

ESSEX FIRE AUTHORITY

Essex County Fire & Rescue Service



MINUTES OF A MEETING OF THE ESSEX FIRE AUTHORITY AUDIT, GOVERNANCE AND REVIEW COMMITTEE HELD ON WEDNESDAY 20 APRIL 2016 AT 10:00 AM

Present:

Councillor J Knapman	Chairman
Councillor S Barker	
Councillor A Bayley	
Councillor M Danvers	
Councillor P Honeywood	
Councillor M Hoy	
Councillor M McEwen	
Councillor J Moyies	
Councillor C Seagers	
Councillor A Turrell	
Councillor J Ware-Lane	
Councillor A Wood	

The following Officers were present in support throughout the meeting:

Mike Clayton	Finance Director and Treasurer
Ben Pilkington	2020 Programme Manager
Shirley Jarlett	Clerk and Monitoring Officer to Essex Fire Authority
Roy Carter	Service Solicitor and Deputy Clerk and Deputy Monitoring Officer to Essex Fire Authority
Suzanne Lane	RSM UK (Internal Auditors)
Kevin Suter	Ernst & Young LLP (External Auditors)
Martina Lee	Ernst & Young LLP (External Auditors)
Fiona Lancaster	Committee Officer

County Councillor Dave Blackwell was in attendance.

Apologies for absence were received from Councillors M Coxshall, C Guglielmi, I Henderson, and also from Adam Eckley, Acting Chief Fire Officer and Dave Bill, ACFO and Director of Prevention, Protection and Response.

1. Minutes

The minutes of the meeting held on 20 January 2016 were agreed as a correct record and signed by the Chairman.

2. Declarations of Interest

The Chairman reminded Members that they should declare any interests at this point or during consideration of the appropriate agenda item.

3. Governance Audit Report

The Committee considered report EFA/056/16 by the Acting Chief Fire Officer (presented by Roy Carter, Service Solicitor and Deputy Clerk and Deputy Monitoring Officer to Essex Fire Authority) which provided details of the review undertaken to establish whether the Authority had in place effective systems and forums to provide robust governance control within the organisation.

The following points arose from the Committee's consideration of the report:

- Members noted that Action 1.2 (refer page 5 of the report) was now irrelevant as the Strategic Delivery Board had been disbanded.
- The Committee expressed the view that specific timescales were needed for the actions requiring implementation.
- A formal training programme and training logs were being prepared for the Authority's Members. The Essex, Southend and Thurrock Councils' Monitoring Officers were involved in co-ordinating the programme of training which would cover some joint aspects and reduce duplication.
- The Committee was reminded that the Constitution and suggested delegations arising from the Lucas report recommendations would need to be considered by the full Fire Authority at its Annual General Meeting in June.
- Members and Senior Officers discussed what timescales would be reasonable for the completion of actions, and considered that the following deadline dates would be generally acceptable:

Action	Implementation Date
1.1	30 June 2016
1.3	With immediate effect
1.4	31 May 2016
1.5	30 September 2016

Resolved:

1. That the Report be received.
2. That the Governance Audit Report be noted.
3. That the recommendations and action plan stated within the Governance Audit Report be accepted.
4. That the schedule for implementation by way of delegation be agreed, **and**
5. That the formal training programme for the Authority's Members should be in place by 31 May 2016, and that the Sub Committees' effectiveness process should be in place by 30 September 2016 at the latest.

Councillor Turrell indicated that she was unhappy with the delay in progressing actions.

4. Appointment of Auditors – 2018

The Committee considered report EFA/057/16 by the Finance Director and Treasurer which summarised the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits. The Members were asked to consider the options available to put in place new arrangements in time to make a first appointment by 31 December 2017.

The following points arose from the Committee's consideration of the report:

- Members noted that the Finance Director and Treasurer supported the Local Government Association (LGA) approach to set up a national Sector Led Body, although the decision would be for Members to make.
- Some Members expressed concern that with the LGA approach, the Government could prevent the Authority from setting its own audit fees and getting best value for money.
- The preference for having a tender process if the LGA approach was not taken up.
- The view expressed that opting out of the LGA approach could mean that the Authority would end up with higher audit fees, as the cost of the appointment arrangements and negotiating fees would be shared across the opt-in authorities.
- The possibility of assessing whether a stand-alone appointment would offer better value for money, and if not, when a decision would need to be made to opt-in if the LGA had more competitive rates.
- The LGA was not yet at a stage of indicating the features and time period of an opt-in contract.
- Members considered the level of flexibility which each of the approaches could offer, and the level of independence which an LGA opt-in could provide. Kevin Suter of Ernst and Young LLP reported that the core scope of external audits would still be set by the National Audit Office, and that the Authority could still negotiate extra work if they wished to do so. Internal audits would remain entirely within Essex Fire Authority control.
- The Committee indicated that it would like more information to make a preferred choice, including details of the LGA contract costs. The Finance Director and Treasurer explained that the LGA needed to assess the level of support for setting up a national Sector Led Body in 2017 at this time, in order for it to invest resources in providing appropriate support to Authorities.

Following consideration of the three approaches outlined in the report, the Chairman invited the Committee to vote on Option One, Supporting the LGA in setting up a national Sector Led Board by indicating intention to 'opt-in'.

The Chairman confirmed that seven Members had voted in favour, with five Members voting against.

Resolved:

1. That the Audit, Governance and Review Committee's preferred approach at this time was to support the Local Government Association in setting up a national Sector Led Body.
2. That the Audit, Governance and Review Committee would like to receive further information on the LGA approach, when available, and to review this matter at a future meeting.

5. Annual Review of the Governance Statement

The Committee considered report EFA/058/16 by the Finance Director and Treasurer which sought the review and agreement of the schedule setting out how the Authority meets the principles of the Local Code of Corporate Governance, and determination as to whether an effective system of internal audit had been in place during the year to 31 March 2016. The Committee was also asked to approve the Annual Governance Statement.

Noting that there had been no review of the effectiveness of the Audit, Governance and Review Committee in the last year, although attendance at meetings was reported annually to the Fire Authority, Members agreed that further work on reviewing the Committee's effectiveness should be undertaken.

The Committee noted that the RSM UK overall opinion was awaited, and that the outcome of the Lucas report and the progression of actions arising from this would remain the main focus for 2016/17.

Councillor Turrell abstained from approving the Annual Governance Statement.

Resolved:

1. That the schedule setting out how the Authority meets the principles of the Local Code of Corporate Governance be agreed;
2. That the system of internal audit in place during the year to 31 March 2016 be determined as effective; and
3. That the Annual Governance Statement be approved.

6. Audit Recommendation – Report on Progress Against Action Plans

The Committee considered report EFA/059/16 by the Finance Director and Treasurer which provided an update on progress against the action plans developed by the Authority in response to audit reports. Items marked as completed in the previous quarter's report had been deleted from the table included with the report.

The Finance Director and Treasurer reported that the matters relating to Partnerships and Employee Taxes had been completed since the last meeting.

The Committee noted that the timescale on the recommendations relating to Communications had been extended following the recent restructure of the corporate communications area and as a result of Expert Advisory Panel involvement.

Resolved:

1. That the progress made against the action plans developed by the Authority be noted.
2. That the Committee noted the delay in delivering actions relating to Communications, and wished to be informed immediately on their completion which would be in May and June 2016. The Finance Director and Treasurer undertook to notify all Fire Authority Members on completion of the outstanding actions.

7. Audit Reports

The Committee considered report EFA/060/16 by the Finance Director and Treasurer which presented for review the following internal and external audit reports:

- Key Financial controls – HR Transactional Control
- Key Financial controls – Finance
- Property Maintenance
- Purchase of New Appliances
- Risk Management
- Workforce Planning

Key Financial Controls:

Suzanne Lane, RSM UK, introduced the key findings, and the Committee expressed particular concern in relation to Actions 1.1 and 1.4 as they appeared to reveal flaws in the operating system.

Resolved:

1. Members **agreed** that Station Managers needed to be issued with a reminder to regularly review claimed overtime and the Finance Director and Treasurer undertook to ensure this was carried out immediately.
2. With regard to Action 1.3, the Committee **agreed** that Internal audit should check that changes in relation to National Insurance contributions had been made appropriately in April 2016, and report back to the Committee on this matter at its July meeting.

Property Maintenance:

Members noted the report.

Purchase of New Appliances:

Members noted that with regard to Action 1.2, the reason for the £10k overspend from the original cost price quoted per appliance was due to the additional equipment on the heavy rescue vehicles.

Risk Management:

The Committee indicated that it was looking for significant continued progress by December 2016.

Workforce Planning:

The Committee noted the progress.

Resolved:

1. That the audit reports be noted.
2. That Station Managers needed to be issued with a reminder to regularly review claimed overtime, and the Finance Director and Treasurer undertook to ensure this was carried out immediately.
3. With regard to Action 1.3, the Committee agreed that Internal audit should check that changes in relation to National Insurance contributions had been made appropriately in April 2016, and report back to the Committee on this matter at its July meeting.

8. Internal Audit Progress Report

The Committee considered report EFA/061/16 by RSM UK on progress against the internal audit action plan.

Suzanne Lane of RSM UK advised that the VAT Follow Up had now been finalised and a report on this matter would be submitted to the July meeting of the Committee.

The report was noted.

9. Programme 2020 – Progress Report

The Committee received report EFA/062/16 by the Acting Chief Fire Officer (presented by Ben Pilkington, 2020 Programme Manager) which provided an update on the progress of Work Programme 2020 and a forward view of planned work.

Members indicated that they were satisfied with the progress being made on the Options Consultation which would end on 25 April 2016.

The report was noted.

10. Budget Review – January 2016

The Committee considered report EFA/063/16 by the Finance Director and Treasurer which reported on expenditure against budget as at 31 January 2016 and identified

major variances to the budget for the period. The report also reviewed the forecast outturn for 2015/16.

The following points arose from the Committee's consideration of the report:

- The Committee noted the overspend on overall employment costs as a result of industrial action and additional resilience payments. Members acknowledged the higher costs relating to the 2015 industrial action due to the approach taken by the Fire Brigade Union on who was called out. They also noted that legal advice was taken on the options available to the Authority at the time.
- The rate of firefighter leavers had slowed. The early exit options for managers would bring the headcount numbers down.
- With regard to Non pay related expenditure, some areas of underspend were expected to continue to the year end.
- Capital expenditure was on track and the Authority was receiving a steady delivery of new appliances.

Resolved:

1. That the review of income and expenditure against the budget be noted.
2. That the forecast position for 2015/16 be noted.
3. That the actual position with capital expenditure be noted.

11. Organisational Performance Report

The Committee reviewed report EFA/064/16 by the Performance Improvement Manager which provided an overview of the Authority's performance for the period March 2015 to February 2016.

The Members noted the annual measures which were not included in the update, as well as those measures still under development.

The following points arose from the Committee's consideration of the report:

- The focus of community work was on the prevention of kitchen fires and the need to increase the number of smoke alarms. Members suggested that an increased level of social media on this topic might help.
- Indicators relating to the achievement of a timely response to incidents were being changed.
- The higher rate of sickness absence per person was an ongoing concern.
- Members discussed the data over the past year which seemed to indicate an increase in the number of fires, compared to the figures over the past 5 to 10 years which showed a reduced demand on the Authority.

- The Committee expressed concern and disappointment at the overall performance over the past year, and indicated that this was not at the standard they were looking for as a number of targets had not been achieved.

Resolved:

That the report be noted.

12. National Fraud Initiative

The Committee noted report EFA/065/16 by the Finance Director and Treasurer which provided Members with a briefing on the results of the Audit Commission's National Fraud Initiative data matching exercise 2014-15.

13. Portfolio Management Office Progress Reporting

The Committee noted report EFA/066/16 by the Performance Improvement Manager on the arrangements for monitoring and reporting the benefits from projects and programmes.

The following points arose from the Committee's consideration of the report:

- The Members noted the number of projects and programmes that had successfully closed during 2015/16 and an overview of the benefits for each of these.
- At the 31 March 2016, there were three live programmes and 26 live projects. The Authority expected to deliver an average of £1.9m of savings per annum on the completion of the current live programme and projects.
- Members expressed significant concerns regarding the implementation of IT systems and their effectiveness, and in particular, the issues relating to the Control Room. The Committee agreed that it would like to have more scrutiny of IT projects in order to ascertain if the Authority was getting value for money. Tighter controls over implementation processes and on reporting were vital.

Resolved:

1. That the report be noted.
2. That, in future, more detailed reports on IT systems should be provided to the Audit, Governance and Review Committee.

14. Audit Plan 2015-16

The Committee noted report EFA/067/16 by the External Auditors, Ernst & Young LLP which presented the Essex Fire Authority's External Audit Plan for 2015/16. Kevin Suter of Ernst and Young LLP introduced the report and responded to Members' comments and questions.

The following matters arose from consideration of the report:

- Ernst and Young LLP were working with the National Audit Office to obtain some consistency on accounting guidance relating to payments to those individuals affected by the judgement of the case of Milne v Government Actuaries Department in May 2015.
- The focus on the value for money risks and particularly those relating to the Authority's reduction in revenue support grant, and the scale of the level of savings needed to help bridge the gap.
- The focus on the integration of the Authority's response with the 2020 Programme.

Resolved:

That the Audit Plan be noted.

15. Date of Next Meeting

Members noted that the next meeting of the Committee would take place on Wednesday 13 July 2016 at 10.00 am.

16. Urgent Business

The Committee noted that at the Essex Fire Authority meeting on 13 April, two additional items had been added to its 2016-17 Work Programme to include a review on whether the Expert Advisory Panel, and the Control system, represented good value for money. Members' guidance was sought on when these items should come forward for review. The Committee agreed that it wished to consider both items at its July meeting.

The meeting closed at 12.05 pm.

Signed.....

Chairman
13 July 2016