

**MINUTES OF AUDIT AND STANDARDS COMMITTEE
MEETING HELD ON 4 MARCH 2024**

Present: Councillors A Ali (Chair), M Hussain, S Owen, M Versallion and R Wenham

ACO G Chambers, Mr G Britten, Mr J Pekszyk, Mr I Evans, Mr P Knight, Ms T Draper, Ms D Hanson, Ms S Rowlett, Ms K Henry and Ms N Upton

23-24/ASC/39 Apologies

Councillor Coombes joined the meeting remotely via Teams as he was unable to attend in person.

23-24/ASC/40 Declarations of Disclosable Pecuniary and Other Interests

There were no declarations of interest.

23-24/ASC/41 Minutes

RESOLVED:

That the Minutes of the meeting held on 4 January 2024 be confirmed as a true record.

23-24/ASC/42 Communications

The Committee noted a letter received from the Right Honourable Simon Hoare, MP, the Minister for Local Government, on proposals to consult on changes to the local authority financial reporting and audit system to address the significant backlog in audits.

It was noted that this would be discussed further under the update to the 2022/23 external audit.

23-24/ASC/43 Public Participation

There were no members of the public present at the meeting.

23-24/ASC/44 Update on 2022/23 External Audit

Ms D Hanson of Ernst and Young (EY) prefaced her update by reporting on the exceptional national situation regarding the substantial backlog of audits of local authority bodies, with over 700 audits remaining incomplete across the sector.

As a result, both the Department for Levelling Up, Housing & Communities (DLUHC) and the Financial Reporting Council (FRC) were conducting consultations regarding the local authority financial reporting and audit system, including the potential introduction of backstop dates if audits were not completed by the relevant deadline. An additional consultation by CIPFA could change the reporting requirements in relation to property, plant and equipment and pensions.

EY would be prioritising audits from 2021/22 and value for money assessments. Therefore, it was likely that a disclaimer would have to be issued in relation to the 2022/23 financial statements as the audit would not be completed before the proposed backstop date in September 2024. This may have an impact on the audits for the 2023/24 and 2024/25 financial years.

In response to a question on whether there would be an adverse impact on the Authority as a result of a disclaimer being issued, the Assistant Chief Officer expressed the view that, as the situation was unprecedented, it was not possible to foresee all potential implications; however, he expressed the view that it was unlikely to affect borrowing (through the PWLB) and investment activity.

Ms Hanson agreed with this assessment, commenting that there were a large number of authorities that would be issued disclosures given the scale of the backlog.

She further reported that EY was planning to submit the value for money assessment to the next meeting of the Committee.

Ms K Henry, KPMG, confirmed that she would be working with EY and the Service's Corporate Management Team to minimise disruption whilst also ensuring that KPMG had the relevant data to undertake the audit of the 2023/24 statement of accounts.

RESOLVED:

That the update from Ernst & Young be received.

23-24/ASC/45 External Audit Plan and Strategy for the year ending 31 March 2024

The Chair introduced Ms K Henry, who was the Director appointed by the new external auditors, KPMG, as the Authority's key audit partner.

Ms K Henry introduced a draft External Audit Plan for the year ending 31 March 2024, noting that it was very early on in the process. Only one significant risk had been identified and this was the management override of controls. This was a standard risk across all KPMG audits. It was hoped that the audit would be completed by March 2025.

Information on how KPMG will reach the value for money assessment would be presented to the next meeting of the Committee.

In response to a question, Ms Henry advised that she would update the plan to refer to the communication of “any” audit misstatements and significant control deficiencies.

The Assistant Chief Officer confirmed that the proposed timetable in the draft plan was acceptable to the Service.

The Assistant Chief Officer drew Members’ attention to the fees. These had been set at £93,000 for the 2023/24 audit.

In response to a question from the Chair, Ms Henry confirmed that the majority of meetings held with Service representatives would be covered within this fee, unless significant additional work was required.

RESOLVED:

That the report be noted.

23-24/ASC/46 Internal Audit Strategy 2024/25

Ms S Rowlett of RSM introduced a report on the proposed approach to developing the Fire and Rescue Authority’s internal audit strategy for 2024/25.

The proposed areas for audit in 2024/25 included management of IT assets, Key Financial Controls – Payroll, Risk Management, Succession Planning and Governance. These had been developed following consultation with the Service’s Corporate Management Team, and in analysing the Service’s Corporate Risk Register, risk processes and assurance needs.

The management of IT assets was a joint audit with Cambridgeshire Fire and Rescue Service as the Shared Service partner.

It was noted that succession planning had been identified as an area requiring improvement during the HMICFRS inspection.

Ms Rowlett drew Members’ attention to the fees, Internal Audit Strategy and Internal Audit Charter that were appended to the report. The last document had been updated slightly with minor wording changes from that previously submitted to the Committee.

RESOLVED:

That the report be noted.

23-24/ASC/47 Internal Audit Progress Report

Ms S Rowlett of RSM presented a report on progress made against the Internal Audit Plan 2023/24. Two internal audits had been completed since the last meeting of the Committee, contaminants and staff health and safety and strategic approach to collaborations and partnerships. As both had been awarded a negative opinion of partial assurance, this would be considered as part of the Head of Internal Audit's annual report and may result in a qualified or negative annual opinion.

Members were advised that all actions identified in internal audits were added to the internal audit actions update report so that progress against actions could be monitored by the Committee. Ms Rowlett added that progress would also be monitored in the annual follow-up audit conducted by RSM.

The Committee then considered the final audit reports.

Contaminants and Staff Health and Safety

Ms Rowlett reported that whilst the Service had demonstrated that controls were adequately designed and effective in the areas of operational monitoring activities, governance structure and training, there was a lack of evidence as to how actions resulting from monitoring and review activities had been converted into action plans and monitored through to completion. It also had been noted that there was no overarching contaminants strategy.

Ms T Draper, Head of Training and Assurance, provided an update on progress made against the management actions set out in the internal audit report. A Contaminants Strategy was currently being developed and the final version was being submitted to the forthcoming meeting of the Contaminants Working Group. The decontamination procedure was being reviewed and would also be submitted to the Contaminants Working Group for approval. A comprehensive action plan was being developed that would collate all actions in one document that would be made accessible to all.

In response to questions from Members, the Head of Training and Assurance confirmed that all actions were expected to be completed by the target completion dates and that the required resources had been allocated for this work. She reported that she had only commenced in post in November 2023 and this process, and the imminent retirement of the Health and Safety Manager, provided an opportunity to reflect on the operation of the Contaminants Working Group and other processes.

A Member expressed concern that the Service did not appear to have been prepared for the audit, as many of the actions arising could have been foreseen.

Mr J Pekszyk, Head of Strategic Support and Asset Management, advised that the Service had robust procedures in place to mitigate against health and safety risks to its staff in relation to day-to-day operations. Whilst the Service was in a strong position regarding procedures and processes, the audit had identified that improvements were required in how evidence was captured so that it could be demonstrated to the internal auditors and others. This was now being addressed.

The Assistant Chief Officer stated that the Service selected areas for audit where it was considered improvements could be made.

Ms S Rowett added that it was important, when developing the annual audit plan, to audit a combination of areas, some of which would require improvement and result in a number of actions to be taken to address these. The Service should not only be proposing areas where a positive audit opinion would be expected.

Strategic Approach to Partnerships and Collaborations

Ms S Rowlett reported that, in relation to the strategic approach to partnerships and collaborations, the Service had a well-designed process for the establishment and forward review of partnerships and collaborations but that this was poorly applied. Requirements were designed to be proportionate to the complexity, resources required, and risks involved with an individual partnership or collaboration, however, there was poor compliance with the policy and gaps in the process resulting in a lack of information being held on or linked to the Partnership Register.

In response to a question as to whether the poor level of compliance was primarily a resourcing issue, Strategic Operational Commander I Evans advised that there was a substantial amount of work generated from the Service's participation in a plethora of partnership arrangements, ranging from smaller partnerships between one Community Fire Station and a local charity and the Shared ICT Service with Cambridgeshire Fire and Rescue Service. A process had been developed through which all partnerships had to be assessed, some retrospectively, and there were additional complications due to staffing changes that lead to paperwork not being completed as the responsible manager had changed posts in the interim period.

In order to streamline the process, Word versions of documents were being converted to e-forms so that these could more easily be completed by the authorising manager.

In response to a question on whether involvement in all partnerships had to be approved by the Corporate Management Team, the Strategic Operational Commander advised that high-level strategic partnerships, or those with high risk or resource attached, were submitted to the Corporate Management Team and the Authority itself for approval, although this was not the case for all partnerships.

As an example of this, the Assistant Chief Officer reminded Members that a report on the Shared ICT Service was being presented to the next Authority meeting on 28 March 2024.

The Strategic Operational Commander confirmed that, as partnerships could involve activity across different service areas, this was overseen by the Corporate Management Team. As set out in one of the medium-level management actions in the internal audit report, for the next 12 months a quarterly report would be submitted to the Corporate Management Team on the Partnership Register, highlighting outstanding tasks. This would then be provided on a six-monthly basis.

Cllr Coombes, who attended virtually, left the meeting at 10.55 am.

A Member expressed sympathy with senior managers as it appeared that some of the actions related to the capturing of evidence, when it was apparent that operationally there were no areas of concern. The appropriate balance must be struck to provide evidence for inspection regimes and in undertaking the work required, acknowledging that participation in certain partnerships had less benefit to the Service than to other organisations involved.

Another view was expressed that acting as a “critical friend” was an essential part of the role of an Audit Committee member, especially when poor performance was identified.

RESOLVED:

That the report be noted.

23-24/ASC/48 Internal Audit Actions Update

The Assistant Chief Officer and Treasurer introduced a summary of actions arising from internal audit reports over the last three fiscal years together with any exception report on those actions currently in progress, progress to date on current action plans, proposals to extend the original timing for completion and those that have been completed since the last meeting.

There were no extension requests to consider.

RESOLVED:

That the progress made to date against action plans be acknowledged.

23-24/ASC/49 Fire Standards Board Update

Mr P Knight, Group Commander for Strategic Support, provided an update on progress with the gap analysis and integration of Fire Standards into Business as Usual (BAU).

To date, 16 Fire Standards had been published. One had been fully integrated, with five at the action planning stage, five with the relevant Head of Service and five at the gap analysis stage.

Three additional Fire Standards had been due for publication in November 2023; however, at present, these had still not been released.

Although a previous report submitted to the Committee had indicated that all Fire Standards would be fully integrated within two years, the Group Commander expressed the view that, as some of the underlying actions required substantial changes to operational procedures, and as the requirements were sometimes subject to change, he was wary of proposing completion dates, although he suggested that a prudent estimate for full completion may be four years. Focus should be placed on improved outcomes, rather than timescales.

In response to a question requesting further confirmation of the scale of the task, the Group Commander reported that, in terms of operational response, much of the Service's activity was predicated on generic risk assessments originally produced by the Home Office over 16 years ago. The new National Operational Guidance had been issued by the National Fire Chiefs Council and was mandatory for fire and rescue services across the country to implement. Some fire and rescue services had almost completed this, such as the neighbouring service in Hertfordshire. Locally, there was still a significant amount of work to complete, although this was not a unique situation and there were other services in a similar or worse position.

Further to a question as to whether this would impact adversely with the Service upon the reinspection by the HMICFRS, Mr J Pekszyc, Head of Strategic Support and Asset Management, advised that the Inspectorate would be looking for evidence that the Service was on a positive trajectory in relation to the implementation of the National Operational Guidance. It was recognised that this was a lengthy and complex task. Members were advised that for the Breathing Apparatus project pack alone the Training Gap Analysis required the review on over 635 training individual training specification outcomes. The Service had currently adopted a risk-based approach to the implementation and this would be highlighted to the HMICFRS.

The view was expressed that, given the importance of this project, estimated completion dates should be provided to Members so that progress could be monitored in advance of the next inspection. It was agreed that the report could be updated as requested and resubmitted to a future meeting of the Committee.

A Member requested that the Fire Standards form part of a Member Development Day, so that Members could be fully briefed on the Standards and the challenges around implementing some of the more complex actions.

The Chair also requested that progress against the Fire Standards be reported regularly to the Committee, in conjunction with the actions arising from internal audits and other similar processes, so that Members could retain an oversight of progress.

The Assistant Chief Officer suggested that how this information could best be presented to the Committee be discussed in more detail outside of the meeting.

RESOLVED:

1. That the project be supported and the progress made to date be noted.
2. That the report be updated to include indicative completion dates and resubmitted to the next meeting of the Committee.

23-24/ASC/50 Corporate Risk Register

Mr J Pekszyk, Head of Strategic Support and Asset Management, submitted a report on the Service Corporate Risk Register to the Committee. A full report had been provided to the last meeting of the Committee and since that time, no changes had been made to the risks or the risk ratings of the 15 risks in the Corporate Risk Register.

It was noted that the highest rated risk was currently recorded as the Service being in receipt of insufficient funding.

The Committee was advised that additional narrative had been added for risk 6 (change in national legislation or guidance requiring additional workloads above BAU, to assess implement and embed) as the result of the Government's published response to the fire reform white paper and the potential for a change in governance arrangements and for risk 14 (inability to drive cultural change on equality, diversity and inclusion in a timely and efficient manner) following the publication of the Independent Culture Review for South Wales Fire and Rescue Service, which had resulted in the replacement of the Fire and Rescue Authority with four Commissioners. This action indicated that there was a potential for increased scrutiny of Member oversight of culture with fire and rescue services.

RESOLVED:

That the contents of the report be noted.

23-24/ASC/51 Work Programme

The Committee received its work programme for 2023/24 into 2024/25.

The Assistant Chief Officer reported on the appointment to the position of Vice-Chair that would take place at the next meeting following the Authority's Annual General Meeting. It was also anticipated that a report on the 2023/24 Statement of Accounts and the Annual Governance Statement would be submitted to that meeting.

As agreed earlier in the meeting, the Committee would be receiving an updated report on the implementation of the Fire Standards at its next meeting.

RESOLVED:

That the work programme for 2024/25 and the 'cyclical' Agenda Items for each meeting in 2024/25 be noted.

The meeting ended at 11:50am