

**MINUTES OF THE AUDIT AND STANDARDS COMMITTEE
INFORMAL MEETING HELD ON 14 JULY 2021 AT 10.00am**

Present: Councillors C Atkins (Chair), R Berry, J Burnett, P Duckett, D Franks and J Gambold

Councillor J Chatterley was present as an observer

Mr J Atkinson, ACO G Chambers, AC D Cook and Mr J Harrison

Ms J Kriek and Ms R Gomez, Ernst & Young

Mrs S Rowlett, RSM

21-22/AS/001 Apologies

1.1 There were no apologies.

1.2 Mr N Harris of Ernst & Young was unable to attend the meeting and was represented by Ms J Kriek.

21-22/AS/002 Election of Vice-Chair

RESOLVED:

That Councillor Duckett be elected as Vice-Chair of the Committee for the ensuing Municipal Year.

21-22/AS/003 Declarations of Interest

There were no declarations of interest.

21-22/AS/004 Communications

- 4.1 The Committee received the Emergency Services News Briefings from RSM for March and June 2021. The Chair highlighted the sections on the fire and rescue sector's response to the Covid-19 pandemic and the analysis of non-fire related incidents attended by Fire and Rescue Services.
- 4.2 The Assistant Chief Officer advised that a report relating to the analysis of non-fire incidents attended by the Service was being prepared and would be presented to a future meeting of the Fire and Rescue Authority. The Authority had previously received a report on sector's response to the pandemic.
- 4.3 The Assistant Chief Officer referred to the review of risk registers undertaken by RSM. This was currently being analysed to determine whether any changes were required to the Service's own risk register.
- 4.4 The Committee also considered an email regarding the consultation on local auditor appointments from April 2023. The Assistant Chief Officer confirmed that he had participated in the webinar on behalf of the Service.
- 4.5 In response to a question, the Assistant Chief Officer advised that, at present and in the past, the Service had participated in the national collective scheme run by Public Sector Audit Appointments (PSAA) as this had saved both time and money. However, going forward, a decision had not yet been made to participate in the scheme as a number of changes were expected as a result of the Redmond Review and considerations around the sustainability of the current audit regime in respect of the current fee levels and the impact on audit quality and timeliness.
- 4.6 EY had been appointed as the Service's external auditors through the PSAA collective scheme until 2023. The Committee would be kept informed of any updates as and when they arose.

RESOLVED:

That the communications be received.

21-22/AS/005 Minutes

RESOLVED:

That the Minutes of the meeting held on 4 March 2021 be confirmed as a true record.

21-22/AS/006 Public Participation

6.1 There were no members of the public present.

21-22/AS/007 Review of Terms of Reference

- 7.1 The Secretary and Monitoring Officer presented his report on the annual review of the Committee's terms of reference. No changes to the current terms of reference were being proposed.
- 7.2 Councillor Duckett queried whether the Committee was able, through its existing terms of reference and particularly under the regulatory framework item, to discuss the external pressures on the Authority in relation to its governance arrangements.
- 7.3 The Assistant Chief Officer advised that he and the Secretary and Monitoring Officer would consider this outside of the meeting and report back to the Committee if any changes were required.
- 7.4 In response to a question from Councillor Burnett, the Assistant Chief Officer confirmed that HR and staffing related matters were submitted directly to the full Authority. There was also a Portfolio Holder responsible for this area. This role had previously been undertaken by the Human Resources Policy and Challenge Group.
- 7.5 Councillor Burnett requested that the latest performance data relating to staff satisfaction, performance and turnover of staff be circulated to her and other Members of the Committee for information.

RESOLVED:

That the Terms of Reference for the Audit and Standards Committee be approved.

21-22/AS/008 Provisional Audit Planning Report Year Ended March 2021

- 8.1 Ms J Kriek of Ernst & Young introduced the Provisional Audit Planning Report for the year ended 31 March 2021.
- 8.2 Ms Kriek reported that the timeframe had changed due to EY's resourcing constraints and that it was now anticipated that the audit of the accounts would be conducted in November 2021, rather than September 2021 as indicated within the report. Therefore, EY was still in the introductory planning phase and an update would be provided to the next meeting of the Committee to report on whether the planning phase had been concluded at that stage.
- 8.3 The Committee's attention was drawn to the various consultations on the sustainability of the public audit sector and the difficulties in recruiting and retaining qualified staff to conduct the audits at the current fee level.
- 8.4 Ms Kriek reported on changes to the going concern and value for money appraisals, with the largest area of change being around the approach to value for money. She also referred to the Redmond review, the Ministry of Housing, Communities and Local Government (MHCLG) response and recent consultations on 2020/2021 reporting timetables and a letter written on behalf of EY to all Chief Financial Officers and Audit Committee Chairs and reported that these would be circulated to Members of the Committee for information.
- 8.5 Ms Kriek expressed the view that it was not anticipated that significant value for money risks would be identified during the audit as the Authority had demonstrated a good level of financial control.
- 8.6 In relation to the audit fees, Ms Kriek reported that additional fees had been requested to cover the increase in work required due to Covid 19 on going concern and value for money considerations, as well as specialist property valuation work. This had not yet been agreed by the Service's management or by the PSAA.
- 8.7 In response to Member comments about the going concern consideration, the Assistant Chief Officer reported that the going concern statement had been included in the previous Statement of Accounts and that this had been scrutinised by the external auditors. In light of news that some local authorities were having to issue Section 114 notices to stop non-essential expenditure, he confirmed that the Authority was in a much stronger position due to its strategically planned robust level of reserves.

- 8.8 Councillor Franks commented that that many of the cases of local authorities having to issue these notices resulted from reliance on income from commercial activities. In this respect, Luton Borough Council had not had its previous two years of accounts signed off by the external auditors as a result of concerns around London Luton Airport Ltd.
- 8.9 The Committee was advised that PSAA had not yet responded to the Authority's communications regarding its non-acceptance of the fee increase proposed by EY for 2019/20.
- 8.10 In respect of the delay to the 2020/21 accounts, the Assistant Chief Officer reported that he would be working with EY to produce a statement explaining that the delay was due to EY's resourcing pressures for publication on the Service website. The Statement of Accounts had been prepared, in accordance with the statutory deadline, by 4 June 2021. As no material changes were expected as a result of the audit process, there should be no impact on the figures; however, the delay would result in the small Finance team having to provide support to the auditors whilst finalising the budget for 2022/23 and possibly responding to any changes arising from the Comprehensive Spending Review. In order to address this, additional resourcing for that period was being considered.

RESOLVED:

1. That the submitted Provisional Audit Planning Report for the year ended 31 March 2021 be received.
2. That the Redmond Review and the letter from EY to all Chief Financial Officers and Audit Committee Chairs on scheduling high-quality 2020/2021 local public audits be circulated to Members of the Committee for information.

21-22/AS/009 Draft 2020/21 Statement of Accounts and Annual Governance Statement

- 9.1 The Assistant Chief Officer submitted the 2020/21 Statement of Accounts, including the Annual Governance Statement, as they were at the pre-audit stage. As noted during the discussion on the previous item, the accounts had been produced on 4 June 2021 in anticipation of an earlier audit date than was now being proposed by the external auditors.
- 9.2 Mr J Harrison, the Chief Accountant, provided an overview of the Statement of Accounts. Following comments made by the external auditors during the audit of the previous year's accounts, additional work had been undertaken in relation to land and buildings valuations. The changes introduced to the Value for Money conclusion had also informed the work completed on the Statement of Accounts. No material changes to the Statement of Accounts were expected.

- 9.3 The year-end contribution to reserves had increased from approximately £800,000 at 31 December 2021 to approximately £900,000 (£878,249) as a result of an increase in business rate income. An adjustment to the Collection Fund had been required as there was currently a deficit of £1.2 million reported at year-end, demonstrating the impact of Covid-19 on local government finances.
- 9.4 The Committee was referred to the balance sheet detailing the Authority's assets and liabilities. The Chief Accountant reported that there was not much change to the figures year on year. There had been no material change to land and buildings. There had been an increase of approximately £30 million in pension liabilities; however this should not concern Members as this liability was funded by Central Government and not the Authority, although it was a requirement to report this figure in the Authority's Statement of Accounts.
- 9.5 In response to a question on the McCloud and Sargeant judgement, work was still ongoing with the Service's pension administrators, LPP, to identify the scale of liability. The Service had received a Government grant of £36,000 to fund this work and a report had been presented to the FRA recently to determine whether affected firefighters should be transferred across to the 2015 pension scheme or not, and if payments of Immediate Detriment (ID) should be made. The FRA agreed that this matter should be delegated to the CFO and for the CFO to liaise with the FRA Executive further on this matter as more guidance became available. In accordance with current guidance, transfers to the 2015 scheme from the 1992 scheme should be subject to further discussion via the FRA Executive and no payments of ID should be made until further guidance was available. In the future, two sets of pension information should be provided to affected individuals, one detailing benefits under the 1992 scheme and the other detailing benefits under the 2015 scheme, to enable individuals to decide which was more advantageous. The Service was liaising with its Pension Administrators, LPP, on them being able to provide this information. This situation was ongoing and Members would continue to receive updates as these were available.

RESOLVED:

1. That the pre-external audit version of the 2020/21 Statement of Accounts and Annual Governance Statement be received.
2. That the delay to the external audit of accounts be noted.

21-22/AS/010 Internal Audit Annual Report 2020/21

- 10.1 Mrs S Rowlett presented the annual report on progress made against the internal audit plan for 2020/21. RSM had issued an overall positive audit opinion although there had been some areas for enhancements to the framework of risk management. This was the same opinion that had been issued in 2019/20.
- 10.2 Of the audits completed during the reporting period, there had been one Substantial Assurance level given for Key Financial Controls, five positive opinions issued and one partial assurance opinion issued in relation to procurement. Procurement had been identified as an area of concern by management. Two advisory reviews on cyber essentials and HR Wellbeing had also been completed.
- 10.3 Mrs Rowlett confirmed that internal audit services were designed to conform to the Public Sector Internal Audit Standards.

RESOLVED:

That the report be received.

21-22/AS/011 Internal Audit Progress Report 2020/21

- 11.1 Mrs S Rowlett of RSM submitted a report on progress made against the internal audit plan for 2020/21. Three audits had been completed since the last meeting of the Committee. These were the HR Wellbeing advisory review, Service Governance, which had been awarded an audit opinion of reasonable assurance, and the follow-up audit, through which the Service had demonstrated reasonable progress.
- 11.2 The review of HR Wellbeing had found that, although there was a high level of support in place, there were improvements that could be made. The Wellbeing Strategy had not been reviewed within the agreed timescale and a clearer action plan to address issues arising from the Staff Survey was required.

- 11.3 Areas for improvement identified in the Service Governance audit included terms of reference being introduced for all formal meeting groups and tightening up the process for conflicts of interest.
- 11.4 The follow-up audit had identified that 14 of the 19 actions had been implemented, 3 were in progress and 1 had not yet been implemented, with the last action being superseded. The actions not completed related to asset management and procurement.
- 11.5 Mrs Rowlett advised that the action tracking completed by management and reported to the Committee had been tested against the audit team's findings. There had been some discrepancies where actions only partially completed had been closed. The report included a reminder to management that it must ensure that all elements of the action were fully completed, and / or risk mitigated prior to closing actions.

RESOLVED:

That the report be received.

21-22/AS/012 Internal Audit Strategy 2021/22 and 2022/23

- 12.1 Mrs S Rowlett of RSM presented the Internal Audit Strategy for 2021/22 to 2022/2023 to the Committee for approval. The audit plan had been developed in partnership with the Service's Corporate Management Team
- 12.2 The audit areas proposed for 2021/22 were Human Resources: Grey Book Recruitment, Data Quality to support the Community Risk Management Plan, Management of Assets, Risk Management and Key Financial Controls.
- 12.3 Appendix B of the report provided an overview of the audit coverage to be provided through RSM's delivery of the Internal Audit Strategy to the end of 2022/23. A full audit needs assessment would be undertaken in March 2022 against the Service's Corporate Risk Register to develop the audit strategy going forward.
- 12.4 The Internal Audit Charter at Appendix C of the report was largely unchanged. An additional section around Covid had been included.

RESOLVED:

That the submitted report be considered and the Audit Plan for 2021/22 be approved.

21-22/AS/013 Audit and Governance Action Plan Monitoring -Exception Report and Summary Analysis

- 13.1 Area Commander D Cook introduced the report which provided a summary statistical analysis of actions arising from internal audit reports over the last three financial years to date and from the Fire and Rescue Authority's current Annual Governance Statement; together with any exception report on those actions currently in progress, progress to date on current action plans and proposals to extend the original timing for completion.
- 13.2 Of the five actions reported against internal audit reports, all five actions had been completed, with two requiring follow-up. Of the two actions listed against the Annual Governance Statement, one had been completed and one was still in progress.
- 13.3 There were currently no requests for extensions to completion dates.
- 13.4 The Assistant Chief Officer confirmed that the action on stock control that had previously been discussed by the Committee as the subject of an extension request due to ICT and resourcing issues had now been completed.

RESOLVED:

That progress made to date against action plans be acknowledged.

21-22/AS/014 Review of Code of Conduct and Annual Report on Standards

- 14.1 Mr J Atkinson, the Secretary and Monitoring Officer, introduced his report on developments relating to the standards function during 2020/21. No complaints had been lodged against Members of the Authority during this time.
- 14.2 It was noted that the Model Code of Conduct produced by the Local Government Association had not been widely adopted by local authorities.

- 14.3 The Committee was being asked to approve the Authority's participation in a pool of independent members that had been recruited by Milton Keynes Council following a rigorous recruitment process. The Authority was required under the Localism Act 2011 to appoint at least one independent member to hear complaints. The Authority had previously made appointments in collaboration with local partners in 2012 and 2016, with a decision made in 2020 to extend the terms of office of the independent persons by one year during the pandemic.
- 14.4 In response to a question about whether the panel of independent persons was representative of the local communities of the geographic area covered by the Panel, the Secretary and Monitoring Officer commented that it did not appear to be that diverse as it was often difficult to engage with people of under-represented communities to take on roles of this type.
- 14.5 It was noted that these arrangements had been agreed by Central Bedfordshire and Luton Borough Councils and that Bedford Borough Council was meeting later that day to consider a recommendation from its Standards Committee that it also participate in these arrangements.

RESOLVED:

1. That the update on standards be received, and that it be noted that no complaints had been received against Members during 2020/21
2. That the persons listed in Appendix 1 of the report be appointed to serve as independent persons for the Fire and Rescue Authority.

21-22/ASC/015 Review of Work Programme 2021/22

- 15.1 The Committee considered the proposed work programme for 2021/22.
- 15.2 The Committee recognised the previous Chair's efforts in guiding the Committee over the last few years.

RESOLVED:

That the Committee's Work Programme for 2020/21 be received.

21-22/ASC/016 Local Government Act 1972, Schedule 12A, Paragraph 3 of Part 1: Exclusion of the Public

RESOLVED:

That, pursuant to Sections 100A(2) and 100A(4) of the Local Government Act 1972, the public be excluded from the discussion of the following item on the grounds that the matters to be discussed involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act (as amended):

Item

Corporate Risk Register

The meeting finished at 11.51am