

AUDIT & GOVERNANCE COMMITTEE
(Devon & Somerset Fire & Rescue Authority)

30 July 2021

Present:

Councillors Healey MBE (Chair), Brazil, Napper, Parker-Khan, Prowse (Vice-Chair),
Roome and Thomas

Apologies:

Councillors Dr. Buchan and Vijeh

In attendance:

Mr B Morriss – Grant Thornton (the Authority's external auditor)

* **AGC/21/1** **Minutes**

RESOLVED that the Minutes of the Audit & Performance Review Committee (as replaced by the Audit & Governance Committee) held on 5 March 2021 be signed as a correct record.

* **AGC/21/2** **Financial Statements 2020-21**

The Committee considered a report of the Director of Finance & Resourcing (Treasurer) (AG/21/1) that set out the current position in relation to the submission of the final Statement of Accounts for 2020-21 in accordance with the Accounts and Audit Regulations 2015 (as amended in 2021).

It was noted that the amended Regulations now required the publication of the final financial statements by 30 September 2021. Whilst the majority of the financial audit for Devon & Somerset Fire & Rescue Authority was now completed, the Value for Money (VFM) opinion required before a certificate on the Financial Statements could be issued was outstanding thus an additional meeting of this Committee was required in order to approve the final financial statements.

RESOLVED

- (a). that an additional meeting be arranged for either 29 or 30 September 2021 at 10:00 hours to approve the 2020-21 final Statement of Accounts and the Annual Statement of Assurance for publication on the Authority's website by 30 September 2021, in accordance with Regulation 9(2) of the Accounts and Audit Regulations 2015 (as amended);
- (b). that, subject to (a) above, the report be noted.

* **AGC/21/3** **Audit Findings for the Devon & Somerset Fire & Rescue Authority**

The Committee considered a document prepared by the Authority's external auditor (Grant Thornton) setting out the initial audit findings on the Authority's financial statements for the year ended 31 March 2021.

The Treasurer advised the Committee that there would be a suite of financial statements for consideration at the next meeting centred on the Authority's Statement of Accounts for 2020-21. He referred to the delay in finalising the accounts but advised the Committee that there had been a good outcome on the financial statements for 2020-21 and that he was pleased with how this placed the Authority going into the next financial year. There were some issues to be resolved and the Treasurer provided an explanation on this, specifically in relation to how the process on journal entries was being resolved.

Mr Morriss, representing the External Auditors - Grant Thornton, presented the initial audit findings to the Committee. Mr Morriss referred to the issues caused by the Covid-19 pandemic in terms of preparation of the Authority's financial statements. He acknowledged the assistance provided by the Treasurer and finance team in undertaking this audit work remotely in such difficult circumstances and stated that the anticipation was that, subject to resolution of the points raised on page 3 of the audit findings, an unqualified audit opinion would be issued.

During his presentation to the Committee, Mr Morriss referred to the following points:

- The materiality level was now likely to be £1.750million;
- There were a number of issues identified including (amongst others) journal entries. Following testing, some weaknesses had been identified in financial systems but it was acknowledged this was being addressed. The audit work had not identified that any weaknesses in the system had been exploited, however, which was important;
- The valuation of land and buildings and pensions was in line with the expectations of auditors and actuaries.
- The audit findings had identified an anomaly on the salary growth range which had resulted in the Service seeming to be out of line but on investigation, the PWC growth rate appeared to be out of line so auditors were looking at this nationally;
- Attention was drawn to matters that would be included in the updated financial statements (not before the Committee as yet), including:
 - Note 25 – Red One was disclosed as a related party but the balance was not disclosed. The auditor did not feel this was complete and an amendment would be included in the final audit findings paper;
 - No death lump sums were identified but it had been identified that £0.116m should be included;

- There were no significant audit adjustments required on the statement of accounts;
- The Value for Money (VFM) judgement had changed as a result of new practice introduced by the National Audit Office under the Code of Audit Practice 2020. Auditors would no longer issue a single conclusion on VFM arrangements as part of their opinion on the financial statements. Instead, significant weaknesses in arrangements would be reported when identified together with recommendations for improvement. VFM arrangements would only be reported as part of the audit opinion by exception, where significant weaknesses were found. The main output on VFM would be a commentary contained in a new document, the Auditor's Annual Report, covering arrangements for:
 - Financial sustainability
 - Governance
 - Improving value for money

In conclusion, Mr Morriss indicated that the Authority was amongst the earliest of local authorities to complete its financial statements and progress the audit and he congratulated both the finance and audit teams on this achievement.

The Chair referred to an additional amount of funding that would be required now to bridge the gap as a result of the pay award agreed by the National Employers' in 2021 which would create an issue for all local authorities. The Treasurer added that he would be looking carefully at the budget deficit over the next 3 years which was about £7m.

It was noted that the Committee would receive the financial statements for approval at its meeting scheduled for either 29 or 30 September 2021.

(SEE ALSO ITEM *APRC/21/2 ABOVE)

* **AGC/21/4 Internal Audit 2020-21 Year-end Report**

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

The Director of Governance & Digital Services advised that internal audit work had been delayed by the Covid-19 pandemic in 2020-21 and the Audit Team had delivered less audit days than had been anticipated as a result. Reference was made to the progress with audits undertaken and also the sustained focus on closing down open actions and it was noted that good progress had been made. The overall opinion was that there was reasonable assurance that the Service had sound systems of internal control in place. There were areas for improvement but these were being addressed by the Service.

The Committee asked for clarification of the results of the staff survey and what a “fairly low” response rate meant. The Director of Governance & Digital Services confirmed the number of responses received was 25 (out of 132 emails sent out). It was recognised that there was a real opportunity to collate information differently as work was being undertaken in silos and the Service was looking at this but it was not a simple or quick fix. The Chief Fire Officer indicated that a paper could be submitted on this to the People Committee so that this area could be explored in more depth.

Councillor Thomas **MOVED** (seconded by Councillor Parker-Khan):

“That the People Committee be requested to look in more detail at the results of the survey on psychological safety”.

Upon a vote, the motion was carried unanimously.

RESOLVED

- (a) That the People Committee be requested to look in more detail at the results of the survey on psychological safety; and
- (b) Subject to (a) above, the report and opinion on the Internal Control Environment be noted.

* **AGC/21/5** **Internal Audit 2021-22 Quarter 1 Progress Report**

The Committee received for information a report of the Director of Governance & Digital Services (AG/21/3) which provided a progress update in respect of the delivery of the 2021-22 Internal Audit Plan and also on the review work undertaken.

The Director of Governance & Digital Services advised that overall delivery of the Plan was on target. Reference was made in particular to the National Fraud Initiative and the number of open actions resulting from audits undertaken which was showing a positive downward trend. Reference was also made to the audit of fitness testing. It was noted that this audit had not progressed yet due to a further inspection from HMICFRS in September 2021. A separate piece of assurance work had been undertaken in this area recently and the level of improvement was significant. A clear action plan had been set out and this had been instigated. The audit would be progressed once the inspection by HMICFRS had concluded.

* **AGC/21/6** **Local Pension Board Annual Report 2020-21**

The Committee considered a report of the Director of Governance & Digital Services (AGC/21/4) to which was appended the Local Pension Board annual report for 2020-21. The report provided information on (amongst other things):

- work undertaken by the Board in 2020-21;
- details of any identified risks and Board actions (based on a RAG rating);
- details of statutory breaches (if any); and
- the management of conflicts of interest.

The Director of Governance & Digital Services made reference to the risks which had an Amber rating, namely the application of remedies under the Appeal Court ruling on the McLeod Sergeant case (processing of immediate detriment cases) and an Injury on Duty pension issue (potential incorrect deduction of retirement allowance).

RESOLVED that the Local Pensions Board Annual Report for 2020-21, as appended to report AGC/21/4 be endorsed.

* **AGC/21/7**

Authority Policy on the Regulation of Investigatory Powers Act 2000 (RIPA) Review

The Committee received for information a report of the Director of Governance & Digital Services (AG/21/5) covering the requirements for an annual review of its policy and procedures under the Regulation of Investigatory Powers Act (RIPA) 2000 which governed public authorities (such as the Devon & Somerset Fire & Rescue Authority) on the use of covert investigatory techniques.

It was noted that this Authority had never used and did not envisage using the RIPA powers in the future but it was nonetheless a requirement to have policies and procedures in place and to review them annually.

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

The Meeting started at 10.00 am and finished at 11.45 am