

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday, 26 January 2017, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

C Crompton (Chairman)  
P Britcliffe  
F De Molfetta (for S Holgate)  
M Khan  
M Perks  
J Shedwick (Vice-Chair)  
D Smith

Officers

D Russel, Assistant Chief Fire Officer (LFRS)  
K Mattinson, Director of Corporate Services (LFRS)  
D Brooks, Principal Member Services Officer (LFRS)

In attendance

C Stead, External Audit, Grant Thornton  
J Taylor, Internal Audit, Lancashire County Council

22/16 APOLOGIES FOR ABSENCE

Apologies for absence were received from County Councillor Holgate.

23/16 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

24/16 MINUTES OF PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 29 September 2016 be confirmed as a correct record and signed by the Chairman.

25/16 EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2015/16

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 2015/16 audit of the Authority as presented by Caroline Stead.

The Auditors had issued:

- an unqualified opinion on the Authority's 2015/16 financial statements on 29 September 2016, meeting the deadline set by the Department for Communities and Local Government. The opinion confirmed that the financial statements gave a true and fair view of the Authority's financial position and its income and expenditure for the year;
- an unqualified value for money conclusion for 2015/16 on 29 September 2016.

RESOLVED:- That the Audit Committee note and endorse the content of the Annual Audit letter 2015/16.

#### 26/16 EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE 2016/17

The Committee considered a report from the External Auditors presented by Caroline Stead which detailed progress at January 2017 in relation to the financial statements and value for money conclusion for 2016/17. The report also set out Accounting and Audit issues (which related to: i) the changes to the Code of Practice on Local Authority Accounting, details of which were awaited in order to incorporate into the accounts; and, ii) flexible use of capital receipts; which it was not anticipated would be taken advantage of in 2016/17). In addition the report included sector issues which related to future control room improvements.

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

#### 27/16 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 13 January 2017 was presented by Judith Taylor.

It was noted that work carried out during the period 1 April 2016 – 13 January 2017 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.

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.

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

28/16 AUDIT COMMISSION - CONSULTATION ON 2017/18 WORK PROGRAMME AND SCALE OF FEES

The Public Sector Audit Appointments Limited (PSAA), the successor to the Audit Commission, was responsible for managing the audit contracts previously let by the Audit Commission, and would set 2017/18 scale audit fees for relevant local government bodies under statutory powers delegated to it on a transitional basis by the Secretary of State for Communities and Local Government. This was the final year for which PSAA would set fees under the transitional arrangements.

PSAA was now consulting on the proposed work programme and scales of fees for 2017/18 audits. The consultation set out the work that auditors would undertake, with the associated scale fees. There were no changes to the overall work programme for 2017/18. They had therefore proposed that the scale fees were set at the same level as the fees applicable for 2016/17. These fees reflected the significant reductions made to scale fees since 2012/13.

The work that auditors would carry out on the 2017/18 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.

Following completion of the Audit Commission's final accounts, PSAA had received a payment in respect of the Audit Commission's retained earnings. PSAA would distribute this and any other surpluses from audit fees to principal local government and police bodies on a timetable to be established during 2017.

The consultation closed on Friday 12 January 2017. Given there was no change in scale of work or 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 note and endorse the consultation document as set out in the report.

29/16 CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

As previously reported, the external auditor for the audit of the accounts for 2018/19 had to be appointed before the end of 2017. As such the Committee had agreed in March 2016 to indicate its intention to "opt-in" to the national Sector Led Body.

The Secretary of State had now appointed Public Sector Audit Appointments (PSAA) to appoint local auditors under a national scheme. Although it was for the Audit Committee to consider this issue, the relevant regulations meant that the full Authority had to determine whether they wished to opt in to this or not. If so, the timetable required the Authority to formally opt in to this scheme by 9 March 2017.

Members considered the information relating to the scheme set out in Appendix 1; some of the key points were:

- Auditor appointments would operate for audits of the accounts from 2018/19 and for a period of 5 years.
- The scheme would save time and resources for local government bodies.
- A collective procurement should result in the best prices, keeping the cost of audit as low as possible without compromising on audit quality.
- The Local Audit and Accountability Act 2014 provided that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work would be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.
- Public Sector Audit Appointments would only contract with audit firms that had a proven track record in undertaking public audit work.
- Scale fees would be determined by the prices achieved in the auditor procurement and hence would not be known until the exercise was completed. However fee levels would be carefully managed by securing competitive prices from firms and by minimising Public Sector Audit Appointments own costs.
- Contracts were likely to be awarded at the end of June 2017, following which Public Sector Audit Appointments would consult on the proposed scale of fees in autumn 2017 and publish the fees applicable for 2018/19 in March 2018.

The Director of Corporate Services proposed the Committee recommend opting-in to the national procurement being undertaken by the Public Sector Audit Appointments to the Authority at its next meeting in February. This option was more likely to minimise procurement costs and resources, maximise buying power and hence likely to result in the most competitive audit fees and this would also remove the costs of establishing an auditor panel.

Members understood that the national procurement process would be the same as adopted in previous years by the Audit Commission however; concern was expressed around awarding the contract without knowledge of the scale of fees.

Following discussion it was agreed that a separate report be provided to the Authority meeting in February which would include full details of the options and processes involved for the appointment of external auditors as reported previously to the Audit Committee.

RESOLVED:- That the Committee refer a decision to the full Authority at its meeting in February 2017.

### 30/16 AMENDMENTS TO THE SCHEME OF DELEGATION

The Combined Fire Authority operated a Scheme of Delegation, which specified what powers were delegated to the Chief Fire Officer, Treasurer and Clerk of the Authority.

Currently the scheme set out the powers delegated to the Chief Fire Officer relating to staffing proposals as:-

To approve in any financial year, subject to the action being within budgetary provision: -

- The disestablishment, transfer or extension of up to twenty five posts;
- The creation of up to twenty five posts or part posts; and
- The regrading of up to twenty five posts.

It was proposed that the powers delegated to the Chief Fire Officer to approve in any financial year, the creation, disestablishment, regrading, transfer or extension of posts, subject to the action being within approved staffing budget and providing it did not commit the Authority to significant additional expenditure in future years, in order to provide greater flexibility in the use of staff, whilst maintaining the link to overall staffing budgets and future financial commitments.

Following discussion Members agreed to leave the wording as currently set out in the Scheme but to add “any additional disestablishment, transfer, extension, creation or regrading of posts to be agreed in consultation with the Chairman of the Authority”.

RESOLVED:- That the Audit Committee agree the revision to the scheme of delegation as detailed above.

#### 31/16 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. Of the existing risks 8 had been reviewed and an updated corporate risk register was considered by Members.

RESOLVED: - That the Committee note the actions taken and endorse the revised corporate risk register.

#### 32/16 DATE OF NEXT MEETING

The next meeting of the Committee would be held on 30 March 2017 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 22 June 2017 and 28 September 2017.

#### 33/16 EXCLUSION OF PRESS AND PUBLIC

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.

34/16 APPOINTMENT OF INTERNAL AUDITING SERVICES

(Paragraph 3)

Following discussion it was agreed by a majority of 5 (with 2 Members abstaining) to maintain the contract with Lancashire County Council for the provision of internal auditing services.

RESOLVED:- That the Lancashire County Council continue to provide internal auditing services.

M NOLAN  
Clerk to CFA

LFRS HQ  
Fulwood