

MINUTES OF THE MEETING OF THE ROYAL BERKSHIRE FIRE AUTHORITY'S AUDIT AND GOVERNANCE COMMITTEE



Held on Tuesday 09 September 2014 at 6.30pm

Strategic Command Centre, Headquarters, Royal Berkshire Fire and
Rescue Service, Dee Road, Tilehurst, Reading, Berkshire, RG30 4FS

Committee Members:

- *Councillor Frank Abe
- *Councillor John Lenton
- *Councillor Iain McCracken, Chairman
- *Councillor Eileen McElligott
- *Councillor Ishrat Shah
- *Councillor Richard Willis
- *present*

In Attendance:

- Conor Byrne (Senior Accountant, SA)
- SM Eddie Cardoso (FBU Representative)
- Jan Chadaj (Interim Head of IS)
- Moira Fraser (Democratic Services Manager, DSM)
- Andy Fry (Chief Fire Officer)
- David Guest (External Auditor, Ernst & Young)
- Hassan Rohiman (External Auditor, Ernst & Young)
- Dan Harris (Baker Tilly)
- Andy Mancey (Acting Assistant Chief Fire Officer, A/ACFO)
- Nick Oxborough (Group Manager, Performance Review, GMPR)
- Andy Parsons (Interim Head of Estates, IHE)
- Caroline Redzikowska (Director, Corporate Services, DCS)
- Nikki Richards (Interim Head of Strategic Planning and Programme Management)
- Fayth Rowe (Committee Officer, CO)
- Paul Southern (Assistant Chief Fire Officer)
- Andrew Vallance (Director of Resources, DR)

Action

219. APOLOGIES FOR ABSENCE

Apologies for inability to attend the meeting were received from Councillors Debs Absolom and Alan Ward.

220. DECLARATIONS OF INTEREST

In accordance with the provisions of the Fire Authority's Local Code of Conduct there were no declarations of interest received from Members.

There were no Declarations of Interest received from Officers.

221. MINUTES OF THE MEETING HELD ON 12 MARCH 2014

Resolved:

That the Minutes of the meetings held on 12 and 25 June 2014 be approved as a true and correct record and signed by the Chairman.

222. CONSIDERATION OF ANY MATTERS PROPERLY REFERRED TO THE COMMITTEE FOR DECISION

None referred.

223. INTERNAL AUDIT PROGRESS REPORT

Dan Harris (DH) from Baker Tilly introduced the report which set out the progress that had been made with the audit plan for 2014/15. DH noted that the final assignment report relating to the administration of the Fire-fighter pension had now been issued and one low priority action had been identified. This would not impact on the year end opinion.

The fuel management audit, erroneously referred to as 'car pool usage' in the report, had been scoped and the findings would be reported back to the 22 October 2014 meeting.

No further changes to the plan of work, which had been agreed at the March 2014 meeting, were required.

In response to a query from the Chairman, DH confirmed that he was comfortable that internal audit plan for the current year could be completed. Resources had been allocated but the plan needed to be amended to take cognisance of the additional meeting that had been arranged for the 22 October 2014.

RESOLVED THAT:

- (a) the report be noted

224. FOLLOW UP TO THE INTERNAL AUDIT ANNUAL REPORT 2013/14

Paul Southern (ACFO) noted that at the June 2014 meeting Members were presented with the Baker Tilly's 2013/14 internal audit report. The annual report had highlighted that a number of agreed internal audit actions were outstanding from 2012/13 and they had requested an update on progress towards achieving the outstanding actions. Members had also requested progress against the actions stated in the report for three of the 2013/14 audits.

The June report highlighted that there were nine outstanding actions arising from the 2012/13 report. The ACFO noted that following a review of the nine outstanding actions by Baker Tilly, in liaison with RBFRS Officers, the following had occurred:

- One of the high priority actions in the ICT Recovery and Business Continuity audit had been reduced to a medium priority ;
- Two low priority actions relating to the Key Financial Controls were revised into a single low priority action.

As a consequence of these actions there were 3 high, 2 medium and 3 low priority actions outstanding. Three of these actions had now been completed and good progress was being made in respect of the remaining projects. Details of the progress that was being made was set out on pages 21 to 36 of the agenda.

The Chairman asked for clarity as to why recommendation 2.1 as set out on page 21 of the agenda had been reduced from a high to a medium priority. DH explained that the recommendation had been identified as a high priority by the previous provider. During the review the internal auditors had reconsidered the risk, impact

and likelihood of this type of event occurring and based on their discussions with Officers had determined that it could be reduced to a medium priority.

The Chairman queried whether the completion date was correctly identified as the 31 December 2015. Officers explained that given the current level of resources this was an accurate estimate. The Chairman stated that the last paragraph on page 21 of the report was not clear and he therefore requested that this be remedied in future iterations of the report.

The Chairman sought assurance that all the actions pertaining to the 'car pool usage' audit would be completed by the 30 November 2014. Andy Mancey (A/ACFO) noted that in relation to recommendation 5 the checks pertaining to driving licences would form part of the PDI process. A bid had been made for funding which would allow an external company to monitor drivers' licenses automatically. Should the funding bid be successful all staff members that had to drive in order to carry out their duties would have to sign up to the scheme. He was confident that the completion date could be achieved provided that no further industrial action was called.

Jan Chadaj (JC) noted that in terms of recommendation 3.4 (IT Resilience and Planning) as set out on page 32 the BHQ move would cause significant changes to the plans for continuity. The Chairman was concerned about the redundancy factor that would arise as a consequence of the Dee Road site being wound down after the move to BHQ.

The Chairman noted that recommendation 1.3 on page 38 of the agenda stated that a meeting would take place on the 02 September 2014 to discuss risk management training and asked for an update following that meeting. Officers noted that the meeting had taken place with a representative of the Institute of Risk Management and that a positive outcome had been achieved. They were in the process of putting together a training package and a response was expected shortly.

RESOLVED THAT:

- (a) the report be noted.

225. ANNUAL AUDIT AND INSPECTION LETTER AND FINAL ACCOUNTS

Andrew Vallance (DR) requested that Members note the contents of the Audit Results Report and that they approve the management letter and draft Statement of Accounts for 2013/14. The Audit Results Report set out a summary of Ernst & Young's findings following their audit of the 2013/14 Statement of Accounts. The final Statement of Accounts would be signed off by the Fire Authority at its meeting of the 22 September 2014.

The DR drew Members' attention to the table set out on page 4 of Appendix C which summarised variances in the authority's revenue accounts.

(Councillor Ishrat Shah joined the meeting at 6.50pm)

The DR noted that, as was historically the case, there was an underspend of £727k on uniformed employee costs. This was mainly due to issues around recruiting retained fire fighters (see note 1). The overspend of £96k on non-uniformed staff (see note 2) was largely due to that year's flooding events. The underspend on insurance (note 5) related to the reversing of a provision that had been made in

2012/13 relating to the shared costs of winding up the Fire and Rescue Authorities; Mutual Limited (FRAMIL). As a result of agreements reached by members of FRAMIL in 2013/14 the provision was no longer needed. The overspend of £92k on equipment (note 6) was largely due to equipment bought to respond to the flooding incident and industrial action in the previous financial year. In response to a query it was noted that this equipment would be reused. The overspend of £1,713m on flooding support from other Fire and Rescue Services (note 7) was offset by other income (Bellwin funding – see note 12). The DR explained that all but the first £68k of costs associated with the flooding had been met by Central Government through the Bellwin scheme.

The DR explained that the overspend on 'other' supplies costs was largely on advertising for the industrial action that had taken place. Officers noted that the overspend of £157k (note 9) on legal contracts was as a result of the large number of projects (Control Project, new HQ, Airwave, the new Wokingham Fire Station etc) that had been dealt with during the 2013/14 financial year. The CS reported that a significant amount of the overspend was associated with an ongoing legal matter and it was hoped that if successful the authority would be able to recoup a significant part of the overspend on this budget.

The other contracts overspend of £54k was as a result of remedial works at Wokingham Fire Station. The surplus of £34k associated with pensions (note 13) was due to a lower number of ill health retirements. The DR explained that historically an appropriation of £138k was made to fund maintenance expenditure for Personal Protective Equipment (PPE). This was not done in 2013/14 as it would have added to the corporate underspend. In future years this would be funded from the base budget and as a consequence the PPE Reserve would no longer be required and would be transferred to the Development Fund. The authority was therefore reporting an underspend of £563k at year end.

Hassan Rohiman (HR) explained that he was attending on behalf of Maria Grindley who had to give her apologies as she had to attend a meeting elsewhere. David Guest, was however present, and as he had undertaken the detailed work on the audit he would be able to answer any questions Members might have.

HR explained that the external auditors would be issuing an unqualified opinion and in addition a positive value for money conclusion was expected. No major audit risks had been identified. A minor typographical error was made within the Pensions Note but this had subsequently been rectified.

A number of the Authority's documents, including budgets, the Annual Governance Statement and financial resilience, had been reviewed. In terms of financial resilience the auditors had reviewed the Authority's medium term (three year) financial planning. The auditors were satisfied that adequate plans and contingency arrangements were in place but they recognised that there would be challenging times ahead.

The audit had identified two misstatements which exceeded the £50k threshold and these were set out in Appendix 1 to the report and both had subsequently been corrected. The first issue related to a classification of movement of £1.67k from Derecognition – Disposals to Derecognition other in respect of PPE. The second was a typographical error relating to pensions.

The only outstanding information was a letter that was awaited from KPMG around the pensions fund. They were aware of the Authority's deadlines and it was anticipated that it would be received in advance of the 22 September Fire Authority

meeting when the final Statement of Accounts would be signed off.

HR concluded by thanking Andrew Vallance and Conor Byrne and their team for the quick responses provided during the audit. The Chairman thanked Ernst & Young for the report and he also congratulated the team on being issued with an unqualified opinion.

RESOLVED THAT:

- (a) the Audits Results Report be noted;
- (b) the management representation letter be approved;
- (c) the Statement of Accounts be recommended to the Fire Authority for approval.

226. ANNUAL GOVERNANCE STATEMENT (AGS)

Caroline Redzikowska (DCS) introduced the report which would be referred to the Fire Authority for approval in tandem with the Statement of Accounts. The template for the revised AGS was agreed at the previous meeting and Officers (DR and DCS) had prepared a draft AGS in consultation with the Chairman of this Committee. The draft was published on the Authority's website in June 2014 and had been considered by the auditors in July and August. The final accounts would be approved by the Fire Authority at the 22 September 2014 meeting and then signed by the Chairman of the Royal Berkshire Fire Authority and the Chief Fire Officer and placed on the website.

Officers were confident that the revised AGS accorded with the revised CIPFA Guidance.

The Chairman queried whether any comments had been received in response to the draft AGS that had been placed on the website. Officers confirmed that to date no comments had been submitted.

The DCS also asked members to note that a Local Code of Corporate Governance for 2014/15 would be submitted to the next meeting of the Committee for approval.

RESOLVED THAT:

- (a) the draft Annual Government Statement be agreed
- (b) it be noted that an updated Local Code of Corporate Governance for 2014/15 would be submitted to the next meeting of the Committee for approval and recommended to the Fire Authority.

227. GOVERNANCE UPDATE

Caroline Redzikowska (DCS) introduced the report which sought approval of two draft protocols (Protocol relating to the use of Film Audio Recording or Social Media at Meetings and the Social Media Protocol for Members) in response to recent changes to legislation and guidance issued by the DCLG.

The DCS explained that Openness of Local Government Bodies Regulations 2014 had been enacted in August 2014. The Regulations required local authorities to permit the taking of photographs, use of film, audio recording or social media at

public meetings. As a consequence there was a need to amend the Authority's Standing Orders. It was also felt that it would be useful to introduce a Social Media Protocol for Members to guide them in this area.

Councillor Richard Willis queried whether a similar protocol was in place for Officers and was informed that this was still in the process of being produced but that it should be available at the next meeting. The Chairman stated that he was pleased to note the Chairman's discretion had been included and on that basis he was happy to support the adoption of the protocols.

RESOLVED THAT:

- (a) the report be noted.
- (b) the Protocol relating to the use of Film Audio Recording or Social Media at Meetings be agreed and referred to the Fire Authority for approval
- (c) The Social Media Protocol for Members be agreed and referred to the Fire Authority for approval.

228. MEMBER DEVELOPMENT – SIX MONTHLY UPDATE

Nick Oxborough (GMPR) updated the Committee on progress made with member development following the Authority being awarded the Charter for Member Development in February 2014. He had met with the newly appointed Member Development Champion (Councillor Frank Abe) and they would be seeking to further embed Member Development into the Fire Authority.

The GMPR noted that currently 15 Members (around 60%) were engaged in member development although there was a wide variation in the level of individual involvement by members towards achieving their identified development activities. An induction programme for new Members needed to be agreed for current new Members but also in advance of the May 2015 elections. The DCS noted that three of the six authorities would be subject to all out elections in May 2015 and the remaining three authorities held their elections in thirds. As a consequence there could be significant changes to the membership of the Fire Authority.

It had also been agreed that a Member Development Steering Group needed to be set up. As responsibility for member development now fell within the remit of the Audit and Governance Committee it was agreed that the inaugural meeting should be held before the start of the next A&G meeting on the 22 October 2014. The membership of the two groups would be the same.

Councillor Abe stated that he had held a fruitful meeting with Nick Oxborough. He was aware of the tight timeframes and as Member Development Champion wanted to ensure that robust discussion took place in order to draw up a plan as soon as possible.

The Chairman stated that he would ask the Chairman of the Authority to write to all Members to encourage them to become engaged in the member development process.

RESOLVED THAT:

- (a) an inaugural meeting of the Member Development Steering Group would

take place on the 22 October 2014 at 5.30pm.

- (b) progress with the action plan be noted.
- (c) the Chairman of A&G Committee ask the Chairman of the Authority to write to all Members to ask them to ensure that they engage on the Member Development process.

229. CORPORATE RISK REGISTER

Paul Southern (ACFO) updated Members of the Committee of the corporate risks currently facing the RBFA/RBFRS. The ACFO stated that following an internal audit review of risk management there was a need to review how risk was managed and reported. Previously this had been an annual process but risk would now be monitored more frequently and would be incorporated into the quarterly performance cycle. The CFO noted that in future the quarterly performance reporting regime would be used to identify risks which would then be added to the Risk Register.

The ACFO explained that the style of forms might be changed as they were being developed taking policy changes into account and would also be adapted to take cognisance of the Authority's revised approach to risk.

The Authority had identified 15 corporate risks and these were summarised in Appendix A on page 69 of the agenda and were outlined in detail in Appendix B on pages 70 to 156 of the agenda.

The Chairman stated that there was a lot of information to digest and he therefore felt that it would be useful if Members were given more time to look through the information. The Committee therefore agreed that the report would be brought back to the next meeting and that Members should contact the ACFO with any comments or concerns in advance of that meeting. It was suggested that it might be useful to focus on exception reporting in the future.

The Chairman welcomed the changes that had been made to the processes and the frequency of Member visibility of the Risk Register.

The Chairman noted that there was no risk identified in terms of the terror threat level. Officers explained that this was managed and assessed by the Local Resilience Forum (LRF) but that Officers would assess how this could be incorporated into the Authority's Risk Register.

RESOLVED THAT:

- (a) the report be noted.
- (b) the report to be reconsidered at the 22 October 2014 meeting and that Members needed to raise comments and concerns with Paul Southern in advance of that meeting.

230. FIREWATCH PID

Jan Chadaj (Interim Head of IS) noted that as the Thames Valley Fire Control Project had been delayed there was no longer a requirement to comply with the September 2014 deadline. Work on delivering the upgrade was ongoing. The testing on the user group and their training had been very successful. A number of

bugs had been identified and the provider was working on resolving these issues. Officers therefore welcomed the fact that the time pressure had been eased. A 'hot fix' was due to be issued later that week following which the system would have to be retested.

Jan Chadaj was confident that the project would still come in under budget.

The DCS noted that the delay in implementing the software would not impact on the Thames Valley Fire Control Project. A manual system would be used until such time as the issues with the software had been resolved. Members requested that an update be brought to the next meeting.

RESOLVED THAT:

- (a) the verbal update be noted.
- (b) An update to be brought to the next meeting.

231. QUARTERLY PERFORMANCE REPORT (2014/15) QUARTER 1 (APRIL TO JUNE 2014)

Paul Southern (ACFO) provided the Committee with an overview of the Authority's quarter one (April to June) performance for the 2014/15 financial year in respect of the 34 corporate measures, the 15 priority projects as well as progress being made with the internal audit plan. This was the first time the report was being presented in this format and he welcomed feedback from Members in respect of presentation. The revisions were outlined in paragraphs 3.6.1 to 3.6.3 of the report. As had been mentioned previously by the CFO the performance framework would also be used to inform the Risk Register.

Currently 14 of the 34 measures were on target or slightly exceeding target, 2 measures were exceeding target by more than 20%, 3 measures could not be reported on as insufficient data was available, 2 targets were for management information only, 3 were being reported as 'amber' (a failure of less than 10% from target) and 8 measures had failed to meet the targets. It should however be noted that currently targets were simply divided by four to assess progress. In due course a more sophisticated approach taking seasonal variance into consideration would be applied.

RESOLVED THAT:

- (a) the performance against the 2014/15 targets be noted
- (b) the progress made on the 15 priority projects be noted
- (c) The current position with internal audits be noted
- (d) The planned improvements for Quarterly reports from Quarter 2 be noted.

232. DATE OF NEXT MEETING

Wednesday 22 October 2014 at 6.30pm, New BHQ

The Chairman also noted that a meeting had also been arranged for the 29 June 2015 at 6.30pm.

Approved 22.10.14

The meeting concluded at 7.50pm