

## MINUTES OF AUDIT AND STANDARDS COMMITTEE MEETING HELD ON 15 OCTOBER 2019

Present: Councillors M Headley (Chair), P Duckett, R Berry, K Choudhry, J Gambold and I Shingler  
ACO G Chambers, Mr J Atkinson, GC I McLaren and Mr J Harrison  
Mr N Young and Ms E Johns, Ernst & Young  
Mrs S Rowlett, RSM

### 19-20/ASC/16 Apologies

16.1 There were no apologies.

### 19-20/ASC/17 Declarations of Disclosable Pecuniary and Other Interests

17.1 There were no declarations of interest.

### 19-20/ASC/18 Communications

18.1 The Committee received the most recent Emergency Services Sector briefing from RSM.

18.2 In relation to the questions on preparedness for the implementation of the Emergency Services Network, the Assistant Chief Officer assured the Committee that the risks associated with the delay of the project had been flagged as a result of the uncertainty around the delivery of the network. An earmarked reserve of £200,000 had been set aside to cover costs associated with this.

18.3 He confirmed that he would speak with the Service's Head of ICT to ascertain whether there were any contract implications of the extension of the Airwave contract and whether there were contingency plans if the ESN technology failed.

18.4 In relation to the Fire and Rescue service inspections, the Committee was reminded that Members had been provided with the inspection findings and the resulting Service action plan to address areas for improvement. An update on progress against these actions would be submitted to a future meeting of the Fire and Rescue Authority.

18.5 The Assistant Chief Officer confirmed that a link to the Local Government Association's 'Fire authority Members guide' for new Members had been circulated to all Members of the Authority. This could be recirculated if required.

18.6 The Committee was advised that benchmarking statistics would be presented to the next meeting of the Fire and Rescue Authority.

**RESOLVED:**

That the communication be received.

19-20/ASC/19 Minutes

**RESOLVED:**

That the Minutes of the meeting held on 10 July 2019 be confirmed and signed as a true record, subject to the inclusion of Councillor Berry's apologies.

19-20/ASC/20 Public Participation

20.1 There were no members of the public present.

19-20/ASC/21 External Audit, Audit Results Report, Opinion and Value for Money

21.1 Members received the external Audit Results Report from Ernst & Young (EY). Mr N Harris introduced Ms E Johns, who had acted as the audit manager during the audit of the statement of accounts.

21.2 Mr Harris reported on the circumstances that had led to the delay of the audit. These included the resource constraints he had advised of at the previous Committee meeting, as well as the increasing complexity of a number of local authority audits as a result of pension liabilities, asset valuations and increasing commercial activity.

21.3 He expressed concerns about the viability of the current financial reporting and auditing of local authorities and referred to Sir Tony Redmond's review of local authority financial reporting and external audit, which was currently seeking views. He volunteered to share EY's view on this issue with the Committee and recommended that the Authority submit its own views.

21.4 The Chair expressed his concern and disappointment over the delay of the audit and queried what measures EY had put in place to ensure that this did not happen next year.

21.5 Mr Harris commented that the changes that EY would like to see to the sector to address sustainability issues, such as the reintroduction of a regulating body to provide oversight and consistency, would not come into effect immediately. However, the

immediate resourcing issues had been resolved and planning schedules for next year were being developed in consultation with the relevant local authorities. The plan for next year would be submitted to the Committee in due course.

- 21.6 In relation to the audit itself, the recent judgements arising from the McCloud anti-age discrimination case had led to adjustments to the level of pension liability reported by the Service. The Service had been very proactive in responding to the judgement, commissioning actuarial advice from the Government Actuary's Department (GAD) and making the required adjustments which were now reflected in the Annual Statement of Accounts.
- 21.7 Mr Harris reported on changes to the materiality. The overall materiality assessment was £723,000, with a performance materiality of £542,250 and the threshold for reporting misstatements of £35,150.
- 21.8 There were no adjusted differences to bring to the Committee's attention and the value for money arrangements had been assessed as appropriate.
- 21.9 Mr Harris referred to the other reporting issues that summarised the investigation undertaken by the Committee in relation to the Chief Fire Officer's pension benefits. No queries had been raised on the accounts in relation to this issue. Mr Harris reported that he had not yet prepared an estimate of the fee for the additional work he had undertaken in relation to the investigation and he would be liaising with the Assistant Chief Officer in this respect.
- 21.10 In relation to the valuation of land and buildings, the auditors had provided challenge to Officers to ensure that the assumptions made were reasonable. The use of buildings by other emergency services was appropriate in the light of the duty to collaborate.
- 21.11 Mr Harris reported that the likely result of the audit was one of an unqualified audit opinion and an unqualified value for money conclusion.
- 21.12 The report also set out how EY used data analytics in its work and Mr Harris advised that this would increase in future.
- 21.13 There were no issues of independence to report.

**RESOLVED:**

- 1. That the external Audit Results Report for 2018/19 be received.
- 2. That the Treasurer and Chair be delegated authority to consider and agree any non-material changes to the accounts arising from the remaining audit work on behalf of the Committee.
- 3. That the Assistant Chief Officer make submissions addressing the Committee's concerns about the sustainability of the local authority audit regime to the Redmond review of local authority financial reporting and external audit on behalf of the Authority and link in through the Fire Finance Network on any industry wide response.

### 19-20/ASC/22 Post Audit 2018/19 Statement of Accounts and Letter of Representation

- 22.1 The Assistant Chief Officer submitted the 2018/19 Statement of Accounts, including the Annual Governance Statement, to the Committee for approval. If agreed, the letter of representation would be signed following the meeting.
- 22.2 The Committee was advised that no requests for information on the accounts had been received from members of the public.
- 22.3 Mr J Harrison, the Service's Chief Accountant, reported on the adjustments to the pension liability relating to the Fire Fighter's Pension Scheme following consideration of the McCloud judgement. The increase in overall liability had increased by £12.68 million from £346.18 million to £358.86 million. It was noted that this cost was born by the Government and not the Service.
- 22.4 The work of Mr Harrison and his team in preparing for the audit was recognised.

#### **RESOLVED:**

- 1. That the current version of the 2018/19 Statement of Accounts and Annual Governance Statement that have now been externally audited be approved.
- 2. That the Treasurer, in consultation with the Chair, be delegated authority to make any final amendments.
- 3. That the letter of representation be approved.

### 19-20/ASC/23 Internal Audit Progress Report

- 23.1 Mrs S Rowlett of RSM introduced a report on the progress made against the internal audit plan for 2019/20.
- 23.2 The final audit reports on Property – Statutory Compliance and Operational Business Continuity were submitted with the report. Both had received negative opinions of partial assurance. The audit of Property- Statutory Compliance had looked at 10 areas and identified areas of improvement in the three areas of gas heating, legionella and PAT testing. The Operational Business Continuity audit had found that many of the plans were out of date.
- 23.3 She reported on two changes to the audit plan that had been requested since the last Committee meeting. The Key Financial Controls audit had been postponed due to the delay in the completion of the external audit. The Environmental Review and Community Risk Management Plan audits had been delayed as there had been a change in the management structure in those areas.
- 23.4 The Chair expressed disappointment that two negative opinions had been issued in such important areas.

23.5 The Assistant Chief Officer expressed confidence that the actions identified would largely be completed by the follow-up audit. It was recognised that, if this was not the case, it could impact negatively on the end of year audit opinion.

**RESOLVED:**

1. That the internal audit progress report for 2019/20 and the two completed audit reports be received.
2. That it be noted that the Committee is satisfied with the proposed mitigating actions to address the areas of improvement identified in the audit reports.

19-20/ASC/24 Audit and Governance Action Plan Monitoring - Exception Report and Summary Analysis

- 24.1 The Assistant Chief Officer provided Members with a summary statistical analysis of actions arising from internal audit reports over the last three financial years to date and from the Authority's current Annual Governance Statement, together with exception reports on actions currently in progress, progress to date on current action plans and proposals to extend the original timing for completion.
- 24.2 As there were a number of extension requests, the Chair proposed that the Committee consider them individually.
- 24.3 There were four extension requests relating to the audit of Risk Management that had been completed in February 2019. The original completion dates for these actions was May 2019; the requested extension was to February 2020, as the Committee was advised that the Service was seeking a new risk management software solution. The current provider, ABRISKA, was not able to provide training to managers until December 2019 and this would be at an additional cost. It was recognised that as this was an ICT issue, the first extension, relating to the population of fields for mitigating controls, assurances against controls and gaps in controls/assurances was approved.
- 24.4 The second extension request relating to an action arising from the Risk Management audit, on the definition of inherent, residual and target risks, was not approved as the Service already had working definitions of inherent and residual risks.
- 24.5 The third extension request, relating to the provision of risk management training, was approved. The fourth extension request, to update the Risk Procedure to include the minimum frequency at which risks will be reviewed was not approved, as the Service already reviewed risks on a set basis, either quarterly or annually dependent on whether the risk was being treated or tolerated.
- 24.6 The extension request relating to stock control from July 2019 to February 2020 was subject to the upgrade of Microsoft Dynamics. This had not yet been completed as it had been affected by the delay of the external audit of the accounts. This extension was agreed as the delay was outside of the Service's control.

24.7 The final two extension requests related to actions arising from the audit of Procurement completed in April 2019 from June 2019 to November 2019. These would be completed following the approval of a new Procurement Policy which was being submitted for adoption to the next Authority meeting on 6 November. These extension requests were approved.

**RESOLVED:**

1. That progress made to date against action plans be acknowledged.
2. That the requests for extensions to completion dates be endorsed, with the exception of the two extensions requested for the actions relating to the use of standard risk management definitions and the update of the Risk Procedure to include the minimum frequency at which risks will be reviewed arising from the Risk Management audit.
3. That the full Risk Management audit be postponed from February to March 2020 to enable the actions from the previous audit to be completed.

19-20/ASC/25 Review of Work Programme 2019/20

25.1 The Committee considered its updated work programme for 2019/20.

25.2 The Assistant Chief Officer advised that a report on the Review of the Abatement Policy had been deferred as the Local Government Association (LGA) was currently undertaking its own review to produce a list of Frequently Asked Questions in order to establish a consistent approach across Fire and Rescue Services on abatement. He would liaise with the LGA on progress in relation to this. It was suggested that the report be deferred to the Committee's meeting in March 2020.

**RESOLVED:**

1. That the Committee's Work Programme for 2019/20 be received.
2. That the Review of the Abatement Policy be deferred to the Committee's March 2020 meeting.

19-20/ASC/26 Corporate Risk Register (Full)

**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: Review of Corporate Risk Register

The meeting ended at 11.31 am