

SOUTH YORKSHIRE FIRE AND RESCUE AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

15 JANUARY 2024

PRESENT: Councillor T Smith (Chair)
Councillors: S Alston, S Ayriss, D Hutchinson, M Chaplin and K Wyatt

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

S Ghuman, H Impey, S Loach and D Thorpe (Barnsley MBC)

DCFO T Carlin and L Haigh
(South Yorkshire Fire & Rescue)

A Mullen and A MacDonald
(Internal Audit – RSM UK Risk Assurance Services)

J Boyle
(External Audit - KPMG)

P Hewitson
(External Audit - Deloitte)

Apologies for absence were received from: J Taylor

1 APOLOGIES

J Taylor.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS

None.

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

RESOLVED – That agenda item 17 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 20 NOVEMBER 2023

RESOLVED that the minutes of the meeting held on 20 November 2023 be signed as an accurate record.

9 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

D Thorpe presented the Audit and Governance Committee Work Programme noting that no changes had been made to programme since the last meeting.

C Pilkington queried when the Committee would receive the 2022-23 Statement of Accounts report.

L Haigh responded that it was hoped that they would be presented at the March Committee meeting.

RESOLVED that Members:

- a) Considered and agreed the updated Work Programme.
- b) Considered and nominated topics for future meetings.

10 INTERNAL AUDIT PROGRESS REPORT

A MacDonald presented the Internal Audit Progress Report.

The key points were noted as follows:

- 3 reports had been finalised since the last meeting of the Audit and Governance Committee.
- The IT Contract Management report was chosen due to value and high-risk nature of the contracts. The audit resulted in a reasonable assurance opinion being provided with one medium priority management action being agreed.
- The follow up audit resulted in a reasonable progress opinion being provided with 16 low and one medium priority management action being agreed.
- The Community Risk Management Plan audit resulted in a substantial assurance opinion being provided with one medium priority action being agreed.

- Audit dates for the 2023/24 Internal Audit Plan had been agreed with management and scoping meeting dates had also been agreed.

A Dyson asked a question regarding the sample size of the IT Contract Management audit and whether this had been expanded.

A Macdonald responded that the audit was expanded to include ten contracts however the Service did not hold a vast number of IT contracts.

Councillor Alston asked if the audit was going to be repeated, A MacDonald confirmed that IT Contract Management was not included in the next internal audit plan however a follow-up audit would take place.

A Dyson asked P Hewitson if external audit had a view on the IT Contract Management audit, P Hewitson responded that there was nothing of significant concern, but this would be picked up in the Value for Money (VFM) work.

DCFO Carlin provided further context surrounding IT contract management at the Service, and informed Members that a position had been approved in the IT department in which the post holder was responsible for contract management and ensuring value for money.

C Pilkington queried whether it was difficult to measure the success of the CRMP.

DCFO Carlin responded that attendance times had been reintroduced into the CRMP which would help the Service to track success measures.

DCFO Carlin provided further context regarding risk management the CRMP, including that the CRMP covers all foreseeable risks in regard to the Service's statutory responsibilities. The Local Resilience Forum (LRF) risk register identified incident types and the South Yorkshire LRF risk register could be seen as a best practice model.

RESOLVED that the Committee:

- (i) Considered and received the report.
- (ii) Approved the updates to the Internal Audit Plan.

11 DRAFT INTERNAL AUDIT STRATEGY 2024/25 - 2026/27 (INCLUDING THE INTERNAL AUDIT PLAN 2024/25)

A Mullen presented the Draft Internal Audit Strategy 2024/25 – 2026/27 (including the Internal Audit Plan 2024/25)

The report contained a detailed one-year Plan for 2024/25. 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 2024/25 were set out within the report for Members' information. RSM had looked at the Service's annual plan, corporate risk register and emerging risks to ensure complete coverage in the proposed audits.

For 2024/25, the risk-based audits proposed were:

- Performance Data
- Specialism Review
- Inclusion, diversity and culture leadership

The proposed core assurance audits for 2024/25 were:

- Organisational Development/Training
- Estates Departmental Review
- Risk Management
- Core Financial Systems
- Internal Service Governance
- Digital Transformation

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 queried whether due to the upcoming changes to the public sector telephone network meant that the Committee would need assurance in this area.

DCFO Carlin responded that the Service continually reviewed and evaluated this as the changes would affect the traditional 999 facility. The Service had plans in place with Yorkshire Ambulance Service to navigate any changes.

RESOLVED that the Committee reviewed and approved the content of the Internal Audit Strategy 2024/25 – 2026/27, whilst acknowledging the need to maintain flexibility.

12 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2021/22

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 2022.

P Hewitson presented the report, and the key points were noted as follows:

- The lateness of the report was noted however it was explained to Members that this was due to making sure the report would be as up to date as possible.

- The audit was not yet completed however good progress was being made in closing the outstanding queries.
- In regard to completeness of accrued expenditure, this significant risk area was undergoing the final stages of internal quality review. From the work performed to date raised two control findings had been raised.
- The Authority held £44.8m of property assets (land and buildings) at 31 March 2021. A full revaluation was undertaken in 2021/22. External Audit was still resolving some outstanding queries in relation to Property Valuations work. From the work performed to date, there was one control finding in relation to Property Valuations work, and two findings regarding Property, Plant and Equipment.
- The third significant risk focused on management override of controls, work was still ongoing, and one control issue had been raised.
- There was a significant adjustment to pension numbers (as mirrored across public sector organisations). The pensions report was currently with the Deloitte pensions specialist who was reviewing the responses from the actuary.
- Deloitte has reviewed the updated statement of accounts of which corrections had recently been completed.
- In regard to the Value for Money (VFM) work, Deloitte had received the necessary documentation to review but no significant weaknesses were expected.
- Members were advised that the Annual Governance Statement (AGS) had not been updated to the point of signing the accounts and therefore would be noted as a disclosure deficiency.

A Dyson asked if moving forwards anything could be altered to ensure less issues with property valuations, as this had caused significant delays to audits.

P Hewitson responded that the root cause of the problem was inaccurate floor plan measurements. External experts had been appointed to ensure floor plans were now accurate and it was vital that the database containing this information was periodically reviewed with indexation.

Councillor Smith asked if the new fire station at Cudworth was included in the updated valuations.

S Loach confirmed that the valuations had been updated to include the new fire station.

Councillor Alston queried whether external audit would include issues from previous audits to identify if issues had been rectified.

P Hewitson said that they would look at previous issues if they were relevant to the audit in the new year however there was a need for pragmatism.

Councillor Alston asked if there were any plans for the issues identified in the ISA 260 to be reported back to the Committee at a later date.

L Haigh responded that these issues would be covered in the planning for the 2023/24 audit, and it was hoped the incoming auditors would hold the Service to account on these issues.

S Loach further added that management would usually respond to the issues reported in the ISA 260 report however due to the lateness of the report this was not possible. Members noted that for future external audit reports management would report on all recommendations and issues identified and a summary report would be brought to the next Committee meeting.

C Pilkington queried the issue of the valuer not knowing the build cost of the Barnsley fire station.

P Hewitson explained that this issue was in regard to communication with the valuer as there was no evidence that the build cost was communicated to the valuer. The build cost was known and there was no evidence that the build was outside of the budget.

C Pilkington asked for further clarification on the issue regarding updating the AGS to the point of signing the accounts.

P Hewitson informed Members that in usual circumstances the AGS would be updated in the gap between year-end and the signing off of the accounts. However, due to the unprecedented gap external audit were satisfied there were no material disclosures.

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

L Haigh responded that the recommendation was not to correct the misstatements identified by the external auditor as correcting them could cause further delays. In response to this advice, Members agreed not to correct the small numbers of unidentified errors.

Members agreed to delegate the signing off of the accounts and final external audit reports 2021/22 to the Chair due to the audit being near finalisation and the unprecedented delays discussed.

RESOLVED that:

- (i) Members note the Report to those charged with Governance (ISA 260 2021/22);
- (ii) A summary report of the progress against the outstanding External Audit actions be presented at the next Committee meeting;

- (iii) Members agreed to not request management to correct the small number of unidentified errors; and
- (iv) Members agreed to delegate the signing off of the accounts and final external audit reports 2021/22 to the Chair of the Audit and Governance Committee.

13 UPDATED DRAFT STATEMENT OF ACCOUNTS 2021/22

L Haigh presented the Updated Draft Statement of Accounts 2021/22.

Members noted that the accounts had been updated to reflect adjustments agreed with Deloitte.

Members were asked to approve delegation to the Chair to clear any final points regarding the Statement of Accounts 2021/22, which was agreed.

RESOLVED that Members:

- (i) Noted the Updated Draft Statement of Accounts 2021/22; and
- (ii) Agreed to delegate final sign off to the Chair of the Audit and Governance Committee.

14 TREASURY MANAGEMENT STRATEGY AND POLICY STATEMENT 2024/25

H Impey presented the Treasury Management Strategy and Policy Statement 2024/25.

The key points were noted as follows:

- The Authority's capital expenditure plans were a key driver of its treasury management activities. Plans were funded from a variety of sources including £34.9M from borrowing.
- The borrowing strategy was based on the latest capital spend forecast. The Authority was expected to be significantly under borrowed throughout the period to 2026/27. This position was supported by the Authority's usable reserves. By utilising the cash supporting these resources temporarily, the Authority had the option to defer long-term borrowing until the related spending commitments occur (also referred to as internal borrowing).
- The underlying need to borrow for capital purposes based on current forecasts is estimated at £30M over the period.
- Interest rates were a key driver of treasury management activities and were closely monitored by officers. The Authority had appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates.
- It was anticipated that 42% of the Authority's borrowing requirement will be exposed to interest rate risk at the end of 2023/24. Based on current capital programme spend forecasts, this could rise to 71% by the end of 2026/27, should no further fixed rate borrowing be undertaken.
- Borrowing costs were at the highest rate since 2008.

- Treasury Management training for Members would be arranged for later in the year.

Councillor Ayris asked how frequently interest rate projections were produced.

H Impey responded that there are no set timings especially if the economic outlook remained stable.

A Dyson queried if the Authority undertook any investment or borrowing with housing associations.

H Impey informed Members that the Authority mainly invested with Local Authorities as they are in the market for lending.

S Loach further added that Local Authorities tended to have higher budgets for investment and lending, and that the Authority would not undertake investment or lending with Housing Authorities due to them being categorised as a social entity rather than a public sector department.

RESOLVED that Members approve the Treasury Management Strategy and Policy Statement 2024/25.

15 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 key points were noted as follows:

- The Service continues to progress the Risk System project. The aim of the project was to create or procure a system to manage SYFR risk registers in one place. It was hoped that the system would be live from mid-2024.
- In December 2023, the Service delivered a 'Member Learning & Development Session for risk management' to the Audit and Governance Committee and Fire and Rescue Authority members. This is the first year that the training was delivered to Audit and Governance committee members and Fire Authority members, following a request from Fire Authority members at the 24 July 2023 meeting.
- There was currently one 'red' rated risk which was risk 37 – embedding sustainability and the Service was currently reviewing resilience issues in this area.

Councillor Chaplin queried if climate change is captured in the corporate risk register.

DCFO Carlin responded that the physical impacts of climate change are captured in the CRMP and incident planning such as flooding is captured in the LRF risk register.

RESOLVED that Members:

- (i) Noted the current position with respect to the overall risk management approach for corporate risks;
- (ii) Considered and commented on the progress being made with the management and mitigation of corporate risks; and
- (iii) Approved the proposed closure of corporate risks.

16 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.

17 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.

CHAIR