

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 30 November 2021, at 10.00 am in the Washington Hall, Service Training Centre, Euxton.

MINUTES

PRESENT:

Councillors

J Shedwick (Chairman)
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 Ayre, External Audit, Grant Thornton
J Taylor, Internal Audit, Lancashire County Council

22-20/21 APOLOGIES FOR ABSENCE

An apology was received from County Councillor Munsif Dad.

23-20/21 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

24-20/21 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 28 September 2021 be confirmed as a correct record and signed by the Chairman.

25-20/21 EXTERNAL AUDITORS ANNUAL REPORT 2020/21

Mr Ayre, Audit Manager presented the report.

The report re-affirmed the draft opinion on the accounts previously reported to the Committee that the external auditors had completed their audit of the

Authority's financial statements and issued an unqualified audit opinion.

The review of value for money arrangement covered the 3 areas of i) financial sustainability; ii) governance and iii) improving economy, efficiency and effectiveness. The auditor's review did not identify any significant weaknesses in arrangements across any of these areas, but had made 4 improvement recommendations as set out pages 10, 14, 15 and 16 of the report and now considered by Members: -

1. Recommendation – that the Authority should continue to identify and develop sufficient savings plans to avoid depleting General Fund reserves below the minimum level. Management Comment - Agreed, this had been in abeyance awaiting a multi-year settlement, hence this would form part of future years budgets/medium term financial strategy;
2. Recommendation - Within the Corporate Risk Register it was recommended that each risk be mapped to the relevant corporate objective. Management Comment – We do not believe this will assist as many of the risks span across more than one objective;
3. Recommendation - that the Authority should remove discharged risks from the Corporate Risk register. Management Comment – We do not accept this recommendation; the inclusion of discharged risks demonstrates which risks have previously been considered by the Authority. The reporting of risks made it clear that these had previously been discharged, and did not impact on Members focusing on 'live' risks;
4. Recommendation - Review the adequacy of procedures around members declaring interests. Also, implement a regular completeness check to identify any gaps in declarations. For example, this may include a search of Companies house records to compare directorships held to those recorded on the register of interests. Management Comment - We will conduct a review about adequacy of procedures around the declaration of Members' interests, including consideration of what, if any, verification process is required.

It was noted that the final audit fee was £38.9k, which was consistent with the fee agreed as part of the Audit Plan. This was £15.2k higher than the scale fee identified by Public Sector Audit Appointments, reflecting the increased work associated with changes to auditing standards, as previously reported. The increase in fees was broadly consistent with similar audited bodies. The Government had however, provided an additional £15m of funding to compensate authorities for increased audit fees, arising from changes to auditing standards etc, and the Authority's share of this was £12.2k. As such net audit fees were £26.7k.

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

26-20/21 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 12 November 2021 was presented by Judith Taylor. It was noted that work carried out during this period was in accordance with the agreed audit plan.

The report identified to date that 39 days had been spent this financial year on the 2021/22 plan which equated to 56% of the totalled planned activity of 70 days.

Progress to date in relation to the plan was provided and discussed by Members. Audit work across the 3 key financial systems (accounts payable, accounts receivable, general ledger) had been completed in November and an opinion of substantial assurance provided with no areas for improvement identified. Substantial assurance was also provided in relation to treasury management with no areas for improvement suggested.

In relation to training, learning and development. The audit report was finalised in August 2021 and 4 medium and 3 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.

It was noted that an interim review had already been completed and an overall opinion on the adequacy and effectiveness of governance, risk management and control arrangements would be reported as part of the 2021/22 Annual Report of the Head of Internal Audit.

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

27-20/21 APPOINTMENT OF EXTERNAL AUDITORS

The Director of Corporate Services presented the report. At its meeting on 20 February 2017 the Authority opted into Public Sector Audit Appointments (PSAA) auditor appointment arrangements (resolution 6/16 refers), whereby PSAA was responsible for appointing an auditor to principal local government and police bodies that had chosen to opt into its national auditor appointment arrangements. This appointment covered the period 2018/19 to 2022/23. The Authority therefore now needed to determine how to appoint its external auditors when that arrangement expired.

It was noted that there were 3 ways for a principal local government or police body to appoint its auditor for the five financial years from 2023/24:

1. undertake a stand-alone individual auditor procurement and appointment exercise;
2. undertake a joint audit procurement and appointing exercise with other

- bodies; or
3. join PSAA's sector led national scheme.

These options were considered in 2017 and appendix 1 set out the advantages / disadvantages of the options. At that time the Authority determined that pursuing the sector led approach represented the best option. This was again proposed given the following advantages were still identified: -

- avoid the necessity to establish an independent auditor panel (detailed requirements specified by the [Local Audit & Accountability Act, 2014](#));
- avoid the need to manage their own auditor procurement, including the costs of doing so;
- benefit from PSAA undertaking a robust process to validate fee variation proposals; and
- assuming a high level of participation, be able to support market sustainability and encourage realistic prices in a challenging market.

A local auditor must be appointed no later than 31 December in the financial year preceding the financial year of the accounts to be audited, i.e. for the audit of the accounts of the 2023/24 financial year, there must be a local auditor appointed by 31 December 2022.

PSAA's sector led national scheme

In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations), PSAA formally invited all eligible bodies to join the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028 in its role as a specified appointing person. Attached as appendix 2 as now considered was the Prospectus that PSAA issued at the time.

A decision to become an opted-in authority must be taken in accordance with the Regulations by the Members of an Authority meeting as a whole, i.e. the full Authority. The closing date to give notice to PSAA of the authority's acceptance of the invitation was 11 March 2022.

Following the completion of the procurement of audit services (envisaged as August 2022), the [auditor appointment process](#) would be:

- publish the process for making individual auditor appointments for opted-in bodies from 2023/24 during spring/summer 2022;
- consult with opted-in bodies on proposed auditor appointments during the late summer/autumn 2022; and
- confirm all auditor appointments by 31 December 2022.

Audit Fee

The external audit fee for 2020/21 account was £39k. In recent years this fee had increased due to the additional requirements placed on auditors by the Financial Reporting Council. Audit firms had expressed a view that the existing fees were not sustainable and hence any procurement exercise was likely to

result in higher fees, irrespective of how it was conducted.

Opting into a national sector led approach with PSAA provided some opportunity to limit the extent of any increases by entering in to a large-scale collective procurement arrangement and it was felt that a sector led approach was likely to result in the best compromise between sustainable fees and quality of audit. It would also remove the costs of establishing an auditor panel, required under the other two approaches, which if selected, would need to be incorporated into future years budgets.

RESOLVED: - That the Committee propose that the full Authority accepted PSAAs invitation to opt into the national scheme.

28-20/21 RISK MANAGEMENT

The Director of Corporate Services presented the report. The report highlighted action taken in respect of corporate risk since the last Audit Committee meeting. The latest review of the corporate risk register identified 1 new risk which warranted inclusion on the corporate risk register:

Increase in energy costs

The Service currently spent approx. £400k on energy. The contracts for both gas and electricity (let via a national framework agreement) fixed the tariff at the start of each year, meaning that the increased costs on the market would not be passed onto the Service in the current financial year. However, when prices were fixed for next year, there was the potential for a significant increase in costs. The potential increase was currently being reviewed for inclusion in the budget setting exercise, however even a 25% uplift would result in an increase in excess of £100k.

In order to mitigate the risk of a significant increase a YPO framework was used to fix prices. YPO actively reviewed the market, attempting to fix prices at the most favourable rates. The Service also looked to introduce more energy efficient lighting and heating as well as improving thermal qualities of buildings (e.g. replacing windows/ doors/ facades).

Given the potential cost increase, this was a medium risk as whilst the increase seemed certain the overall financial impact in terms of the total budget was relatively low.

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

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

29-20/21 STRATEGIC ASSESSMENT OF RISK

The Director of Corporate Services presented the Authority's Strategic Assessment of Risk (SAoR) which was presented to the Planning Committee at

its meeting on 15 November. Given the SAoR linked to the risk management processes and the corporate risk register the report presented to Planning Committee, together with a tabled document that set out the highest risk incident types was considered by Members.

RESOLVED: - That the Strategic Assessment of Risk be noted and endorsed.

30-20/21 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Tuesday 29 March 2022 at 10:00 hours in Washington Hall, Service Training Centre, Euxton.

Further meeting dates were noted for 26 July 2022 and 27 September 2022 and agreed for 29 November 2022.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood