

## MINUTES OF AUDIT AND STANDARDS COMMITTEE MEETING HELD ON 2 JULY 2020

Present: Councillors M Headley (Chair), P Duckett, R Berry, K Choudhry, J Gambold, S Khurshid, I Shingler and Councillor J Chatterley was present as an observer

Mr J Atkinson, ACO G Chambers, SOC G Jeffrey, GC D Cook, Mr P Hughes and Mr J Harrison

Mr N Harris and Ms J Kriek, Ernst & Young

Mr D Harris, RSM

At the commencement of the meeting, the Chair made a statement on how the meeting would operate remotely via Zoom and a minute's silence was observed in memory of former Councillor F Chapman, a previous Chair of the Committee, who had sadly passed away on 6 June 2020.

### 20-21/ASC/1 Apologies

1.1 There were no apologies.

### 20-21/ASC/2 Declarations of Disclosable Pecuniary and Other Interests

There were no declarations of interest.

### 20-21/ASC/3 Communications

3.1 The Committee received a letter on the Fee Scale for the Audit 2020/21 and update on 2019/20 from Public Sector Audit Appointments (PSAA).

3.2 The Chair suggested that, as the External Audit fee was being considered later on in the meeting, the letter from PSAA could be discussed at that point in the meeting.

**RESOLVED:**

That the communication from Public Sector Audit Appointments (PSAA) be received.

20-21/ASC/4 Minutes

**RESOLVED:**

That the Minutes of the meeting held on 5 December 2019 be confirmed as a true record.

20-21/ASC/5 Public Participation

5.1 There were no members of the public present.

20-21/ASC/6 Audit Results Report and Fees - Results of 2019/20 audit including any matters outstanding

- 6.1 Mr N Harris of Ernst & Young (EY) introduced the Audit Plan for 2019/20 and the Audit Results Report. The introduction of social distancing had provided an additional challenge in completing the audit and he thanked the Officers for their assistance in providing all the necessary information by the end of May 2020, as required in the original timetable. EY had not been able to complete the audit to date; however, Mr Harris commented that the Authority was in a strong position relative to others and that the audit would be completed by the revised deadline of 30 November 2020.
- 6.2 Materiality had been set at £732,000, with planning materiality at 75%, or £542,000. In relation to the Firefighter's Pension Fund, materiality had been set at £157,000, or 2% of the previous years' benefits payable.
- 6.3 The Committee was advised that two new risks had been introduced as a result of the COVID-19 pandemic. These related to going concern: compliance with ISA 570, including cash flow gap analysis and assessment of liquidity pressures, and the IFRS 16 readiness assessment.
- 6.4 In relation to going concern, Mr Harris reported that the Service had provided its documented consideration of going concern and that he was liaising with the Assistant Chief Officer in this respect.
- 6.5 Additional work was being undertaken in relation to the valuation of property, plant and equipment assets. NPS, the Service's appointed valuers, had undertaken a full valuation of the assets and EY's assessment of those valuations and underlying assumptions was ongoing.
- 6.6 The E&Y report on the pension fund was still outstanding.

- 6.7 Mr Harris drew Members' attention to the schematic shown on the Executive Summary page which illustrated the impact of COVID-19 on EY and its audit procedures and the summary of the current status of the audit. There were no agreed adjustments or unadjusted items to bring to the Committee's attention at this time and steps were being taken to address all the outstanding issues.
- 6.8 In response to questions, Mr Harris expressed the view that the current system of public sector auditing was not sustainable. The audit firms had contributed to the Redmond Review of local authority financial reporting and external audit regarding the expectations, timescale and associated fees. The situation in relation to COVID-19 had further highlighted these issues.
- 6.9 Mr Harris then advised that an increase to the fees was being proposed to address these issues. As set out in the report, there had been an increase in scale work of almost £31,000. Therefore, it was being proposed that the scale fee of £50,021 be adopted. This reflected the increased risk and complexity facing all public sector bodies.
- 6.10 The Chair expressed his opposition to an increase in scale fee from approximately £23,000 to £50,000 partway through a contract period and sought the Committee's approval to authorising the Assistant Chief Officer to negotiate this fee level down on behalf of the Authority.

**RESOLVED:**

1. That the Audit Plan for 2019/20 be received.
2. That the submitted external Audit Results Report for 2019/20 be received.
3. That the Assistant Chief Officer and Treasurer be authorised to negotiate the audit fee for 2020/21 on behalf of the Authority, noting that the Committee is concerned about the significant increase in the proposed fee partway through a contract period.

20-21/ASC/7 Draft 2019/20 Annual Governance Statement, Statement of Accounts and Letter of Representation

- 7.1 Mr G Chambers, the Assistant Chief Officer and Treasurer, submitted the 2019/20 Statement of Accounts, including the Annual Governance Statement, as they were at this current audit stage. The deadline for the Statement of Accounts had been extended to 30 November 2020 as a result of the pandemic. He acknowledged the significant amount of work undertaken by the Finance team to prepare the accounts by 31 May 2020.
- 7.2 The Committee was advised that there was a new section on the accounts that set out the Authority's response to the pandemic. There was also a new section on the going concern and it was noted that the guidance/disclosure notes were currently being written and not available.
- 7.3 The letter of representation had been drafted in accordance with the standard template.

- 7.4 Mr J Harrison, the Chief Accountant, provided an overview of the Statement of Accounts and reported that the underspend forecast at 31 December 2019 of £116,000 had reduced to £17,000 at year end as the Service had to purchase essential equipment and to cover a £50,000 increase in the recharge for ICT services.
- 7.5 Specific reference was made to the pension liability and to the useable reserves. There had been a reduction of £1.9 million in corporate earmarked reserved to fund capital investment and to contribute £470,000 to the budget. There had been slippage in the Capital Programme but these funding had already been allocated.
- 7.6 In response to a question about the ICT recharge, the Committee was advised that a significant investment had been made in ICT.
- 7.7 The note relating to the change in pension liabilities as the result of the McCloud judgement was expanded upon. This was an ongoing issue that would be resolved in the next couple of years. There had been no impact on the Service in terms of revenue. The figures were the pension actuaries' estimates of future benefits.

**RESOLVED:**

1. That the current version of the 2019/20 Statement of Accounts and Annual Governance Statement, which are in the final stages of being externally audited, be approved, subject to the correction of the typo relating to year-end adjustments.
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 Treasurer and Chair approving and signing the final version.

20-21/ASC/8 Internal Audit Annual Report 2019/20

- 8.1 Mr D Harris, RSM, introduced the annual report on progress made against the internal audit plan for 2019/20. There was an overall positive audit opinion for the year. The audits of operational business continuity, property-statutory compliance and asset tracking had been awarded partial assurance. There had also been advisory support provided to the Service on cyber security and risk management. This had enabled the ICT Shared Service to be awarded a Cyber Essentials Plus accreditation and for a complete review of the Service's Corporate Risk Register to be undertaken.
- 8.2 Two of the partial assurances audits had been subject to follow-up audits, with reasonable progress having been made.

**RESOLVED:**

That the report be received.

#### 20-21/ASC/9 Internal Audit Strategy 2020/21 to 2022/23

- 9.1 Mr D Harris of RSM presented the three year Internal Audit Strategy for 2020/21 to 2022/2023 to the Committee for approval.
- 9.2 New audits on cyber security and Human Resources – Recruitment had been programmed for 2020/21, in addition to the programmed audits, further audits on risk management and governance, follow up audits and audit of key financial controls would be undertaken.
- 9.3 Audits completed or programmed from 2018/19 onwards were set out in Appendix B for the Committee's information.

#### **RESOLVED:**

That the submitted report be considered and the Audit Plan for 2020/21 be approved.

#### 20-21/ASC/10 Internal Audit Progress Report 2019/20 and 20/21

- 10.1 Mr D Harris of RSM submitted a report on progress made against the internal audit plan for 2019/20. There had been four audits completed since the last meeting of the Committee.
- 10.2 The follow up on operational business continuity and property – statutory compliance had been awarded reasonable assurance.
- 10.3 Asset management – asset tracking had been awarded partial assurance. During random testing undertaken by RSM, only 9 of 30 operational items had been recorded correctly. It was noted that the tracking of stock would be improved by the implementation of the BlueLight system to replace Great Plains, but that this would not be completed until early in 2021.
- 10.4 The Committee expressed particular concern that the Service was continuing to implement the actions raised as part of the previous Stock Control audit in 2018/19.
- 10.5 Group Commander Cook provided an update on stock sample testing, where sample spot checks had been undertaken regularly from February 2020 until this had to be paused due to the pandemic, and the end of the year stock check to facilitate the transfer from Great Plains to BlueLight.
- 10.6 The audits of key financial controls and the Community Risk Management Plan had been awarded substantial assurance and the audits of the environmental strategy and depolluted scrap vehicles and the mobilising system project had been awarded reasonable assurance. The Committee noted that four of the five suppliers that had tendered had withdrawn following release of the full specification.

**RESOLVED:**

That the report be received.

20-21/ASC/11 Audit and Governance Action Plan Monitoring - Exception Report and Summary Analysis

- 11.1 The Assistant Chief Officer 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.
- 11.2 Three extensions were being requested. One related to the action on the governance review arising from the Annual Governance Statement. It was noted that the review was ongoing and had not yet been completed as a result of COVID-19.
- 11.3 The remaining two extensions arose from audit action plans and related to stock control and business continuity.
- 11.4 In relation to the action outstanding from the stock control audit, Mr J Harrison advised that there had been a delay to the installation of the Microsoft Dynamics upgrade as a result of COVID-19, as the installer was required to undertake this work on site and was currently employing skeleton staff. Discussions were ongoing as to when this could now be completed.
- 11.5 The final extension request related to business continuity and the need for the business continuity arrangements to be presented to the Corporate Management Team on a rolling six-month basis.
- 11.6 Following a long discussion on the work to align and strengthen the business continuity and risk management arrangements, the Assistant Chief Officer confirmed that the business continuity arrangements would be included on the Corporate Management Team workplan for review at least every six months.

**RESOLVED:**

1. That progress made to date against action plans be acknowledged.
2. That the extensions relating to the governance review and stock control be approved.

20-21/ASC/12 Review of Code of Conduct and Annual Report on Standards

- 12.1 Mr J Atkinson, the Secretary and Monitoring Officer, introduced his report on developments relating to the standards function during 2019/20. No complaints had been lodged against Members of the Authority during this time.

- 12.2 The Secretary and Monitoring Officer reported that the Authority had previously worked in partnership with other local authorities in relation to the appointment of independent members to sit on Standards Committees. Bedford Borough Council had advised that, as a result of the pandemic, the terms of the current independent members was to be extended to 31 July 2021. It was suggested that the Authority agree to do the same, allowing it access to this pool of independent members as required.
- 12.3 The Local Government Association was currently consulting on a draft model Code of Conduct. The Secretary and Monitoring Officer advised that the Committee should be consider final model Code following its formal publication.

**RESOLVED:**

1. That the update on standards be received, and that it be noted that no complaints had been received against Members during 2019/20.
2. That the term of office of the existing independent persons be extended for 12 months until 31 July 2021.
3. That no changes are required to the Authority's Code of Conduct at this time but that the Code be reviewed when the LGA's Model Code of Conduct is formally adopted and published.

20-21/ASC/13 Review of Work Programme 2020/21

- 13.1 The Committee considered the proposed work programme for 2020/21.

20-21/ASC/14 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

Corporate Risk Register

The meeting ended at 12.04 pm

