

## LANCASHIRE COMBINED FIRE AUTHORITY

### AUDIT COMMITTEE

Tuesday, 5 July 2022, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

### MINUTES

#### PRESENT:

##### Councillors

J Shedwick (Chair)  
N Hennessy (Vice-Chair)  
S Clarke  
F Jackson  
A Kay  
J Singleton

##### Officers

K Mattinson, Director of Corporate Services (LFRS)  
D Brooks, Principal Member Services Officer (LFRS)  
L Barr, Member Services Officer (LFRS)

##### In attendance

A Dalecki, Internal Audit, Lancashire County Council  
L Rix, Internal Audit, Lancashire County Council  
H Stevenson, External Audit, Grant Thornton  
K Wilkie, Fire Brigades Union

#### 1/22      APOLOGIES FOR ABSENCE

Apologies were received from County Councillor Dad.

#### 2/22      DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

#### 3/22      MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 29 March 2022 be confirmed as a correct record and signed by the Chairman.

#### 4/22      INTERNAL AUDIT ANNUAL REPORT

The Chair, County Councillor Shedwick introduced Andrew Dalecki, Head of Internal Audit and Laura Rix, Senior Auditor. Mr Dalecki advised that Mrs Judith Taylor would be stepping away from managing this contract to support resilience in the team. On behalf of the Committee, the Chair expressed thanks to Mrs Taylor for her work over the years.

The report was presented by Mr Dalecki. The Internal Audit Annual Report summarised the work that the Internal Audit Service had undertaken during 2021/22 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 provided substantial assurance over the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.

The opinion was based on the work the Internal Audit Service performed during 2021/22 and 2022/23 in relation to the 2021/22 audit plan, as approved by the Audit Committee in March 2021.

## **Summary of findings and assurance**

### Overall governance, risk management and control arrangements

A high-level review was completed in April 2022 and no areas of concern were noted.

### Training, learning and development

The audit report was finalised in August 2021 and four medium, and three low residual risk actions had been agreed to enhance the internal review and reporting arrangements in relation to compliance with mandatory training timescales and the recording of training needs, and the formal approval and distribution of the current training plan and policy documents.

### Management of on-call provision

The report was finalised in April 2022. One high and three medium risk actions had been agreed in relation to: i) Monitoring and management of compliance with the Working Time Directive; ii) Analysis of exit interviews; iii) Undertaking regular reviews of the hours worked by On-Call firefighters versus contracted hours; and iv) Identification of responsible officers and implementation dates for actions raised in the Service On-Call Key Performance Indicator report prepared for reporting to the Performance Committee.

### Accounts payable, Accounts receivable and General ledger

Audit work across each of these three key financial systems was completed in November 2021. No areas for improvement were identified.

### HR and Payroll

The review was completed in January 2022. Two low risk actions were agreed relating to the need to ensure all electronic documents were saved on electronic personal folders, and HR to remind managers of the need to submit payroll amendments in advance of the date of change to avoid under or overpayments of salary arising.

### Pension fund assurance

Assurance on pension arrangements was derived from the auditors' own audit activity, in relation to pension overpayments, admission of employers to the fund, accounting through the council's general ledger and employers'

contributions (follow up) and was additionally informed by information made available to them from other external assurance providers.

#### Treasury Management

The review was completed in October 2021. No areas for improvement were identified.

#### **Follow up audit activity**

##### Safeguarding

Follow up work was completed during January 2022. The previous audit provided substantial assurance over the adequacy and effectiveness of the controls in place to support the safeguarding referral process and the working arrangements with partner agencies to help prevent abuse and neglect and to provide a consistent approach when responding to safeguarding concerns. Three low risk actions were agreed with management to address areas identified for improvement. Two of the actions had been implemented with 1 still ongoing relating to the delivery of Safeguarding Awareness talks, which were to be delivered to staff.

##### General data protection regulations (GDPR)

Follow up work was completed during February 2022. The previous audit provided an opinion of moderate assurance. Overall, a good framework of control was in place to support compliance with GDPR, and whilst the auditors did not identify any significant gaps or weaknesses in the adequacy of the design of the overall control framework, it was noted that as the production of the Record of Processing Activity was incomplete this created a risk that additional information assets would be identified and further work would be needed to put in place all necessary documentation required to demonstrate compliance with GDPR.

Of the eleven actions agreed with management to address areas for improvement, only three (all low risk/ priority) had been completed to date. Progress had been hampered due to key staff posts being vacated in the time since the review was completed, although it was noted that recruitment activity was being progressed. In response to a question from County Councillor Singleton regarding progress against the outstanding actions, the Director of Corporate Services confirmed that progress had not been achieved as it continued to be difficult to recruit.

#### **Other components of the audit plan**

##### National Fraud Initiative

All matches from the current exercise had now been investigated. One error was identified, with no financial impact.

##### Management Activity

Work in the period has included:

- Production of the 2020/21 Annual Report of the Head of Internal Audit.
- Preparation of the Audit Committee monitoring reports.
- Reissue of the Internal Audit Charter.
- Preparation of the 2022/23 Internal Audit Plan.

- General management and quality assurance procedures.

The delivery of the audit plan was 74 days against the 70 days plan. Action plans had been agreed where appropriate in respect of all final audit report. These indicated that positive action had been or would be taken to address any areas for improvement identified. Implementation of these plans would be followed up as part of the 2022/23 audit plan.

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.

5/22

#### EXTERNAL AUDIT - AUDIT PLAN

The Chair, County Councillor Shedwick welcomed Helen Stevenson, Audit Manager, Grant Thornton who presented the Audit Plan 2021/22.

It was noted that the external auditors were required to produce an annual audit plan, setting out the areas it intended to review during the year.

Members considered the Audit Plan which included key matters that impacted on the audit, details of significant risks identified and the key aspects of proposed response to the risk, accounting estimates and related disclosures, other matters, materiality, value for money arrangements, risks of significant value for money weaknesses, audit logistics and team and audit fees.

Ms Stevenson advised that the timing of the final visit had moved to August.

RESOLVED:- That the Audit Committee agreed the external audit plan for 2021/22 and the increased fee.

6/22

#### ANNUAL GOVERNANCE STATEMENT

The Director of Corporate Services presented the report. The Authority was required to publish an Annual Governance Statement along with the Authority's financial statements, following a review of the effectiveness of the internal controls in place. The report and the statement set out the key elements of the Authority's governance framework, how these had been evaluated, the outcome of the assessment of effectiveness and any areas for improvement.

The Audit Committee had previously approved a 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 of the systems, and this was provided by internal and external auditors, both of whom provided positive reports, and by the HMICFRS Inspection which rated the Service as Good.

The assessment also considered recommendations made as part of last year's Annual Governance Statement i) to continue to develop and embed a new assurance monitoring system app to collate information and intelligence from multiple sources as well as linking to national learning; ii) to performance manage the completion of appraisals and introduce new tools to improve the appraisal conversation; iii) produce Community Risk Management Plan covering 2022/27; iv) publish and act on the outcome of the Staff Survey; v) commence a project to replace the existing performance management system; vi) implement an upgraded finance system, including review and implementation of improvements to the monthly budget monitoring process, making greater use of additional functionality provided; and vii) develop business cases where required to ensure that value for money is evidenced.

An update on the position in respect of these was considered by Members. It was noted that some outstanding actions in respect of recommendations from last year's Annual Governance Statement had been delayed due to capacity issues.

It was noted that as a result of various reviews the following area had been identified for further improvement: -

- Embed the Core Code of Ethics into corporate policy, and the recruitment and promotion process.

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.

The Director of Corporate Services advised that the outcome of the last HMICFRS inspection was awaited and the Governance Statement would be updated once the result was known.

RESOLVED: - That the Committee noted and endorsed the self-assessment and the Annual Governance Statement based on this and recommended that the Chairman of the Authority sign the Statement.

7/22

## ACCOUNTING ESTIMATES

The Director of Corporate Services presented the report. It was noted that the International Standard on Auditing (ISA) 540: Auditing Accounting Estimates and Related Disclosures was revised in December 2018 by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing, quality control, and review. The auditing standard was revised because Statement of Accounts were increasingly subject to judgements and estimations performed by management and experts on a range of items within them, as required by current accounting standards. These changes required

that auditors should understand and evaluate: “the nature and extent of oversight and governance that the entity has in place over management’s financial reporting process relevant to the accounting estimates.”

The Audit Committee needed to understand what significant estimates would be included within the Statement of Accounts which were those that:

- Required significant judgement by management to address subjectivity;
- Had high estimation uncertainty;
- Were complex to make;
- Had, or ought to have had, a change in method, assumptions or data compared to previous periods; or
- Involved significant assumptions.

The Statement of Accounts contained estimated figures that were based on assumptions about the future or that were otherwise uncertain. Estimates considered past and current trends and/or other relevant factors. However, because balances could not be determined with certainty, actual results could be materially different from the assumptions and estimates.

It was noted that the Statement of Accounts were prepared with the underlying significant assumption of Going Concern, which meant that the Authority considered its financial position to be stable for the foreseeable future, as assessed at the most recent budget setting exercise finalised in February 2022. Accounting standards required that management made an annual assessment of going concern, although the Code recognised that Local Authorities could not be created or dissolved without statutory prescription, the accounts must therefore be prepared on a Going Concern basis. Management had prepared the assessment in line with requirements.

Members considered the significant Accounting Estimates for 2021/22 including the: estimated value, degree of uncertainty and methodology used for the: i) valuation of land and buildings; ii) depreciation of property and equipment; iii) valuation of both Firefighter and Local Government Pension Scheme (LGPS) liability; iv) valuation of LGPS pension asset; v) fair value measurement – private finance initiative schemes; vi) revenue accrual – s31 grant re: business rates additional reliefs in 2021/22; and vii) holiday pay expenditure accrual.

The Director of Corporate Services tabled an amendment to the estimate for Fire value measurements – PFI schemes (as detailed on pages 81 and 82 of the agenda pack) to reflect in the final paragraph that ‘The bond yield rate forecasts had increased since last year end, reflecting the increase in expected future Bank of England base rate forecasts. The reduction in the fair value of the liability, was a product of both the underlying reduction in the liability, as a result of repayments made during the year, and the increase in the future interest rates’.

It was noted that each year Executive Board was asked to consider whether there were any transactions, events, or conditions (or changes in these) that might trigger the recognition of an additional significant accounting estimate, or the potential recognition, known as a contingent liability. Based on the returns received from Executive Board, the contingent liabilities note had been updated to reflect the current position, but there were no further significant events or

transactions identified by this process.

RESOLVED: - That the report be noted and the accounting estimates including the tabled amendment as reported be endorsed.

8/22

### 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 10 June 2022 was presented by Andrew Dalecki.

To date, and as expected no days had been spent this financial year on completion of the 2022/23 plan and no individual assignments had been scheduled for completion to date. Time spent between 1 April 2022 and 10 June 2022 in completing assignments from the 2021/22 audit programme had been accounted for within the 2021/22 Annual Report.

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

9/22

### RISK MANAGEMENT

The Director of Corporate Services presented a verbal report that highlighted 2 new risks which warranted inclusion on the corporate risk register, and one which required updating:

#### North West Fire Control

As mentioned at the last Authority meeting the Deputy Mayor of Greater Manchester had written to the Chairs of other constituent Fire Authorities (Cumbria, Cheshire and Lancashire) advising of their intent to review existing arrangements, which may have a longer-term impact.

#### Reforming Our Fire and Rescue Service White Paper

The Government was consulting on its proposals to reform the fire sector in England which included the potential to transfer fire functions to a single elected individual. Once the outcome was known it may impact on governance and therefore needed to be on the risk register for awareness.

#### Inflation/Pay Awards

Inflation was already on the corporate risk register concerning i) Increase in costs of and/or lack of availability of goods and services, following Brexit and the current war in Ukraine and ii) increasing energy costs. The Director of Corporate Services reassured Members that even though costs were rising above the estimated inflation levels there was sufficient funding to draw down from reserves. This would be reviewed later in the year when the budget for next year was set.

Pay awards were separately set nationally for green and grey book staff and a 2% award had been estimated in the budget. Pay offers were early in the negotiation stages however, it was likely these would exceed the budgeted allowance.

The Director of Corporate Services confirmed he would keep the Chair and

Vice-Chair aware of any changes and would bring a written report to the November meeting of the Committee.

RESOLVED: - That the Committee agreed the new risks be added to the Corporate Risk Register as well as the updated risk.

10/22

DATE OF NEXT MEETING

The next planned meeting of the Committee would be held on 27 September 2022 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood. It was agreed that the Director of Corporate Services would discuss with the Chair of the Committee whether this meeting was necessary.

Further meeting dates were noted for 29 November 2022 and 28 March 2023 and agreed for 25 July 2023.

M NOLAN  
Clerk to CFA

LFRS HQ  
Fulwood