

## **AUDIT & PERFORMANCE REVIEW COMMITTEE**

(Devon & Somerset Fire & Rescue Authority)

19 July 2019

### Present:

Councillors Healey MBE (Chair), Napper, Saywell and Wheeler.

### Also Present:

Councillor Randall Johnson.

### Apologies:-

Councillors Clayton, Prowse and Way.

#### \* **APRC/1            Minutes**

**RESOLVED** that the Minutes of the meeting held on 10 May 2019 be signed as a correct record.

#### \* **APRC/2            Devon & Somerset Fire & Rescue Authority's Financial Statements 2018-19**

##### **a    Audit Findings for the Devon & Somerset Fire & Rescue Authority 2018-19**

The Committee considered a document prepared by the Authority's external auditor (Grant Thornton) setting out the audit findings and opinion on the Authority's financial statements for the year ended 31 March 2019.

No areas of concern were identified in relation to the risks identified in the audit plan and the overall approach adopted by the Authority was considered appropriate. The external auditor was satisfied that the Authority was a going concern and had good arrangements in place to secure value for money, albeit that it faced significant challenges. The Authority had also addressed recommendations in the previous (2017-18) audit findings in relation to cross-charging and governance arrangements for Red One Ltd. and the external auditor was of the view that, as a result, any associated risks were being properly mitigated.

The 2018-19 audit findings contained two recommendations (one relating to the transfer of payroll services to another provider; the other relating to the funding gap indicated in the Authority's Medium Term Financial Plan [MTFP]), the former of which had already been addressed by the Authority and the latter of which would be addressed both by the Safer Together programme and by adjusting the MTFP to account for the impact of the recent McCloud/Sargeant judgement (relating to pension scheme transitional arrangements), once known.

In presenting the audit findings, Mr. Morris (Grant Thornton) also highlighted an increase in audit fees of £1,500 as a result of additional work required following the McCloud/Sargeant judgement.

In conclusion, Mr. Morris acknowledged the assistance provided by the Treasurer and finance department staff in undertaking the audit and stated that the anticipation was that an unqualified audit opinion would be issued.

The Committee asked to have placed on record its thanks to the Treasurer and finance department staff.

**(SEE ALSO ITEMS \*APRC/2(b), \*APRC/2(c), \*APRC/3 AND \*APRC/4 BELOW)**

**b Statement of Accounts 2018-19**

The Committee considered a report of the Director of Finance and Resourcing (Treasurer) (APRC/19/10) to which was appended the audited version of the Authority's Statement of Accounts for the 2018-19 financial year. A supplementary paper (APRC/19/16) was also circulated listing amendments to the Statement of Accounts since receipt of a revised "IAS19" report from the Authority's actuaries addressing the impact of the McCloud/Sargeant judgement on pension liabilities.

The overall impact of this was to include a Past Service Cost of £23.042m, giving a revised balance sheet pension liability of £785.502m.

**RESOLVED** that, subject to incorporation of the changes as detailed in supplementary paper APRC/19/16, the audited Statement of Accounts for 2018-19 be approved for publication.

**(SEE ALSO MINUTE \*APRC/2(a) ABOVE AND MINUTES \*APRC/2(c) AND \*APRC/4 BELOW)**

**c 2018-19 Letter of Representation**

**RESOLVED** that the Audit & Performance Review Committee Chair and the Treasurer be authorised to sign, on behalf of the Authority, the Letter of Representation to the external auditor (Grant Thornton) on the Authority's 2018-19 financial statements.

**(SEE ALSO MINUTES \*APRC/2(a) AND \*APRC/2(b) ABOVE)**

**\* APRC/3 2018-19 Annual Statement of Assurance**

The Committee considered a report of the Director of Service Improvement (APRC/19/11) to which was appended the final 2018-19 Annual Statement of Assurance for the Authority. The document had been prepared in accordance with relevant legislative and best practice requirements (including the Accounts and Audit Regulations, the Fire and Rescue National Framework and the CIPFA/SOLACE good governance framework).

The Committee noted that the Annual Statement of Assurance had been submitted for external verification with the Authority's financial statements for 2018-19. The external auditor (Grant Thornton) had not identified any issues with the Annual Statement of Assurance.

The Chief Fire Officer reported that, following production of the 2018-19 Annual Statement of Assurance, the Service had undergone its first inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Although the Service had, in recent years, invested more in both fitness staff and equipment, it was recognised that further improvements could still be made. The Service had recently developed a new fitness assessment policy involving a three yearly medical and an annual occupational fitness test (a drill ground test), with an element of individual choice in which to opt for to evidence occupational fitness. An action plan for implementation of the new policy was in development. Progress against this would be reported to future meetings but it was suggested that this should also be captured in Section 9 of the Annual Assurance Statement (Significant Governance, Operational or Financial Control Issues) and progress also monitored through the audit tracker.

**RESOLVED** that, subject to Section 9 being amended to include reference to firefighter fitness, the Annual Statement of Assurance for 2018-19 be approved and published on the Authority's website.

\* **APRC/4      Going Concern Review**

The Committee received for information a report of the Director of Finance (Treasurer) (APRC/18/17) that provided a formal response from management to the external auditor (Grant Thornton) on the ability of the Authority to continue as a going concern.

The report contained a review of the financial position as at 31 March 2019 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.

In presenting the report, the Director of Finance and Resourcing (Treasurer) drew attention to an amendment to the balance sheet and pension scheme deficit figures quoted at paragraph 5.1, which now stood at £658.4m and £785.5m respectively as a result of the implications of the McCloud/Sargeant judgement.

***(SEE ALSO MINUTES \*APRC/2(a) AND \*APRC/2(b) ABOVE).***

\* **APRC/5      Audit & Review 2019-20 Progress Report**

The Committee received, for information, a report of the Director of Service Improvement (APRC/19/13) setting out progress to date against the approved 2019-20 internal audit plan together with information on additional review work undertaken. Based on the work completed to date and knowledge from previous years, the Devon & Somerset Fire & Rescue Service continued to demonstrate a good level of internal control.

\* **APRC/6      Comparative Analysis: National Incident Statistics, Year-ending December 2018**

The Committee received, for information, a report of the Director of Service Improvement (APRC/19/14) comparing the most recent operational activity national statistics (as published by the Home Office on 8 May 2019) on incidents during the 2018 calendar year with Devon & Somerset Fire & Rescue Service ("the Service") activity for the same period.

The Service had seen a 5% reduction in incidents attended when compared to 2017. Nationally, incidents attended had increased by 2%. The Service had seen a 3% increase in primary fires when compared to 2017, with the national position being a 2% decrease. The 3% increase for the Service was as a result of a 20% increase in primary vehicle fires.

On average, for the Service, 70% of primary vehicle fires started accidentally compared to 53% nationally. Accidental primary vehicle fires for the Service during July, August and September totalled 155 (22% higher than the annual average of 127). Department for Transport data indicated that drivers covered an average of 4% more miles during the summer months compared to the national average. The increase in accidental vehicle fires during the summer months was considered to be linked to the influx of tourists to the region, with the proportional increase in miles travelled being significantly higher in the South West than the national average.

\* **APRC/7**

**Local Pension Board Annual Report 2018-19**

The Committee considered a report of the Director of Corporate Services (APRC/19/15) to which was appended the Local Pension Board annual report for 2018-19. The report provided information on, amongst other things, work undertaken by the Board in 2018-19; details of any areas investigated and the outcome of this; management of conflicts of interest; and identified risks and other areas of potential concern.

**RESOLVED** that the Local Pensions Board annual report for 2018-19, as appended to report APRC/19/15, be endorsed.

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