

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 24 July 2018, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

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

Officers

C Kenny, Chief Fire Officer (LFRS)
K Mattinson, Director of Corporate Services (LFRS)
J Bowden, Head of Finance (LFRS)
D Brooks, Principal Member Services Officer (LFRS)

In attendance

R Lowry, Internal Audit, Lancashire County Council
R Tembo, External Audit, Grant Thornton
R Baker, External Audit, Grant Thornton

1/18 APOLOGIES FOR ABSENCE

None received.

2/18 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

3/18 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 22 March 2018 be confirmed as a correct record and signed by the Chairman.

4/18 INTERNAL AUDIT ANNUAL REPORT 2017/18

The report was presented by Ruth Lowry, Head of Internal Audit, Lancashire County Council. The Internal Audit Annual Report summarised the work that the Internal Audit Service had undertaken during 2017/18 and the key themes arising from it. It provided an opinion on the overall adequacy and effectiveness of the systems of

governance, risk management and internal control.

On the basis of programme of work for the year, the Head of Internal Audit had provided substantial assurance over the framework of governance, risk management and control for 2017/18. It was their opinion that there was a generally sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority and the controls were generally applied consistently.

The opinion was based on the individual assurance levels provided for each of the individual audit reviews undertaken in 2017/18, detailed in the report now presented to Members.

Mrs Lowry confirmed that the Training, Learning and Development audit which was in draft at the time of writing the report was now completed and finalised and there were no issues of concern.

The work of the Internal Auditor was one of the key control measures in place within the Authority. As such, the annual report provided an assurance to Members that risks were being managed and controlled, and fed the Authority's overall assessment of the internal controls that operated within the Service.

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

5/18 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 the 30 June 2018 was presented by Ruth Lowry.

It was noted that work carried out during the period 1 April 2018 – 30 June 2018 was in accordance with the agreed audit plan and no significant issues had been identified.

The report identified that 7 days had been spent this financial year on the completion of the 2018/19 plan. In addition, the auditors had spent a further 10 days during the first quarter of this financial year in completing and finalising reviews outstanding from the 2017/18 audit plan. The findings from the review were included in the 2017/18 Annual Report which Mrs Lowry had presented to Members alongside this report.

Progress to date in relation to the Plan was provided and discussed by Members.

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

6/18 ANNUAL GOVERNANCE STATEMENT 2017/18

The Authority was required to produce an Annual Governance Statement as part of the year end process for 2017/18. The Audit Committee had previously approved a revised Code of Corporate Governance, in line with guidance produced jointly by CIPFA (Chartered Institute of Public Finance Accountants) and SOLACE (Society of Local Authority Chief Executives).

The Code defined corporate governance as the way an authority ensured that it was doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

In order to assess the effectiveness of the Authority's current arrangements a self-assessment had been undertaken by the Executive Board who had considered the various sources of assurance that supported the core principles outlined in the report and the outcome of this was considered by Members under appendix 1 as now presented. One of the key elements of this was external assurance on our systems, and this was provided by our auditors, both of whom provided positive reports, and by the previous Operational Assessment undertaken by Peer Review Team which found 'nothing of significance' that would cause problems. It was noted that the outcome of the Inspection by Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services would be fed into future Governance Statements.

The assessment also considered recommendations made as part of last year's Annual Governance Statement, and an update on the position in respect of these was considered as presented.

It was noted that the Internal Auditors had undertaken a review of Sources of Assurance in the first quarter of 2018/19 as part of the internal audit programme. This review confirmed that LFRS had sufficient, relevant resources of assurance to satisfactorily manage its risks in order to ensure compliance with the Code of Corporate Governance and achieve overall Service objectives.

The various reviews highlighted a number of areas for further improvement. As part of the review, the Service was required to identify and disclose any significant internal control issues, of which there had been none, hence the overall conclusion was that the system of internal controls was adequate.

RESOLVED: - That the Committee endorsed the self-assessment and the Annual Governance Statement as now presented.

7/18 REVISIONS TO THE STATEMENT OF ACCOUNTS 2017/18

The report presented the changes made during the audit of the Statement of Accounts of the Combined Fire Authority for the financial year ended 31 March 2018.

The core Financial Statements for the financial year ended 31 March 2018 were presented to the Resources Committee May. The report confirmed that:-

- the unaudited Statement of Accounts would be signed by the Treasurer to certify that it presented a true and fair view of the financial position of the Authority as at 31 March 2018;
- this would be subject to review by the Authority's external auditors, Grant Thornton;
- that a further report would be presented to the Audit Committee in July, following completion of the external audit;
- at that meeting the Chair of the Audit Committee would be asked to sign the final statement of accounts, as well as the Treasurer;
- Following this a final audited set of accounts would be presented to the Resources Committee for information.

In light of this the Resources Committee noted and endorsed the report and accounts, based on the various outturn reports presented on the same agenda.

Subsequent to that the full set of accounts were produced and signed by the Treasurer and submitted for audit to Grant Thornton.

The Statement of Accounts had now been updated to reflect the following changes identified during the audit (as reported in the Audit Findings Report – elsewhere on the agenda) and a revised statement of accounts was considered by Members, attached as appendix 2.

As all changes requested by Grant Thornton to adjust misstatements, misclassifications and disclosure changes had been made to the accounts the Treasurer to the Fire Authority and the Chair of the Audit Committee were required to approve the revised accounts and sign the Balance Sheet and the Statement of Responsibilities.

Mr Robin Baker confirmed that the view of external audit was that the Authority's 25% ownership of the North West Fire Control should be reflected in the statement of accounts given it was a core part of the performance of the Service.

Members considered the detail of Item 10, External Audit – Audit Findings Report before making the following resolution:

RESOLVED: - That the Committee re-approve the revised Statement of Accounts.

8/18 EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2017/18

This item was considered during the consideration of Item 7, Revisions to the Statement of Accounts.

Under the statutory Code of Audit Practice for Local Government bodies our external auditors, Grant Thornton were required to issue a report to those charged with governance summarising the conclusions from their audit work. Members considered this report which was presented by Mr Robin Baker.

The main issues within the Audit Findings Report were as follows:-

- Audit opinion - the auditor would give an unqualified opinion on the financial statement;
- Value for money - the auditors concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The auditors had identified one adjusted mis-statement relating to the treatment of our share of North West West Fire Control, as set out on pages 13-15 of the Audit Findings Report. This issue was highlighted the previous year however following discussions we initially felt that this was not material and hence was not fully accounted for, however, following further discussion we agreed to amend the accounts to reflect this.

The auditors had also identified four adjustments which were required in terms of misclassifications and disclosure changes as set out on page 16 of the Audit Finding Report, and these changes had been incorporated into the final statement of accounts.

RESOLVED: - That the Committee:-

- i) Noted and endorsed the matters raised in the report and the response to these;
- ii) Noted the unqualified opinion on the financial statements;
- iii) Noted the value for money conclusion;
- iv) Noted the amended Statement of Accounts.

9/18 EXTERNAL AUDIT - UNDERSTANDING HOW THE COMMITTEE GAINS ASSURANCE FROM MANAGEMENT

In order to comply with Auditing Standards, the External Auditors, Grant Thornton were required to obtain an assurance as to how those charged with governance gain assurance over management processes and arrangements, as set out in their letter dated May 2018, copy considered by Members.

A response had been prepared by the Chairman of the Audit Committee which was considered by Members.

RESOLVED:- That the Committee noted and endorsed the response submitted.

10/18 EXTERNAL AUDIT - LETTER OF REPRESENTATION

As part of the year-end process the Authority was required to sign a letter of representation. This letter confirmed that the Authority had disclosed all relevant information in its accounts for the year in question and that all issues which should have been brought to the attention of the auditors had been.

The Treasurer confirmed that there were no issues that should have been brought to the attention of the auditors but which had not been. The Treasurer confirmed he would sign the letter at the meeting, as there were no further issues which he felt required disclosure.

RESOLVED: - That the Audit Committee authorised the signing of the letter by the Chairman of the Committee.

11/18 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 not identified any new risks which warranted inclusion on the corporate risk register.

An updated corporate risk register was considered by Members with changes summarised in the report.

In response to a question raised by CC Holgate in relation to the vacant Network Security Manager role, the Director of Corporate Services gave assurance that the work was continuing while a Manager with the appropriate skills was recruited.

In response to a question raised by CC Clarke in relation to risk 25, the outcome of the EU court ruling on the Matzak case, the Director of Corporate Services confirmed that this was a potential risk to all Fire and Rescue Services.

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

12/18 SCHEME OF DELEGATION

The Authority had a Scheme of Delegation which set out the powers delegated to the Chief Fire Officer (CFO), Treasurer and Clerk to act on behalf of the Authority. These had been reviewed and updated to reflect current legislation and recent changes to contract standing orders and financial regulations.

In line with best practice the Scheme of Delegation was reviewed on a regular basis.

The latest review had updated references to relevant legislation, as well as updating the scheme to tie into recent changes on contract standing orders and financial regulations, approved by the Committee in March.

A proposed revised version was considered by Members as now presented. The most significant changes were as follows:-

- Section 2.5 and 2.10 to amend the thresholds for approval of contract variations to reflect the higher of £50,000 or 15% of contract value, as per agreed financial regulations;
- Section 2.7, to align the value at which the CFO and Treasurer can grant exemptions to the contract procedures to £100k, as agreed in contract standing orders. This ensures consistency of contract thresholds at £100,000 thereby reducing the level of confusion that currently occurs whereby three separate thresholds are in place, under the revisions the following will apply:-
 - the CFO and Treasurer can grant exemptions up to this figure, with any which exceed this requiring Authority approval;
 - the CFO and Treasurer can enter into contracts up to this figure, with any which exceed this requiring Authority approval;
 - any contracts which exceed this value are reported to the authority.
- Section 4.12 to increase threshold for writing off debt to £10,000, as per agreed financial regulations;
- Section 7.7 to increase threshold for writing off stock to £10,000, as per agreed financial regulations;
- Section 7.8 and 7.9 updated in line with agreed financial regulations to reflect disposal arrangements for fire appliances, where it is proposed to either:-
 - dispose of these, at below market value, for humanitarian purposes, linked to the organisational objectives, priorities and values of the Service;
 - or to crush/sell them as scrap in order to minimize the risk of them being bought at auction and used inappropriately, thereby minimizing

any reputational risk.

RESOLVED: - That the Audit Committee approved the amendments as proposed.

13/18 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Thursday 27 September 2018 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 29 January 2019 and 2 April 2019 and agreed for 23 July 2019

14/18 URGENT BUSINESS - WINTER HILL MAJOR INCIDENT

The Chief advised that at its height there were 32 fire engines in attendance at the Winter Hill incident. When you have an incident that is protracted it is impossible to manage with just your own resources. Lancashire drew on other Services from across the country with assistance from specialist wildfire teams. The support from partners was appreciated, in particular 2 helicopters were provided free of charge one from the Woodland Trust and one from United Utilities and other partners provided track vehicles.

The support from the public was second to none making donations to express their gratitude and goodwill to the Service and its partners.

There was no loss of life or damage to property and the infrastructure was saved.

The Chairman, CC Tomlinson asked that thanks and appreciation to everyone concerned with the Winter Hill major incident be put on record.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood