

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday, 25 January 2018, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

M Tomlinson (Chairman)
J Shedwick (Vice-Chair)
S Clarke
S Holgate
A Kay
M Khan
D Smith

Officers

K Mattinson, Director of Corporate Services (LFRS)
D Brooks, Principal Member Services Officer (LFRS)
J Keighley, Member Services Assistant (LFRS)

In attendance

K Murray, External Audit, Grant Thornton
R Tembo, External Audit, Grant Thornton
J Taylor, Internal Audit, Lancashire County Council

19/17 APOLOGIES FOR ABSENCE

None received.

20/17 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

21/17 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 28 September 2017 be confirmed as a correct record and signed by the Chairman.

22/17 EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2016/17

The External Auditor's Annual Audit Letter represented an overall assessment of the Authority's performance, drawing on the Auditor's findings and conclusions from their work, which had previously been reported to the Audit Committee.

Members considered the Annual Audit Letter which summarised Grant Thornton's 2016/17 audit of the Authority as presented by Karen Murray, Engagement Lead for Grant Thornton.

The Auditors had issued an unqualified opinion on the Authority's 2016/17 financial statements on 28 September 2017, meeting the national deadline of 30 September 2017. The External Auditors were satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017. It was noted that the External Auditor's fee for 2016/17 was in line with the planned fee for the year.

RESOLVED:- That the Audit Committee noted and endorsed the content of the Annual Audit letter 2016/17.

23/17 EXTERNAL AUDIT - AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Committee considered a report from the External Auditors presented by Karen Murray which detailed progress at January 2018 in relation to the financial statements and value for money conclusion for 2017/18. The report also set out what the External Auditors would do and their planned completion date.

In addition the report included sector issues which provided an up to date summary of emerging national issues and developments to support the Authority/Committee.

The Director of Corporate Services confirmed that he would bring updated Terms of Reference for the Resources and Audit Committees to the Fire Authority to explain changes to responsibilities in approving the Statement of Accounts.

RESOLVED:- That the Audit Committee noted and endorsed the report.

24/17 INTERNAL AUDIT MONITORING REPORT

The Internal Auditors produced a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to January 2018 was presented by Judith Taylor.

It was noted that work carried out during the period 1 April 2017 – 12 January 2018 was in accordance with the agreed audit plan. Details of the progress included assurance provided and key issues identified for each of the areas completed to date. Progress to date in relation to the Plan was provided and discussed by Members. To date, 54 days of the planned 80 audit activity days had been spent on completion of the plan which equated to 68%.

It was confirmed that from the work undertaken no key issues had been identified from the assurance work completed to date.

Following discussion of the findings from an External Quality Assessment as detailed in the report, the Committee asked for further assurance in relation to where improvement was needed 'in co-ordinating and maximising assurance with other assurance providers'. Mrs Taylor agreed to bring to the Committee the agreed

actions and timescales from that review.

RESOLVED:- That the Audit Committee noted and endorsed the report.

25/17 CONSULTATION ON 2018/19 SCALES OF AUDIT FEES

Public Sector Audit Appointments Limited (PSAA) (the successor to the Audit Commission) was responsible for setting the scale of fees for the audit of the accounts of principal local government and police bodies in England that had opted into the appointing person scheme. The PSSA had produced a consultation document on the proposed scale of fees for 2018/19 audits which it was proposed would reduce by 23%, compared to the fees applicable for 2017/18. This reduction was possible as a result of the favourable prices secured from audit firms in the recent audit services procurement.

The PSAA would hope to maintain the reduction of 23% in scale fees for the first 3 years of the appointing period, based on current assumptions about inflation and the amount of work the Auditors were required to undertake. They expected to be able to confirm this position following a review and update of their assumptions and estimates each year and consultation on scale fees for the following year. The PSAA may be able to sustain the reduction for the full 5 years of the appointing period, but economic uncertainties meant that it was not possible to be certain at this early stage because of the uncertainty of the impact of inflation indexation provisions in the audit contracts on PSAA's costs.

The work the auditors would carry out on the 2018/19 accounts would be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.

The proposed 2018/19 scale fees for the Authority were £23,669, compared with the current fee of £30,739.

The consultation closed on Friday 15 January 2018. Given the reduction in fees, and after consultation with the Chairman and Vice-Chairman a formal response to the document had not been submitted.

RESOLVED:- That the Audit Committee noted and endorsed the consultation document as set out in the report.

26/17 RISK MANAGEMENT

The report highlighted action taken in respect of corporate risk since the last Audit Committee meeting.

The latest review of the corporate risk register had identified one new risk which warranted inclusion on the corporate risk register:-

Risk number 24 was concerned with risk of Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness

The Director of Corporate Services advised that Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) was undertaking an

inspection of the Authority. Members noted that a team had been established within the Service to support the review and the Inspectors. HMICFRS had produced a draft inspection criteria which was being reviewed by the Heads of Departments to undertake a self-assessment. The first draft of internal reviews would be considered by the end of January 2018 to identify key areas that the Service may need to review and an action plan to address issues would be implemented. An additional recommended action was the need to manage expectations given there had been a lot of change since the last inspection. As the Service was in the first tranche to be inspected a high risk score had identified as appropriate.

The updated corporate risk register was considered by Members and the Director of Corporate Services highlighted the following:

Risk Number 3

The Director of Corporate Services advised that the Home Office had asked for confirmation of what our business continuity arrangements would be if there was industrial action. He confirmed that a response had been submitted by the Chairman re-affirming that arrangements that were previously in place would apply, and re-iterating that these had resulted in over half the fire appliances in Lancashire being available during the previous periods of industrial action. He also confirmed that although this could be a risk in the future it was not being proposed to reinstate it at this time. Any decision to reinstate would need to be made by the Committee or following liaison with the Chairman and Vice-Chairman if an urgent decision was required.

It was noted that an updated National Risk Register had been published by the Cabinet Office. This would be reviewed by the Lancashire Resilience Forum, of which LFRS was a partner, with any relevant risk being reported to the Audit Committee in due course.

In response to a question raised by CC Holgate regarding the potential for reputational risk resulting from poor decision making by a partner organisation the Director of Corporate Services agreed to provide an update to a future meeting.

RESOLVED: - That the Audit Committee noted the actions taken and endorsed the revised corporate risk register.

27/17 CONTRACT STANDING ORDERS

The Authority was a Contracting Authority for the purpose of the Public Contracts Regulations 2006 and was required to comply with the tendering and award of contracts as set out in those regulations. The European Commission had updated its threshold and on that basis the Authority was required to amend its regulations.

It was therefore proposed that these thresholds were amended to take account of changes to EU thresholds, which were reviewed on a regular basis. It was noted that a more comprehensive review of contract standing orders, financial regulations and scheme of delegation was planned for the last quarter of the financial year.

Members considered the proposed new thresholds:

For all Goods, Services & Works

Under £5,000:	With the exception of public utility Services i.e. gas, electric and periodical payments goods services or works may be procured using an official order.
Between £5,001 and £25,000:	At least three (3) written request for quotations (RFQ) must be requested. Procurement Department could assist.

For all Goods & Services

Between £25,001 and £181,302 (Currently £164,176)	Procurement Department involvement was required and a formal Tender procedure must be followed with a minimum of three (3) invites. Use of the e-tendering system was recommended.
Over £181,302 (Currently £164,176):	Procurement Department involvement was required and EU Procurement Tender and Regulations must be followed with a minimum of five (5) invites.

For all Works

Between £25,001 and £4,551,413 (Currently £4,104.394)	Procurement Department involvement was required and a formal Tender procedure must be followed with a minimum of three (3) invites. Use of the e-tendering system was recommended.
Over £4,551,413 (Currently £4,104.394):	Procurement Department involvement was required and EU Procurement Tender and Regulations must be followed with a minimum of five (5) invites.

RESOLVED:- That the Audit Committee approved the amended Contract Standing Order thresholds as outlined in the report.

28/17 NATIONAL FRAUD INITIATIVE

The National Fraud Initiative (NFI) was part of the statutory audit process for health, local government and the other public sector providers that the Cabinet Office was now responsible for which was previously the Audit Commission. The NFI flagged up inconsistent data within payroll, pensions and creditors which may indicate fraud, signalling the need for investigation, and provided a national picture of fraud as well as highlighting emerging fraud risks.

In respect of the Authority, 322 matches were released in 2017 for investigation which related to payroll, pensions and creditors, with 63 identified as requiring priority investigation. Following investigations no significant issues had been identified.

Nominated contacts responsible for checking the matches had been established for each dataset, but the activity was predominantly undertaken within the Finance Department and Lancashire County Council Pensions Sections with assistance from Human Resources and Procurement. The checking process commenced as soon as the results were released and continued as new data matches were released.

The number of matches identified by the 2017 exercise relating directly to the Authority was considered by Members.

Area	No. of Matches	No. of Priority Checks	Fraud	Errors	Issues Already Known	Recovery/ Savings as a result of NFI £'000
Pensions	55	17	-	-	16	-
Payroll	48	5	-	-	-	-
Creditors	219	41	-	17	-	-
Total	322	63	-	17	16	-

It was noted that all priority matches had been checked and concluded and the non-priority ones were ongoing with 115 'duplicate records by amount' currently outstanding. The results of the matches had revealed that there were valid reasons and explanations as to why the majority of matches had appeared on the reports. For example, on payroll the majority of the matches related to individuals who were employed as retained fire fighters and wholetime fire fighters or with other organisations.

The 16 instances of duplicate supplier records were identified via various matching techniques and action had been taken to remove the duplicate records.

The Authority paid an annual fee of £1,000 for the NFI to the Cabinet Office and Members were assured that the report did not identify any new risks issues that would need to be addressed.

RESOLVED:- That the Audit Committee noted the report.

29/17 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Thursday 22 March 2018 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 24 July 2018 and 27 September 2018.

M NOLAN
Clerk to CFA