

AUDIT & PERFORMANCE REVIEW COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

5 March 2021

Present:

Councillors Healey MBE (Chair), Buchan, Clayton, Napper, Prowse (Vice-Chair) and Saywell

In attendance:

Andrew Davies – Grant Thornton (the Authority's External Auditors)

* **APRC/38** **Minutes**

RESOLVED that the Minutes of the meeting held on 19 November 2020 be approved as a correct record.

* **APRC/39** **External Audit Progress Report and Sector Update**

The Committee received, for information, an external audit progress report and sector update from Grant Thornton (the Authority's external auditor) covering, amongst other areas:

- A summary of emerging national and sector issues and developments relevant to the fire & rescue service;
- An update on progress made up to February 2021;
- Details of a change in engagement lead from Aditi Chandramouli to Andrew Davies;
- The 2020-21 audit deliverables;
- Details of The Redmond review, the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting which was published on 8 September. One of the key recommendations of this review was to move back to a September deadline for Local Authorities for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- The changes to the Value for Money (VFM) assessment process as a result of the introduction of a new Code of Practice by the National Audit Office (NAO), introducing a new "Auditor's Annual report"; and

It was noted that there were three main changes arising from the NAO's new approach, namely:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness;

- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach; and
- The replacement of the binary (qualified /unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VFM would refocus work to provide more timely reporting and clearer recommendations in order to assist local authorities to improve.

NB. Minute APCR/40 below also refers.

* **APRC/40**

External Audit Plan 2020-21

The Committee received for information an external audit plan for the year ending 31 March 2021 from the Authority's auditors, Grant Thornton. The Plan provided the scope and timings for the statutory audit of Devon & Somerset Fire & Rescue Authority's financial statements. It also identified, amongst others, areas of significant risks for the Service, issues of materiality and details of Value for Money arrangements.

The Committee noted that, for the audit, Grant Thornton would be focussing on four significant risks as identified within the report which were:

- Revenue recognition (rebutted);
- Management override of controls;
- The valuation of land and buildings; and
- The valuation of pension fund net liability.

Attention was also drawn to the Value for Money arrangements and in particular, financial sustainability. ISA540 was also highlighted as the key question was how the Authority understood, challenged and managed estimates going into the Statements of Assurance. It was noted that Grant Thornton had produced a document that set out how estimates were calculated for guidance.

Reference was made to the materiality level which had been set at £1.850m (2% of gross expenditure) which reflected the auditor's good experience of working with this Authority and the robust accounts that it prepared. A lower materiality figure of £20k had also been set in respect of senior officers' pay.

The report also set out the level of proposed audit fees for the 2020-21 audit of financial statements which had been set at £31291.

*NB. Minute *APRC/39 above also refers.*

* **APRC/41** **Group Accounts for Devon & Somerset Fire & Rescue Authority and Red One Ltd.**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (APRC/21/1) that set out the position in respect of the provision of group accounts for the Authority's trading company, Red One Limited in 2020-21.

Under the Chartered Institute for Public Financial Accountants Code of Practice, the Authority was able to take a view on materiality when presenting group accounts. Following discussion with the external auditor, Grant Thornton, it was the Treasurer's view that the activities of Red One Limited were not material to the Authority's Statement of Accounts and therefore, it was recommended that the accounts were not consolidated.

It was noted that this position may change in the 2021-22 accounts due to the expected increase in turnover for Red One Limited in future.

RESOLVED that the accounts of Red One Limited be not consolidated into group accounts for the 2020/21 financial year.

NB. Councillor Saywell declared a personal interest in this matter by virtue of being an Authority appointed Non-Executive Director on the Board of Red One Limited. Councillor Saywell neither spoke nor voted on this item.

* **APRC/42** **Audit & Review 2020-21 Progress Report**

The Committee received for information a report of the Director of Governance & Digital Services (APRC/21/2) that set out the progress made to date by the Service against the approved 2020-21 Internal Audit Plan and which also provided an update on any additional reviews undertaken.

The following points were also highlighted:

- 4 audits were in progress as set out in the report;
- A draft report on psychological safety was now completed;
- One report was available on Operational Training in the Academy although there was nothing to indicate inclusion in the Authority's Annual Statement of Assurance; and
- the efforts of the Risk & Insurance team in supporting the work under the audits was highlighted.

* **APRC/43** **2021-22 Draft Internal Audit Plan**

The Committee considered a report of the Director of Governance & Digital Services (APRC/21/3) identifying the proposed Internal Audit Plan for 2021-21. The Plan was divided into audits to be undertaken on an annual cycle by both internal resources (115 days) and the Devon Audit Partnership (117 days) on a risk based approach. The report set out a high level summary of what was proposed and it was confirmed that this was within the budget set by the Fire & Rescue Authority at its meeting in February 2021. The Plan was subject to flexibility if emerging risks arose.

Reference was made to the position on fitness testing which had been a cause for concern identified by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and was subject to review currently. HMICFRS would be looking carefully at whether the changes made by the Service had impacted. Additionally, it was noted that there was work being undertaken on application of learning, such as on the Grenfell recommendations with a lot of work on planning and continuous improvement.

RESOLVED that the 2021-21 Internal Audit Plan as appended to report APRC/21/3 be approved.

* **APRC/44** **2020-21 Draft Annual Statement of Assurance**

The Committee considered a report of the Director of Governance & Digital Services (APRC/21/4) to which was appended the draft Annual Statement of Assurance for 2020-21.

The Statement had been prepared to comply with the requirements of the Accounts and Audit (England) Regulations 2015 and the latest version of the Fire and Rescue National Framework and examining organisational systems of internal financial control, corporate governance along with operational assurance.

RESOLVED that the draft Annual Statement of Assurance 2020-21 as appended to report APRC/21/4 be approved in principle and submitted to the External Auditor alongside the draft Statement of Accounts for the same financial year.

* **APRC/45** **Corporate Risk Register**

The Committee received for information a report of the Director of Governance & Digital Services (APRC/21/5) that set out the organisational risks, both strategic and operational, together with the associated mitigations and the actions taken to ensure that this was managed appropriately and proportionately.

The Head of Organisational Assurance advised the Committee that the Service had not only been dealing with the Covid-19 pandemic but also a No Deal Brexit. A lot of work had been carried out by the Team on risk in 2020-21, including horizon scanning and looking at department registers. The Team would be looking at how well things were embedding shortly.

The Committee acknowledged the excellent work undertaken by the Assurance Team and particular thanks were expressed to Sue Nugent and Ainslie Bird for their hard work during the pandemic. The Director of Governance & Digital Services echoed these comments as this had been an extraordinary year and the Assurance Team had played a pivotal role during the pandemic which, as small team, had been under a lot of pressure.

* **APRC/46** **Her Majesty's Inspectorate of Constabulary & Fire & Rescue Services**
Inspection Progress Update

The Committee received for information a report of the Director of Service Improvement (APRC/21/6) that set out the Service's current progress against the identified recommendations made by Her Majesty's Inspector of Constabulary and Fire & Rescue Services (HMICFRS) in its Inspection Report of 2019.

The report identified in the Appendix attached, via a Red, Amber, Green (RAG) rating the progress made to date with the 24 actions identified HMICFRS. There were only 5 recommendations in which there were outstanding actions and the report set out the progress made against them to date.

It was noted that HMICFRS had also undertaken a Covid-19 inspection recently and the Service had received a good response, maintaining its statutory duties throughout. Attention was drawn to the point that the Service had been instrumental in assisting the National Fire Chiefs' Council (NFCC) on its guidance in respect of On Call pay protection.

There were two areas of focus for the Service arising out of this inspection, namely:

- light touch – to ensure that innovative ways of working were built into Service planning going forward. A Portfolio Office had been established which would cover all of the recommendations made funnelling this through into one point of contact; and
- to ensuring greater productivity from Wholetime Firefighters – the Service would be looking carefully at this to find the best way forward.

It was also noted that HMICFRS was back in Service at present to review the progress made on the cause for concern on Firefighter fitness. HMICFRS would be reporting back to the Service on this in due course.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**