

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

22 January 2024

Present:

Councillors Coles (Chair), Clayton, Cook-Woodman, Fellows, Roome, Sellis, Slade (Vice-Chair) and Sully.

Independent, Co-opted Members:

Messrs Perks and Turkington

Apologies:

Councillor Sproston

* **AGC/23/22** **Minutes**

RESOLVED that the Minutes of the meeting held on 30 November 2023 be signed as a correct record.

* **AGC/23/23** **Revised Forward Plan 2023-24**

The Committee considered a report of the Clerk to the Authority (AGC/24/1) on proposed revisions to its Forward Plan which had arisen as a result of delays in submission of the Authority's financial statements for the 2022-23 financial year.

RESOLVED that the revised Forward Plan for 2023-24 as appended to report AGC/24/1 be approved.

* **AGC/23/24** **Devon & Somerset Fire & Rescue Authority 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 January 2024;
- A number of challenging questions in respect of the emerging issues for consideration by the Committee.

Andrew Davies, representing Grant Thornton, advised the Committee that the audit of the Authority's financial statements was progressing well now, albeit that there had been an initial delay with its commencement.

The following key points were highlighted:

- Management over-ride of controls: the only reference had been to two previously identified control deficiencies. (No authorisation limit on journal posting and checking of journal postings). The Treasurer advised that a new finance system would be introduced in 2024-25 which would address the risks outlined. Mr Perks raised concerns around unusual journals as there had been no second line of defence. He requested a brief paper from management outlining the lower and higher risk journals to allow the Committee to challenge management. The Treasurer responded that 95% of the journals were automated and focused on payroll, recharges and site fuel costs. He confirmed he would submit a paper to the Committee on this matter. Grant Thornton had also recognised the retrospective controls that were in place providing a level of mitigation. The Treasurer reconfirmed the risk would be mitigated once new financial software was in situ.
- ISA240 Revenue Risk: Grant Thornton had re-considered their assessment upon receipt of the draft financial statement and had not identified any reasons to change their assessment. The Treasurer advised that the Committee had limited control over the Red One Ltd. financial audit. The company's Articles of Association stated that the appointment of its statutory auditors was a matter reserved to the Authority. The Treasurer's view was that this had not taken place. He added that the Authority was progressing a governance review which would improve its oversight of the company overall. A report thereon would be considered by the Authority at its meeting on 16 February 2024.
- Valuation of land and buildings: It was noted that Grant Thornton had asked for vehicle policies to be updated to reflect their asset lives. The Treasurer advised that the policies had been updated and the Service had responded to Grant Thornton accordingly. Grant Thornton had subsequently responded that the age of the asset life was not used appropriately. The Treasurer advised that, from an accounting perspective, the Service recognised the depreciating value of the asset as items aged.

* **AGC/23/25 Annual Audit Report 2022-23**

The Committee received for information the Annual Report on Devon & Somerset Fire & Rescue Authority's Value for Money (VFM) arrangements as submitted by the external auditor, Grant Thornton for the 2022-23 financial year.

Under the National Audit Office Code of Practice, the external auditor was required now to consider whether the Authority had put into place proper arrangements to secure economy, efficiency and effectiveness in its use of resources in 2022-23 rather than giving a qualified/unqualified VFM conclusion.

Justine Thorpe, representing Grant Thornton, presented the VFM findings to the Committee. The criteria under which the Authority's VFM arrangements were judged was:

- Financial sustainability;
- Governance; and
- Improving economy, efficiency and effectiveness.

The external auditor had to consider whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. There were no significant weaknesses identified in the Authority's arrangements in all three of the above areas and good progress had been achieved overall since the previous Annual Audit Report albeit that two improvement recommendations were made (governance) as set out within the report circulated.

Reference was made to the significant financial challenges faced by the Service in future years (£20.8m) as identified within its Medium-Term Financial Plan which required the Authority's continued focus.

* **AGC/23/26** **Corporate Risk Register**

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (AGC/24/2) that provided an update on the Corporate Risk Register. The Corporate Risk Register (CRR) captured and described the most significant risks, both internally and externally, facing the Devon & Somerset Fire & Rescue Service ("the Service"), with a focus on cross-cutting risks and major projects and was reported to the Committee on a bi-yearly basis.

The risk management process included the identification, assessment and recording of risks together with mitigating activities. The Service's Risk Manager advised that there were currently 12 risks entered on the Corporate Risk Register with 1 risk added and 5 de-escalated to local and thematic risk and no risks closed. Of the 12 risks on the CRR currently, 5 were high risk and 7 were medium. The five high risks on the CRR were:

- CR044 - Cyber-attack causes sustained business systems outage, risk owner Shayne Scott (SIRO). Risk added September 2018. Risk remains indefinitely on register;
- CR050 - Failure to agree actions to set a balance budget in future years. Risk owner Shayne Scott. This risk was added September 2018. Risk remains indefinitely on the register;
- CR055 - (SSC003) Failure to thoroughly investigate and learn from safety events and take corrective action to prevent foreseeable reoccurrences. Risk owner Maria Phillips. This risk was added December 2019. Based on current progress it was anticipated that the risk should be de-escalated by 31 March 2024;

- CR070 - Failure to operate an effective risk assessment process. Risk owner Maria Phillips. This risk was added March 2021. It was anticipated that this risk should be de-escalated 31 March 2024; and
- CR079 - Inability to assure ourselves that the HFS data created, held and reported on is correct. Risk owner Gerald Taylor. This risk was added February 2022. It was anticipated that this risk should be de-escalated by the end of 2024.

The report set out details of the current position in respect of each of the 5 high risks together with information on how long each risk had been on the Register as requested by the Committee at its previous meeting. Based on current progress, it was anticipated that both CR055 and CR070 (as above) should be de-escalated to the Health & Safety thematic risk register by 31 March 2024. The Committee noted that the Executive Board monitored the position in respect of the CRR monthly and took decisions in respect of the closure, amendment or de-escalation of risks as set out within paragraph 3.1 and 3.2 of this report.

The Committee received assurance that appropriate controls were in place to protect the Service's interests and to achieve its Strategic Objectives.

Reference was made to the point that response to incidents involving flooding for the Service did not attract any funding from Government since this was not a statutory duty under the Fire & Rescue Services Act 2004. The Committee requested that the Authority consider this matter further with a view to pressing the Government for funding as appropriate to cover this work given the position with climate change and its acute financial pressures.

* **AGC/23/27**

His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) Areas for Improvement Action Plan Update

The Committee received, for information, a report of the Chief Fire Officer (AGC/24/3) on progress against the Action Plan to address the Areas for Improvement falling within the remit of this Committee and as identified by His Majesty's Inspectorate of Constabulary & Fire & Rescue Services following its last inspection of the Service.

The report identified that all four Area for Improvement linked to this Committee were recorded as "in progress – OnTrack" albeit that the timescale for completion of (HMI-1.3-202205 – Quality Assurance of Audits and Fire safety Checks) had been extended to 31 August 2024. Mr Perks suggested that this action could be closed potentially as this could be an area in which the quality assurance process would be continually changing as further audits were undertaken. The Treasurer undertook to look into this matter and report back to the Executive Board accordingly.

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