

## MINUTES OF AUDIT AND STANDARDS COMMITTEE MEETING HELD ON 6 JULY 2023 AT 10:00 AM

Present: Councillors A Ali (Chair), G Coombes (part, arrived 10.32 am), M Hussain and S Owen  
ACO G Chambers, Mr G Britten (Monitoring Officer), Ms L Fair, Mrs N Upton and Mr J Harrison  
Ms D Hanson and Mr O Randall from Ernst & Young  
Ms S Rowlett, RSM

### 23-24/ASC/1 Apologies

Apologies for absence had been received from Councillors Versallion and Wenham.

### 23-24/ASC/2 Election of Vice Chair

Councillor Owen proposed, and Councillor Hussain seconded, that Councillor Owen be elected to the position of Vice-Chair of the Committee for the 2023/24 Municipal Year.

### **RESOLVED:**

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

### 23-24/ASC/3 Declarations of Disclosable Pecuniary and Other Interests

There were no declarations of interest.

### 23-24/ASC/4 Communications

The Assistant Chief Officer advised that there were no communications to present to this meeting. RSM, the Authority's external auditors, were in the process of preparing an Emergency Sector News Briefing and this would be submitted to the Committee's next meeting for information.

### 23-24/ASC/5 Minutes

#### **RESOLVED:**

That the Minutes of the meeting held on 2 March 2023 be confirmed as a true record.

### 23-24/ASC/6 Public Participation

There were no members of the public present at the meeting who wished to speak.

### 23-24/ASC/7 EY report following External Audit of 2021/22 Financial Accounts

Cllr Coombes arrived during the item.

The Committee received a report on the Audit Results Report and Fees received from Ernst & Young, the Fire and Rescue Authority's external auditor.

The Assistant Chief Officer advised that the pre-audit version of the accounts had been presented to the Committee at its meeting in July 2022. Since that time, there had been a number of delays which resulted in the audit being completed later than planned.

Ms D Hanson of EY thanked the finance team for their support of the audit, and acknowledged the difficulties they must have faced as a result of this taking place at the same time as the preparation of the Statement of Accounts for 2022/23. She highlighted the key issues and differences to the accounts from the version previously considered by the Committee.

The level of materiality remained unchanged at £871,000. The main change related to the receipt of the property valuations undertaken by the Norfolk Property Services, the Authority's property valuers. Following a review of this information, there had been no indications of a significant risk of material misstatement and therefore the risk had been downgraded from significant to an area of audit focus.

In relation to pensions, consideration of the IAS19 assurance letter received from the Pension Fund auditor had resulted in a change of £1.8 million in pension liability. This was over the materiality threshold and would therefore need to be reported.

The going concern assessment had been undertaken and no issues had been identified. Likewise, the value for money assessment had resulted in no significant risks or areas of weakness being identified.

Ms Hanson reported that the audit could not be fully closed as the National Audit Office had indicated that it would be conducting a sample on a number of audits conducted below the threshold. There was currently no timescale or scope that had been provided in relation to this.

Mr Oliver Randall of EY reported on the audit differences. These were the Local Government Pension Scheme revisions on receipt of updated IAS19

Report, which had already been referred to, Accumulated Absences Account Changes, as these had originally been based on incorrect outstanding leave data amounting to £356,000, and the addition of a new PPE lease of £560,000.

In response to questions from Members, the Committee was advised that:

- There were no additional risk areas related to pensions that needed to be raised.
- The quality of property valuations had improved from the COVID period as there was more data to compare valuations against. Land valuations were always the most difficult to estimate as there were a number of factors to be taken into account such as permitted land use and location.
- The fire fighter pension schemes were unfunded and backed by the Home Office. This was in contrast to the Local Government Pension Scheme for non-operational staff that relied on investment income and presented a higher risk to the Authority.
- The £1.8 million difference in pension liability was a reduction as the investments had performed better than expected.
- A going concern assessment, whilst a requirement for all audited organisations, was more relevant to private sector organisations and measured the level of reserves and cash flow of an organisation to continue to operate for the foreseeable future, deemed as at least the next 12 months. Due to the nature of services provided by public sector organisations, it was likely that if funds were no longer available locally, the Government would intervene to support the continuation of vital services for local people.
- The financial landscape continued to be challenging in the public sector as one-year settlements had been announced for at least the last five years, making medium term financial planning difficult.
- The National Audit Office had not indicated when the sample audits would be undertaken. When this information was available it would be provided to the Assistant Chief Officer.
- Cash and cash equivalents related to the funds kept by the Service to pay its bills. A balance of approximately £1 million was retained to meet any unbudgeted expenses.
- Payments in advance related primarily to payments such as pension payments that were made in one month but related to the following month.

**RESOLVED:**

That the submitted Audit Results Report and Fees for the year ended 31 March 2022 be received.

23-24/ASC/8 2021/22 Statement of Accounts and Annual Governance Statement

The Assistant Chief Officer presented the 2021/22 Statement of Accounts and Annual Governance Statement post external audit.

Mr J Harrison, the Chief Accountant, reported that the underspend for the 2021/22 accounts was £77,000. This has been transferred to a transformational reserve. He then detailed the capital spend that had been committed to over that financial year of £750,000. This included £117,000 on vehicles, £258,000 on property improvements and £270,000 on ICT. The reserves balance was £12.7 million at the end of the year.

In response to a question, the Chief Accountant confirmed that the letter of representation was part of the process that must be followed to close the accounts.

The Chief Accountant provided additional detail of the reserves held including advising that £2.2 million of reserves related to specific earmarked reserves, £3.7 million reserves for capital projects, £400,000 for revenue costs and £2.3 million in collaboration reserves.

**RESOLVED:**

1. That the current version of the 2021/22 Statement of Accounts and Annual Governance Statement, that are in the final stages of being externally audited, be approved.
2. That any final amendments be delegated to the Treasurer, in conjunction with the Chair of the Audit and Standards Committee, where material.
3. That the draft letter of representation be approved, prior to the Chair approving and signing the final version.

23-24/ASC/9 Internal Audit Annual Report 2022/23

Mrs S Rowlett, of RSM, the Fire and Rescue Authority's internal auditors, presented the annual report on progress made against the internal audit plan for 2022/23.

The overall audit opinion issued for 2022/23 was that the Authority had an adequate and effective framework for risk management, governance and internal control in place but that there were further enhancements that could be made. The audit opinion was based on the actions arising from audit reports completed, as well as the acceptance and implementation of management actions

The Committee was advised that, in addition to the annual year-end report, a progress report was submitted to each meeting of the Committee.

In response to a question about what steps could be taken to improve the audit opinion, Mrs Rowlett advised that the majority of Fire and Rescue Authorities had been awarded similar opinions and expressed the view that if an overall substantial opinion had been awarded, management may not be focussing on the right areas of the organisation to audit as this should be part of a process of continual improvement.

**RESOLVED:**

That the report be received.

**23-24/ASC/10 Pre-Audit 2022/23 Statement of Accounts and Annual Governance Statement**

The Assistant Chief Officer introduced the draft 2022/23 Statement of Accounts, including the Annual Governance Statement, prior them to being externally audited.

The current timescales being proposed were planning and preparation to commence in the winter with the substantive audit being conducted in January 2024, after the statutory deadline.

The Assistant Chief Officer thanked the Chief Accountant for the substantial amount of work that had been undertaken to prepare the Statement of Accounts, whilst simultaneously supporting the external auditors in the audit of the 2021/22 Statement of Accounts.

The Chief Accountant then provided a summary of the 2022/23 accounts. The £125,000 underspend was being transferred to a pensions and pay reserve. £1.2 million of capital funding had been committed during the year, which included £500,000 for ICT. At year-end there had been £12.4 million remaining in the reserves. Use of the reserves was in accordance with the Authority's Medium Term Financial Plan, and it was anticipated that £3.7 million of these would be used to balance the budget over the medium term.

In response to questions, the Chief Accountant advised that the non-current liabilities listed on the balance sheet related to pensions. There had been a decrease in the liabilities as a result of improved investment performance.

**RESOLVED:**

1. That the draft 2022/23 Statement of Accounts and Annual Governance Statement, be approved prior to being externally audited.
2. That the delay in timing of the external audit be acknowledged.

**23-24/ASC/11 Internal Audit Progress Report 2022/23 and 2022/24**

Mrs S Rowlett, of RSM, introduced the report on progress made against the internal audit plan for 2022/23 and 2023/24.

Mrs Rowlett reported on the three audits that had been completed since the previous meeting of the Committee. Data management had received an audit opinion of reasonable assurance, there had been an advisory audit on implementation of actions from HMICFRS – engagement with the local community, and the final audit on Key Financial Controls had received an audit opinion of substantial assurance.

As the incorrect report had been published with the agenda, Members expressed concern that they could not give the correct version appropriate weight.

The Assistant Chief Officer drew Members' attention to the section of the report summarising the progress against the Internal Audit Plan 2022/23 and 2023/24. This detailed the audit areas, opinions issued, actions agreed and planned timing for the audit reports.

In relation to the data management audit, this was recognised as a very topical issue and the Service had implemented a number of measures to improve performance in this area, including the development of a Data Board. A data culture survey had been undertaken, with 128 responses received.

In response to questions, Members noted that the Service employed approximately 600 employees and that respondents to the survey were 40% operational and 60% non-operational staff. The Service employed a small team of staff to lead on data management. The Authority would be presented with the new suite of Key Performance Indicators at its next meeting.

Councillor Coombes requested a copy of the full audit report and the Business Support Manager advised that she would be happy to share other audit reports with Members of the Committee by request.

Mrs Rowlett commented that Members could decide what level of detail they required for future progress reports. Members of the previous Committee had requested the full Executive Summary, key findings and management actions to be submitted; however, this was at the discretion of Members and the Chair expressed the view that Members could discuss this further at the next meeting.

**RESOLVED:**

That the report be received.

23-24/ASC/12 Internal Audit Actions Update

Ms L Fair, the Business Support Manager, introduced the 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 currently 8 actions remaining outstanding, 3 medium priority and 5 low priority, with all of these due to be completed by the relevant completion dates. Details of all actions were set out in an appendix to the report. No extension requests were being sought from the Committee.

**RESOLVED:**

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

### 23-24/ASC/13 Local Pension Board Biennial Report

The Assistant Chief Officer introduced the Biennial Report of the Bedfordshire Fire and Rescue Authority Local Pension Board, covering the period from 1 April 2021 to 31 March 2023. This was being presented to the Committee for information.

This Pension Board related to the fire fighter pension schemes and was chaired by the Assistant Chief Officer, with employer and employee representatives. Sally Green, an Officer from HR, attended meetings as a representative of the scheme manager.

The report provided detail on membership of the Board, Board competency requirements, training, outcomes and dates of previous and future meetings.

In response to a question, the Assistant Chief Officer confirmed that any unresolved issues would be brought to the attention of the Scheme Advisory Board or the full Fire and Rescue Authority as appropriate, not this Committee, as it was the full Fire and Rescue Authority that was designated as the scheme manager.

The Committee was reminded that the fire fighter pension schemes were national, un-funded schemes, unlike the Local Government Pension Scheme.

#### **RESOLVED:**

That the report and the progress made by the Local Pension Board be acknowledged.

### 23-24/ASC/14 Work Programme

The Committee considered the proposed work programme for 2023/24. The Assistant Chief Officer highlighted the items of business for the next meeting of the Committee on 17 October 2023.

Councillor Owen commented that, in order to give due consideration to all reports submitted to the Committee, the number of meetings of the Committee scheduled during the year may need to be increased.

In response to this, the Assistant Chief Officer advised that he and the Chair would discuss this at the agenda planning meetings.

#### **RESOLVED:**

That the Committee's Work Programme for 2023/24 be received and the 'cyclical' Agenda Items for each meeting in 2023/24 be noted.

23-24/ASC/15 Annual Review of Corporate Risk Register

**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

Annual Review of Corporate Risk Register

The meeting ended at 11.53 am