Environment Agency. The purpose of the LRF is to ensure effective delivery of the duties of the Civil Contingencies Act (CCA) 2004. This requires partner agencies to co-ordinate resources so they can respond effectively when incidents do occur.

### **Conclusion/ Summary:**

14. The recommendations from the Worcestershire Internal Audit Shared Service Risk Management Report 2015/16 have been addressed.

15. A new process and framework has been introduced at a departmental and Strategic Risk Register level. There is continual monitoring and reviewing taking place at quarterly SMB performance meetings and Middle Management Board meetings to ensure risks are being used to drive business.

### Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	N/A
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	This paper directly aligns to the management of the Services strategic aims .
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	This encapsulates the purpose of this paper.
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	N/A
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

### Supporting Information:

Strategic Risk Register 2016/17 – Available to view in hard copy at the meeting.

### Contact Officer

Jon Pryce: Area Commander

Head of Operations Support

Tel: 01905 368237 Email: JPrzyce@hwfire.org.uk

## **Report of the Treasurer**

### **National Fraud Initiative 2016/17**

#### **Purpose of report**

To inform Members of the results of the National Fraud Initiative (NFI), the actions taken by Officers and subsequent outcomes.

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#### **Recommendations**

***The Treasurer recommends that action taken to date by the Authority in response to the National Fraud Initiative and that no fraud has been detected be noted.***

#### **Introduction and Background**

1. The NFI is a biennial exercise carried out since 2006/07 for local government and other public bodies originally by the Audit Commission as part of the statutory audit in accordance with the Audit Commission Act 1998, since the cessation of the Audit Commission this function has been undertaken by the Cabinet Office.
2. When the exercise was originally undertaken in 2006/07 1,278 matches were identified this has reduced over the period to the 187 matches in the present exercise.
3. Authorities are required to provide certain mandatory datasets; for the Fire Authority, the mandatory datasets comprise of creditors, payroll and pensions payroll. Payroll and pensions payroll data is subject to a series of data matches against data provided by other public bodies including payroll, pensions, Housing Benefit, Home Office (removed and failed asylum seekers), UK Visas and Department for Work and Pensions deceased persons. Creditor payments are matched only within Authorities.
4. The data provided is processed by a specialist contractor on behalf of the Cabinet Office. Data matches are notified to Authorities for examination to eliminate the possibility of fraud and/or error.
5. The existence of a match in an NFI report does not mean that there is a fraud; only that there is a need to investigate further to eliminate the possibility of fraud or error.
6. The initial NFI reports were received in late January, with no additional reports issued to date.

7. A complete list of matches is shown at Appendix 1 and Members will note that there has been a reduction (44%) in matches since 2014/15. The main reason for this decrease is the reduction in reported matches relating to Payroll to Payroll matches within body (Report 65). No matches have been identified on this report in the current NFI period, this has been checked and confirmed as correct with the report provider.
8. At the time of writing this report the process of checking all matches was not complete, but as significant progress has been made an interim report has been deemed appropriate.
9. As this report is in the public arena, full details of the matches are not disclosed as they contains details of employees and no suggestion of fraud has been identified.

### **Analysis of Reports**

10. Each NFI report is produced with a particular purpose which will be stated and comprises of a number of matches and a number of items. There will be more items than matches and each match may have more than two items.
11. In each case an explanation of the Fire Authority matches will be given to demonstrate why there is no fraud.

### **Report 52 Pensions and Pension Gratuity to Benefits Agency Deceased Persons within bodies**

12. The purpose of this report is to identify instances where an occupational pensioner has died but the pension continues to be paid.
13. Two matches were identified on this report, the Authority were already aware of both of these cases, as the relatives had notified the pensions section that the individual was deceased.
14. Pension payments to one match were stopped before an overpayment had occurred, and the other payment was converted to a Widow's Pension and the overpayment recovered from on-going pension payments.

### **Report 58 – Pensions to Injury Benefits within bodies**

15. The purpose of this report is to identify individuals in receipt of an enhanced injury pension who have failed to declare relevant state benefits that may remove or reduce entitlement to the enhanced pension.
16. One match was identified this has since been notified to the Pension Admin Provider and the Authority's Human Resource Section. At the time of leaving the employee was not made aware of the need to declare receipt of this enhanced pension rate by the Human Resource Section, they have been requested to ensure the individual is contacted. However, responsibility for notifying DWP about the receipt of this enhanced pension rests with the individual.

### **Report 66 – Payroll to Payroll – between bodies**

17. The purpose of this report is to identify if there are inappropriate dual employments – e.g. risking safety by long working hours or claiming sick pay from one job whilst working on another.
18. The report produced 33 matches, the reasons for these were validated and are detailed below:
  - 5 are FRA Members
  - 25 are RDS personnel with legitimate second jobs
  - 2 are firefighters who are RDS in other services
  - 1 is a firefighter providing cover to the ambulance service
19. The three whole time fire fighters identified as having second jobs, had not obtained permission from the service to undertake these additional roles, Human Resources have been requested to remind them of the need for this authorisation to be obtained.

### **Report 78 – Payroll to Pensioners between bodies**

20. This report identifies staff who are on the Authority's payroll and are in receipt of a pension from another body.
21. One case was identified which related to a member of staff who is in receipt of a pension from another Fire Authority and is now employed by this Authority as a member of support staff.

### **Report 80 – Payroll to Creditors with same bank account within body**

22. This report identifies staff who are on the Authority's payroll and have also been paid through the creditor system.
23. One case was identified which related to the purchase of services from a member of staff, this is also detailed within Report 81. Review has been carried out to ensure that the goods have been purchased in accordance with Financial Regulations and use of this Creditor is monitored on an on-going basis, creditor payments to this individual are low during the two year period identified in this report, payments amount to only £735. The creditor was being used as a service provider before becoming an RDS Firefighter.

### **Report 81 – Payroll to Creditors with same address within body**

24. The purpose of this match is to identify employees who have an interest in suppliers with whom the Authority trades.
25. There are 2 matches, 1 of these matches relate to the same creditor and is an employee who has supplied goods to the Authority. Review has identified that the goods were purchased in accordance with Financial Regulations and no other suppliers could be found in the vicinity. This supply is monitored on an on-going basis. The remaining match related to a supply of services made from a

company belonging to a retained fire fighter. This match is the one detailed in the above report – Report 80.

### **Creditor Matches – General**

26. The main purpose of these data matches which are based solely within bodies is to identify potential duplications and errors which could result from or lead to fraud.
27. Where relevant, and for simplicity a tabular approach has been adopted to provide information on Creditor matches.

### **Report 701 – Duplicate Creditors by Creditor Name**

28. The purpose of this report is to identify instances where the same supplier has been set up with more than one reference number on the finance system thus increasing the potential for creditors to obscure fraudulent activity

Different Bank Accounts	9
Invoice Finance Company	2
Total	11

29. The process has identified matches that have been correctly set up on the system. They relate to either payments to suppliers who require billing to different parts of the organisation, such as Worcestershire County Council who receive Pension payments to a different account than the general payments, or payments where invoices have been sold by creditors to a factoring company.

### **Report 702 – Duplicate Creditors by Address Details**

30. The purpose of this report is to identify multiple creditors operating at the same address.
31. Review of the report identified 5 matches the reasons for these are as follows:

Subsidiary Companies	4
Shared Service Provider (Gov't)	1
Total	5

In all cases the duplicate creditor had been set up correctly as there was either more than one company functioning at the address or it related to a local authority shared service.

### **Report 703 – Duplicate Creditors by Bank Account Number**

32. One match was identified relating to different divisions of the same company, but are based at different locations (see also Report 701 above).

### **Report 708 – Duplicate records by invoice amount and creditor reference**

33. This analysis is not yet completed. There were 119 matches relating to 238 individual invoices. In previous years the matches (99% in 2014/15) were annual monthly payments to the same supplier, or the same type of goods/services at different periods, or multiple purchases made separately, e.g. software licenses. Indications are that this is again the case.

### **Report 709 – VAT Overpaid**

34. This report simply highlights where VAT on an invoice does not equal the prevailing standard rate. There were 2 matches found, of which 1 was a payment for a supply of services where the VAT had been calculated incorrectly by the Supplier, this was identified and the Supplier contacted to request that a correction was made. The other match was due to a technical problem that occurred when the report was run this has since been discussed and corrected by the Software Supplier.

### **Report 710 – Duplicate Records by Name, Invoice Number and Amount – with different creditor reference**

35. The purpose of this report is to highlight possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.
36. One match was found, where the invoice had been entered onto the wrong account, but this was identified as part of the payment checking process and corrected before payment was made.

### **Report 711 – Duplicate Payments by Invoice Number and Amount – with different creditor name and reference**

37. This report highlights possible duplicate payments for the same good/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity by suppliers and/or staff.
38. Six matches were found, but all of these had been previously identified and corrected. These related to payments where either the originating order or the payment had been entered against the wrong supplier. In all of these cases the payment was corrected before being made.

### **Report 713 – Duplicate Postcode and amount but with different creditor reference, invoice reference and amount**

39. The purpose of this report is to highlight the possible duplicate payments for the same goods/services but to creditors with different reference numbers, which may have arisen as a result of poor controls or fraudulent activity.
40. One match was found, the company has been correctly set up with two separate creditor numbers, because they trade under two different names, although the

amounts were the same they related to different orders raised within different financial years.

## Conclusion and Further Work

41. The NFI outputs have been examined promptly and comprehensively and no fraud has been identified.
42. A final report will be brought to the next Audit and Standards Committee to provide final details in relation to:
  - Report 708 – Duplicate records by invoice amount and creditor reference
  - Any new reports published in the interim

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	None
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	None
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	None
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	None

## **Supporting Information**

Appendix 1 – National Fraud Initiative – 2016/17 Raw Data Match

Background papers

FRA Audit Committee – 9 October 2009 : Report on National Fraud Initiative 2008/09

FRA Audit Committee – 21 April 2011 : Report on National Fraud Initiative 2010/11

FRA Audit Committee – 17 April 2013 Report on National Fraud Initiative 2012/13

FRA Audit & Standards Committee – 15 April 2015 Report on National Fraud Initiative 2014/15

**Contact Officer:** Martin Reohorn, Director of Finance

Tel: 01905 368205 Email: [mreohorn@hwfire.org.uk](mailto:mreohorn@hwfire.org.uk)

## Appendix 1

### Hereford & Worcester Fire Authority National Fraud Initiative – 2016/17: Raw Match Data

	2012/13 Raw Matches	2014/15 Raw Matches	2016/17 Raw Matches
<b>Employee Related</b>			
52 Pensions Payroll to Benefits Agency Records			2
54 Pensions Payroll to Payroll (within bodies)	10	1	
55 Pensions Payroll to Payroll (between bodies)	1	1	
58 Pensions to Injury Benefits	2	7	1
65 Payroll to Payroll (within bodies)	114	119	
66 Payroll to Payroll (between bodies)	31	30	33
78 Payroll to Pensioners		1	1
80 Payroll to Creditors with same bank a/c (within body)	1	1	1
81 Payroll to Creditors with same address (within body)	2	3	2
<b>Total Raw Matches - Payroll</b>	<b>161</b>	<b>163</b>	<b>40</b>
<b>Creditor Related</b>			
701 Duplicate Creditor - by Creditor Names	14	11	11
702 Duplicate Creditor – by Address Details	6	8	5
703 Duplicate Creditor – by Bank Account Number	4	1	1
708 Duplicate Payments by amount	171	135	119
709 Overpaid VAT	7	7	2
710 Duplicate Payments by Name, Invoice number and Amount – with different creditor name and reference	2	2	1
711 Duplicate Payments by Invoice number and amount but with different creditor reference and name	8	6	6
712 Duplicate Postcode, Invoice date and amount but with different creditor reference and invoice ref			1
713 Duplicate Postcode and amount but with different creditor reference, invoice reference and amount		2	1
<b>Total Raw Matches - Creditors</b>	<b>212</b>	<b>172</b>	<b>147</b>
<b>Total Raw Matches</b>	<b>373</b>	<b>335</b>	<b>187</b>

## **Report of the Head of Legal Services**

### **Audit and Standards Committee Terms of Reference**

#### **Purpose of report**

To consider the reallocation of areas of responsibility from Policy and Resources to Audit and Standards Committee.

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#### **Recommendations**

*It is recommended that:*

- I. the following areas of responsibility be reallocated to Audit and Standards Committee from Policy and Resources;*
  - *Equality & Diversity*
  - *Health & Safety*
  - *Employment Monitoring*
- II. the amended Terms of Reference for Audit and Standards Committee, as attached at Appendix 2, be agreed and put forward to the Fire Authority for approval.*

#### **Introduction and Background**

1. Terms of Reference for Audit and Standards have not been reviewed since its establishment in February 2013. It is noticeable that Policy and Resources is rather heavier in agenda items than Audit and Standards, particularly now Policy and Resources have additional working party items to consider. It is evident that work load is not distributed evenly between the Committees. We have therefore looked at whether it is possible to transfer any of the roles from Policy and Resources over to Audit and Standards in order to better balance the workload.

#### **Reallocation of Areas of Responsibility**

2. The Head of Legal Services has identified three areas where improvements can be made to the division of workload between Audit and Standards Committee and Policy and Resources. It is recommended that the following items taken from point 10 of Policy and Resources Terms of Reference (see Appendix 1)

which is 'Approve, monitor and review matters in relation to staff' be transferred across to Audit and Standards Committee.

- e) the development and implementation of equality and fairness policies receiving regular reports from the Equalities and Development Steering Group;
  - f) the development and implementation of health and safety policies receiving regular reports from the Health and Safety Liaison Panel; and
  - g) employment monitoring reports.
3. Health and safety is not only a key risk for the Authority but is also subject to external review and therefore sits well within the roles of Audit and Standards
  4. Similarly equality and fairness and employment data both have monitoring roles where a watchful eye is needed so again fits in nicely with the functionality of Audit and Standards.
  5. The revised draft Terms of Reference for Audit and Standards Committee are attached at Appendix 2. There would be a corresponding deletion from the Terms of Reference for Policy and Resources Committee.
  6. The Authority Chairman and Chairman of Policy and Resources Committee have both been consulted and have no objections to the proposed changes.

## **Conclusion**

7. The proposed reallocation of areas of responsibility and amended Terms of Reference are designed to ensure a balanced workload across the committees enabling effective and efficient decision making.
8. Any such changes to would be introduced following Fire Authority approval at the Annual General Meeting which is scheduled to take place on 22 June 2017.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	none
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	none
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	none
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	SMB, Authority Chairman, Chairman of Policy and Resources Committee.
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	n/a

## Supporting Information

Appendix 1 – Policy and Resources Terms of Reference  
Appendix 2 – Audit and Standards Terms of Reference

## Contact Officer

Nigel Snape  
01905 368242  
[NSnape@hwfire.org.uk](mailto:NSnape@hwfire.org.uk)

## **APPENDIX 1**

### **POLICY AND RESOURCES COMMITTEE**

#### **Terms of Reference, Constitution, Rules and Procedures**

##### **Role**

The Committee will:

1. Make recommendations as to:
  - the Authority's strategic policies and objectives;
  - annual budget, medium term financial plan and precept;
  - community risk management plan and any fire cover review, and monitor progress with implementation when approved; and
  - the Scheme of Delegations to Officers.
2. Monitor and review financial performance including revenue and capital budgets, treasury management, the use of resources and fees and charges (adopting any changes to fees and charges where necessary on behalf of the Authority).
3. Authorise capital and revenue virements in excess of limits delegated to the Treasurer and Chief Fire Officer and to authorise capital re-phasing where necessary.
4. Monitor and review key operational performance targets and ensure that the Authority has an effective performance management framework in place.
5. Determine the Authority's Asset Management Plan and any matter relating to the Authority's land holdings or buildings and structures which is not delegated to officers.
6. Approval of capital projects and purchase of supplies, vehicles and services in accordance with the agreed budget and medium term financial plan
7. Authorise the waiver of tender rules in accordance with Standing Orders and Financial Regulations, where necessary.
8. Approve and amend any strategic policy not reserved for the Authority or that falls within the remit of another Committee.
9. To settle any claim or uninsured claim against or by the Authority when the sum is above the limit of officer delegation.
10. Approve, monitor and review of the following matters in relation to staff:
  - a) the implications of the adoption of nationally agreed conditions of service;
  - b) regular reports from the Joint Consultative Committee;

- c) agreement to the premature retirement of any employee where this is in the interests of the efficient exercise of the functions of the Authority, or by reason of redundancy, including the power to grant added years' service reckonable for superannuation purposes;
  - d) responsibility for exercising the discretionary elements of the Local Government Pension Scheme, including the authority for incurring any costs involved;
  - e) the development and implementation of equality and fairness policies receiving regular reports from the Equalities and Development Steering Group;
  - f) the development and implementation of health and safety policies receiving regular reports from the Health and Safety Liaison Panel;
  - g) employment monitoring reports; and
  - h) amendments to duty systems worked on fire stations.
11. Consider and approve responses to consultation papers issued by Government and other organisations.
  12. Any other matter not reserved to the Authority or falling within the remit of any other Committee nor delegated to an officer.

### **Constitution**

13. The Committee will comprise 13 Members.
14. In accordance with the requirements of the Local Government and Housing Act 1989, political balance will apply.
15. The quorum of the Committee will be 4 Members.
16. Subject to the approval of the Chairman and Vice Chairman of the Authority, the Committee may establish non-politically balanced, time-limited Task and Finish Groups to investigate issues within terms of reference set by the Committee. Only one Task and Finish Group may be established by the Committee at any one time.

### **Rules and Procedures**

17. The Chairman and Vice-Chairman will be elected by the Authority
18. The Committee will meet at least four times a year.
19. The Committee Chairman will report proceedings of the Committee to the Authority.

20. The minutes and reports of the Committee will be available for public inspection, except those documents classified as exempt.
21. The Committee will be advised by the Chief Fire Officer, Treasurer, Monitoring Officer and other officers and advisors as necessary.
22. Meetings will normally be held in public, with the right of attendance for all Members, public and press, except during consideration of exempt business.
23. An agenda, together with reports, will be made available at least five clear working days before each formal meeting.

## **APPENDIX 2**

### **AUDIT AND STANDARDS COMMITTEE**

#### **Terms of Reference, Constitution, Rules and Procedures**

##### **Role**

The Committee will:

1. Ensure processes are in place to deliver effective controls and audit functions, including agreement of the Internal Audit Plan, appointment of External Auditors and consideration of External Audit fees and External Audit Plans.
2. Consider external and internal auditors' reports and the adequacy of management response to auditors' advice, recommendations and action plans.
3. Consider reports regarding the management and performance of Internal Audit.
4. Consider the External Audit Annual Letter, making recommendations to the Authority where necessary and monitor the Authority's response.
5. Monitor the results of external reviews of the Authority's services, ensuring progress is made on actions planned to remedy any significant issues highlighted.
6. Consider an annual report regarding compliments, complaints and concerns about the Service.
7. Consider, monitor and review the development and operation of the Authority's risk management and corporate governance arrangements in accordance with best practice.
8. Exercise delegated power in relation to the approval of the Annual Statement of Accounts.
9. Exercise delegated power in relation to the consideration of the Annual Governance Statement, the procedures followed in its compilation and the appropriateness of supporting documentation, addressing any significant governance weaknesses disclosed within the Statement.
10. Consider and make recommendations to the Authority on:
  - the Annual Assurance Statement;
  - Standing Orders and Financial Regulations of the Authority;
  - Committee Structure, Terms of Reference and Scheme of Delegation;
  - Members' Code of Conduct; and
  - Protocol for Member-Officer Relations.

11. Formulate and approve policy documentation in respect of Strategic Risk, Whistleblowing and Anti-Fraud and Corruption processes and review the effectiveness of their application throughout the Authority.
12. Promote and maintain high standards of conduct and ethical governance by Members and co-opted Members of the Authority.
13. Oversee the Registers of Members' Interests and keep under review the Authority's procedures for investigating and responding to complaints about Members.
14. Monitor the operation of the Members' Code of Conduct and assist Members and where appropriate, co-opted Members to observe the Code.
15. Advise, train or arrange to train the Members and co-opted Members of the Authority on matters relating to the Member Code of Conduct.
16. Grant dispensations to Members, from requirements relating to interests set out in the Member Code of Conduct, as referred by the Monitoring Officer.
17. Receive reports and comment on complaints procedures and/or reports from the Local Government Ombudsman.
18. Appoint Independent Persons for the purposes of the ethical framework under the Localism Act 2011.
19. Approve, monitor and review of the following matters in relation to staff;
  - a) the development and implementation of equality and fairness policies receiving regular reports from the Equalities and Development Steering Group;
  - b) the development and implementation of health and safety policies receiving regular reports from the Health and Safety Liaison Panel; and
  - c) employment monitoring reports.

## **Constitution**

20. The Committee will comprise 12 Members.
21. In accordance with the requirements of the Local Government and Housing Act 1989, political balance will apply.
22. Group Leaders, the Chairman, Vice-Chairman of the Authority, outgoing Chairman of the Authority and Chair of the Policy and Resources Committee are not eligible to serve on the Audit and Standards Committee.
23. The quorum of the Committee will be 4 Members.
24. Subject to the approval of the Chairman and Vice Chairman of the Authority, the Committee may establish non-politically balanced, time-limited Task and Finish Groups to investigate issues within terms of

reference set by the Committee. Only one Task and Finish Group may be established by the Committee at any one time.

## **Rules and Procedures**

25. The Chairman and Vice-Chairman will be elected by the Authority.
26. The Committee will submit an annual report to the Authority each June.
27. The Committee Chairman will report proceedings of the Committee to the Authority.
28. The minutes and reports of the Committee will be available for public inspection, except those documents classified as exempt.
29. The Committee will be advised by the Monitoring Officer, Chief Fire Officer and Treasurer and other officers and advisors as necessary.
30. Meetings will normally be held in public, with the right of attendance for all Members, public and press, except during consideration of exempt business.
31. An agenda, together with reports will be made available at least 5 clear working days before each formal meeting.

## **Report of the Head of Legal Services**

### **Member Development Plan 2017/18**

#### **Purpose of report**

To provide Members with the draft Member Development Plan 2017/18 for approval.

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#### **Recommendations**

***It is recommended that the Member Development Plan 2017/18 be approved.***

#### **Introduction and Background**

1. The Code of Corporate Governance requires that arrangements are put in place to support Members to enable them to carry out their roles on the Authority effectively. To facilitate this requirement, the Authority recently adopted a Member Development Strategy from which a three year rolling programme (2017 to 2020) is being developed.
2. The rolling programme will be fire authority specific and complimentary to the programmes provided by constituent authorities. The key objective is to provide opportunities for both new and existing Members to improve upon their knowledge and awareness, thereby strengthening their roles in decision making and in providing challenge. The West Mercia Police and Crime Commissioner will also be invited to attend sessions and events to help build on his existing knowledge of the work of the Authority.
3. In December 2016, the Authority approved the Member Development Strategy 2017-2020 and agreed to focus on the theme of the Fire Service “Adding Extra Value”, which is encompassed within our overarching vision of “Saving More Lives”. The 2017/18 Plan will focus on these themes with sessions adjusted on annual basis in response to organisational, statutory and feedback from Members.

#### **Member Development Plan 2017/18**

4. The 2016 Member Development Plan commenced in May 2016 until the end of the calendar year. In addition, Members were invited to attend a tour of the Operational Command and Control Centre at West Mercia Police Headquarters in January 2017 and a financial and budget workshop that took place ahead of the budget setting in February 2017.

5. The new Member Development Plan for 2017/18 commences in June 2017 with a detailed Members' Induction due to the increased likelihood of new Authority Members that may be appointed by Worcestershire County Council following elections in May 2017. The next Member Development Plan will then begin in June 2018.
6. All Members are invited to the Members' Induction Sessions as they can provide a useful refresher session. There has been an element of repetition in the 2017/18 plan to accommodate any new Members appointed by either of the constituent authorities in May 2017. However, the repetition of sessions may benefit existing Members who were unable to attend any sessions that were run in previous years.
7. The sessions within the Member Development Plan link in not only with the theme "Adding Extra Value - Saving More Lives", but also with key foundations and objectives as set out in Our Strategy and have been influenced by the feedback received from Members on previous sessions.
8. Members will also have the opportunity to attend events such as "Dying to Drive" and the Service Exercise. The regular Members' Bulletin also provides information on issues such as community safety campaigns, strategic projects and keeps Members updated on new regulations and Code of Conduct issues.

### **Conclusion/Summary**

9. In order to assist Members to carry out their role in decision making and in providing challenge, the Authority adopted the Member Development Strategy 2017-2020 from which a three year rolling programme will be established. The rolling programme comprises an annual plan that includes a range of information on key issues, linked to the theme "Adding Extra Value - Saving More Lives" and is attached at Appendix 1 for the consideration of the Committee.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	Sessions will be facilitated in house and will require the input of key members of staff.
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	The Programme links with Our Strategy, the theme Adding Extra Value - Saving More Lives and the Ethical Framework.
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	N/A
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	The feedback from Members has been incorporated in the development of the Member Development Plan.
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	No, as this is not a proposed policy. However, the Member Development Plan will incorporate awareness raising for Members regarding the Ethical Framework.

## Supporting Information

Appendix 1 – Draft Member Development Plan 2017/18

Background papers – Member Development Strategy 2017-2020, Member Role Description

### Contact Officer

Alison Hughes, Committee & Members' Services Manager  
Tel: 01905 368209, email: [ahughes@hwfire.org.uk](mailto:ahughes@hwfire.org.uk)

# Member Development 2017/18 (Draft)

## Theme: Adding Extra Value - Saving More Lives

Session	Aims
<b>Members Induction Session*</b> <b>Saving More Lives</b>  12 June 2017, 2.00pm Worcester Fire Station	To inform Members about: <ul style="list-style-type: none"> <li>• Our Vision: Saving More Lives</li> <li>• Collaboration and partnerships</li> <li>• Key projects</li> <li>• Crewing systems / role of firefighters / special services</li> <li>• Finance/Budgets</li> <li>• Key roles and responsibilities of Members</li> </ul> To provide an equipment demonstration
<b>Members' Induction Session*</b> <b>– follow up</b>  22 June 2017 SHQ (following Authority meeting)	To provide an opportunity to meet Senior Management Board and update Members on: <ul style="list-style-type: none"> <li>• strategic procurement</li> <li>• Service Exercise 2016</li> <li>• services for Members</li> </ul>
<b>Members Tour</b>  September / October TBC	Members visits to key locations
<b>Service Exercise</b>  Brecon 23 September 2017	To observe how staff are trained to work safely at a major complex incident involving other first responders.  Scenario: TBC
<b>Community Risk</b>  11 October 2017 –following Authority meeting	How our work with the community adds more value and can help save more lives.
<b>Firefighter Safety</b>  Date TBC	How technology helps save more lives and keeps firefighters safe.
<b>Strategic Business Continuity</b> 14 December 2017 following Authority meeting	Overview of how we would deal with business continuity in spate conditions
<b>Budgets/Finance</b>  January 2018	Workshop for Members

\* = the content from the 12 June session may be swapped with some of the content in the follow-up session on 22 June and vice versa, 108  
 108 It is subject to Office availability

## **Report of the Head of Legal Services**

### **Annual Compliments, Complaints and Concerns 2016/17 Report**

#### **Purpose of report**

To update the Committee with details of compliments, complaints and concerns made by the public to the Service over the past 12 months.

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#### **Recommendations**

***It is recommended that the Committee notes that during the period 1 April 2016 to 31 March 2017:***

- i) a total of 89 compliments and donations, 37 complaints and concerns about the Service were received from the public; and***
- ii) none of the complainants appealed regarding the response provided and no complaints were sent to the Local Government Ombudsman for investigation.***

#### **Introduction and Background**

1. It is important that the Authority has good corporate governance arrangements to ensure services are run in an open and accountable manner. The role of the Committee includes the monitoring and review of the Authority's corporate governance arrangements, which includes responsibility to consider the process and review of compliments, complaints and concerns made by the public about the Service.

#### **Complaints and Concerns Received 1 April 2016 to 31 March 2017**

(Last years figures are shown in brackets for comparison)

2. The Service received a total of 37 (48) complaints and concerns from the public, with 15 (26) being concerned with Service activities and 22 (22) concerning activities carried out by other organisations or individuals. Concerns relating to business fire safety are passed to Community Risk for immediate action. Following investigation by officers, 3 (15) of the complaints about the Service were upheld, a summary is set out overleaf.

### Summary of complaints upheld

Issue	Number of complaints upheld	Outcome
Driving Standards	1	Case passed to insurers
Interruption to water supply following routine hydrant check	1	Remedial Action taken to give notice next time via letter drop.
Staff behaviour	1	Internal investigation in progress.

3. None of the complainants appealed to the Assistant Chief Fire Officer regarding dissatisfaction with the response provided and no complaints were sent to the Local Government Ombudsman.
4. It should be noted that the complaints and concerns received regarding the responsibilities of other organisations or individuals included concerns over poor fire safety at business and residential premises and the potential lack of access to properties in an emergency.

All complaints and concerns were acknowledged within 3 working days of receipt and all received a response within 10 working days. Due to an extended investigation a single complaint received a holding letter within 10 days and a full response was issued within 28 days.

### Compliments and Donations Received 1 April 2016 to 31 March 2017

(Last years figures are shown in brackets for comparison)

5. The Service received 89 (98) compliments and donations during this period and it should be noted that the majority 40 (46) came following Home Fire Safety Checks or Fire Service attendance at events. There were 16 (19) following attendance at fires or road traffic collisions with the remainder noting miscellaneous compliments from animal and lift rescues to help with burst pipes. It should also be noted that any donations received are passed on to the Fire Fighters Charity who actively support fire fighters in need and exist to support the everyday heroes of the UK fire community.

### Conclusion/Summary

6. The role of the Audit and Standards Committee includes the monitoring and review of the Authority's corporate governance arrangements. This includes responsibility for considering the process with regards to compliments, complaints and concerns made by the public. This process was last reviewed on 16 April 2014 and was considered to be robust and fit for purpose. There have been no significant issues that have arisen since this date and it has not been necessary to make any changes in Service delivery.

7. Your officers are satisfied that there are no significant levels of recurring themes or trends in the concerns and complaints being reported to give any cause for concern.

### Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	The complaints, concerns and compliments process uses existing resources.
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	The complaints, concerns and compliments process links in with the Authority's Code of Corporate Governance.
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	The Audit & Standards Committee receive an annual report to provide assurance to Members that the process is effective. Committee and Members' Services Officers monitor for any emerging trends in reported concerns and complaints on a monthly basis.
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	N/A – no policy change is recommended

### Supporting Information

Background papers:  
Hereford & Worcester Fire Authority Annual Governance Statement and Code of Corporate Governance

**Contact Officer:** Alison Hughes: Committee and Members' Services Manager  
Tel: 01905 368209, email: [ahughes@hwfire.org.uk](mailto:ahughes@hwfire.org.uk)