

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday 31st March 2016, at 1000 hours in the Main Conference Room at LFRS Service Headquarters, Fulwood

MINUTES

PRESENT:-

County Councillors

P Britcliffe
C Crompton
S Holgate (Chairman)
M Perks
J Shedwick (Vice-Chairman)

Blackburn with Darwen Council

M Khan
D Smith

Internal Audit

Judith Taylor – Senior Auditor (Lancashire County Council)

External Audit

Caroline Stead – Senior Audit Manager (Grant Thornton)

Officers

Justin Johnston – Deputy Chief Fire Officer (LFRS)
J Bowden – Head of Finance (LFRS)
D Brooks – Principal Member Services Officer (LFRS)

APOLOGIES FOR ABSENCE

None received.

DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

MINUTES OF MEETING HELD ON THE 28TH JANUARY 2016

14/15 RESOLVED:- That the Minutes of the last meeting held on the 28th January 2016 be confirmed as a correct record and signed by the Chairman.

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 no new risks that warranted inclusion.

The updated Register was considered by Members. Of the existing risks, 7 had been reviewed with changes summarised in the report.

15/15 RESOLVED:- That the Committee note the actions taken and endorse the revised Corporate Risk Register.

INTERNAL AUDIT MONITORING REPORT

The Internal Auditor's 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 16 March 2016 was presented by Judith Taylor.

It was noted that work carried out during the period 1 April 2015 – 16 March 2016 was in accordance with the agreed audit plan. At the time of writing the report 61 days had been spent this financial year on completion of the 2015/16 plan, equating to 76% of the total planned audit activity of 80 days; the number of days that had currently been spent was now 68.

In addition a further 8 days during the first quarter of this financial year had been spent on completing and finalising 2 reviews outstanding from the 2014/15 audit plan. The findings from those reviews were reported in the 2014/15 Annual Report which was presented to the Audit Committee in June.

Details of the progress against the 2015/16 plan 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 as follows: -

Key Financial Systems

Accounts payable, Accounts receivable and General ledger audits were finalised in September 2015. There were no significant points arising and an opinion of full assurance was provided.

Human Resources and Payroll processes audits were also finalised in January 2016 and an opinion of substantial assurance was provided.

The Pensions administration audit was currently ongoing and would be completed before the end of the financial year.

The Treasury management audit had been scoped and was currently ongoing although it was unlikely to be completed until April 2016.

Operational Reviews

The work on the review of the Corporate Programme Board arrangements had recently been completed and arrangements had been made to meet with management to discuss findings with a report expected to be issued before the end of March.

The audit of Provision of Risk Information to Staff was also ongoing, with the majority of fieldwork already complete. It was anticipated that this would be ready for discussion with management by the end of March.

Follow up reviews had also been completed in relation to the 2 operational audits of ICT disaster recovery and Corporate Risk Management arrangements. In both cases, findings would be reported to management by the end of March.

It was confirmed that from the work undertaken to date no key issues had been identified that would have implications for the Authority's internal control environment as a whole.

Members felt it important to note that although the report gave a variation of 19 audit days, the work had been done in year with the exception of the Treasury Management review, and finalising the PORIS recommendations and report which would roll over into the early part of April 2016.

16/15 RESOLVED:- That the Audit Committee note and endorse the report.

INTERNAL AUDIT PLAN 2016/17

The Committee considered the final proposed Internal Audit Plan for 2016/17, which was presented by Judith Taylor.

The Internal Auditors were required to produce an Annual Audit Plan, setting out areas they intended to review during the year.

The Audit Plan was formulated taking account of the risks faced by the Authority, and as such was designed to ensure that the Auditors reviewed how the Authority was managing these risks and provided an assurance on this.

A total of 80 days were planned at an overall cost of £20,800.

The breakdown of audit resources would be as follows:-

Operational reviews	19
Key financial system reviews	38
Contingency provision	8
Follow up of completed reviews	3
National Fraud Initiative	2
Audit management	10
Total	<u>80 days</u>

Detailed information in respect of the Scope of the audit in relation to each area was considered by Members.

17/15 RESOLVED:- That the Committee agree the Internal Audit Plan for 2016/17.

EXTERNAL AUDIT - AUDIT PLAN 2015/16

The External Auditors were required to produce an Annual Audit Plan, setting out areas it intended to review during the year. The Plan was considered by Members and was presented by Caroline Stead.

The audit fee was £30,739 in line with those previously reported and within the budget.

The External Audit Plan was formulated taking account of the risks faced by the Authority, and as such was designed to ensure that the External Auditor's reviewed how the Authority was managing those risks.

18/15 RESOLVED:- That the Committee agree the External Audit Plan now presented for 2015/16.

EXTERNAL AUDIT – AUDIT COMMITTEE UPDATE

The Committee considered a report from the External Auditors presented by Caroline Stead which detailed progress at 4 March 2016 in relation to the financial statements and value for money conclusion for 2015/16. The report also included a summary of general emerging issues and developments which had been identified as relevant to the sector but were not specific issues that related to the performance of this Authority.

19/15 RESOLVED: - That the Committee note and endorse the report.

SCHEME OF DELEGATION – PROPOSED AMENDMENTS

The Authority operated a Scheme of Delegation which specified the powers that were delegated to the Chief Fire Officer, Treasurer and Clerk to the Authority. These had been amended to reflect the revised contract standing orders and financial regulations that the Committee had previously approved.

Members considered the proposed revised version of the Scheme as now presented with changes highlighted. The main changes related to: -

- Section 2 Tenders and Contracts, where values had been amended to reflect revisions to contract standing orders and the approval limits for contract variations had been amended to reflect both a monetary and percentage value;
- Section 4 Finance, whereby:-
 1. The authentication of cheques had been removed as these were no longer used as payment was made via BACS wherever possible;
 2. Renewal of insurance policies was removed as if renewal terms were in line with agreed contracts then the Authority must accept these, and where renewal terms were not in line with these consultation with the Member Tender Panel would take place.

20/15 RESOLVED: - That the Committee agree the revised Scheme of Delegation.

AUDIT COMMITTEE SELF-ASSESSMENT 2015/16

The Audit Committee formed part of the corporate governance arrangements of the Authority. As such it was considered best practice to undertake a review of the effectiveness of the Committee on a regular basis and feed the results of this into the Annual Governance Statement.

An effective Audit Committee helped to raise the profile of internal control and risk management within the Authority as well as providing a forum for discussion with both Internal and External Auditors.

Members considered the self-assessment and noted compliance with requirements in the majority of cases and agreed there was reasonable assurance that the Committee was functioning effectively.

It was noted that a review of the terms of reference based on the latest guidance issued by CIPFA and an assessment of the committee membership against the core knowledge and skills framework identified by CIPFA would be undertaken in the coming financial year.

21/15 RESOLVED:- That the Committee note and endorse the self-assessment.

CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

The Authority's current external auditor is Grant Thornton, this appointment having been made under at a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years we have benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Authority's current external audit fees were £31k per annum.

When the current transitional arrangements come to an end on 31 March 2018 the Authority would be able to move to local appointment of the auditor. There were a number of routes by which this could be achieved, each with varying risks and opportunities. Current fees were based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.

The scope of the audit would still be specified nationally, the National Audit Office (NAO) was responsible for writing the Code of Audit Practice which all firms appointed to carry out the Authority's audit must follow. Not all accounting firms would be eligible to compete for the work, they would need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process had not yet commenced and so the number of firms was not known but it was reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It was unlikely that small local independent firms would meet the eligibility criteria.

There were 3 broad options open to the Authority under the Local Audit and Accountability Act 2014 (the Act). The following options, including advantages and disadvantages of each were discussed by Members: -

- Option 1 - To make a stand-alone appointment;
- Option 2 - Set up a Joint Auditor Panel/local joint procurement arrangements;
- Option 3 - Opt-in to a sector led body.

It was noted that an appointment would need to be made before December 2017 which meant that one of the options outlined would need to be in place by spring 2017 in order that the contract negotiation process could be carried out during 2017.

Members viewed option 3 as the best option to pursue at the present time, minimising procurement costs and resource, maximising buying power and hence likely to result in the lowest fees.

22/15 RESOLVED:- That the Committee agree to support the Local Government Association in setting up a national Sector Led Body by indicating an intention to “opt-in”.

DATE OF NEXT MEETING

The next meeting of the Committee would be held on Thursday 23 June 2016 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service HQ, Fulwood. A further meeting date was noted for 29 September 2016.

EXCLUSION OF PRESS AND PUBLIC

23/15 RESOLVED: - That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

NATIONAL FRAUD INITIATIVE (NFI) UPDATE (Paragraphs 1 and 2)

Members considered a report that set out the background to the National Fraud Initiative and the outcome of data matches compared on behalf of the Authority. The report did not identify any new risk issues that the Authority needed to address.

24/15 RESOLVED: – That the Committee note and endorse the report.

LFRS
Fulwood

M NOLAN
Clerk to the CFA