

DRAFT MINUTES – Part A
POLICE, FIRE AND CRIME COMMISSIONER FOR ESSEX and
ESSEX COUNTY FIRE AND RESCUE SERVICE
FIRE AUDIT COMMITTEE
17 June 2022, 13:00 – 15:00
GF01, Kelvedon Park or
Microsoft Teams (details in calendar invitation)

Present:

Jonathan Swan (JS)	Chair
Julie Parker (JP)	Independent Committee member
Simon Faraway (SF)	Independent Committee member
Kash Pandya (KP)	Independent Committee member
Sonya Edwards (SE)	Independent Committee member
Roger Hirst (RH)	Police, Fire and Crime Commissioner
Jane Gardner (JG)	Deputy Police, Fire and Crime Commissioner
Pippa Brent-Isherwood (PBI)	Chief Executive & Monitoring Officer, PFCC
Janet Perry (JPe)	Strategic Head of Performance and Resources, PFCC
Rick Hylton (Rh)	Interim Chief Fire Officer and Chief Executive
Neil Cross (NC)	Chief Financial Officer and s151 Officer, ECFRS
Austin Page (AP)	Finance and Compliance Manager, ECFRS
Karl Edwards (KE)	Director of Corporate Services, ECFRS
Dan Harris (DH)	Internal Auditor, RSM
Paul Grady (PG)	External Auditor, Grant Thornton
Parris Williams (PW)	External Auditor, Grant Thornton
Samantha Peace (SP)	Minutes, PFCC

1 Introduction and welcome

- 1.1 JS welcomed the committee members
- 1.2 Apologies received for Anna O’Keefe, Internal Auditor, RSM

2 Minutes from the meeting on 18th March 2022

2.1 18032022 – Part A minutes:

- 2.1.1 The minutes were agreed and there were no matters arising not covered in this meeting agenda.

3 Action Log

Action 23/21 Review of the wording within the delegation section of the Scheme of Governance

To remain open for the Audit Committee in September 2022.

Action 24/21 Motorola implementation plan

JS apologised that this action had not been completed. To remain open

Action 01/22 IR35 headline issues

DH provided an update. Close

Action 02/22 Alternate Police & ECFRS Audit Boards (AM & PM)

Actioned for the September 2022 meetings. Close

4 Work Plan

4.1 JS raised the new agenda item 13 and proposed that KE and JPe work on the self-assessment survey questions. These will then be reviewed by the Independent Committee Members during their meeting in July 2022. Thereafter, the questions will be circulated for response to the Audit Committee prior to meeting in September 2022.

4.2 NC requested that this includes the Chartered Institute of Public Finance and Accountancy (CIPFA) recommendations.

Action 03/22 Self-assessment survey questions

KE and JPe to put together the self-assessment survey questions, including the CIPFA recommendations for the Independent Committee Member meeting in July 2022.

5a) Audit Recommendation Tracker

5.1 AP shared the report highlights. Seven recommendations were outstanding; five over-due and six closed in the quarter including two actions that were reraised from the follow-up review. Two recommendations were outstanding from the follow-up audit and anticipated to fall overdue due to the Procurement team restructure. From the recommendations outside their due date, one was completed and the remaining four were to be completed by the end of the month.

5.2 JS referred to the ground maintenance contract on page 8 and queried if the collaboration with 7-Force Procurement was a natural fit for Essex Police and the Fire Service. NC explained that existing 7-Force contracts are utilised by the Service when they are deemed the best option following market evaluation. An example of this was the cleaning contract due to come into effect on 01st October 2022.

5.3 JS asked if the future expectation was for Procurement exercises to go through 7-Forces. KE updated that he regularly attends meetings with 7-Forces and Kent Fire and Rescue Services to discuss current activities and efficiencies around joint working.

5.4 NC provided an update on the Procurement team. All new roles in the team have been offered and accepted, and team members will have all started with the Authority given the 30th September 2022.

5b) Internal Audit report

5.5 DH shared two final reports issued since the last meeting. One of which included a follow-up review initially looking at nine actions. A further twenty-four actions have been taken away and will be brought back to the next committee meeting.

The dates and scopes for the 2022/2023 programme were agreed, with one change relating to the Cyber Security Review which has been pushed back for reporting at the next Audit Committee meeting.

5.6 JS raised the Medium-Term Financial Strategy (MTFS) and queried if this would be part of the inflation conversation later in the meeting. DH agreed it would.

6a) Internal Audit Progress Report

6.1 DH summarized the report, concluding that five reviews had been fully implemented and of the remaining four, two had been downgraded to low concluding paper 6a with a reasonable progress opinion.

6b) Medium-Term Financial Strategy/ Value for Money

6.2 DH raised two main findings, leading to the medium priority actions identified at the top of page three. One around scenario planning and another around retaining information that supported property sales. The later recommending management action.

6.3 JS raised his concerns relating to the absence of bids for the two properties sold (page seven). DH confirmed that the evidence was not retained on file but that they had verbal assurance that these bids had been received. Recommendations have been made for management action. JS queried if these bids were ever recorded. NC believed the records would be available at the Essex Professional Legal team and agreed to action this. JP asked if there were any fraud risks. DH assured the committee that the risk of fraud was reduced based on an independent property valuation carried out in all five cases.

Action 04/22 - Obtain bid files for the two outstanding property sales illustrated in the MTFS / VFM report

NC to contact Essex Professional Legal team to obtain the two bid files (page seven of the Medium-Term Financial Strategy Report - agenda item 6b)

6.5 JS raised the topic of inflation. RH shared the findings from a sensitivity analysis report presented to the Strategic Board on 8th June 2022. Three possible scenarios were anticipated. The first being the current situation, the second a 2% pay award, 4.5% non-pay increase and 75% increase in fuel and the third a 3% pay award, 6% increase in non-pay and 100% increase in fuel. The MTFS was then reworked for the Service in line with scenario two. Leaving a £4.5 million gap in the budget for future years. JS queried if this was linked to the budget setting process in the Audit report where budgets were higher than would be achieved and therefore always returning a surplus. NC outlined how the Service have historically budgeted a deficit but for the 2022/2023 we set a goal to set a balanced budget. The budgets were set using historically spend data as the basis (not a full zero-based budget) to calculate the new budget. NC updated the committee that the Service achieved the objective and set its first balanced budget.

7. Annual Internal Audit Report

7.1 DH summarized the report and the positive opinion outcome. No wider conflicts of interest were identified. The report included a reminder around the need for continued compliance with the Public Sector Internal Audit Standards.

7.2 JS and RH acknowledged the significant improvement in this report and that this reflected the hard work of management. SF agreed, adding that there were now no issues around the Key Performance Indicators (KPI's).

8 Audit Progress Report and sector update

8.1 PG updated the committee that the planning and early work for the Fire Audit is complete including the key deliverables from last year and the year to come. The team are seeking to report on the outcome at the next Audit Committee.

8.2 PG highlighted that the Treasury are yet to issue the guidelines required to complete the 2020/2021 and 2021/2022 Audit certificates.

8.3 JP asked for clarification around whether whole government accounts apply to ECFRS as well as Essex Police. PG confirmed they do.

9 Agreement of External Audit Fees and Plan

- 9.1 PG highlighted that the only risks identified to the opinion were the mandatory ones or those that arise due to the inherent risk related to the size of the figures. Key risks to mitigate were shared from page eight of the report.

10 Annual auditor's report 2021 – Value for Money

- 10.1 PW informed the committee that this is the first report under the new code. There is no qualification but no risks of significant weakness were identified. Continual improvements have been noticed but some further recommendations were raised within the report.
- 10.2 In terms of financial sustainability, PW raised how ECFRS budgeting arrangements tended to utilise a top-down approach but issues surrounding this have been identified by management and have now been addressed. Further improvements recommended a bottom-up approach with certain budget lines taking a phased approach.
- 10.3 PW raised that the main factor driving many of the savings is the link between the MTFS and the Transformation and Innovation (T&I) portfolio. Some of the projects and programmes do not link to the savings or cashable savings within the medium-term financial plan. The recommendation was for these to be aligned.
- 10.4 In relation to reserves, PW explained how the Service were ranked and bench marked on available revenue reserves as a percentage of gross expenditure across other Fire Services. ECFRS ranked low but in the context of Fire Authorities in general, large reserves were noted. The general aim was around 3-4% based on a level of risk but this could change with inflation. The Service now have a reserves strategy in place.
- 10.5 Within the 3E's section (Economy, Efficiency and Effectiveness, page sixteen), PW highlighted one of the KPI's for Fire Authorities around availability. There were no specific improvement recommendations made but a need was identified for continual monitoring.
- 10.6 PW shared positive feedback around culture but explained that it is an area requiring continual energy. JS agreed. RH acknowledged the dramatic change illustrated in the report charts.
- 10.7 For Procurement, PW raised that the Internal Audit report, followed by a commissioning report had identified further issues. An action plan has been put in place since and the recommendation is to monitor this and ensure the benefits are delivered.

13:55 hours: PBI left the meeting

- 10.8 KP acknowledged the improvement in the report commentary. He questioned the apparent lack of benchmarking in the Fire Service and why Essex had not made a return to Her Majesty's Inspectorate (HMI). Rh assured the committee that the Service do submit all returns through the HMICFRS and Home Office.
- 10.9 JP shared knowledge of Local Government procedures when inflation last hit the UK and their approach to hold a central inflation budget that was allocated to Services monthly. RH highlighted that as an organisation, the Service need to start thinking about the timing of grant receipts, how the Service make advance payments and what money needs to be borrowed before rate increases. NC assured the committee that measures have been put in place to start reporting on elements like cash flow. JS suggested that the potential impact of inflation needs to be considered when reviewing the risk register and how it may affect service delivery.
- 10.10 JP raised the impact of minimum wage on pay at the lower end of the service and contractors. NC updated that the team are now looking through the impacts because the scale point particularly for green book staff is comparable with the National minimum wage for the first time.

11 Review of Unaudited Statement of Accounts

- 11.1 NC updated the committee that there had been some adjustments to the presentation of the financial statements for 2021/2022. The final publication is due at the end of July 2022.
- 11.2 NC summarized headline sections of the report including a breakdown of core budgets and ear mark reserve expenditures and the impact of additional pay pressures resulting from pay awards. NC highlighted the success of the Service in achieving a balanced budget.
- 11.3 JP queried the increase in holiday pay from £800,000 to £1.2m this year. NC explained that there had been a change in the base pay and an increase in volume. AP explained that in the previous year finance were calculating holiday pay over 365 days as opposed to working days.
- 11.4 Rh raised the overspend of £1.4m for staff pay, explaining the impact of Covid and recruitment. The service has been recruiting ahead of succession challenges presented when staff retire. RH supported this. JP asked if the recruitment increase was having a positive impact on cultural change. RH agreed it was positive but that experience is lost. JS asked if there was competition with other services for recruitment. Rh acknowledged that this was the case and that the service is now looking at direct entry pathways to try and open accessibility to middle manager roles.

12a&b) Fire and Rescue Service Risk Register

- 12.1 KE raised the red risk rating centred around live fire training. The committee were advised that this risk was to remain red until the service have been able to fully assess the feasibility study and ascertain the suitability of locations to relocate the facility. A business continuity plan has been put in place should the MOD site requires the Service to leave the site sooner than anticipated. The Control Mobilising System has been successfully upgraded, mitigating the risk, and moving the status from red to amber.
- 12.2 KE shared current work around Cyber Security and shared that the Service were in a good place in terms of doing their own internal testing and tabletop exercises. The audit will determine this in detail. JS asked if the Service were working jointly with Essex Police. KE replied that the National Fire Chiefs Council (NFCC) are looking at this across the whole Fire sector and sharing regular National updates making sure authorities are looking in the right place.

13 Update on Fraud and Debtor write off

- 13.1 NC updated that there were fifteen outstanding items and twelve that have been closed.

14 Discussion on Legal and Regulatory matters

- 14.1 NC shared that the Service have now launched a new mileage policy.

15 Single Tender Actions (STA's)

- 15.1 NC reported two STAs in the period. For both, there was no alternative supplier.

16 Information Governance Audit (a) Appendix

- 16.1 KE shared that following an organisational reshuffle, Information Governance has now moved into the Corporate Services Directorate. He is now the SIRO and the Chair of the Information Governance Board. KE updated the committee that he has commissioned an internal audit from the information governance provider. Currently the Service only has limited assurance but a detailed action plan will be achieved over the next 12 months to move from a position of limited to good. Seven key areas of improvement were identified including mandatory training

around Data Protection and Procurement contracts. The actions will be reported and monitored through the Performance and Resources Board.

- 16.2 JP raised the issue around low-level compliance with Information Governance training. At other committees the members are expected to complete the training, also demonstrating leadership. JS fully supported this.
- 16.3 JP suggested reviewing material sent to personal email accounts. RH agreed that it would be suitable to review this. JS requested a separate meeting to discuss this with ECFRS and Essex Police.

Action: 05/22 – Review of the use of personal email accounts.

JS to arrange a meeting to discuss this further with both the Fire and Essex Police Audit Committees.

- 16.4 KP suggested a mandatory timeline to prioritise training which presented a risk/s. KE agreed that although the action plan expands a twelve-month period, it will prioritise those which have the highest risk for example data compliance. DH asked if the risk register ties into the Data Protection breach risks. KE agreed that they do and explained that before the audit was in place several areas moved from amber to red within the Strategic Risk Register. In the absence of a Data Protection Officer (DPO) statutory reporting time frames were not met. However, KE updated that with a DPO in place and the commissioning of Information Governance Services, the Service is now compliant and the risk has been reduced to amber.

17 Any other business

17.1 Confirmation of items for Part A

All minutes taken from this meeting were considered suitable for Part A

17.2 Next meeting dates

Independent Committee Member meeting:

6th September 2022 Time TBC

Audit Committee meetings:

23rd September 2022 10:00-12:30

16th December 2022 10:00-12:30

18 Independent Members and Auditors – Discussion

There being no further business, the meeting closed at 14:45.