

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

21 July 2023

Present:

Councillors Coles (Chair), Cook-Woodman, Fellows, Sellis, Slade (Vice-Chair), Sproston (vice Gilmour) and Sully,

Independent, Co-opted Members:

Messrs. Perks and Turkington

Apologies:

Councillors Power and Roome

* **AGC/23/1** **Minutes**

RESOLVED that the Minutes of the meeting held on 26 April 2023 be signed as a correct record.

* **AGC/23/2** **External Audit Progress 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 July 2023;
- The audit deliverables for 2022-23; and
- The 2022-23 audit fees.

Barrie Morris, representing Grant Thornton, advised the Committee that the Audit Plan would normally have been submitted to the Committee at this stage but audit work had been delayed and thus, this would be submitted to the September 2023 meeting. It was anticipated that the audit opinion would now be submitted to the Committee by the end of February 2024. The Clerk advised that she was liaising with the external auditor in respect of the potential need to re-arrange the date of the January 2024 meeting of the Committee in light of this information.

It was noted that representations had been made to Parliament in respect of the backlog in external audit of local authority financial statements and that the publication of a disclaimer was under consideration. Given this was the last of the five years of the PSAA contract, Devon & Somerset Fire & Rescue Authority would move to a new external auditor for the 2023-24 financial statements.

The external auditor further advised of a change in the published fee for the 2022-23 audit which would be reduced by £5,000 to £52,380.

Mr Perks, Independent Co-opted member of the Committee asked the Treasurer how confident he was in ensuring the delivery of the financial statements for auditing by the deadline of the end of July 2023 given there was a small Finance Team in place. The Director of Finance & Corporate Services (Treasurer) reassured the Committee that the Finance Team had to cope with the consolidation of accounts of Red One Ltd. for the first time in 2021-22 which had been challenging and lessons had been learned but he was more confident with production in the second round.

Mr Perks further questioned how the Treasurer would achieve segregation of his roles given his newly extended remit. The Treasurer replied that he had the benefit of a deputy now with the appointment of Maria Phillips as Assistant Director of Corporate Services picking up Risk and the Portfolio Office with Andrew Furbear as Head of Finance. The governance at local authority level lay with the Service's Directors and it was usual for those Directors to be appointed as statutory officers in addition to their day-to-day role such as the Treasurer and Monitoring Officer.

* **AGC/23/3** **Annual Internal Audit Report 2022-23**

The Committee received for information an annual report of the Head of the Devon Audit Partnership (AGC/23/9) for 2022-23, a new responsibility which had been introduced under the Accounts and Audit Regulations 2015 (as amended 2021). The report set out the background to audit service provision, any updates to the agreed 2022-23 plan, a review of the work undertaken in 2022-23 and an opinion on the overall adequacy and effectiveness of the Authority's Internal Control Environment.

The Head of the Devon Audit Partnership (DAP) referred to the point that the DAP had only commenced the internal audit function for the Authority from October 2022 which was part way through the financial year which had caused some difficulties. The overall opinion given in this annual report was "limited assurance". Whilst there may be audits where an assessment of limited assurance had been given, the Head of the DAP advised that there was assurance to be taken and progress was being made.

Mr Perks referred to conflicts in the terminology used within the report and specifically the difference in context between "significant gaps" which appeared, in his opinion, to be "important but not significant". He asked the Head of the DAP to consider this in future reports. The Head of the DAP replied that this was a good challenge but this was based on the CIPFA definition of "significant". Mr Perks added that this would need to be reconciled with the terminology in the report on Going Concern (Minute AGC/23/2 below refers). The Treasurer clarified that the Going Concern report reflected his professional assessment of the Authority's ability to continue operating for the foreseeable future. Whilst he gave due regard to the Internal Audit Report, alignment of terminology was not to be assumed or expected. The Treasurer further stated that it would be difficult to move away from the CIPFA definition, but he acknowledged the point made.

Mr Perks suggested there was a need for the Committee to receive an overarching report at each meeting on all management actions and overdue recommendations together with an explanation as to the reasons why. The Treasurer stated he could see the benefit of doing and the Service could bring together all the various actions which were underway and cross reference them to the risk register.

* **AGC/23/4** **Internal Audit Interim Progress Report 2023-24**

The Committee received for information a report of the Head of the Devon Audit Partnership (DAP) upon the progress made against the approved Internal Audit Plan for 2023-24.

The Head of the DAP advised that it was still relatively early in the financial year and thus, only one audit had been completed which was the Medium-Term Financial Plan which had been given reasonable assurance. 3 audits were in progress with a further 10 planned.

Mr Perks commented that it would be good to map the Corporate Risk Register number against each audit.

* **AGC/23/5** **Draft Annual Statement of Assurance 2022-23**

The Committee considered a report of the Finance & Corporate Services (Treasurer) (AGC/23/11) to which was appended the draft Annual Statement of Assurance for 2022-23.

The Statement had been prepared to comply with the requirements of the Accounts and Audit (England) Regulations 2015 (as amended) and the latest edition of the Fire and Rescue National Framework for England. The Statement examined and provided commentary on organisational systems of internal financial control, corporate governance and operational assurance.

In debating the report, the following points were made:

- that the Committee should see an overview of what the Service's insurance cover was in place so that any gaps could be identified and risk mitigated;
- that the Committee should be apprised of any complaints made that involved financial impropriety or governance issues; and
- that the management actions should be annotated with the quarter and year in the status column in future.

RESOLVED that, subject to inclusion of the amendments as indicated, the draft Annual Statement of Assurance 2022-23 as appended to report AGC/23/11 be approved in principle and submitted to the External Auditor alongside the draft financial statements for the same financial year.

* **AGC/23/6** **Corporate Risk Register**

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (AGC/23/11) that provided an update on the Corporate Risk Register. The Corporate Risk Register 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 presented the Corporate Risk Register at the meeting via SharpCloud, the tool used to visualise the risks in place. She advised that there were currently 16 risks entered on the Corporate Risk Register with 4 risks escalated from the local risk register, 2 de-escalated to local and thematic risk and no risks closed. Of the 16 risks, 7 were high risk and 9 were medium. In terms of the risks escalated, these were:

- CR050b - Failure to agree actions to set a balanced budget in future years, further exacerbated by reduced council tax and business rates and inflation. Agreed to combine risk into existing corporate risk CR050;
- CR082 - Inability to maintain Academy training facilities. Agreed to add risk to Academy risk register;
- CR083 - Failure to operate Safeguarding effectively. Agreed to add risk to Community Safety risk register;
- CR084 - Digital capability at risk due to lack of clarity of future Digital direction. Agreed to add risk to corporate risk register.

The Service’s Executive Board agreed to amend the following risks on the corporate risk register:

- CR077 - Industrial action, including withdrawal from voluntary arrangements to do non contractual working, December 2022 increased likelihood score from 3 to 4 due to FBU ballot 5 December 2022; and
- CR050 - Failure to agree actions to set a balanced budget in future years, further exacerbated by reduced council tax and business rates and inflation; impact score increased from 3 to 5 thereby increasing risk level from medium to high due to budget pressures associated with 2024/25 financial year and beyond.

In terms of risk CR050, the Committee asked to receive a monthly, informal update on the position on progress made towards closing the financial gap identified with the Authority’s Medium Term Financial Plan. The Treasurer undertook to put this into place.

* **AGC/23/7** **Going Concern Review**

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (AGC/23/13) that provided a formal response from management to the external auditor (Grant Thornton) on the Authority as a going concern.

The report contained a review of the financial position as at 31 March 2023 alongside an assessment of the ability of the Authority to continue operating for the foreseeable future. The report confirmed that the Authority was operating within a robust control environment which was evidenced through appropriate assurance, financial and operational monitoring reports both to management and the Authority.

During the debate on this item, the following points were raised:

- That the forecast budget deficit in 2024-25 and future years as set out within the Medium-Term Financial Plan was a challenge but the Service had plans in place to address this and the Authority would be kept informed of progress;
- That treasury management and investment returns in 2023-24 were a key revenue consideration albeit that the current, high returns were unlikely to be sustained in the longer term;
- That the level of Council Tax set for 2024-25 was crucial and the Treasurer would be setting out options for consideration by the Authority once information in respect of the Revenue Support Grant settlement and precept boundaries were established later in 2023-24.

* **AGC/23/8** **Annual Review of Authority Standards Arrangements**

The Committee received for information a report (AGC/23/14) that identified the Standards arrangements adopted by the Authority to secure compliance with the legislative provisions of the Localism Act 2011 and associated Regulations. The report also provided an overview of operation of the regime during the 2022-23 financial year.

* **AGC/23/9** **His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) Action Plan Update**

The Committee received for information a report of the Chief Fire officer (AGC/23/15) setting out the progress that had been made against His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Areas for Improvement as set out in the Action Plan appended to the report.

There were four actions directly related to the work of this Committee together with the progress made to date which were set out below, namely:

- HMI-1.-2-202202 – the Service should make sure its integrated risk management plan included clear outcomes that showed the public how it was currently mitigating risk;

- HMI-1-3-202205 – the Service should make sure that it had an effective quality assurance process so staff carry out audits and fire safety checks to an appropriate standard;
- HMI-2-2-202207a – Prevention and Protection – the Service should be aware of and invest in developments in technology and future innovation to help improve and sustain operational efficiency and effectiveness; and
- HMI – 2.2-202207b – Response – the Service should be aware of and invest in developments in technology and future innovation to help improve and sustain operational efficiency and effectiveness.

It was noted that there were 19 individual actions sitting beneath these of which 5 were in progress (on track), 7 had been completed, 6 had not been started and 1 was in progress but off track.

In terms of Area for Improvement, HMI-2.2-202207b (Response – Technology and Future Innovation) this was currently recorded as ‘In Progress – Off Track’. This was because action 07b.03 ‘Investigate which systems involving response activity are currently paper based and make recommendations for improvements’ had not been completed in the required timeframe.

* **AGC/23/10** **Management Responses to the improvement Recommendations Identified within the External Auditor's Annual Report 2021-22**

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (AGC/23/16) that set out the management responses to the external auditor’s improvement recommendations identified within their Annual Report for 2021-22.

The Treasurer drew attention to the point that there was an updated response on the improvement recommendation related to the Medium-Term Financial Plan, amongst others, which had not been reflected in the version of the paper circulated with the agenda and papers. He advised that the Medium-Term Financial Plan was being considered on a monthly basis by the Executive Board as a result of this recommendation and quarterly by the Authority. It was noted that the revised responses to the improvement recommendations would be circulated to the Committee.

NB. Minute AGC/23/7 also refers.

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