

SOUTH YORKSHIRE FIRE AND RESCUE AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

9 JANUARY 2023

PRESENT: Councillor S Sansome (Chair)

Councillors: S Alston, S Ayris, T Smith, P Turpin, A Dyson and C Pilkington

A Dyson and C Pilkington
(Independent Members of the Audit & Governance Committee)

J Field, H Impey and S Loach, D Nuttall and D Thorpe (Barnsley MBC)

DCFO T Carlin and S Slater
(South Yorkshire Fire & Rescue)

A MacDonald and A Mullen (Internal Audit – RSM)

P Hewitson (External Audit - Deloitte)

IN ATTENDANCE J Taylor

REMOTELY: (Independent Members of the Audit & Governance Committee)

Apologies for absence were received from: Councillor B Johnson, Dr A Billings, N Copley and E Eruero

1 **APOLOGIES**

Apologies for absence were noted as above.

2 **ANNOUNCEMENTS**

None.

3 **URGENT ITEMS**

None.

4 **ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS**

RESOLVED – That agenda item 19 entitled ‘Member only session with External / Internal Audit’ be considered in the absence of the public and press.

5 **DECLARATIONS OF INTEREST BY INDIVIDUAL MEMBERS IN RELATION TO ANY ITEM OF BUSINESS ON THE AGENDA**

None.

6 REPORTS BY MEMBERS

None.

7 TO RECEIVE ANY QUESTIONS OR COMMUNICATIONS FROM THE PUBLIC, OR COMMUNICATIONS SUBMITTED BY THE CHAIR OR THE CLERK AND TO PASS SUCH RESOLUTIONS THEREON AS THE STANDING ORDERS PERMIT AND AS MAY BE DEEMED EXPEDIENT

None.

8 MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 21 NOVEMBER 2022

C Pilkington queried the outstanding action regarding the criteria used for the valuation of fire stations.

S Loach informed Members that finance colleague had been focused on completing the 2020/2021 audit work, Members would be provided with the information in due course.

RESOLVED –

- (i) That the minutes of the Audit and Governance Committee held on 21 November 2022 be agreed and signed by the Chair as a correct record.
- (ii) Noted that S Loach had agreed to obtain a response in relation to the outstanding action regarding the criteria used for the valuations of fire stations.

9 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

Members considered the 2022/23 Audit and Governance Committee Work Programme and were reminded that they could nominate topics for consideration at future meetings which fall within the Committee's main areas of business i.e., overseeing internal and external audit activity; the Authority's regulatory framework for internal control; and the Authority's accounts.

Members were informed that one additional item, the Audit & Governance Self-Assessment Exercise, had been added for the March meeting.

RESOLVED – That Members:-

- i) Considered the agreed Work Programme.
- ii) Noted that the Self-Assessment Exercise had been scheduled for the March meeting.

10 INTERNAL AUDIT PROGRESS REPORT

A report was presented to provide the Committee with an update on progress against the Internal Audit Plan for 2022/23, approved by the Committee on 14 March 2022. The report also summarised the results of Internal Audit's work to date.

Members noted the following key messages:

- For the 2022/23 internal audit plan, fieldwork dates had been agreed with management for all the internal audits scheduled for 2022/23.
- The Contract Management report had been finalised since the Committee last met and was included in the agenda pack.
- The Purchasing and Creditors report had now been finalised and would be presented to the Committee in March.
- The Strategic Partnerships report was awaiting management comment and should be presented at the March meeting.
- There were two audits left to complete for the year and fieldwork dates had been agreed with management.
- There had been no changes to the internal audit plan since the last Audit & Governance Committee meeting.

In regard to the Contract Management report, three medium and three low risks had been identified, with a partial assurance issued. Actions identified included the implementation of contract management training, undertaking contract risk assessments and the formal review of contracts.

DCFO Carlin informed Members that the Service had welcomed the report. Training would be implemented across the Service shortly, there was a need to establish a broader and deeper view of contract management across the organisation but the initial learning from the audit was welcomed.

Councillor Turpin noted that the strategy had been implemented in an ad-hoc manner historically and asked how the Service intended to remedy this.

DCFO Carlin responded that this was part of the review, and the new contract management training should help to implement effective contract management across the Service.

Councillor Turpin asked if there was a new structure in place to implement the audit actions.

DCFO Carlin confirmed that a new procurement manager was in post along with a new property services team. The Service would undertake a deep dive to ensure managers have the right training and support in place.

Councillor Smith queried if Members could see the contents of the contract management training.

DCFO Carlin responded that he would put Councillor Smith in touch with the new procurement manager to share an overview of the contract management training.

DCFO Carlin confirmed that the Service had staff who had particular subject specialism in this area, and that contract management training is dynamic due to the complexities of European and UK procurement legislation.

RESOLVED – That Members:-

- (i) Members considered and received the report.
- (ii) Noted that arrangements would be made with the SYFR Procurement Manager to provide Members with an overview of the contract management training.

11 DRAFT INTERNAL AUDIT STRATEGY 2023/24 - 2025/26 (INCLUDING THE INTERNAL AUDIT PLAN 2023/24)

The report contained a detailed one-year Plan for 2023/24, and a suggested three year rolling Strategy of audit coverage. Members noted that the Strategy would be revisited each year to ensure it remains current and reflects the risk profile of the organisation.

The proposed risk-based and core assurance audits for Internal Audit coverage in 2023/24 were set out within the report for Members' information.

Members were informed that the delivery of the plan will be based around a core team however the team would be complimented with additional specialist skills when required.

For 2023/24, the risk-based audits proposed were:

- The Community Risk Management Plan
- Sustainability/Environmental, Social and Governance
- Commercial Premises Inspections
- Incident Ground Welfare Provision

The proposed core assurance audits for 2023/24 were:

- Stocks and Stores Departmental Review
- Wellbeing, Occupational Health and Absence Managements
- Core Financial Systems
- Internal Service Governance

Member's attention was drawn to Appendix A, which featured the internal audit standards, and Appendix B, which included previous years audits.

All proposed changes to the Plan, or when work would be undertaken would be discussed and agreed with management and reported within Internal Audit progress reports to the Committee. The final Plan would be presented to the Committee at the March meeting.

A Dyson commented that it could be useful for internal audit to look at minor income in terms of fees and charges, and also income from developers (section 106 monies).

A Mullen responded that this had been noted and would be discussed for detailed scope work.

Councillor Sansome queried whether it was easier to ascertain areas of risk by looking back at previous audit plans prepared by RSM.

A Mullen confirmed that historic knowledge had helped to identify areas of risk and provided high levels of assurance in regard to which audit areas should be pursued.

RESOLVED that Members reviewed and challenged the content of the Internal Audit Strategy 2023/24 – 2025/26, whilst acknowledging the need to maintain flexibility.

12 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2020/21

The Committee considered an update report of the External Auditor (Deloitte) which summarised the key issues identified during their audit of the Authority's financial statements for the year ending 31st March 2021.

As reported in updates to the Audit and Governance Committee from September 2021 onwards, the audit completion had been delayed as a result of errors identified in respect of the floor areas used in the Property, Plant and Equipment revaluation exercise, which had required management to remeasure the gross internal areas of their buildings and to also commission a further valuation report to correct the errors in floor areas that have been identified.

Members were informed that a small number of items were outstanding. The receipt of supporting schedules for notes 1 – 3 had recently been completed and the review and receipt of financial statements was currently ongoing.

Members were invited to request management to correct the small number of unidentified errors or state otherwise, as required by the International Standards on Auditing (UK), however were advised to take advice from the finance team on this issue.

Councillor Sansome asked if the finance team had advice for Members on the correction of the small number of unidentified errors.

S Loach responded that the recommendation was not to correct the misstatements identified by the external auditor as they would the misstatements would be remedied in future audit work and correcting them could cause further delays.

Councillor Sansome sought reassurance that the issues identified in the 2020/21 audit would not impact future audits.

S Loach replied that all issues had been identified and plans would be put to in place to alleviate these issues in future audits.

S Slater informed Members that finance colleagues had recently met with external audit regarding the preparation for the 2021/22 audit and previous issues would be picked up in the preparation work.

Councillor Alston queried the timeline for actions being completed and when Members would be informed of any progress again the actions.

S Slater responded that these actions would be picked up in the next audit.

P Hewitson informed Members that none of the actions identified by the external auditor were fundamental and most are process driven and therefore the Service would decide how to implement the actions.

Councillor Turpin asked if the issues identified would also be picked up in the 2021/22 audit report.

P Hewitson responded that if the Service did not have the opportunity to complete the actions before the next audit that this would be made note of in the report.

Councillor Turpin queried if there was a current timeline for the 2021/22 audit report.

P Hewitson informed the Committee that work would be ongoing during the early months of 2023. Property, plant, and equipment work should take place in March to avoid previous errors.

RESOLVED that Members noted the Report to Those Charged With Governance (ISA 260) 2020/21.

13 DRAFT AUDITOR'S ANNUAL REPORT 2020/21

Members were presented with the Draft Auditor's Annual Report 2020/21. The report set out the key findings arising from the work external audit had undertaken for the year ended 31 March 2021.

Members were informed that the report was in draft from until the statement of accounts 2020/21 were signed.

The report fulfilled the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

This report was intended to bring together the results of the work over the year at the Authority, including commentary on the Authority's arrangements to secure economy, efficiency, and effectiveness in the use of resources.

P Hewitson commented that external auditors were satisfied that there were no significant weaknesses, and 9 actions had been suggested by external audit.

Councillor Sansome queried when the final report would be presented at the Committee.

P Hewitson responded that the report would be issued as written once a date was agreed, once outstanding audit work was completed.

RESOLVED that Members note the Draft Auditor's Annual Report 2020/21.

14 AUDITED STATEMENT OF ACCOUNTS 2020/21

S Loach presented the updated Audited Statement of Accounts 2020/21.

S Loach explained that the Audited Statement of Accounts included in the pack had been updated to reflect the external auditor's findings.

Members were informed that both Councillor Smith and Councillor Sansome would need to sign the updated Statement of Accounts 2020/21 due to Councillor Smith's tenure as Chair of the Audit Committee in 2020/21.

P Hewitson confirmed that external audit was waiting for final quality control clearance. Therefore, both Councillor Sansome and Councillor Smith signed the accounts which would be dated once this had been completed.

RESOLVED – That Members:-

- (i) Approved the updated Statement of Accounts 2020/21.
- (ii) Approved both Councillor Sansome and Councillor Smith to sign the Statement of Accounts 2020/21, which would be dated once final quality control clearance was received from external audit.

15 TREASURY MANAGEMENT STRATEGY 2023/24

A report of the Treasurer was submitted to outline the Authority's Treasury Management Policy and Strategy for the 2023/24 financial year.

The report provided Members with an overview of:

- The Treasury Management Policy Statement;
- The Borrowing Strategy;
- The Investment Strategy;
- The Prudential and Treasury Indicators demonstrating the affordability of capital investment plans; and
- The Minimum Revenue Provision setting out the proposed prudent method of charging to revenue for the repayment of debt.

Members were asked to note that CIPFA published updated Treasury Management and Prudential Codes in December 2021 and full implementation of the reporting changes is required from 2023/24.

The Committee were informed that a key point to note in the report was the continued uncertainty regarding the economy, particularly rising interest rates.

RESOLVED that Members approved the Treasury Management Policy and Strategy Statements which included the following:

- The Treasury Management Policy Statement;
- The Borrowing Strategy;
- The Investment Strategy;
- The Prudential and Treasury Indicators demonstrating the affordability of capital investment plans; and
- Minimum Revenue Provision Statement setting out the proposed prudent method of charging to revenue for the repayment of debt.

16 QUARTERLY FRA / SYFR CORPORATE RISK REPORT

DCFO Carlin presented the Quarterly FRA / SYFR Corporate Risk Report.

Members were provided with contextual information surrounding the merging of the FRA and SYFR corporate risk registers. The risk register continued to be available to all risk owners, and regular horizon scanning had been implemented to ensure transparency in future risk rating exercises.

The Committee was informed that the Service would commence work on a risk system project to replace the current spreadsheet format.

Risk management training was being delivered throughout 2023 and Members had been invited to attend training sessions.

Members were informed that there were three risks (threat) that are currently rated as red on the Risk Register, which could have a major impact on the Service. These are the Industrial Action (Risk 36), Embedding Sustainability (Risk 37), and Financial Uncertainty for the Service (Risk 38).

In regard to new risks, Embedding Sustainability (Risk 37) and Financial Uncertainty for the Service (Risk 38) had both been added and rated as red.

The Immediate Detriment risk (Risk 24) was proposed to move from a red to an amber risk, and to remain open.

Risks recommended for closure included Reductions in Funding post 2020 (Risk 20), Supply Issues (Risk 35) and Employee Relations (Risk FRA03).

Councillor Sansome noted that the new risk surrounding the LFB culture review was a welcome addition to the risk register due to the topical nature of the review.

RESOLVED - That Members:-

- (i) Noted the current position with respect to the overall risk management approach for corporate risks.

- (ii) Considered and comment on the progress being made with the management and mitigation of corporate risks.
- (iii) Approved the proposed closure of corporate risks.

17 ANNUAL GOVERNANCE STATEMENT 2021-22 AND GOVERNANCE IMPROVEMENT PLAN 2022-23

Members were presented with the Annual Governance Statement 2021-22 and Governance Improvement Plan 2022-23 for approval.

No material changes had occurred since the AGS 2021-22 and GIP 2022-23 were presented to the Committee at the 21 November 2022 meeting.

Members were informed that the AGS 2021-22 would be published on the South Yorkshire Fire & Rescue Authority website with the Statement of Accounts 2021-22 when available.

RESOLVED - That Members:-

- (i) Approved the final Annual Governance Statement (AGS) for 2021-22.
- (ii) Approved the final Governance Improvement Plan (GIP) for 2022-23.

18 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

19 MEMBER ONLY SESSION WITH EXTERNAL / INTERNAL AUDIT

At the conclusion of the meeting a Member only session was held with External and Internal Audit colleagues.

Actions Table

No.	Action	Timescale	Officer(s)	Status / Update
9.	Noted that the Committee's Work Programme would be updated to include a report on the Audit and Governance Committee's Self-Assessment Exercise.		D Thorpe	Update 17.01.23 The report will be submitted to the March meeting. ACTION DISCHARGED
9.	Noted that arrangements		D Thorpe/ K Storer	Update 29.11.22

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	would be made for Committee Members to receive a training session on the Annual Governance Statement (AGS).			A training session will be devised and implemented before the production of the AGS for 2022/23.
15.	Noted that S Loach had agreed to obtain an update for Members from the Authority's and Service's valuers in relation to the criteria used for the valuation of fire stations.		S Loach	Update 10.01.23 Response circulated to Members via email on 10.01.23 ACTION DISCHARGED
10.	Noted that arrangements would be made with the SYFR Procurement Manager to provide Members with an overview of the contract management training.		DCFO Carlin	

CHAIR