

AUDIT & PERFORMANCE REVIEW COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

24 April 2017

Present:-

Councillors Radford (Chair), Coles, Healey, Randall Johnson, Wheeler and Dyke (sub Way)

In attendance:-

P Bartlett (Grant Thornton) and R Hutchings and L Sharpwood (Devon Audit Partnership)

* **APRC/24 Minutes**

RESOLVED that the Minutes of the meeting held on 18 January 2017 be signed as a correct record.

* **APRC/25 Grant Thornton Update**

The Committee received for information a report submitted by the Authority's external auditor, Grant Thornton, setting out the progress made in delivery of its audit responsibilities to the Devon & Somerset Fire & Rescue Authority (the Authority) up to 24 March 2016. The report also covered emerging issues and developments, including the reform of local government, innovation in public financial management and IFRS 13 "Fair Financial Measurement", amongst other matters.

The report also covered:

- (i) ISA240 Letter – Treasurer's response; and,
- (ii) ISA240 Letter – Chair's response.

* **APRC/26 External Audit Plan 2016/17**

The Committee received for information an external audit plan for the year ending 31 March 2017 from the Authority's auditors, Grant Thornton. The Plan provided the scope and timings for the external audit process as required by the International Standard on Auditing (UK & Ireland) 260. It also identified issues of materiality and areas of significant and other risks for the Service.

The Committee noted that, for the audit, Grant Thornton would be focussing on the Service's significant risks, which included:

- The revenue cycle including fraudulent transactions;
- Management override controls;
- The expenditure cycle including fraudulent transactions;
- The valuation of property, plant and equipment; and,
- The valuation of pension fund net liability.

* **APRC/27 2017/18 External Audit Fee Letter**

The Committee received for information from the External Auditor, Grant Thornton, details of the proposed Audit Fee in 2017/18. The Public Sector Audit Appointment (PSAA), the body responsible for overseeing the audit contracts for local government organisations until they end in 2018, had prescribed a scale fee based on the point that the auditor would be provided with completed and materially accurate financial statements within agreed timescales. For Devon & Somerset Fire & Rescue Authority in 2017/18, the proposed audit fee set by the PSAA was £33820k.

The Committee noted that, as this was the last year of the five year contract, a tendering process had been ongoing and the Authority would be notified of the new External Auditor in late 2017.

* **APRC/28 2016/17 Year End Internal Audit Report**

The Committee received for information a report of the Area Manager – Organisational Assurance - (APRC/17/6) that set out the 2016-17 internal audit year-end report and which also provided the assurance statements needed for the audits that had been completed. The Committee noted that, at the end of March 2017 the assurance tracker showed that there were 28 open high or high/medium internal audit recommendations outstanding. In terms of the outstanding actions, it was noted that work continued to be undertaken but these were not easily solvable issues as they were cross cutting and featured within the Change & Improvement Plan as they required significant financial investment.

Reference was made at this point to the audit of the Safe South West Charity governance arrangements which had required improvements. Rob Hutchings, representing the Devon Audit Partnership, advised the Committee that there had been a blurring of the relationship between the Charity and the Authority recently and the review had been necessary in order to separate this out with clear governance in place. It was noted that further information would be submitted to the Committee on this matter at the next meeting.

The Committee was assured that the filling of the vacancy for an Audit & Review Manager was in hand and that the responsibilities of this post had been widened as a result of the efficiencies made through the self-assessment process. The Devon Audit Partnership had indicated that it would assist the Authority in the event that this post was not filled imminently.

* **APRC/29 Internal Audit Plan 2017/18**

The Committee considered a report of the Area Manager – Organisational Assurance – (APRC/17/7) that set out the proposed 2017 -18 Internal Audit Plan, which involved a total of 345 audit days split between strategic reviews, compliance reviews and audit health checks. It was noted that, of the 345 days, the Devon Audit Partnership would be providing an element of independent scrutiny with 32 days auditing and an IT health check had also been introduced in 2017/18.

The Committee drew attention to the point that it had to ensure that a comprehensive audit process was in place for appropriate areas of work and indicated that additional days should be allocated if needed.

RESOLVED that the 2017-18 Internal Audit Plan as set out within report APRC/17/7 be approved.

* **APRC/30 Fire and Rescue Indemnity Company (FRIC)**

The Committee received for information a report of the Risk & Insurance Manager (APRC/17/8) that set out details of the Fire & Rescue Indemnity Company (FRIC) which was set up in 2015 to provide an alternative to traditional insurance via a mutual and which had given the Authority greater control over the cover provided and the management and settlement of claims.

It was noted that in February 2017, the Board of FRIC had approved the final accounts for the first year of activity and had reported a trading surplus of £471k which was well above expectations. FRIC had also been shortlisted in the best Alternative Service Delivery Model category of the Public Finance Innovation Awards 2017 which was an excellent achievement.

* **APRC/31 Group Accounts for Devon & Somerset Fire & Rescue Authority and Red One Ltd**

The Committee considered a report of the Treasurer (APRC/17/9) that set out the position in respect of the provision of group accounts for the Authority's trading company, Red One Limited. 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.

RESOLVED that the accounts of Red One Limited be not consolidated into group accounts for the 2016/17 financial year.

NB. Councillor Healy declared an interest in this item in view of his position as a Non-Executive Director of Red One Limited.

* **APRC/32 Devon & Somerset Fire & Rescue Service Performance Report 2016/17: Quarter 3**

The Committee received for information a report of the Chief Fire Officer (APRC/17/10) that set out the Service's performance for the period January 2016 to December 2016 (with a focus on quarter 3 of 2016/17) as measured against the indicators in the current Strategic Plan "Our Plan: 2015 to 2020).

The key measures set out within the report were given a green, amber or red rating according to whether performance was normal, needed monitoring or required investigation. A more rounded analysis of data was carried out to assess performance which included looking at the latest 3 months of the reporting period, the latest 12 months of the reporting period, trend analysis and performance against calculated thresholds. With these factors covered, the report indicated the following performance against the measures:

- Measure 1 (deaths as a result of fires where people lived) – this was currently showing as red (requiring investigation) as there had been 4 fire deaths in this quarter as a result of accidental fires as compared to 1 in the same period in 2015/16 and 8 to date this year. This was a critical measure for the Service and the Committee was asked to support the Service in encouraging all agencies to share its data to facilitate more targeted action;

- Measure 2 (injuries as a result of fires where people lived) – there had been 13 injuries this quarter in 2016/17 as compared with 15 in 2015/16 which was a positive indicator;
- Measure 3 (fires where people lived) – this indicator was being monitored as there had been 272 fires where people lived in quarter 3 of 2016/17, of which 249 were accidental fires. An in depth analysis of this had showed that the majority were due to cooking related incidents and thus, further education on this area of community safety was necessary;
- Measure 4 (fire related deaths where people worked, visited and in vehicles) – there had been 4 incidents in quarter 3 of 2016/17 but 4 in the 12 months previously, 2 of which had been vehicle fires;
- Measure 5 (fire related injuries where people worked, visited and in vehicles) – there had only been 1 injury recorded in quarter 3 of 2016/17 as compared with 8 in 2015/16 which was very positive and all of the trend analysis showed this as decreasing;
- Measure 6 (fires where people worked, visited and in vehicles) – there had been a slight increase over the 12 month period to 1339 incidents as opposed to 1225 for the same period in 2015/16 although there had been a decrease to 331 incidents in quarter 3 as opposed to 387 incidents in the same period in 2015/16;
- Measures 7 & 8 (Emergency Response Standards for attendance at fires where people lived and attendance at Road Traffic Collisions) – there had been a slight decrease in performance on the emergency response standards to 69% on attendance within 10 minutes and 74% on attendance at road traffic collisions. It was noted that this may be due to a large variety of factors including (but not limited to) the geographic area of the two counties, demographics, traffic conditions and available resources.

It was noted that the review of performance measures had been ongoing and that the outcome of this work would be reported to the next meeting of the Committee.

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