

MINUTES AUDIT COMMITTEE

21 June 2019, 2.00pm to 4.00pm, GF01, Kelvedon Park

Present:

Jonathan Swan (JS)	Chair
Julie Parker (JP)	Independent committee member
Simon Faraway (SF)	Independent committee member
Alan Hubbard (AH)	Independent committee member
Roger Hirst (RH)	Police, Fire and Crime Commissioner
Abbey Gough (AG)	Interim Section 151 Officer
Pippa Brent-Isherwood (PBI)	CEO, PFCC's office
Jo Turton (JT)	Chief Fire Officer
Dave Bill (DB)	Director of Innovation, Risk and Future Development
Karl Edwards (KE)	Director of Corporate Services
Glenn McGuinness (GM)	Assistant Director of Finance
Dan Harris (DH)	Internal Auditor, RSM
Anna O'Keeffe (AOK)	Internal Auditor, RSM
Paul Grady (PG)	External Auditor, Grant Thornton
Parris Williams (PW)	External Auditor, Grant Thornton
Camilla Brandal	Minutes, PFCC's office

Apologies:

Jane Gardner (JG)	Deputy Police Fire and Crime Commissioner
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1 Introduction and welcome

- 1.1 JS welcomed everyone to the meeting and accepted apologies from JG. It was confirmed that Rick Hylton (the Deputy Chief Fire Officer) would not be required to attend this meeting. It was also confirmed that Karl Edwards (the Director of Corporate Services) would be the PFCC's office's contact for papers.
- 1.2 JS, as Chair, confirmed that the Committee would not be accepting a verbal update on item 15 Cultural Change/ Peer Assessment. It was agreed that a paper update would be given at the extraordinary meeting in July.

2 Minutes from the meeting on 22 March 2019

- 2.1 SF would like the first sentence under Item 8 to read 'The key financial control audit is currently in draft', rather than the 'key financial control audit it currently in draft'.
- 2.2 There being no other amendments or comments, the minutes of the previous meeting were agreed.

3 Action Log

- 3.1 AH was disappointed to see no progress updates had been supplied to AG since the last meeting and asked that this be rectified for the next meeting.
- 3.2 It was agreed that the updated Action Log would be brought back to the Extraordinary meeting in July 2019.

4 Work Plan

- 4.1 JS would like an addition of 'preparation of annual report' to be populated after Item 12.
- 4.2 The Committee members asked if Item 16 could include an item on policy matters as well as legal and regulatory matters.
- 4.3 The Committee members would like to see an item that refers to the regular inspection framework that is taking place in the Service. It was agreed that a list of inspections would be provided.

Action: 7/19

ECFRS to draw up a list of inspections that are to be undertaken throughout the year and provide it to the next meeting.

5 Internal Audit Plan 2019/20

- 5.1 DH confirmed that following the last meeting RSM and JT were tasked with considering when the training and development audit would be put onto the Internal Audit Plan. A brief discussion took place, after which it was agreed that the audit on training and development would be set for 2020/21 with the proviso that it could be brought forward to be undertaken in 2019/2020 if necessary.
- 5.2 RH had a couple of questions on the assurance table on Page 11, the first one relating to culture and whether the audit ought to be moved to earlier than 2020/21 given the amount of work that has been undertaken and achieved so far with the culture change. RH and JT to speak outside this meeting to agree and then suggest to DH.

Action: 8/19

RH and JT to consider the timing of a cultural change review through their regular 1:1 meeting schedule

- 5.3 RH's second question was regarding the assurance blocks at the top of the table and the colour coding on the lines and whether a couple of items had been conflated into first line of assurance when they should be second line? For example, Fire & Rescue Comms and resources, Collaboration Board, Audit Board should be second line, but are SLT and the Change Board second or first? As they are management bodies, they should be earlier in the process. After a discussion, it was agreed that DH would look at the table and revisit the lines of assurance.

Action: 9/19

DH to look at the Lines of Assurance on the Integrity table and discuss with the members of SLT.

- 5.4 JS was concerned to note that the table contained a Line of Assurance for the Audit Committee and asked that this was removed as the Audit Committee's function is to provide oversight. DH had put the item into the table as a means of providing

assurance to RH around the process. JS asked that it either be removed or put into the third Line of Assurances. DH understood the member position and would revisit this as part of the process above.

- 5.5 AH commented that the Committee did not like advisory audits and had understood that they would only be undertaken if there were new regulations or new recommendations to change a process. AH wanted to know why there were advisory audits scheduled for GDPR and procurement. GM explained the background to the setting up of the GDPR process and how Essex County Council provided an opinion on the Service's readiness for GDPR. It is proposed by the Service to ask Essex County Council to carry out a new review of the GDPR process instead of it forming part of the audit process undertaken by RSM. A discussion took place around whether ECC or RSM would carry out this work, and it was agreed that an actual audit would be undertaken on GDPR which would be factored into the normal audit cycle.
- 5.6 After a further discussion around advisory audits, it was agreed that the procurement process would be reviewed at the relevant time.

Action: 10/19

DH to change the GDPR advisory audit to an opinion audit.

6 Emergency Services Collaboration Risk Register

- 6.1 PBI confirmed that this was the second time that the Risk Register had been presented to the Audit Committee and it had been through a thorough review. A multi-agency workshop had been held to carry out the review resulting in a risk and opportunities scoring matrix (similar to that used by Essex Police) being used for the Register. From the review, there were 12 open risks; 2 red and 10 amber. The risk score had improved in 4 areas; namely, lack of buy-in to the collaboration programme, relationships between stakeholders break down, decisions which would be advantageous from an Essex perspective may not be taken by Ambulance and partners are concerned that collaboration may remove resources involved in their BAU activities.
- 6.2 PBI confirmed that an additional mitigating measure had been included around risk of the benefits not being clearly profiled or realised, in that AG had been engaged to provide due diligence and assurance around the figures.
- 6.3 PBI confirmed that although significant work had been undertaken on the Register, there was still further refinement work to be done. The Collaboration Programme Board have been tasked with looking at two of the specific risks and report their findings back to the Strategic Collaboration Governance Board.
- 6.4 JS asked, as there is reference to the East of England Ambulance Service, is the Collaboration Board more of a three way collaboration concerning Police, Fire and Ambulance or whether it is just Fire and Ambulance? RH confirmed that at the moment the work being done primarily concerns Fire and Ambulance, however the vision is for greater bluelight collaboration.
- 6.5 JP asked about the work in progress and whether it is thought that progress and differences are actually being made in the collaboration space? RH confirmed that progress is being made but it is unlikely that everything will be done within a short period of time. RH explained that there have been problems with the ICT programme, Fleet workshops and the joint Control Room, mainly through outside influences rather than an unwillingness to engage in Essex.

- 6.6 A discussion took place around the Collaboration framework around Ambulance and whether there were any heads of terms or milestones that had been identified. It was confirmed that Ambulance were signed up to the Terms of Reference from the Collaboration Governance Board in July 2017. It was agreed that a paper would be drawn up outlining the role that Ambulance play in the collaboration process.

Action: 11/19

A paper to be presented at the September Committee which outlines the involvement of EEAST in the collaboration process including value/benefits of joint working.

- 6.7 AH asked about the benefits realisation and how much of the savings on benefits will be realised against the goals that have been set and how long would it take to realise the savings. RH is of the opinion that £6m of savings have been profiled, £2.4m have already been achieved, with a remainder of £4m being achieved over a 5 year time period.

7 Risk and Business Continuity Progress Report

- 7.1 The Committee were disappointed to note the format of the Strategic Risk Register presented at this meeting as the previous format had shown promise, and they wanted to know why it had been changed back to the old format.
- 7.2 DB confirmed that he was in the process of updating the new Register (which will mirror Essex Police's format) but had not been able to complete it with all the information and feedback before the meeting which is why he had reverted to the previous format. The Committee accepted this explanation but would have preferred to have had the Register not included at all. It was agreed that DB would bring the updated Strategic Risk Register to the extraordinary meeting in July.

Action: 12/19

DB to bring the updated Strategic Risk Register to the extraordinary meeting in July.

- 7.3 RH commented that he would be interested in seeing how the Fire and Rescue priorities aligned with the Risk Register as, for example, item 15 has been altered from the original priority. There were several items on the Register marked for deletion and is it the intention that they are deleted now or they are being brought back next month for discussion. It was confirmed that the strategic risk register would be discussed in full at the next meeting and any risks proposed for deletion could be considered.

8 Audit Reports

- 8.1 AOK confirmed that 3 audits had been undertaken, namely Key Financial Controls, HR & Payroll Transactions and Follow up. The Key Financial Controls audit was undertaken on the general ledger and asset management and had 2 low priority actions. The HR and Payroll Transactions audit ran from April 2018 to the end of December 2018 as the new payroll system had just been implemented. There were 3 medium and 2 low priority actions. The medium priority actions were around new starter forms not having been signed properly, and exception reports and growth of evidence reports not being signed off. The actions are being addressed with HR.
- 8.2 JP asked that if this was looking at the old system, where is the oversight on the new system and is a judgement being given for the whole year? AOK confirmed that the audit only covered the first three quarters of the year which would always be the case and it just so happened that the change in the system 'fell' at the right point of the cycle. AOK confirmed that there will be a separate review of the new payroll system

in September/ October of this year. DH confirmed that whilst the system is referred to as new, the underlying processes and controls are largely the same.

- 8.3 JS asked whether there could be a case for combined payroll between Police and Fire? RH and JT confirmed that due to a different set of pay regulations and a different negotiating system, the shift patterns for Police and the on-call duty system for Fire would not 'match up' and make it easy to implement. RH commented that it was not something that had been brought up as a collaboration option.
- 8.4 RH pointed out that the third paragraph of the Payroll Audit Executive Summary should read 'December 2018' and not 'December 2019'. DH to update the report.
- 8.5 SF asked about the teething problems that had been reported at the last meeting and whether these had been resolved. GM was not able to provide exact numbers of the payroll errors but was able to reassure the Committee that the payroll system was now at a steady state with less than 10 errors occurring a month.
- 8.6 JT confirmed that there was still work to be done on the use of the system with training for on-call fire fighters and managers on how to record time correctly. JT also confirmed that a learning exercise has been commissioned, the results of which will be shared with the Committee.

Action: 13/19

HOBS learning report to be shared with the Committee once available.

- 8.7 AOK confirmed that the Follow Up audit had resulting in a reasonable progress opinion with 1 high, 3 medium and 4 low priority actions. The high priority action relates to HR training and development and the implementation of a new system to replace TASK. The medium priority actions concerned the skills gap analysis, the review of the KPIs and the monitoring of the business plans. JS commented that pleasing progress has been made on this.
- 8.8 JS asked about the suggested actions contained within the three bullet points at the end of the Executive Summary and that the language was, in the Committee's opinion, 'too soft'. The Committee suggested that the phrase 'We have suggested a number of further actions' be altered to 'You must undertake these actions'.
- 8.9 RH suggested that there needs to be a dedicated person to oversee the further actions on the Executive Summary. It was agreed that KE in his role as Director of Corporate Services would be best placed to take this on.

Action: 14/19

KE to oversee the follow up to the actions set out in the Executive summary on the Follow Up audit.

9 Internal Audit Progress Report

- 9.1 DH went through the Internal Audit Progress Report which showed that there were 3 final reports rather than the 5 reported as Property Maintenance and Strategic Assessment of Risk had been covered at the last meeting. The programme has now been completed for 18/19 and the majority of reviews for the future year have been agreed.

10 ECFRS Progress report on Internal Audit Recommendations

- 10.1 GM confirmed that there had been a couple of changes to the report from previous feedback with the insertion of target dates and a shorter report.

- 10.2 AH asked about Page 2 on appraisals where the progress is shown for 90% of completed appraisals. AH asked whether this should read 100%? JT confirmed that targets have been set to improve performance which is reflected here at a project milestone of 90% but that the intended end point is that everyone should have an appraisal and reflect a 100% result. JS asked what was stopping the 100% result and JT confirmed that it was a mixture of things around time, numbers and quality.
- 10.3 RH confirmed that the work done over the last year or so has shown real progress and the team should be commended for what they have managed to achieve in attaining the 85%.
- 10.4 RH had one question on Page 1 of the Audit Tracker under training and development, where it makes reference to the June 2019 report which is making the tracker amber, as this recommendation came up in June 2017 in the original report, and it is an aged recommendation rather than a new one. It was agreed that GM would look at the dates and double check them.

Action: 15/19

GM to look at the dates of recommendations and the original audit report where they originated in the Audit Tracker and confirm that they are correct.

11 Internal Audit Annual Report

- 11.1 DH went through the report and confirmed that there had been 8 assurance opinions given in the year, DH particularly noted the Risk Management report where significant progress had been made in driving the risk management process to maturity.
- 11.2 DH confirmed that no conflicts of interest had been found and under Appendix B showed all the reviews that had been undertaken along with the priority of actions agreed.
- 11.3 The Committee were delighted with the positive opinion and thanks should be given to JT, GM, DB and KE (and the wider team) for all the work that had gone on behind the scenes to get to this point.

12 External Audit Progress Report

- 12.1 PG went through the External Audit Progress Report and Sector Update and confirmed that over the last 2 weeks the team had been undertaking work on the accounts. PG commented that as work is still ongoing..
- 12.2 JS noted that the committee had discussed the Pensions issue concerning the McCloud case had been discussed at the Police Audit and the Committee were aware of the potential issues that this court case could have.
- 12.3 JS asked about capital receipts and PW confirmed that a summary of the issue is contained within the report, namely that the use of some of the capital receipts historically in terms of clear down and the reduction of MRP charges in the accounts. This is being reviewed by the Grant Thornton Technical Team to establish the legality of the use and policy. GM has been kept informed of the work to date.
- 12.4 RH asked about the note in the report where it mentions the need to actually make use of the capital reserve for the accounts that are currently being audited, and to what extent is this discussion needing to be continued outside the audit? RH was of the opinion that this issue now forms part of the Balance Sheet review that he would

like to carry out with GM. A brief discussion took place around balances, reserves and the audit, and it was agreed that PG would report back with their findings once the investigation work had been done.

13 Draft Unaudited Statement of Accounts 2018/19

- 13.1 GM took the meeting through the draft Statement of Accounts, where he wanted to point out two principal issues which will have an effect on the Accounts, namely, the outcome of the McCloud case regarding pensions, and the treatment of the capital receipts reserves.
- 13.2 On going through the Statement of Accounts, GM set out the underspends (mainly around premises, ICT projects, legal costs) and the income, which was higher than anticipated due to a business rates levy adjustment (£275k). GM wanted to thank PBI for her help on the Annual Governance Statement so that it is now fully compliant. GM went through the Balance Sheet, general fund, Earmarked reserves, capital receipts and cashflow.
- 13.3 GM confirmed that a new standard on financial instruments had been included into the Statement of Accounts.
- 13.4 JP asked about the position around EFA Trading Limited as there had been discussions previously around whether to keep the trading arm or close it. A discussion took place around the services that EFA Trading provides, conflicts of interest, financial standard orders and it was agreed that once the findings from the Business Case are known, they will be shared with the Committee.

Action: 16/19

EFAT business case and findings to be shared with the Committee once available.

- 13.5 JP asked about the capital underspends and how the budget setting and monitoring had resulted in these significant underspends. Are there any actions being taken going forward to manage the capital in a better way? GM and RH confirmed that the way the budget setting and monitoring process has been improved over the last year or so has meant that it will be a much tighter process going forwards. JP asked whether it was the intention to fund the capital from internal resources and GM confirmed that this will form part of the Medium Term Financial Planning.
- 13.5 AH made a suggestion that a sentence regarding the profit figure of £24k from EFA be put into the accounts. GM confirmed that an enhanced note is in the process of being written and will be in the final draft Accounts for approval.
- 13.6 JS asked about the reference to the Committee on Page 15 and reassurance that the text is not just cut and pasted from one year to the next. It was confirmed that the text had been revised extensively this year.

14 Single Tender Actions

- 14.1 GM confirmed that there were three Single Tender Actions to report, namely Real World HR, Microsoft United Support and GroundTruth.
- 14.2 Real World HR were engaged as a specialist company to provide a health and wellbeing diagnostic on the culture objective. JS asked why this was a Single Tender Action and not part of procurement. GM confirmed that it was purely down to the specialism that this company could offer and their high credibility with the Unions.

- 14.3 Microsoft United Support were engaged for technical support which was the only supplier that is fully compliance with all essential technical user specifications. The Committee asked that GM look at why other suppliers were not looked at for this work and report back.

Action: 17/19

GM to report back to the committee on why other suppliers were not considered as part of this tender.

- 14.4 GroundTruth were engaged to provide operational staff casualty care training at short notice due to the original supplier unable to provide it. The work is currently going through a full tender process but by not providing the training when it was required would have meant that the Service would have been in breach of statutory requirements.

15 Any Other Business

There being no other business, the meeting closed at 3.52pm.