

**MINUTES OF AUDIT AND STANDARDS COMMITTEE
MEETING HELD ON 14 MARCH 2019**

Present: Councillors M Headley (Chair), F Chapman, J Chatterley and Y Waheed
CFO P Fuller, GC I McLaren and Mr J Harrison
Mr N Harris, Ernst & Young
Mrs S Rowlett, RSM

18-19/ASC/42 Apologies

42.1 Apologies for absence were received from Councillors Downing and Duckett.

18-19/ASC/43 Declarations of Disclosable Pecuniary and Other Interests

43.1 There were no declarations of interest.

18-19/ASC/44 Communications

44.1 The Committee received an Emergency Services Sector Update from RSM and the Chief Fire Officer drew the Committee's attention to the section on Transformation Funding. The Service had received Transformation Funding for the Retained Duty System Improvement Programme. The revenue for this project had been accounted for, whilst some of the capital expenditure had been deferred awaiting technological advancements in relation to alerters.

18-19/ASC/45 Minutes

RESOLVED:

That the Minutes of the meeting held on 6 December 2018 be confirmed and signed as a true record.

18-19/ASC/46 Public Participation

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

18-19/ASC/47 External Audit Plan 2018/19 (Ernst & Young)

- 47.1 Mr N Harris of Ernst & Young introduced the audit planning report for 2018/19. Areas of focus included risk of fraud or management override. The incorrect capitalisation of revenue expenditure and the valuation of the Service's asset base and pension valuations would be tested following the assumptions being received from valuers and the actuaries.
- 47.2 These may be revisited as required upon the receipt of the draft accounts.
- 47.3 In response to a question from the Chief Fire Officer, Mr Harris advised that the revaluation of pensions, leading to a higher level of liability, would not be a matter for the draft accounts for 2018/19, although it would be relevant to the Service's financial resilience and financial planning arrangements. There were also other rulings that may impact the net pension liability, such as the recent ruling involving Lloyd's Bank, although it was unlikely to have a significant impact on the public sector.
- 47.4 Mr Harris reported that the level of materiality was £0.512 million, or 2% of the audited gross expenditure. Performance materiality had been set at £0.384m, which represented 75% of materiality. Uncorrected misstatements of £25,000 or over would be reported to the Committee. He suggested that it was good practice for Audit Committees to receive a schedule of corrected misstatements along with the statement of accounts.
- 47.5 In relation to the materiality levels for the pension fund account, this had been set at £0.168 million, which was 2% of the prior year's gross expenditure. Performance materiality had been set at £0.126m, which represented 75% of materiality. All uncorrected misstatements of £8,000 or over would be reported to the Committee.
- 47.6 Mr Harris commented on the value for money opinion and explained the role of the auditor in this assessment. The value for money assessment concerned the financial year 2018/19 only. There had been other issues drawn to his attention in his statutory role as the external auditor. These were not currently being reflected in the report as they did not relate to the current financial year.
- 47.7 It was acknowledged that there were new risks around Brexit and the HIMCFRS Inspection regime. No significant risks had been identified at this point in time.
- 47.8 Mr Harris advised that he had no matters on the independence of the external auditors to report.
- 47.9 There was no proposal to increase the fee that had been agreed of £23,271 at this time.

47.10 In response to a question about the capacity of the external audit team to complete the required audit work following reduction from three to two people, Mr Harris advised that he would be requesting additional management support at year-end; however, he expressed confidence in his colleague and reported that his request was to strengthen resilience at year-end.

RESOLVED:

That the report be received.

18-19/ASC/48 Ernst & Young Quality Assurance Processes

- 48.1 Mr N Harris of Ernst & Young presented the report on the internal quality assurance processes undertaken by Ernst & Young, including the provision of a dedicated quality support team.
- 48.2 He also referred to the wider review of the audit profession and the Kingman Report, as, although this was likely to have a greater impact on the corporate sector, there would be some impact on the public sector.
- 48.3 In response to a question from the Chair, Mr Harris advised that the most relevant themes to an audit of the Authority's accounts were the level of audit of valuation of the net pension liability and the level of assets. This was identified as an emerging area and would result in greater challenge of the assumptions made by the valuer as previously advised.
- 48.4 In response to further questions, Mr Harris expressed the view that there were still a number of learning points arising from the earlier closure of accounts.

RESOLVED:

That the report be received and that the effectiveness of the quality assurance processes of the Fire and Rescue Authority's external auditors Ernst and Young be confirmed.

18-19/ASC/49 Internal Audit Progress Report (RSM)

- 49.1 Mrs S Rowlett of RSM introduced the progress report against the internal audit plan for 2018/19. The governance report had been completed and would be submitted to the next meeting of the full Authority for consideration by Members.
- 49.2 Audits of Financial Controls and Risk Management had recently been completed. The audit of Key Financial Controls had one low risk action and had received an opinion of substantial assurance. Risk Management had been awarded an opinion of reasonable assurance, although it had been noted that progress had been made from the previous year.

- 49.3 The Asset Management Audit had been postponed as there had been a delay in the implementation of the new system. An audit on stock control was being undertaken in its place.
- 49.4 The audit of cyber security had also been postponed as there was an internal programme of work on cyber essentials. This self-assessment, when complete, would inform the audit due to take place in 2019/20.
- 49.5 The stock control audit and follow up audit were currently in progress.

RESOLVED:

That the report be received.

18-19/ASC/50 Internal Audit Strategy 2019/20 to 2021/22 (RSM)

- 50.1 Mrs S Rowlett of RSM submitted the three year Internal Audit Strategy for 2019/20 to 2021/2022.
- 50.2 As well as the audits that were undertaken on an annual basis (Risk Management, Key Financial Controls and follow-up), audits were also planned in the following areas: Asset Management- Asset Tracking; Mobilising System Project; Operational Business Continuity, ICT Cyber Security; Property – Statutory Compliance and Environmental Review.
- 50.3 The Committee was advised that by approving the audit plan, it was also agreeing to the Internal Audit Charter set out at Appendix C of the report.
- 50.4 Mrs Rowlett confirmed that the Governance audit would remain in draft until it had been considered by the Authority at its next meeting.
- 50.5 In response to a question about capacity from the Chair, Mrs Rowlett reported that the RSM team based in Milton Keynes had approximately 40 members so there was significant resource to complete the proposed audit plan.
- 50.6 In discussions around the time gap between audits of Human Resources, it was noted that key aspects of the Human Resources function, such as payroll and pensions, were audited annually as part of the Key Financial Controls. A wider audit of Human Resources was planned in 2021/22 to ensure that any other aspects requiring internal audit would not be overlooked.

RESOLVED:

That the submitted report be received and the audit plan for 2019/20 be approved.

18-19/ASC/51 Audit and Governance Action Plan Monitoring - Exception Report and Summary Analysis

51.1 The Chief Fire Officer reported that, with the exception of the actions that had arisen from the two most recent audits undertaken, all actions had been completed.

RESOLVED:

That the report be received.

18-19/ASC/52 Update to the Authority's Financial Regs (Biennial review)

52.1 Mr J Harrison, Chief Accountant, presented the report on the update to the Authority's financial regulations. There had been no significant changes to the regulations as there had been no changes to the statutory regulations which governed them.

52.2 The Chief Accountant highlighted the following changes to the regulations:

- The treasury management indicators relating to interest rate exposure and incremental increase of Band D properties had been removed as they were no longer appropriate.
- The Treasurer was being granted authority to write off deficiencies below the level of £10,000.
- Responsibility for considering the certificate of the value of stocks and for being reported to upon the loss of keys to safes or any such receptacles was being transferred from the Chief Fire Officer to the Treasurer.
- The text relating to the annual statement of accounts had been updated to "the annual Statement of Accounts shall be completed as soon as practicable after the year end but no later than as prescribed in the regulations" as opposed to identifying a set date.

52.3 The Chair suggested that paragraph 15.5 be amended to clarify that it was the Chief Fire Officer "or" the Treasurer that were authorised to write off deficiencies below the level of £10,000 (those above this threshold were reported to the Authority).

RESOLVED:

That the amended Financial Regulations be approved, subject to paragraph 15.5 being amended to clarify that it was the Chief Fire Officer "or" the Treasurer that were authorised to write off deficiencies below the level of £10,000.

18-19/ASC/53 Review of Work Programme 2018/19

53.1 The Chair drew the Committee's attention to the work programme which included meetings for both the 2018/19 and 2019/20 municipal years.

53.2 The Chief Fire Officer reported on concerns that had been raised by the Chair of the Authority in relation to the role of the Treasurer and Section 151 Officer and perceptions of independence. The Chief Fire Officer outlined his proposed response to the letter received from the Chair. He was proposing that the Temporary Assistant Chief Officer would be given direct responsibility for reporting to the Committee and that no other senior Officers would be present unless they were attending to present a specific report. It was hoped that this would address the concerns raised.

RESOLVED:

That the Committee's Work Programme for 2018/19 be received.

18-19/ASC/54 Review of BFRS 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

54. Review of BFRS Corporate Risk Register

18-19/ASC/55 FRA Requested Report

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

55. FRA Requested Report (CFO left the meeting)

The meeting ended at 12.13 pm

