

# Scrutiny & Audit Panel

## 21 January 2021



### Membership:

Councillors: Barnes (Chairman), Hamilton, Lambert, Osborne, Scott, Smith and Taylor

You are requested to attend this meeting to be held in the via Webex at <https://esfrs.webex.com/esfrs/j.php?MTID=e9c9034f59b0590bc449af22ecebebb50> event password: nePQkgcu633 or call +44-20-7660-8149 access code 174 453 7760 at 10.00 am

### Quorum: 3

**Contact:** Abigail Blanshard, Senior Democratic Services Officer  
democraticservices@esfrs.org

## Agenda

### 36. Declarations of Interest

In relation to matters on the agenda, seek declarations of interest from Members, in accordance with the provisions of the Fire Authority's Code of Conduct for Members

### 37. Apologies for Absence

### 38. Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items

Any Members wishing to raise urgent items are asked, wherever possible, to notify the Chairman before the start of the meeting. In so doing, they must state the special circumstances which they consider justify the matter being considered urgently

- |     |  |                |
|-----|--|----------------|
| 39. | <b>Non-confidential Minutes of the Scrutiny &amp; Audit Panel held on 12 November 2020</b>         | <b>5 - 12</b>  |
| 40. | <b>Non-Confidential Minutes of the Scrutiny &amp; Audit Panel meeting held on 26 November 2020</b> | <b>13 - 18</b> |

**41. Callover**

The Chairman will call the item numbers of the remaining items on the open agenda. Each item which is called by any Member shall be reserved for debate. The Chairman will then ask the Panel to adopt without debate the recommendations and resolutions contained in the relevant reports for those items which have not been called

**42. 2020/21 Third Quarter Corporate Risk Register Review 19 - 34**

Report of the Assistant Director Resources/Treasurer

**43. Annual Audit Letter 2019/20 35 - 68**

Report of the Assistant Director Resources/Treasurer

**44. Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS)- Progress and update report 69 - 82**

Report of the Assistant Director Planning & Improvement

**45. On Call Pay Review - Internal Audit Report 83 - 100**

Report of the Deputy Chief Fire Officer

**ABRAHAM GEBRE-GHIORGHIS**  
**Monitoring Officer**  
**East Sussex Fire Authority**  
**c/o Brighton & Hove City Council**

Date of Publication: 13 January 2021

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## SCRUTINY & AUDIT PANEL

**Minutes of the meeting of the SCRUTINY & AUDIT PANEL held via Webex on Thursday, 12 November 2020.**

Present: Councillors Barnes (Chairman), Taylor, Smith, Evans, Lambert and Osborne

Also present: D Whittaker (Chief Fire Officer), M O'Brien (Deputy Chief Fire Officer), M Andrews (Assistant Chief Fire Officer), M Matthews (Acting Assistant Chief Fire Officer), L Woodley (Deputy Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning & Improvement), J King (Assistant Director Safer Communities), H Scott-Youldon (Assistant Director People Services), N Cusack (Assistant Director Operational Support & Resilience), D Luxford (Information Security & Data Protection Officer), C George (Procurement Manager), K Ring (PO Support), C Porter (ITG Project Co-ordinator) and E Simpkin (Democratic Services Officer).

### **15        Declarations of Interest**

There were none.

### **16        Apologies for Absence**

There were none.

### **17        Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items**

The Panel recorded their thanks and congratulations to Assistant Chief Fire Officer Mark Andrews on his departure from East Sussex Fire & Rescue to take up his position as Deputy Chief Fire Officer at West Sussex Fire & Rescue Service.

### **18        Minutes of the last Scrutiny & Audit Panel meeting held on 23 July 2020**

**RESOLVED:** That the minutes of the meeting of the Scrutiny & Audit Panel held on the 23 July 2020 be approved as a correct record and signed by the Chairman.

### **19        Callover**

Members reserved the following items for debate:

20.    Internal Audit Report – ESFRS Procurement Cards
21.    Redmond Review
24.    Service Delivery Review

## **Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel**

- 25. ESFRS Preparedness and Response to Covid 19 Pandemic
- 29. Information Security Strategy - Update

**RESOLVED:** That all other reports be resolved in accordance with the recommendations as detailed below.

### **20 Internal Audit Report - ESFRS Procurement Cards**

The Panel received a report from the Assistant Director Resources/Treasurer (ADR/T) which provided an update on the findings and assurance opinion of the Internal Audit Report on the processes and policies which supported the Procurement Card (PCard) capability within ESFRS. The audit was conducted in line with the agreed audit plan for 2019/20.

The Panel raised concerns over the partial assurance and sought confirmation that recommendations were being addressed. The ADR/T agreed with Members that it had been a protracted project and added that the audit report had been timely and helpful, however, the fieldwork had been carried out 12 months ago and progress had been made since the report had been finalised. Analysis of months 1-5 of the last financial year compared to the current financial year showed a 45% reduction in purchase orders, a 48% reduction in purchase orders under £1000, a 37% reduction in invoices and a 43% reduction in invoices under £1000. The Procurement Team was working with suppliers to consolidate low value invoices and agree the use of PCards as a payment method where possible. An internal post implementation review was due to be carried out but had been delayed due to Covid. The Procurement Manager added that the benefit of using PCards in terms of sourcing at point of need had been realised during the pandemic. The Procurement Team would be holding feedback session with card holders to identify improvements which could be made both to internal processes and the external approval interface to make the compliance process as smooth as possible.

Internal Audit would be carrying out a follow-up review which would be reported back to the Panel.

**RESOLVED:** That the Panel noted the final audit report, its opinion and recommendations.

### **21 Redmond Review**

The Panel received a report from the ADR/T on the Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting, a Government commissioned independent review into the effectiveness of local audit and the transparency of local financial reporting by Sir Tony Redmond which was published in September 2020. The Panel was invited to consider and comment on the report's main recommendations.

## **Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel**

The Chairman invited the Panel to form a working group to consider the proposals in more detail. This was agreed and Councillors Lambert and Evans agreed to join Councillor Barnes on the working group.

**RESOLVED:** That the Panel agreed to consider and comment upon the recommendations in the Redmond Report and identify any local improvements it wished to make as a result through a Member working group which would track national developments and advise the Panel on its local response to the Redmond Report.

### **22 2nd Quarter Risk Register Review 2020/21**

The ADR/T submitted a report on the latest quarterly review of Corporate Risk which discussed the Second quarter position and detailed the business risks identified and how they were being mitigated. Risk R18 Uncertainty About The UK's Transition From The European Union (EU) And Its Short Term Impacts was being re-established on the Corporate Risk Register and the risks scored against a 4x4 scoring matrix was shown at appendix 1 to the report. The review of corporate risks was an ongoing process and the updated position was shown in appendix 2 to the report. Project Risks were reported through the Programme Management Office and escalated to the Corporate Risk Register when relevant.

**RESOLVED:** That the Panel noted the updated Q2 Corporate Risk Register including the re-establishment of Risk R18.

### **23 2nd Quarter Performance Results 2020/21**

The Panel received a report from the Assistant Director Planning & Improvement (ADP&I) which presented the second quarter and provisional year end service performance results for 2020/21.

It was noted that due to the limitations imposed by the COVID-19 restrictions ESFRS had to find other ways of doing home safety visits, business safety audits and engagements and standard performance indicators did not reflect this additional work and the direction of travel had not been reported against these areas. Therefore the report included all indicator results, but only showed the previous year comparison against 16 of the total 21. Nine of the 16 indicators that were reported against were showing an improvement in performance against the same quarter in the previous year; two indicators were reporting the same level of performance in both years and five showed a decline. Of those reporting a decline in performance; four indicators were reporting at least a 10% decline in performance against quarter 2 2019/20. These were:

- (i) The number of accidental dwelling fires
- (ii) The number of primary fires
- (iii) The number of industrial and commercial fires
- (iv) The percentage of AFA mobilised calls to properties covered by the RRO that were classified as a primary fire

## **Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel**

**RESOLVED:** That the Panel:

1. noted the performance results for quarter 2 as attached at Appendix 1 of the report;
2. considered the performance results and remedial actions that have been taken in the Fire Authority's priority areas; and
3. noted the work had begun to revise the Performance Assurance Framework and a report would be brought back for the Panel's consideration at a later date which will include a refresh of the indicators set.

### **24 Service Delivery Review**

The Panel considered a report from the Assistant Chief Fire Officer (ACFO) on the outcome of the requested review following the implementation of the Service Delivery Review. The report highlighted the identified performance measures as detailed and agreed by the Scrutiny & Audit Panel at its meeting in June 2018.

The Panel felt that, given the fullness of the report, an internal audit review was not necessary. It was noted that areas such as productivity and sickness would be considered as part of the Operational Response Review and performance measures monitored through directorate plans.

**RESOLVED:** That the Panel:

- (i) noted the contents of the report and close down evaluation in light of the forthcoming Operational Response Review (ORR) and associated monitoring that would pick up the ongoing performance measures;
- (ii) supported the fact that further recommendations would be monitored through appropriate directorate plan; and
- (iii) agreed that the planned Internal Audit on the Service Delivery Review was not required.

### **25 ESFRS Preparedness and Response to Covid 19 Pandemic**

The Panel received a report from the ACFO which provided a briefing on ESFRS preparedness and response arrangements to the Covid-19 Pandemic.

The Panel asked about the tripartite agreement which was in place. The Chief Fire Officer (CFO) explained that the National Fire Chiefs Council had negotiated with the Fire Brigades Union (FBU) at a national level and reached agreement on additional areas of activity which sat outside of statutory

## **Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel**

obligations such as the delivery of food parcels and transport to hospital for example. There were in total 14 different activity types which had national risk assessments. ESFRS had undertaken 3 of the 14 additional activities in order to support the local community during the pandemic. Each activity was subject to a local risk assessment in order to determine the local way of working in terms of equipment, staffing and training for example and were agreed with local FBU representatives. The CFO added that national level negotiations with the FBU on extending the agreement to March 2021 had taken place, however, the FBU position was that agreement would only be reached if services adopted all 14 activities. With regard to ESFRS position, the CFO explained that it had been agreed that the Service would accept in principle all 14 activities, however, the additional ways of working and risk assessments would only be carried out for those activities which would be undertaken. This approach had been agreed with the local FBU representatives. The CFO reiterated her assurance that all activities would be carried out with appropriate and effective risk assessments agreed by Health & Safety and the FBU and that all statutory obligations would be fulfilled.

The Panel observed that the Risk Register showed a number of risks as amber which was indicative of the pressure that the service was under. The ACFO agreed that there were a number of risks which demonstrated the extraordinary circumstances and although this emphasised a number of issues, it also highlighted ESFRS's ability to respond and mitigate against risk. All risks had been shared and assessed by the Sussex Resilience Forum and considered by the Emergency Management Team. The ACFO added that he was proud of how officers had responded to the unprecedented circumstances, whilst maintaining statutory responsibilities and supporting the local community.

Members also asked about how the volunteer call scheme aligned with other local volunteer schemes in the area. The ACFO explained that knowing that many Home Safety Visit customers would be vulnerable and shielded, a courtesy call service offering pastoral support had been established. 1900 calls had been made through the vulnerable people scheme which had resulted in 500 referrals for further Home Safety Visit activity, 56 referrals to the relevant local authorities for additional support and 27 referrals to community hubs.

The Panel offered their congratulations on the resilient and adaptive response. The CFO added that letters of thanks had been sent to staff and gave thanks to Fire Authority its support. A full report on the 'lessons learnt' would be brought back to the Panel in due course.

**RESOLVED:** That the Panel noted the East Sussex Fire & Rescue Service preparedness and response arrangements to the Covid 19 Pandemic.

### **26 ESFRS Preparedness for the End of the EU Transition Period**

The Panel received a briefing report from the ACFO on the East Sussex Fire & Rescue Service (ESFRS) preparedness in advance of the UK transitioning

## **Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel**

from the European Union (EU) without a negotiated trade, travel, security or health deals.

The Panel noted that as there remained uncertainty over the end of the EU transition phase and the final trade deals that were being negotiated, preparedness had been escalated by the Ministry of Housing Communities & Local Government to ensure that Local Resilience Forums were focussed on the impact of concurrent major events of Covid 19 and Winter Pressures. Significant work was taking place within ESFRS and the Sussex Resilience Forum to ensure that plans were in place for operational preparedness and public reassurance over the next 3 months and beyond. National and local planning assumptions had been fully evaluated and resources put in place to support a strategic coordinating group to manage any impact or incident that may occur as a result of traffic congestion or public disorder. Internally officers had established a Gold Group to review business continuity and operational plans to ensure ESFRS was as well prepared as possible to support resilience and business continuity for East Sussex over the coming weeks of uncertainty.

**RESOLVED:** That the Panel considered and noted the East Sussex Fire & Rescue Service preparedness and response arrangements to the impacts of the UK exiting transition with no EU trade deal.

### **27 Fire Authority Governance - Update Report**

The Panel received a report from the Senior Democratic Services Officer which updated Member on the progress and status of the actions arising from the independent review of governance of the Authority.

It was noted that the implementation of a number of the recommendations had already been completed with Democratic Services continuing to progress those that are outstanding, namely that regarding Member Development, Induction and a skills analysis.

**RESOLVED:** That the Panel noted the contents of the report and progress being made on the actions arising from the independent review of governance.

### **28 Exclusion of the Press and Public**

**RESOLVED:** That item 29 be exempt under paragraphs 3 and 7 of Part 1 Schedule 12A of the Local Government (Access to Information) (Variation) Order 2006 and accordingly not open for public inspection on the grounds that the report contains information relating to the business affairs of the Fire Authority and information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The meeting concluded at 10.55 am

**Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel**

Signed

Chairman

Dated this

day of

2021

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## SCRUTINY & AUDIT PANEL

**Minutes of the meeting of the SCRUTINY & AUDIT PANEL held via Webex at 10.00 am on Thursday, 26 November 2020.**

Present: Councillors Barnes (Chairman), Hamilton, Lambert, Osborne, Scott, Smith and Taylor

Also present: D Whittaker (Chief Fire Officer & Chief Executive), M O'Brien (Deputy Chief Fire Officer), M Matthews (Temporary Assistant Chief Fire Officer), D Savage (Assistant Director Resources/Treasurer), L Woodley (Deputy Monitoring Officer), H Scott-Youlton, N Cusack, P Jassal, H Thompson (EY), S Van Der Merwe (EY), J Knightley, C Porter, E Simpkin, A Blanshard.

### **30        Declarations of Interest**

There were none.

### **31        Apologies for Absence**

There were none.

### **32        Notification of items which the Chairman considers urgent and proposes to take at the end of the agenda/Chairman's business items**

The Chairman informed the Panel of a change of membership for the Labour Group. The Panel welcomed Cllr Scott to his new role as panel member and recorded their thanks for Cllr Evans for her hard work during her time as a panel member.

The Chairman welcomed representatives from EY who were attending the meeting to inform on the results of their audit and to respond to any questions from the panel.

### **33        Callover**

Members reserved the following items for debate:

34.    External Auditor's Audit Results Report and Statement of Accounts 2019/20

35.    Public Sector Audit Appointments (PSAA) Consultation on Audit Fee Variations

### **34        External Auditor's Audit Results Report and Statement of Accounts 2019/20**

The Panel received the report of the Assistant Director Resources/Treasurer (ADR/T) presenting the results of the External Auditor's Results Report (ISA 260) and to report an unqualified opinion on the Authority's 2019/20

## **Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel**

Statement of Accounts. The Authority's External Auditor, Ernst & Young (EY), was obliged to produce an Audit Results Report on the outcome of the audit of the Authority's financial statements. EY had substantially completed its audit and, subject to concluding some outstanding matters, expected to issue an unqualified audit opinion in advance of the statutory deadline. It had been a most challenging year in terms of getting both the Accounts and Audit completed largely to the impacts of the Covid-19 pandemic. The report also included a proposed fee variation, at the request of Panel members, it was agreed to discuss this separately to the audit and accounts.

The ADR/T recorded his thanks to ESFRS, Orbis and EY colleagues for all their work in this challenging year. Helen Thompson, Associate Partner EY, presented the audit results report to the panel. Stephan van der Merwe was introduced having joined EY during the Covid-19 lockdown. EY reiterated there had been unprecedented challenges this year which had significantly impacted the audit work, this had been recognised nationally by changing the deadline from 31 July to 30 November for all local authority bodies.

The Panel were informed of some key changes to EY's risk assessment as a result of Covid-19, these included valuation of property plant and equipment (regarding the uncertain impact on markets) and disclosures on going concern (financial plans for 20/21 and medium term financial plans would need revision for Covid-19). The complexity of the East Sussex Pension Fund's investments had also impacted the completion of the report, EY were reliant on the work of Grant Thornton, and were still awaiting a letter of assurance. It was made clear that there were no known issues. Therefore, they intended to issue an unqualified opinion in time to meet the deadline.

The areas of focus during the audit had been the risk of fraud and error in revenue and expenditure, net pension liability, valuation of property and equipment. The audit should be free of fraud and error, although management roles were in a unique position to commit fraud, the audit tested journals and estimates for any evidence of management bias. No evidence had been identified of any management override, bias or any unusual transactions. The audit had also focused on net pension liability and actuaries had been engaged to test both Local Government and the Firefighter pension schemes. Whilst they were still awaiting the assurance letter, the conclusion was that there was no indication that net liability had been misstated. With regards to valuation of property, plant and equipment, the audit had focussed on the work of the Authority's valuer and assets not subject to revaluation throughout the year. Finally with regards the matter of Going Concern the audit had assessed this and the management's assessment set out in the Financial Statement was sufficient. During the meeting, the Auditors were able to confirm that the final outstanding letter from Grant Thornton had been received and they were therefore able to confirm that they would meet the deadline for the publication of their opinion.

Members were concerned that pension funding from central government being provided in the form of an annual grant presented a risk to the Authority. The ADR/T reassured the panel that in terms of the Accounts presented at

## **Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel**

this meeting it was not an issue. The Indication was that this funding had been extended into 2021/22 but clearly, longer term, financial uncertainty impacted on future planning. In terms of Going Concern, ESFRS were able to prove their financial stability through the MTFP.

The Panel then discussed the proposed variation to this year's Audit Fee. Members were keen to reassure EY that their comments on this proposed variation were not a reflection on their exemplary audit work, however, they were surprised to see the proposed fee increase and the reasons attached to it. The Panel stated that the Chancellor had provided support to allow employers to set up their staff to work from home and they considered the proposed increase to be opportunistic. The ADR/T was asked what would happen if the proposed fee variation was refused and payment made at the existing rate. The ADR/T explained that for a variation to the Fee the Auditor must ask the audited body and then go to PSAA. The variation was also related to the impact of regulatory changes which were primarily driven by failures in the private sector. With regards to those costs attributed to Covid-19, the ADR/T confirmed that they would take direction from the panel but that ultimately it would be up to PSAA to agree the variation.

EY thanked the Panel for separating the discussion on these matters, and were permitted to make a couple of points. They explained how Audit Fees were set using a specified formula and then changed and reduced by a certain percentage given the influence of different contracts and PSAA. This was done with little regard given to risks in the wider world and also in the audited body. An example given was the increased commercial activity within some local authorities. The Regulators did not see a difference between Private and Public sectors and all of this came together to impact fees. The average Fire Authority audit fee had changed and although this might not seem the right time, auditors were required to prove to PSAA that they were covering their own costs.

Members thanked the ADR/T and EY for their explanations which had been extremely helpful and somewhat reassuring, it would still be of interest for the panel to see a breakdown of the costs, particularly those relating to Covid-19, and that this should be considered after consultation with the Panel Chairman. The CFO asked for a point of clarification from EY, could they explain was the percentage differential across the board or had it been assessed against risk? EY drew the panels' attention to page 40 of the agenda which provided a breakdown of the fee, and focussed on the additional costs on this audit, the percentage change was just related to ESFRS. In terms of the other fee, this was a scale fee, as a firm it was not simply a case of a set percentage increase, EY worked on an audit by audit basis and consideration was given to an organisations risks, reserve size etc., there was no baseline percentage uplift.

**RESOLVED** – That the Panel agreed to:

- i. note the External Auditor's Audit Results Report (ISA 260);

## Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel

- ii. request that officers review the audit fees with EY, with particular regard to the Covid-19 related elements, with a decision taken by the ADR/T and CFO after consultation with the Chairman of the Panel;
- iii. authorise the Assistant Director Resources / Treasurer and the Panel Chairman to use electronic signatures to sign the formal letter of representation to the External Auditor; and
- iv. approve the 2019/20 Statement of Accounts for publication.

### 35 Public Sector Audit Appointments (PSAA) Consultation on Audit Fee Variations

The Panel considered the Report of the Assistant Director Resources/Treasurer informing them of the PSAA (Public Sector Audit Appointments) consultation on audit fee variations and to seek its views on the questions asked by the PSAA. The PSAA was consulting on proposed new arrangements for determining fee variations for local audits of opted-in bodies from audits of 2020/21 accounts onwards. The current fee variations process required the auditor to discuss all proposed variations with the audited body before submitting them to PSAA for determination. Feedback from both auditors and audited bodies frequently referred to the practical challenges and limited value of local discussions about proposed variations which relate to those factors which affect most or all audited bodies. Many contributors had asked PSAA to take a national lead on additional fees, where possible removing the need for local negotiations.

PSAA was proposing a new approach, based on two types of variation:

- **national variations**, required for changes that relate to the conduct of all or most audits, such as changes to the auditing and accounting codes, standards and regulatory requirements, where a standard cost can be reasonably estimated; and
- **local variations**, required for issues that relate to local factors arising from the conduct of a particular audit, such as the additional audit work required if accounts reflect complex transactions that are not built into the scale fee, or where working papers are poorly prepared, or for work relating to an auditor's statutory responsibilities such as objections, statutory recommendations or public interest reports.

The Panel was asked to give its thoughts on the consultation questions and the proposals in order that a response could be submitted. The ADR/T reminded Members of the context of this consultation, particularly in relation to the Redmond Review which the Panel had considered at its meeting on 12 November 2020. By and large, Officers were supportive of the proposal to base the new approach on the national local variations detailed above.

There were some concerns about the suggestion to increase Day rates by 25%, it was not clear where this percentage had come from, it was recognised

## **Unconfirmed minutes – to be confirmed at the next meeting of the Scrutiny & Audit Panel**

that there were increasing costs, but there was a desire for PSAA to be clear on the basis of 25% and why they were reasonable.

There were two issues presented to the Panel, these were that the PSAA ought to work with the regulator to reduce the impact of regulations on costs, there was a need to consider how these would impact on Public Sector organisations, the impact would not be the same as it would in the Private Sector. The second issue was targeted at central Government, the changes felt like a new burden and therefore, the costs should be borne by them.

The CFO added that the accessibility of audit and accounts reports needed to be considered, in order to allow proper public scrutiny. The current format could be impenetrable even to professionals. The ADR/T confirmed that this was an issue raised in the Redmond Review but rested primarily with CIPFA/LASAAC who published the Code of Practice for Local Authority Accounts. The Panel agreed the purpose of these reports should be about reporting and explaining to the public what and why the organisation had spent what it had and that the Auditors were happy, but it was decided that this was not appropriate for this consultation.

A lengthy discussion followed during which Members agreed that the position was complex, the distinction between the public and private sector was becoming increasingly blurred, particularly with the increased investment by Local Authorities in property. Also more Local Authorities were setting up companies, particularly those providing housing and energy. It was deemed important that the PSAA addressed this. Fire Authorities by contrast have very limited exposure to these type of commercial activities and therefore should be approached differently. It was hoped by the Panel that there would be some future consideration by Government of how the role of Local Authorities was changing. In principle it was understood that charges should increase, but there was concern about the proposed flat rate approach. There was some additional concern about the national standards and whether this may remove some local control, it was felt that the minimum possible should be dealt with by national variations. The Panel agreed that simplification was essential in order to increase public understanding, engagement and accountability.

It was further discussed that there should be greater definition made by PSAA of the national v. local variations. There was also a request that PSAA give consideration to the potential need to bring in specialists and therefore there needed to be the ability to reflect this in audit rates.

It was agreed that the ADR/T would construct a draft response and, after consultation with the Panel chairman it would be shared with all members prior to submission before the deadline.

**RESOLVED** – That the Panel agreed to:

- i. consider the consultation document and its proposals;

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- ii. directed officers as to its preferred response; and
- iii. that the Panel delegated the power to finalise the response to the PSAA Consultation to the Assistant Director Resources/Treasurer, after consultation with the Chairman.

The meeting concluded at 11.22 am

Signed

Chairman

Dated this

day of

2019

## EAST SUSSEX FIRE AUTHORITY

**Panel:** Scrutiny & Audit Panel

**Date** 21 January 2021

**Title of Report** 2020/21 Third Quarter Corporate Risk Register Review

**By** Duncan Savage, Assistant Director Resources/Treasurer

**Lead Officer** Parmjeet Jassal, Finance Manager

**Background Papers** Scrutiny and Audit Panel 23 July 2020 - 2020/21 First Quarter Corporate Risk Register Review  
Scrutiny and Audit Panel 18 November 2020 - 2020/21 Second Quarter Corporate Risk Register Review

**Appendices** Appendix A – RAID Log Scoring Matrix  
Appendix B – Corporate Risk Register and Mitigation Plans

### Implications

|                                   |   |                               |  |
|-----------------------------------|---|-------------------------------|--|
| <b>CORPORATE RISK</b>             | √ | <b>LEGAL</b>                  |  |
| <b>ENVIRONMENTAL</b>              |   | <b>POLICY</b>                 |  |
| <b>FINANCIAL</b>                  |   | <b>POLITICAL</b>              |  |
| <b>HEALTH &amp; SAFETY</b>        |   | <b>OTHER (please specify)</b> |  |
| <b>HUMAN RESOURCES</b>            |   | <b>CORE BRIEF</b>             |  |
| <b>EQUALITY IMPACT ASSESSMENT</b> |   |                               |  |

**PURPOSE OF REPORT** To report on the latest quarterly review of Corporate Risk

**EXECUTIVE SUMMARY** This report discusses the third quarter position. It details the business risks identified and how they have or are being mitigated.

No risks are proposed for addition or deletion this quarter.

Risks are scored against a 4x4 scoring matrix as shown in Appendix A.

The review of corporate risks is an ongoing process and reports are presented on a quarterly basis. The updated position is shown in Appendix B.

Project Risks are reported through the Programme Management Office and escalated to the Corporate Risk Register when relevant.

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**RECOMMENDATION**

The Panel is recommended to:

- a) note the Q3 Corporate Risk Register including updates made since Q2; and
  - b) identify any further information or assurance required from Officers
-

## **1 INTRODUCTION**

- 1.1 This report brings the second quarter Corporate Risk Management Mitigation Plan. Corporate business risks are considered by SLT quarterly and reported to Scrutiny and Audit Panel for consideration.

## **2 CHANGES SINCE QUARTER 2**

- 2.1 All risks have been updated but there has only been one change in risk scoring for R18 UK's Exit from the EU where it has been increased from 4 – Tolerable to 6 – Moderate reflecting the increased uncertainty about the nature of the Exit and any trade agreement at the time this report was written in mid-December 2020.

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## CORPORATE RISK REGISTER

Scoring for all Corporate Risk and Project RAID Log

Appendix A

| Impact / Likelihood |  | Moderate (1)  | Significant (2) | Serious (3)      | Critical (4)     |
|---------------------|--|---------------|-----------------|------------------|------------------|
| Certain/High (4)    |  | Tolerable (4) | Moderate (8)    | Substantial (12) | Intolerable (16) |
| Very Likely (3)     |  | Tolerable (3) | Moderate (6)    | Moderate (9)     | Substantial (12) |
| Low (2)             |  | Tolerable (2) | Tolerable (4)   | Moderate (6)     | Moderate (8)     |
| Unlikely (1)        |  | Tolerable (1) | Tolerable (2)   | Tolerable (3)    | Tolerable (4)    |

### Corporate Risk and Project Raid Log Scoring Matrix

| Impact           |  | Moderate                               | Significant  | Serious  | Critical   |
|------------------|--|--|--|--|--|
| Score            |  | 1                                      | 2  | 3  | 4  |
| Financial        |  | ≤ £10000                               | ≤ £100,000   | ≤ £500,000   | ≤ £1 m +   |
| Reputation       |  | Damage limitation                      | Adverse Publicity  | Poor Reputation  | Complete loss of public confidence               |
| Service Delivery |  | would not restrict or service delivery | Could restrict service delivery or restrict delivery of an ESFRS Aim | Could stop service delivery or unable to delivery an ESFRS Aim | Would affect service delivery to our communities |

| Likelihood |  | Unlikely   | Low   | Very Likely   | Certain/High  |
|------------|--|--|---|---|---|
| Score      |  | 1  | 2   | 3   | 4   |
| Frequency  |  | One case reported in the past 5 years, may re-occur if only limited control measures are not applied and continued monitoring. (0-24% probability) | One or two cases in the past 2 - 5 years or may re occur if not all control measures are not applied within the next 6 months and continue to monitor. (25-49% probability) | One or two cases in past 2 years or expected to happen if controls measures are slow being applied, and failure to monitor progress. (50-74% probability) | One or more cases in past 2 years. Failure to take immediate action could impact on service delivery or safety of personnel/ community. (75-100% probability) |

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## Appendix B

| Risk Title                                      | Causes   | Mitigations   | Mitigated Risk Score   | Actions  | Review Date       | Corporate Risk Owner      |
|---|--|---|--|--|-------------------|---------------------------|
| <p>2<br/>Health &amp; Safety non-compliance</p> | <ul style="list-style-type: none"> <li>• Policy and practices not effective</li> <li>• Policies not followed</li> <li>• Inconsistent implementation</li> <li>• H&amp;S approach is not effectively targeting the highest risk areas</li> <li>• Lack of proactive / preventative measures to reduce likelihood</li> <li>• Specific issues regarding Face fit testing and Management of Contractors</li> <li>• management actions not completed in accordance with safety event reports</li> </ul> | <ul style="list-style-type: none"> <li>• Training programmes in place</li> <li>• Policies in place</li> <li>• Appropriate systems exist</li> <li>• Changes to the management and staffing structure</li> <li>• Governance for Health, Safety &amp; Wellbeing in place</li> <li>• Revised estates policy for management of contractors</li> <li>• Secondment of individual into Facilities Management (FM) role to deliver improvements in processes for estates / management of contractors for 12 months</li> <li>• H&amp;S peer review and implementations of findings 5 year audit plan</li> <li>• Acceleration of "facefit" programme for respirators using external contractor</li> <li>• 1<sup>st</sup> year overview of delivery of Regional H&amp;S Audit Action Plan presented to Oct 2020 HSWC</li> </ul> | <p>Impact = 4<br/>Likelihood = 2</p> <p>Score = 8<br/>Moderate</p> | <ul style="list-style-type: none"> <li>• Health and Safety (H&amp;S) policy frame work review including the implementation of a new H&amp;S management system planned For implementation in April 2021Continuing to finalise legal regulations for RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) reports</li> <li>• Developing the H&amp;S legal register</li> <li>• Implement the 3 year action plan drawn together following the Regional H&amp;S audit undertaken in July 2019 with</li> <li>• Ensure investigation recommendations are placed on CAMMS to ensure progress is visible and completion monitored</li> </ul> | <p>March 2021</p> | <p>AD People Services</p> |

| Risk Title                              | Causes   | Mitigations  | Mitigated Risk Score   | Actions  | Review Date       | Corporate Risk Owner            |
|---|--|--|--|--|-------------------|---------------------------------|
| <p>3<br/>Future financial viability</p> | <ul style="list-style-type: none"> <li>Reducing funding stream (uncertainty)</li> <li>Failure to identify and deliver savings</li> <li>Difficult to predict future needs / resources required</li> <li>Changes in legislation increasing burden</li> <li>Impact of Covid 19</li> </ul> | <ul style="list-style-type: none"> <li>2020/21 budget agreed</li> <li>Medium Term Finance Plan (MTFP) refreshed including Covid 19 impacts</li> <li>Efficiency Strategy agreed and being progressed</li> <li>Business Rates Pool re-established for 2020/21</li> <li>Continued monitoring of BRR proposals.</li> <li>Delivery of savings monitored and reported to SLT and members</li> <li>Resource Planning meeting to monitor operational establishment</li> <li>Establishment and use of general and earmarked reserves to manage financial risk</li> <li>Collaboration through East Sussex Finance Officers Association (ESFOA) to protect shared income streams e.g. Council Tax and Business Rates</li> <li>"Star Chamber" budget scrutiny as part of the budget setting process</li> <li>Covid costs and savings monitored monthly against grant allocation</li> <li>Initial high level assessment of potential financial cost of McCloud / Sargeant pension remedy</li> <li>IRMP financial impacts built into 2021/22+ budget proposals</li> <li>Impact of SR20 announcements assessed and modelling updated</li> <li>Lobbying in advance of Comprehensive Spending Review via National Fire Chiefs Council (NFCC) and local MPs</li> </ul> | <p>Impact = 2<br/>Likelihood = 3</p> <p>Score = 6<br/>Moderate</p> | <ul style="list-style-type: none"> <li>Further development of the actions set out in the Efficiency Strategy including development of an Income Strategy</li> <li>Star Chamber outcomes being reviewed by SLT to move to balanced budget position</li> <li>Reviewing plans for use of one off Protection Surge / Grenfell Infrastructure Grant</li> <li>Awaiting announcement of Provisional Local Government Finance Settlement (expected w/c 14/12/2020)</li> <li>Awaiting LDC decision on CIL grant applications (10/12/2020)</li> <li>Monitoring implications of EU exit on costs including potential tariffs on certain goods and services</li> </ul> | <p>March 2021</p> | <p>AD Resources / Treasurer</p> |

| Risk Title  | Causes   | Mitigations  | Mitigated Risk Score   | Actions   | Review Date       | Corporate Risk Owner |
|---|--|--|--|---|-------------------|----------------------|
| <p>5<br/>Ability to meet developing legislative requirements evolving from central fire safety regulatory reviews</p> | <ul style="list-style-type: none"> <li>• Policy or legislative changes that are likely to arise from reviews and investigations</li> <li>• Unknown burdens on service delivery</li> <li>• Likely increased funding required</li> <li>• Knowledge and competence needed</li> <li>• Lack of capacity and capability</li> <li>• inability to adapt service delivery models</li> </ul> | <ul style="list-style-type: none"> <li>• Introduction of firefighter business safety</li> <li>• Competence framework for business safety officers</li> <li>• Business Safety Review to refresh structure to ensure appropriate capacity and contingency"</li> <li>• Continue to monitor developments from the Hackitt and Moore Bick reviews and potential legislative / regulatory changes</li> <li>• Assessment of the Grenfell Tower Phase 1 report and local ESFRS action plan in place</li> <li>• Monitoring of emerging Fire safety and Housing Bill</li> <li>• Fire Safety Government Consultation to strengthen the fire safety order and implement the Grenfell Tower Phase 1 report</li> </ul> | <p>Impact = 2<br/>Likelihood = 3</p> <p>Score = 6<br/>Moderate</p> | <ul style="list-style-type: none"> <li>• Refresh and publish a new Protection Strategy to take account of the emerging issues.</li> <li>• Allocate ESFRS officers to national working groups to steer and understand the implications of the proposed national changes.</li> <li>• Sector is lobbying Govt. for additional funding for investment in protection services</li> <li>• Investment in CRM and related mobile devices/software to enable required flexibility and mobile working to improve efficiency in work processes, ensure delivery of reviewed RBIP, BRR and respond to internal audit findings to ensure full compliance with legislation.</li> <li>• Deliver the Building Risk Review Respond to fire safety consultation</li> <li>• Utilise the Government Protection Funding to identify improvement and support for existing protection team.</li> <li>• LFB secondment for 6 months to gain an additional external assessment of preparation for compliance against both building and fire safety bills.</li> </ul> | <p>March 2021</p> | <p>ACFO</p>          |

| Risk Title   | Causes  | Mitigations   | Mitigated Risk Score                                      | Actions   | Review Date | Corporate Risk Owner |
|--|---|---|---|---|-------------|----------------------|
| 6<br>Effective workforce planning e.g. professional services | <ul style="list-style-type: none"> <li>Increasingly difficult to recruit into professional services</li> <li>HR policy flexibility (grades/salaries)</li> <li>Recruitment pool processes</li> <li>Already lean workforce</li> <li>Cognisant of the HMICFRS findings</li> </ul>            | <ul style="list-style-type: none"> <li>Introduction of Strategic Workforce planning to explore and introduce a market supplement process for professional service jobs (new action reads – review contracts and policy to embed this process. Continue to consider the wider recruitment market to assess salary points for specialist posts).</li> <li>Recruitment and selection framework</li> <li>Process Improvement Project to deliver efficiencies in roles and policy supporting lean workforce</li> <li>Redesign current talent pool process at each operational level within the Organisation</li> </ul>   | Impact = 2<br>Likelihood = 4<br><br>Score = 8<br>Moderate | <ul style="list-style-type: none"> <li>Locating resources with ITG to ensure employee data is General Data Protection Regulation (GDPR) compliant from a HR perspective.</li> <li>Embed and reinforce workforce plan.</li> <li>To explore and introduce a Benefits &amp; Reward Framework and a market supplement process for professional service jobs (2021/22)</li> <li>To re-engineer the recruitment and selection processes for professional services</li> <li>To review salary structure with Hay (2022/23)</li> </ul> | March 2021  | AD People Services   |
| 8<br>Failure to mobilise effectively                         | <ul style="list-style-type: none"> <li>ESFC incident / significant system failure</li> <li>Software providers unable to maintain support for system over longer term.</li> <li>Loss of staff resulting in insufficient staff to maintain business as usual operational service</li> </ul> | <ul style="list-style-type: none"> <li>Fall-back and business continuity arrangements designed, tested and operating (this includes fully functional secondary control at Maresfield.</li> <li>Refreshed approach to attendance management.</li> <li>Crewing degradation policy in place.</li> <li>Resilience plan in place and being managed via weekly conference calls</li> <li>WSFRS exit from joint control successfully achieved</li> <li>Interim single service model developed for period Dec 2019 to March 2021 and now operating. New trainees course complete</li> <li>Required additional funding identified and agreed for interim period</li> <li>Authority has approved future transition to partnership with Surrey and West Sussex FRS through Project 21. Project 21 now mobilised and progress on track including effective joint working across partner FRS</li> <li>Phase One, Two and Three Station end equipment completed.</li> </ul> | Impact = 4<br>Likelihood = 2<br><br>Score = 8<br>Moderate | <ul style="list-style-type: none"> <li>Further audits and remediation plans for Mobile Data Terminals, Wi-Fi and Station End Equipment</li> <li>Scenario planning for future options / outcomes underway including recruitment if necessary</li> <li>Wi-Fi rollout delayed by Covid 19 but now underway</li> <li>Currently seeking extension of 4i vendor supporting after March 2021</li> </ul>  | March 2021  | DCFO                 |

| Risk Title   | Causes   | Mitigations   | Mitigated Risk Score   | Actions   | Review Date       | Corporate Risk Owner |
|--|--|---|--|---|-------------------|----------------------|
| <p>9<br/>Failure to manage the effects and impacts of a major loss of staff event</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 29</p> | <ul style="list-style-type: none"> <li>Lack of engagement with unions / staff</li> <li>Poor / ineffective consultation practices</li> <li>Ineffective communications</li> <li>Lack of business continuity</li> <li>Pandemic Flu</li> <li>Major travel disruption</li> <li>Failure of National pay negotiation leading to action short of a strike</li> </ul> | <ul style="list-style-type: none"> <li>Review outcomes of Retained Firefighters Union report</li> <li>Introduction of the On-call action learning set</li> <li>Establish a resilience group to refresh the resilience contingency plans and loss of staff protocols.</li> <li>Establish regional loss of staff working group to share best practice and assist in contingency planning".</li> <li>Introduce a revised Business Continuity Plan for major loss of staff</li> <li>Deliver an Emergency Management Team (EMT) exercise to test the plans and response by the key staff within the continuity plans.</li> <li>Close working with NFCC to determine local and regional resilience</li> <li>New National Security Risk Assessment for industrial action prompting Sussex Resilience Forum support</li> <li>IRMP proposals for Operational Response Plan (ORP) and flexible on-call contracts to improve resilience approved September 2020</li> </ul> | <p>Impact = 3<br/>Likelihood = 3</p> <p>Score = 9<br/>Moderate</p> | <ul style="list-style-type: none"> <li>Develop a continuity handbook for staff to assist in managing the early stages of a major loss of staff.</li> <li>Engage with key staff to understand the landscape of staff availability during these events</li> <li>Working with Sussex Resilience Forum (SRF) to assess threat and risk as part of community risk</li> <li>IRMP implementation team taking forward ORP and new on-call contracts.</li> </ul> | <p>March 2021</p> | <p>ACFO</p>          |

| Risk Title   | Causes  | Mitigations   | Mitigated Risk Score   | Actions  | Review Date       | Corporate Risk Owner |
|--|---|---|--|--|-------------------|----------------------|
| <p>10<br/>Inability to respond effectively to a cyber incident</p> | <ul style="list-style-type: none"> <li>Lack of effective Business Continuity Plan (BCP )in place</li> <li>Underestimation of risk likelihood</li> <li>Poor policies and procedures</li> <li>Human error</li> <li>Lack of staff awareness (e.g. phishing)</li> <li>Poor protection of systems leading to increased severity</li> </ul> | <ul style="list-style-type: none"> <li>telent to progress IT Risk Treatment Plans</li> <li>Annual IT Health Checks now scheduled</li> <li>Information Security Management Forum meeting on a regular basis</li> <li>Information Security e-learning in place</li> <li>Annual review of ISO27001 gap analysis</li> <li>Implement Information Security Management System</li> <li>New suite of Information Security policies in place</li> <li>Annual IT Health Checks implemented along with associated telent mitigation plans</li> </ul> | <p>Impact = 4<br/>Likelihood = 2</p> <p>Score = 8<br/>Moderate</p> | <ul style="list-style-type: none"> <li>Information Security Project closedown – following completion.</li> <li>Telent (working with Aristi) progressing risk treatment plans following scheduled IT Health Checks.</li> <li>Review of NRR and further national guidance being considered by Sussex Resilience Forum. ESFRS involved closely in this work and any relevant actions to be fed back to the service.</li> <li>IT Health Checks taking place in Dec 2020 (interim) and then again Jul 2021.</li> <li>ESFC IT Health Check risks to be remediated as part of Project 21 4i decommissioning phase, which will be completed in Mar 2022</li> <li>Progress towards ESFRS achieving Cyber Essentials Plus accreditation in 2022, in line with NFCC IT Managers’ agreed FRS cyber accreditation standard</li> </ul> | <p>March 2021</p> | <p>DCFO</p>          |

| Risk Title   | Causes  | Mitigations   | Mitigated Risk Score   | Actions   | Review Date       | Corporate Risk Owner                 |
|--|---|---|--|---|-------------------|--------------------------------------|
| <p>11<br/>Failure to deliver key corporate projects</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 31</p> | <ul style="list-style-type: none"> <li>Lack of adherence to governance processes</li> <li>Lack of experienced staff managing projects</li> <li>Inability to recruit to vacant posts in the Programme Management Office (PMO)</li> <li>Over optimistic delivery plans</li> </ul> | <ul style="list-style-type: none"> <li>Assignment of programme management office</li> <li>Set up of the PMO – team, processes, standards, PMO Manual</li> <li>Set up of Projects Tool Kit Intranet pages including templates, guidance and information to project managers and all staff involved in projects.</li> <li>Portfolio capture in place and rationalisation of clusters and sub clusters of projects.</li> <li>Set up of monthly reporting of projects into the PMO and quarterly / yearly PMO reporting to SLT.</li> <li>Strategic Change Board in place</li> <li>Key projects managed directly by the PMO (FireWatch, CRM, Business Intelligence, Respiratory Protective Equipment, ESMCP).</li> <li>Project management now in place for delivery of fleet and engineering projects</li> <li>Dependencies analysis and risks of extant project now complete</li> <li>New PMO structure, terms of reference and funding agreed by SLT to meet the business need.</li> <li>Additional Estates project management capacity in place (Major Capital Projects Manager)</li> </ul> | <p>Impact = 3<br/>Likelihood = 2</p> <p>Score = 6<br/>Moderate</p> | <ul style="list-style-type: none"> <li>Further development of quarterly reporting.</li> <li>Carrying out Projects health checks with PMs</li> <li>Implement agreed actions from Internal Audit Report (reasonable assurance opinion)</li> </ul> | <p>March 2021</p> | <p>AD Planning &amp; Improvement</p> |
| <p>13<br/>Collaboration</p>  | <ul style="list-style-type: none"> <li>Collaboration fails to deliver desired outcomes</li> <li>Resources required to support collaborative activities not justified by improvements in efficiency and / or effectiveness</li> </ul>  | <ul style="list-style-type: none"> <li>Collaboration Framework agreed and in place</li> <li>Priorities agreed for 2018-21</li> <li>Regular tracking of collaboration activities through business performance system</li> <li>Governance in place e.g. 4F and Integrated Transport Function (ITF)</li> <li>Legal advice on formal collaboration agreements</li> <li>Update report on the agreed collaborations (as outlined in the Collaboration Framework) to SLT in May 2020</li> </ul>  | <p>Impact = 3<br/>Likelihood = 2</p> <p>Score = 6<br/>Moderate</p> | <ul style="list-style-type: none"> <li>Regular review of collaborative activities through SLT and Scrutiny and Audit Panel</li> <li>.</li> <li>Full update report to SLT and the FA in January 21 to concentrate on efficiencies</li> </ul>     | <p>March 2021</p> | <p>AD People Services</p>            |

| Risk Title   | Causes  | Mitigations   | Mitigated Risk Score                                     | Actions   | Review Date | Corporate Risk Owner |
|--|---|---|--|---|-------------|----------------------|
| 14<br>Security and safety of staff and visitors on ESFRS sites | <ul style="list-style-type: none"> <li>• Damage to buildings and assets</li> <li>• Injury to Personnel</li> <li>• Service Delivery: Unable to deliver training and requalify personnel if interruption continues</li> <li>• Industrialisation of areas surrounding ESFRS premises perpetually halting operational practice on sites.</li> </ul>         | <ul style="list-style-type: none"> <li>• Safety Measures implemented in affected areas of Service Training Centre (STC) when burning i.e. PPE, Cordons.</li> <li>• The use of Community Order prohibiting protagonist from attending Authority premises</li> <li>• Increased safety officers</li> <li>• Temporarily ceased some lay flat testing to Air Quality Testing</li> <li>• Independent Air Quality Testing Report</li> <li>• Meeting with Traveller Rep, ESCC Rep and Sussex Police to discuss concerns.</li> <li>• Review of whole site security in conjunction with Estates.</li> <li>• Traveller Community Engagement, education and information around work and function of STC.</li> <li>• Project long term review of live fire training facilities</li> <li>• Initial phase of security improvements at STC completed</li> </ul> | Impact =3<br>Likelihood = 3<br><br>Score = 9<br>Moderate | <ul style="list-style-type: none"> <li>• Feasibility study for enhancements to training facilities including a clean burn strategy approved at Change Board in Oct 2020 and being commissioned</li> </ul>   | March 2021  | AD People Services   |
| 15<br>Workforce planning                                       | <ul style="list-style-type: none"> <li>• Response to the McCloud and Sargeant cases lowering potential retirement ages</li> <li>• Financial implications of reinstatement to old schemes</li> <li>• Loss of senior level experienced officers and staff earlier than expected</li> <li>• Failure to interpret rules or legislation correctly</li> </ul> | <ul style="list-style-type: none"> <li>• Access professional legal advice where necessary</li> <li>• FPS administration successfully transitioned to WYPF wef 1 April 2020</li> <li>• Initial high level assessment of potential financial cost of McCloud / Sargeant pension remedy.</li> <li>•</li> </ul>   | Impact =3<br>Likelihood = 2<br><br>Score = 6<br>Moderate | <ul style="list-style-type: none"> <li>• monitoring developments through LGA / NFCC / Home Office</li> <li>• liaising with our actuary to ensure liabilities are reflected in IAS19 reports</li> <li>• issuing communications to staff to keep them informed</li> </ul> | March 2021  | AD People Services   |

| Risk Title   | Causes  | Mitigations   | Mitigated Risk Score  | Actions   | Review Date       | Corporate Risk Owner |
|--|---|---|---|---|-------------------|----------------------|
| <p>16<br/>Spread of infectious pandemic diseases</p> | <ul style="list-style-type: none"> <li>Risk to workforce and service delivery over the spread of Covid – 19 (corona virus)</li> </ul> | <ul style="list-style-type: none"> <li>SRF meet every week to review current issues</li> <li>PHE are monitoring and assessing the risk to public health in the UK and providing guidance to emergency services</li> <li>Guidance business service and operations on protocols for dealing with high consequence infectious diseases.</li> <li>Organisational update of business continuity plans reviewed to ensure fit for purpose</li> <li>EMT now established Covid 19 Working Group and supporting cells in place and local BC plans being reviewed.</li> <li>Regular staff updates in both service brief and by email.</li> <li>Monthly reporting of Covid 19 costs through NFCC to Home Office and MHCLG – Covid 19 grant received expected to address short term financial impacts</li> <li>Access to test facilities for key workers</li> <li>Established PPE supply chain and key organisational working practices to prevent infection/spread of virus within service.</li> <li>Premises risk assessments for covid safe premises.</li> <li>Weekly monitoring of Sussex health system and Covid data via Sussex Monitoring Group</li> <li>National PPE guidance to be released.</li> <li>ESFRS BC plans reviewed and tested against Reasonable Worst Case Scenario</li> <li>SRF Pandemic Flu Plans updated and published</li> <li></li> <li>Weekly Common Operating Picture established by SRF</li> <li></li> </ul> | <p>Impact =3<br/>Likelihood = 2</p> <p>Score = 6<br/>Moderate</p> | <ul style="list-style-type: none"> <li>Public awareness communication plan has been shared by the Sussex Resilience Forum, but needs to be reviewed as past review date.</li> <li>Local Outbreak Plans prepared and now needs to be exercised</li> <li>Review of longer term impacts of mental health and well-being</li> <li></li> </ul> | <p>March 2021</p> | <p>DCFO</p>          |

| Risk Title  | Causes  | Mitigations  | Mitigated Risk Score   | Actions   | Review Date | Corporate Risk Owner |
|---|---|--|--|---|-------------|----------------------|
| 17<br>Ageing workforce  | <ul style="list-style-type: none"> <li>Increasing ageing workforce</li> <li>Increasing number of age related injuries</li> <li>Increase in injury recovery times having a cost to recovery</li> <li>Increase into alternative specialist equipment causing further costs</li> <li>Increased number of ill health retirements</li> </ul> | <ul style="list-style-type: none"> <li>Trained personnel in manual handling training</li> <li>Membership to Fire And Recuse Risk Group (FARRG) help discuss ongoing issues with other services may have already dealt with including issues with National Resilience Equipment</li> <li>Wellbeing strategy that is looking at supporting an ageing workforce</li> <li>Service Fitness Advisor embedded into the Complex Case Mgt review meetings</li> <li>Reviewing manual handling training via station assurance programme</li> <li>Weekly absence stats scrutinised by ADs to identify trends</li> </ul>  | Impact = 3<br>Likelihood = 2<br><br>Score = 6<br>Moderate                                | <ul style="list-style-type: none"> <li>Review of sufficient or appropriate training</li> <li>2021/22 we will be scoring compliance manual handling training policy</li> <li>Complex Case Mgt Review meeting to review cases specifically to assist in addressing this issue</li> <li>Joint training video with SECamb for operational crews in relation to patient handling/carrying</li> </ul> | March 2021  | AD People Services   |
| 18<br>Uncertainty about the UK's transition from the EU and it's short term impacts | <ul style="list-style-type: none"> <li>Economic shock and impact on funding</li> <li>Supply chain problems</li> <li>Disruption around ports and port access routes</li> <li>Civil unrest</li> <li>Increased risk to vulnerable groups</li> <li>Data warehousing located in EU stores</li> </ul>   | <ul style="list-style-type: none"> <li>Strategic &amp; Tactical Coordinating Groups established and ESFRS decision log and concept of operations in place</li> <li>Multi-agency table top exercise and risk review process established.</li> <li>Engaged with Sussex Resilience Forum which is leading local multi-agency planning</li> <li>Existing Business Continuity plans have been reviewed</li> <li>Linking with work being carried out nationally through NFCC</li> <li>Risk / impact assessment</li> <li>Equality impact assessment prepared</li> <li>Staff awareness and communications plan in place</li> <li>Key staff training and workshops completed and necessary actions included within risk assessment</li> <li>Member and Corporate briefing completed</li> <li>Gold Group now subsumed within EMT main planning forum</li> <li>D20 group launched and reviewed monthly</li> <li>Relaunch of external emergency planning</li> <li>Review of Business Continuity plans completed</li> </ul> | Impact = 2<br>Likelihood = 3<br><br>Score = 6<br>Moderate (increased from 4 – Tolerable) | <ul style="list-style-type: none"> <li>Considering financial risk impact as part of budget setting -</li> <li>Continuing to monitor national and regional plans for EU transition on 30 December 2020</li> </ul>  | March 2021  | DCFO                 |

## EAST SUSSEX FIRE AUTHORITY

**Meeting** Scrutiny and Audit Panel

**Date** 21 January 2021

**Title of Report** Annual Audit Letter 2019/20

**By** Duncan Savage, Assistant Director Resources / Treasurer

**Lead Officer** Duncan Savage, Assistant Director Resources / Treasurer

**Background Papers** Scrutiny & Audit Panel 26 November 2020 – 2019/20 External Auditor’s Results Report and Statement of Accounts

**Appendices** 1. Annual Audit Letter 2019/20

**Implications (please tick ✓ and attach to report)**

*Any implications affecting this report should be noted within the final paragraphs of the report*

|                                   |   |                               |   |
|-----------------------------------|---|-------------------------------|---|
| <b>CORPORATE RISK</b>             |   | <b>LEGAL</b>                  | ✓ |
| <b>ENVIRONMENTAL</b>              |   | <b>POLICY</b>                 |   |
| <b>FINANCIAL</b>                  | ✓ | <b>POLITICAL</b>              |   |
| <b>HEALTH &amp; SAFETY</b>        |   | <b>OTHER (please specify)</b> |   |
| <b>HUMAN RESOURCES</b>            |   | <b>CORE BRIEF</b>             |   |
| <b>EQUALITY IMPACT ASSESSMENT</b> |   |                               |   |

**PURPOSE OF REPORT** To consider and approve, on behalf of the Fire Authority, the Annual Audit Letter 2019/20.

**EXECUTIVE SUMMARY** The Authority’s external auditor, Ernst & Young, has recently published the Annual Audit Letter 2019/20 relating to East Sussex Fire Authority which is attached as Appendix 1 to this report.

The Letter summarises the external auditor’s work relating to 2019/20 the majority of which has already been reported to this Panel in the Audit Results Report for 2019/20.

The Letter will be published on the Authority’s website.

The key matter to draw to the Panel’s attention is section 7 - Audit Fees pp25-28 which the Treasurer has met with EY to discuss.

The two main fee variations proposed by EY are:

- a) Scale Fee Rebasing - £27,553 – this reflects EY’s assessment of the underlying and ongoing increase in the cost of the audit as a result of regulatory and professional requirements and risk. Members will recall that the Panel debated PSAA’s proposal for an increase of 25% in the fee scale rates for variations and whilst acknowledging the case for an increase in fees were concerned at the arbitrary nature of the 25% proposal which mirrors that made in the Redmond Review. In the Authority’s response to PSAA we requested that the basis for any increased was evidenced and transparent. The EY proposed variation at 116% is clearly significantly in excess of 25% and anecdotally is higher than the variations proposed by other audit firms. Officer’s view is that the increase is excessive and our advice to the Panel would be not to agree it.
- b) Additional work during the 2019/20 audit – this reflects specific additional costs incurred by EY in the conduct of the audit. Whilst an increase in audit fees is not welcome, having explored these charges with EY officers believe that they are acceptable and our advice to the Panel would be to agree them. Taking particular note of the issues raised by the Panel, officers are satisfied with EY’s explanations of the basis of the fees, for example that the additional work on going concern reflected the actual additional effort at this Authority rather than an average across all audits, and that Covid related costs include the netting off of savings in travel and other expenses and include additional meetings with the audited body necessitated by the changes in both deadlines and the focus of the audit as a result of Covid 19.

Both fee variations will require consideration and approval by PSAA in due course.

SLT has agreed budget provision to cover the £4,342 in the current year. Should PSAA agree the £27,533 this would create an additional unfunded pressure on the 2020/21 budget.

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**RECOMMENDATION**

The Panel is asked to:

- (i) consider and approve, on behalf of the Fire Authority, the Annual Audit Letter 2019/20
  - (ii) consider whether to approve EY's proposed fee variations:
    - (a) fee scale rebasing for £27,533
    - (b) additional work during the 2019/20 audit of £4,342
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# East Sussex Fire Authority

Annual Audit Letter for the year  
ended 31 March 2020

December 2020

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow triangle pointing to the right. The logo is positioned in the bottom right corner of the page, partially overlapping the EY logo and the text 'Building a better working world'.

**EY**

Building a better  
working world

Appendix 1

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



Section 1

# Executive Summary

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# Executive Summary

We are required to issue an annual audit letter to East Sussex Fire Authority (the "Authority") following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

| Area of impact  | Commentary   |
|---|--|
| <b>Impact on the delivery of the audit</b>  |  |
| <ul style="list-style-type: none"> <li>▶ Changes to reporting timescales</li> </ul>           | <p>As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities. We worked with the Authority to deliver our audit in line with the revised reporting timescale.</p>   |
| <b>Impact on our risk assessment</b>  |  |
| <ul style="list-style-type: none"> <li>▶ Valuation of Property Plant and Equipment</li> </ul> | <p>The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We considered that whilst the material uncertainties disclosed by the valuer gave rise to additional risk relating to disclosures on the valuation of property, plant and equipment they did not increase the risk overall.</p> |
| <ul style="list-style-type: none"> <li>▶ Disclosures on Going Concern</li> </ul>              | <p>Financial plans for 2020/21 and medium term financial plans have required revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.</p>   |
| <ul style="list-style-type: none"> <li>▶ Events after the balance sheet date</li> </ul>       | <p>We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Authority.</p>   |
| <ul style="list-style-type: none"> <li>▶ Adoption of IFRS16</li> </ul>                        | <p>The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of local authority financial statements has been deferred until 1 April 2021. The Authority was therefore no longer required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements did not need to be financially quantified in 2019/20. We therefore no longer considered this to be an area of audit focus for 2019/20.</p>  |

# Executive Summary (cont'd)

| Area of impact   | Commentary  |
|--|---|
| <b>Impact on the scope of our audit</b>  |   |
| <ul style="list-style-type: none"> <li>▶ Information Produced by the Entity (IPE)</li> </ul> | <p>We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:</p> <ul style="list-style-type: none"> <li>▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and</li> <li>▶ Agreed IPE to scanned documents or other system screenshots.</li> </ul> |
| <ul style="list-style-type: none"> <li>▶ Consultation requirements</li> </ul>                | <p>Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19 were put in place. The changes to audit risks and audit approach changed the level of work we needed to perform.</p>  |

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The tables below set out the results and conclusions on the significant areas of the audit process.

| Area of Work  | Conclusion   |
|---|--|
| <b>Opinion on the Authority's:</b>  |  |
| <ul style="list-style-type: none"> <li>▶ Financial statements</li> </ul>  | <p>Unqualified: the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended.</p> |
| <ul style="list-style-type: none"> <li>▶ Consistency of other information published with the financial statements</li> </ul>                      | <p>Other information published with the financial statements was consistent with the Annual Accounts.</p>  |
| <ul style="list-style-type: none"> <li>▶ Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness</li> </ul> | <p>We concluded that you have put in place proper arrangements to secure value for money in your use of resources.</p>   |

# Executive Summary (cont'd)

| Area of Work  | Conclusion   |
|---|--|
| <b>Reports by exception:</b>  |  |
| ▶ Consistency of Governance Statement   | The Governance Statement was consistent with our understanding of the Authority. |
| ▶ Public interest report  | We had no matters to report in the public interest.                              |
| ▶ Written recommendations to the Authority, which should be copied to the Secretary of State                | We had no matters to report.   |
| ▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014 | We had no matters to report.   |

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| Area of Work   | Conclusion                   |
|--|------------------------------|
| Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA). | We had no matters to report. |

# Executive Summary (cont'd)

As a result of the above we have also:

| Area of Work  | Conclusion   |
|---|--|
| Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.  | Our Audit Results Report was issued on 17 November 2020 and presented to the Scrutiny & Audit Panel on 26 November 2020. |
| Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice. | Our certificate was issued on 30 November 2020.  |

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We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Helen Thompson  
Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

# Purpose and Responsibilities

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# Purpose

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the Scrutiny & Audit Panel on 26 November 2020, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

## Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued to the Scrutiny & Audit Panel on 17 January 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2019/20 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Authority;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The Authority is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

# Responsibilities

## Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit

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# Financial Statement Audit

## Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 November 2020.

Our detailed findings were reported to the Scrutiny & Audit Panel on 26 November 2020.

The key issues identified as part of our audit were as follows:

### Significant Risk

### Conclusion

#### Misstatements due to fraud or error

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets as a potential area of manipulation, which is recorded as a separately identified significant risk - inappropriate capitalisation of revenue expenditure.

Our work on estimates focussed on PPE valuation and IAS19 pension estimates which are identified as areas of higher inherent risk and are reported on further in this report.

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.

Our approach focused on:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Assessing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions

Our conclusion on the work performed is that we did not identify:

- ▶ any evidence of material management override.
- ▶ any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.
- ▶ any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

| Significant Risk   | Conclusion   |
|--|--|
| <p><b>Risk of fraud in revenue and expenditure recognition - inappropriate capitalisation of revenue expenditure</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>From our risk assessment, we assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.</p> | <p>We focused on whether expenditure was properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.</p> <p>Our approach focused on:</p> <ul style="list-style-type: none"><li>▶ selecting a sample of PPE additions to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations; and</li><li>▶ performing journals testing: in this testing we challenged entries that could be indicative of inappropriate capitalisation, such as journals which reclassify transactions originally recorded as revenue expenditure to capital.</li></ul> <p>Our conclusion on the work performed is that:</p> <ul style="list-style-type: none"><li>▶ Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.</li><li>▶ Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.</li><li>▶ Our data analytic procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.</li></ul> |

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# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

| Significant Risk   | Conclusion   |
|--|--|
| <p><b>Net pension liability valuation</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by East Sussex County Council and the Firefighters' Pension Scheme.</p> <p>The Authority's pension fund liabilities are material estimated balances and the Code requires that these liabilities be disclosed on the Authority's balance sheet. At 31 March 2020 this totalled £396 million.</p> <p>The information disclosed is based on the IAS 19 reports issued to the Authority by the actuaries to the two pension schemes.</p> <p>Accounting for these schemes involves significant estimation and judgement and therefore management engages actuaries to undertake the calculations on its behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> | <p>Our approach focussed on:</p> <ul style="list-style-type: none"> <li>▸ Liaising with the auditors of East Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Sussex Fire Authority.</li> <li>▸ Assessing the work of the LGPS Pension Fund actuary (Hymans Robertson) and the Firefighters pension actuary (Hymans Robertson) including the assumptions they have used. We relied on the work of PWC, consulting actuaries commissioned by the National Audit Office for all local government sector auditors, and considered any relevant reviews by the EY actuarial team.</li> <li>▸ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.</li> <li>▸ Reviewed the Authority's calculation of the impact of the 'McCloud' and 'Goodwin' judgements noting that the post balance sheet events did not have a material impact on the pension liability and therefore are not required to be disclosed as post balance sheet event.</li> </ul> <p>Our conclusion on the work performed is that that the net pension liability is fairly stated and accurately disclosed in the Authority's Statement of Accounts.</p> |

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# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

| Other Risk  | Conclusion  |
|---|---|
| <p><b>Valuation of property, plant &amp; equipment</b></p> <p>The fair value of land and buildings in property, plant and equipment (PPE) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> | <p>We performed the procedures described in our audit plan and:</p> <ul style="list-style-type: none"> <li>▶ Considered the work performed by the Authority's valuers, Flude Commercial, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);</li> <li>▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Local Authority Accounting Code of Practice for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>▶ Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;</li> <li>▶ Considered changes to useful economic lives as a result of the most recent valuation; and</li> <li>▶ Tested to confirm that accounting entries have been correctly processed in the financial statements.</li> </ul> <p>We also noted that the Authority's valuer attached a 'material uncertainty' clause to their valuation as a result of Covid-19. We reviewed the adequacy of the disclosure of this in the Authority's accounts.</p> <p>Our conclusion on the work performed is that:</p> <ul style="list-style-type: none"> <li>▶ Nothing has come to our attention regarding the adequacy of the valuers' scope of work, their professional capabilities and the results from their work;</li> <li>▶ Based on our samples selected, the valuers assumptions are materially accurate, i.e. correct floor plans and price per square metre used;</li> <li>▶ Assets not subject to valuation have not been materially misstated;</li> <li>▶ Accounting entries have been processed correctly in the financial statements;</li> </ul> <p>Consequently, we are satisfied that the valuation of property, plant and equipment is fairly stated and appropriately disclosed within the Authority's financial statements.</p> |

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

| Other Risk   | Conclusion   |
|--|--|
| <p><b>Going Concern Disclosure</b></p> <p>Covid-19 created a number of financial pressures throughout local government. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.</p> <p>There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.</p> <p>CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.</p> <p>However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.</p> <p>To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p> | <p>In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we sought a documented and detailed consideration to support management's assertion regarding the going concern basis. Our audit procedures to review these included consideration of:</p> <ul style="list-style-type: none"> <li>▶ Current and developing environment;</li> <li>▶ Liquidity (operational and funding);</li> <li>▶ Mitigating factors;</li> <li>▶ Management information and forecasting; and</li> <li>▶ Sensitivities and stress testing.</li> </ul> <p>Due to the impact of Covid-19, we also consulted internally with our risk department over the level of disclosure.</p> <p>We reviewed management's going concern assessment and confirmed their conclusion that the Authority remains a going concern is based on reasonable and supportable assumptions. We also reviewed management's updated going concern disclosure and confirmed it was sufficiently detailed, transparent and accurately reflected management's underlying going concern assessment.</p> <p>Our conclusion was that the Authority has sufficient reserves to cope with the impact of Covid-19, and sufficient liquidity. We did not identify indications of material uncertainty, and are satisfied with the Authority's disclosure that has been added to the accounts. There are no matters to be emphasised in our audit report.</p> |

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# Financial Statement Audit (cont'd)

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

| Item                 | Thresholds applied   |
|----------------------|--|
| Planning materiality | <p>We determined planning materiality to be £1.133m (2019: £1.039m), which is 2% of gross expenditure on provision of services reported in the accounts of £56.7 million.</p> <p>We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.</p> <p>We determined planning materiality for the Fire Fighters' Pension Fund to be £236k (2019: £231k).</p> |
| Reporting threshold  | <p>We agreed with the Scrutiny &amp; Audit Panel that we would report to the Panel all audit differences in excess of £56k (2019: £52k) in the main financial statements and £12k (2019: £12k) in the Fire Fighters' Pension Fund financial statements.</p>  |

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We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits. We audit these fully given their inherent sensitive nature.
- ▶ Related party transactions. We consider any related parties in terms of the underlying relationship and potential influence, and not simply the overall values disclosed.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. There were no uncorrected misstatements reported.

Section 4

# Value for Money



# Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

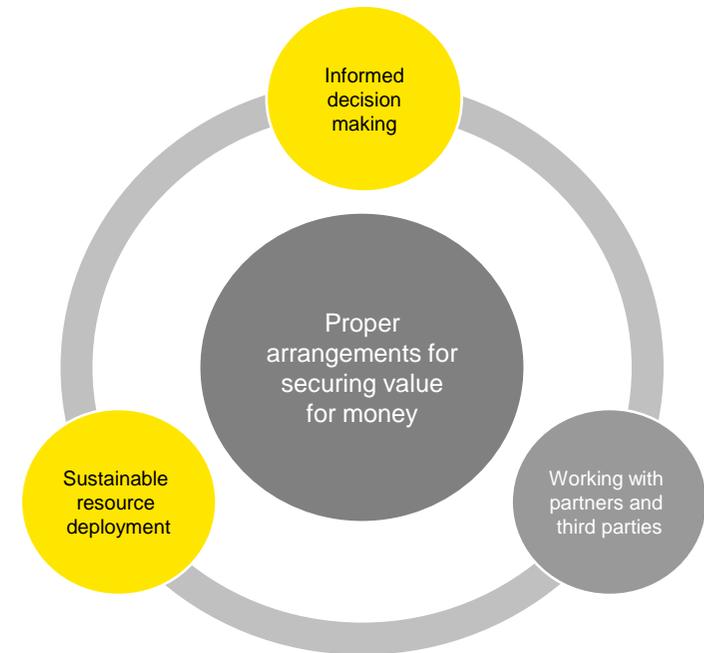
On 16 April 2020, the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider audited bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year. Only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

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We did not identify any significant risks in relation to these criteria.

We did not identify any significant weaknesses in the Authority's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 30 November 2020.





Section 5

# Other Reporting Issues

# Other Reporting Issues

## Whole of Government Accounts

The Authority is below the specified audit threshold of £500m. Therefore, we were not required to perform any audit procedures on the consolidation pack.

## Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

## Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

## Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

## Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

## Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Results Report to the Strategy & Audit Panel on 26 November 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

# Other Reporting Issues (cont'd)

## **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantial audit approach and did not test the operation of controls.

Section 6

# Focused on your future



# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

| Standard              | Issue  | Impact  |
|-----------------------|--|---|
| <b>IFRS 16 Leases</b> | <p>The CIPFA LASAAC Local Authority Accounting Board has recently announced the implementation of this standard will be deferred until the 2022/23 financial year. This is in response to the ongoing pandemic and the impact on local authority finance teams. The Board has indicated this will be for one year only and there is no intention to grant any further extensions based on lack of preparedness.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> | <p>Whilst there is a further delay in implementation, it is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p> |

Section 7

# Audit Fees



# Audit Fees

Our fee for 2019/20 is set out in the table below.

| Description   | Final Fee 2019/20<br>£ | Planned Fee 2019/20<br>£ | Scale Fee 2019/20<br>£ | Final Fee 2018/19<br>£ |
|---|------------------------|--------------------------|------------------------|------------------------|
| Total Audit Fee - Code work   | 23,690                 | 23,690                   | 23,690                 | 23,690                 |
| Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (see next page) | 27,553                 |                          |                        | Nil                    |
| <b>Revised Proposed Scale Fee</b>   | <b>51,243</b>          |                          |                        | <b>23,690</b>          |
| Additional work required for Going Concern (see Note 1)   | 944                    |                          |                        | N/A                    |
| Additional work required for significant risks included in Audit Plan (see Note 2)  | 1,715                  |                          |                        | N/A                    |
| Additional Covid-19 related costs (see Note 3)  | 1,683                  |                          |                        | N/A                    |
| <b>Total scale fee variation</b>  | <b>4,342</b>           |                          |                        |                        |
| <b>Total Audit Fee</b>  | <b>55,585</b>          |                          |                        | <b>23,690</b>          |

# Audit Fees continued

## Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk

Janet Dawson, our Government & Public Sector Assurance Lead, wrote to all Chief Finance Officers and Audit Committee (or equivalent) chairs on 11 February 2020 on the subject of the sustainability of UK local public audit. Amongst other issues her letter stated that we did not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity, and the audit profession's context for cost and fee increases, including the attractiveness of audit, investment in technology, innovation and the regulatory environment.

Around the same time, PSAA consulted on its 2020/21 audit fees ([PSAA fee consultation](#)), discussing the challenging environment, new standards and regulatory requirements. They noted an appropriate forum for fee discussions from these impacts would be between the auditor and Chief Financial Officer, to take place as soon as possible as part of planning discussions for 2019/20 audits.

The subsequent review by Sir Tony Redmond ([Redmond Review](#)) has also highlighted that audit fees in the local authority sector have dropped significantly at the same time that audit fees in other sectors have significantly risen, and that no assessment of the amount it would cost to audit each local authority based on their level of audit risk has been made in the past ten years due to the methods applied by the Audit Commission and then PSAA. As such there is no guarantee that the fee paid by each local authority accurately reflects the risk profile or amount of audit work required for their external audit.

To address these issues we undertook an analysis of the changes in professional and regulatory requirements since our last tender to PSAA was submitted, and any other known changes in audit risk. For instance, where applicable, significant commercial property investments, creation of joint ventures, subsidiaries and other similar arrangements.

We identified the proposed fee rebasing under the headings of:

- Changes in risk;
- Increased regulatory requirements; and
- Client readiness and ability to support a technologically enabled audit.

As requested by PSAA, we discussed this with management on 12 May 2020. Our discussion with management reached agreement over certain aspects of the proposed scale fee which was the additional work required for going concern. While management recognised many of these pressures and can see how they are reflected in the changes in the audit work, their view was that this is a decision for PSAA.

Having not reached agreement, and in light of management's comments, we will now submit the proposed rebasing to PSAA for their review and decision. We would like to thank management for their contribution to this debate and the positive manner in which they engaged with us, although we did not reach agreement.

# Audit Fees continued

## Additional fees for 2019/20

### Note 1 - Additional work required for Going Concern:

Covid-19 has created a number of financial pressures throughout local government. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements with heightened scepticism, resulting in additional audit work.

*Outcome: Management has agreed.*

### Note 2 - Additional work required for significant risks included in Audit Plan:

Included in Areas of Audit Focus are the Net Pension Liability Valuation and Property, Plant & Equipment Valuation, as management is required to make material judgemental inputs and apply estimation techniques in calculating year-end balances.

The impact of Covid-19 on financial markets required us to heighten our professional scepticism in confirming appropriateness of the underlying inputs and estimation techniques in determining the year-end values which resulted in additional audit work.

*Outcome: Management has agreed.*

### Note 3 - Additional Covid-19 related costs:

Additional team meetings and discussions were held to reassess the risks to the audit and the Authority's control environment as a result of Covid-19 and consequential remote working of officials. This has translated into additional time being spent on the audit engagement.

The nature of remote working required daily audit team discussion meetings to ensure that the engagement was progressing in an efficient manner whilst providing the necessary coaching to staff members. This has translated into further additional time being spent on the audit engagement that was essential to completing a quality audit.

*Outcome: Management has agreed.*

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## EAST SUSSEX FIRE AUTHORITY

|                        |  |
|------------------------|--|
| <b>Panel</b>           | Scrutiny & Audit   |
| <b>Date</b>            | 21 January 2021  |
| <b>Title of Report</b> | Her Majesty’s Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS)– Progress and update report |
| <b>By</b>              | Liz Ridley, Assistant Director Planning & Improvement  |
| <b>Lead Officers</b>   | Sharon Milner, Planning & Intelligence Manager   |

**Background Papers**      Effectiveness, efficiency and people 2018/19 - East Sussex Fire and Rescue Service  
<https://www.justiceinspectrates.gov.uk/hmicfrs/publications/frs-assessment-2018-19-east-sussex/>

**Appendices**                      None

### Implications

|                            |   |                               |   |
|----------------------------|---|-------------------------------|---|
| <b>CORPORATE RISK</b>      | ✓ | <b>LEGAL</b>                  | ✓ |
| <b>ENVIRONMENTAL</b>       |   | <b>POLICY</b>                 |   |
| <b>FINANCIAL</b>           |   | <b>POLITICAL</b>              |   |
| <b>HEALTH &amp; SAFETY</b> |   | <b>OTHER (please specify)</b> |   |
| <b>HUMAN RESOURCES</b>     |   | <b>CORE BRIEF</b>             |   |

**PURPOSE OF REPORT**      To provide the Panel with an update on the Service’s activity in relation to Her Majesty’s Inspectorate of Constabularies and Fire & Rescue Services(HMICFRS) inspection process. The report includes a summary of progress taken to address the “areas for improvement” identified in the first inspection, the results of the COVID19 inspection undertaken in November 2020 and provides information regarding preparations for the next inspection in early 2022.

**EXECUTIVE SUMMARY**      The purpose of this report is to provide the Panel with an update on the Service’s activity in relation to Her Majesty’s Inspectorate of Constabularies and Fire & Rescue Services (HMICFRS) inspection process.

The report includes a summary of progress to address the seventeen “areas for improvement” identified in the first inspection. The areas are detailed within the report and a progress update is provided for each. Steady progress has

been made in the areas for improvement which are contained in the Service's business plans. This report draws together a summary of progress in those areas.

Secondly the COVID-19 pandemic resulted in the postponement of the round two inspections and the Home Office commissioned HMICFRS to undertake mini COVID-19 inspections of all fire and rescue services. The feedback received from the mini inspection at East Sussex was favourable at the time. The HMICFRS are set to publish a letter with the outcome of the inspection late January.

Finally, round 2 of the HMICFRS inspections are scheduled to start from early 2021. All Fire and Rescue Services have been split into 3 tranches with East Sussex Fire & Rescue Service (ESFRS) remaining in tranche 3. This means that the inspection will take place Spring / Summer 2022. This report updates the Panel on progress with the Service's preparations for the next inspection.

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**RECOMMENDATION**

**The Panel is asked to note the progress against the areas identified for improvement, the plans for the next inspection process and is asked to make any additional comments or observations.**

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## **1 INTRODUCTION**

- 1.1 East Sussex Fire and Rescue Service (ESFRS) was inspected by Her Majesty's Inspectorate of Constabularies and Fire & Rescue Services (HMICFRS) in 2019. Steady progress has been made in the areas for improvement which are contained in the Service's business plans. This report draws together a summary of progress in those areas.
- 1.2 In March 2020 HMICFRS suspended all planned inspection work to enable Services to focus on the COVID-19 response. During the third quarter of 2020 Services were inspected as to how effectively they responded to COVID-19. A letter with the results of this inspection is expected week commencing 25 January.
- 1.3. Preparations are being made for the next Service wide inspection due spring to summer 2022 with the report being published in the winter of 2022. During March 2021 a mock inspection will be undertaken assessing progress and evidence against the service's areas for improvement. This process will start the next round of evidence gathering for the 2022 inspection.

## **2 MAIN ISSUES**

- 2.1 The findings from the first inspection in June 2019 concluded that ESFRS was good at responding to fires and other emergencies and good at responding to national risks. The service was good at using its resources efficiently and had realistic and robust financial plans in place. Furthermore it was good at making its services affordable now and in the future. Areas for improvement included how the service understands the risk of fire and other emergencies; the way it prevents fires and other risks; and how it protects the public through fire regulation. Additionally, how ESFRS looks after its people required improvement.
- 2.1.1 The categories of graded judgment are: outstanding; good; requires improvement; and inadequate. The three pillar level judgements provide the public (and services) with a clear and succinct summary of findings and will help services to promote improvements where necessary.
- Good is based on policy, practice or performance that meets pre-defined grading criteria that are informed by any relevant national operational guidance or standards. If the policy, practice or performance exceeds what is expected for good, then consideration will be given to a graded judgment of outstanding.
  - If there are shortcomings in the policy, practice or performance of the fire and rescue service, then consideration will be given to a graded judgment of requires improvement.
  - If there are serious critical failings of policy, practice or performance of the fire and rescue service, then consideration will be given to a graded judgment of inadequate.
- 2.1.2 Throughout the inspections HMICFRS issued Areas for Improvement (AFI) or a Cause for Concern (CFC) in their final reports. If a cause for concern was identified this would trigger a follow up visit to that service to assess progress. ESFRS received areas for improvement but no areas for concern were identified.

2.1.2 The following table contains the overarching questions and inspection focus along with the judgment received and the area for improvement.

| <b>Effectiveness</b>   | <b>Overall</b>       | <b>Requires Improvement</b>   |
|--|----------------------|---|
| <b>How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?</b> |                      |   |
| <b>Inspection focus</b>  | <b>Judgement</b>     | <b>Areas for improvement</b>  |
| Understanding the risk of fire and other emergencies   | Requires improvement | The service should ensure its firefighters have good access to relevant and up-to-date risk information.                          |
|  |                      | The service should ensure it shares risk information consistently across the service.   |
| Preventing fires and other risks   | Requires improvement | The service should ensure it carries out home safety visits in a timely manner.   |
|  |                      | The service should evaluate its prevention work, so it understands the benefits better.   |
| Protecting the public through fire regulation  | Requires improvement | The service should ensure that its risk-based inspection programme targets its highest-risk premises.                             |
|  |                      | The service should ensure it addresses effectively the burden of fire false alarms (termed 'unwanted signals').                   |
|  |                      | The service should ensure it has effective arrangements for providing specialist protection advice out of hours.                  |
| Responding to fires and other emergencies  | Good                 | The service should improve the availability of its on-call fire engines to respond to incidents.                                  |
|  |                      | The service should ensure firefighters have good access to relevant and up-to-date risk information                               |
| Responding to national risks   | Good                 | The service should ensure firefighters have good access to relevant and up-to-date risk information including cross-border risks. |

|  |                      |   |
|--|----------------------|---|
|  |                      | The service should ensure it is well-prepared to form part of a multi-agency response to a terrorist-related incident and that its procedures for responding are understood by all staff and are well tested. |
| <b>Efficiency</b>  | <b>Overall</b>       | <b>Good</b>   |
| <b>How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?</b> |                      |   |
| <b>Inspection focus</b>  | <b>Judgement</b>     | <b>Areas for improvement</b>  |
| Making best use of resources   | Good                 | The service needs to ensure that it allocates its resources appropriately and prioritises activities that address the risks identified in its integrated risk management plan                                 |
| Making the fire and rescue service affordable now and in the future  | Good                 | None  |
| <b>People</b>  | <b>Overall</b>       | <b>Requires Improvement</b>   |
| <b>Inspection focus</b>  | <b>Judgement</b>     | <b>Areas for improvement</b>  |
| <b>How well does the fire and rescue service look after its people?</b>  |                      |   |
| Promoting the right values and culture   | Requires improvement | The service should make sure its values and behaviours are understood and demonstrated by all staff.  |
|  |                      | The service should have effective means to monitor the working hours of its staff.  |
| Getting the right people with the right skills   | Requires improvement | The service should develop a workforce plan that takes full account of the necessary skills and capabilities it needs to carry out its integrated risk management plan  |
| Ensuring fairness and promoting diversity  | Requires improvement | The service should ensure it takes timely action in response to feedback or concerns from its staff.  |
| Managing performance and developing leaders  | Requires improvement | The service should ensure it has mechanisms in place to manage and develop talent within the organisation.  |

- 2.2 Each of the areas for improvement is detailed below with a commentary of progress from the responsible strategic lead.
- 2.3 **The service should ensure its firefighters have good access to relevant and up-to-date risk information.**
- 2.3.1 There is a Mobile Data Terminal (MDT) replacement programme confirmed as part of Project 21. This programme ensures that the mobile data terminals are linked to the to the Customer Relationship Management (CRM) database to ensure that timely and accurate data is available to crews. Previously the information was paper based. An Action Learning Set has been established to review and amend the whole of the Site Specific Risk Information (SSRI) process that will result in updated policy and procedures. The work that is being undertaken to transfer the site specific risk information onto the CRM database has generated interest from other fire and rescue services. The two Incident Command vehicles have received mobile data terminals with electronic site specific risk information on and all paper copies have now been removed from all workplaces.
- 2.4 **The service should ensure it shares risk information consistently across the service.**
- 2.4.1 To ensure the project is delivered across the service a dedicated member of the Operational Planning and Policy team has been given the task of delivering against the outcomes from the action learning set. This will ensure that the process for sharing risk information across the service is consistent. Two types of SSRIs will be implemented a full and a reduced one. The full SSRI will be available for all operational personnel and grey book business safety inspectors and a reduced SSRI will be available for safe and well advisors. There is a process whereby a reduced SSRI can be escalated to a full SSRI undertaken by the relevant trained staff at the appropriate level. All individuals regardless of role will have access to risk information if they are attending domestic or commercial premises.
- 2.5 **The service should ensure it carries out home safety visits in a timely manner.**
- 2.5.1 Since the inspection the Home Safety Visit (HSV) manual note has been revised and updated and provides the full detail on policy, procedure and activity descriptions. A hierarchy of risk is applied to every HSV that is undertaken (with the exception of a HSV immediately after an incident which is offered there and then). Whichever route the referral is submitted an administrator risk rates the visit and where appropriate ensures that it takes priority over other visits already booked in with staff. This ensures that the appropriate resource is allocated and the timescales are attached to the risk profile. Complex cases are undertaken by Safe & Well Advisers who have received a higher level of training and are not at risk of being called away to an operational incident.
- 2.5.2 A fact sheet has been developed that provides information on the hierarchy of risk, the risk rating and timelines that visits are to be undertaken within. We have also identified a process that ensures that where we are physically unable to undertake a visit (the individual is on holiday, in hospital etc.) the visits is rearranged to be undertaken at a later date.

2.5.3 A training programme for operational crews has been developed (paused due to COVID-19) and upon completion of training we will implement our Quality Assurance (QA) framework that will require Station Managers to quality assure a set minimum number of HSVs undertaken by operational staff. This QA framework is already in place for Safe & Well Advisers (support staff). A performance monitoring process, led by the Community Safety Manager and Safer Communities Management Team is being developed in order to monitor home safety visits against the times set.

2.6 **The service should evaluate its prevention work so it understands the benefits better.**

2.6.1 Every prevention strand is supported by an initiatives library resource available to staff which provides a rationale for the activity, an equality impact assessment, an evaluation tool and any physical resources that may be necessary. The evaluation is a mandatory element of the prevention activity and staff are being reminded of the availability of these resources and the importance of completing evaluations which is now included in the End of Month performance returns for Watches.

2.6.2 The content of the initiatives library is monitored and updated by the appropriate prevention strand coordinators within the Community Safety team. This is monitored by the Community Safety Manager and Safer Communities Management Team through the performance monitoring process. Further to this is the quality assurance process that in the revised manual note for home safety visits. Station managers will be expected to undertake a number of quality assurance processes, including shadowing crews to ensure compliance with policy. These visits will be monitored and form part of the monthly monitoring reports.

2.7 **The service should ensure that its risk-based inspection programme targets its highest-risk premises.**

2.7.1 The service has revised the Risk Based Inspection Programme (RBIP) and a new manual note has been agreed. Business Safety Inspectors conduct audits at those premises that the RBIP identify as being of higher risk to determine the appropriate level of enforcement required, so as to ensure that all relevant persons are safe from fire. Our operational crews also visit other low risk commercial premises to gather premises information that is fed back into the RBIP data base and to familiarise themselves with the risks to enhance firefighter safety. Additional information and data is also collected through other interactions, such as those arising from complaints, 'after-the-fire' inspections and collaborative working with our partners, including Sussex Police, Local Authorities and Immigration and Enforcement Agency.

2.7.2 Part of the Protection Team's work is to actively engage with the business community. It does this through its Primary Authority Partnership scheme, providing assured advice and through other statutory partners to deliver information and training on how business' can comply with legislation and improve fire safety, making them safer for their staff and the public. The Business Assurance Framework is in place and sets out how the service will review the delivery of the business safety function. All of the policies have been reviewed. In addition there has been a performance report created that covers all the High Risk inspection programme.

**2.8 The service should ensure it addresses effectively the burden of fire false alarms (termed ‘unwanted signals’).**

2.8.1 Proposals regarding our attendance at false alarms and demand reduction were contained in the latest Integrated Risk Management Plan. The outcome of which is that we will no longer automatically attend fire alarms operating in low risk commercial premises. There is an action learning set that has the reference of unwanted fire alarms and they are reviewing the policies. We are in the process of advertising a secondment of a demand reduction manager to support this work who will work with businesses to reduce the numbers of unwanted fire signals attended through a range of measures. The post holder will be will be involved in the delivery of a number of key work streams including;

- Undertaking assessments and inspections of buildings generating unwanted fire alarm activations
- Engagement with internal stakeholders and external partners
- Assist or lead in design and delivery of any required training
- Lead meetings and present to audiences as necessary and appropriate
- Modify, amend or create Service Policy and/or Manual notes as required
- Produce documentation and formal reports

In addition to this, we are seconding a senior officer from London Fire Brigade to undertake an independent review of our unwanted fire signal policies.

**2.9 The service should ensure it has effective arrangements for providing specialist protection advice out of hours.**

2.9.1 A revised structure and job descriptions were approved at the Senior Leadership Team in February 2020. The posts and terms of conditions were reviewed in order to include an additional out of hours cover provision on a rota basis. The introduction and delivery of a tiered approach to recruitment and development and associated pay scales, will support the retention of staff and improve the resilience and sustainability of the Business Safety department to meet the Fire Authorities’ statutory responsibilities. The new job descriptions, associated rates of pay and revised contract of employment, will provide a more flexible structure, ensuring at all times the Fire Authority is well provisioned to deliver its protection related statutory functions, including outside normal working hours. It’s is proposed in the revised job description to include a requirement to work a proportion of the contracted hours (up to maximum 100 hrs) during any 12 month period at evenings/nights and weekends, with these arrangements managed at local level with suitable prior notice being given. Recruitment of staff continues and to supplement this there have been additional level 2 officers trained to provide cover across the rota.

**2.10 The service should ensure firefighters have good access to relevant and up-to-date risk information including cross-border risks.**

2.10.1 The policy and procedures have been reviewed by the action learning set. Changes have been made to the layout and information held within the Site Specific Risk Inspections (SSRI). Work is underway to instigate a process whereby all neighbouring services upload their risk premises SSRIs to resilience direct. This

information will then be downloaded into the mobile data terminals on appliances to ensure that all ESFRS appliances have the required information on over the border risks. The sharing of this information will be easier once there is a combined control room with our neighbouring services. Over the border risks with Kent will be shared manually and added onto the database. Resilience direct will be utilised going forward to share the information with Kent.

**2.11 The service should ensure it is well-prepared to form part of a multi-agency response to a terrorist-related incident and that its procedures for responding are understood by all staff and are well tested.**

2.11.1 The service is well prepared to respond to a terrorist incident with our Marauding Terrorist Attack responders with National Interagency Liaison Officer protocols and the MTA light team will be supported by West Sussex FRS. National leads for with this reference are holding conversation regarding the latest joint operational procedures and are having ongoing discussions with representative bodies. Training will be developed for non-specialist staff once agreement has been reached.

**2.12 The service needs to ensure that it allocates its resources appropriately and prioritises activities that address the risks identified in its integrated risk management plan.**

2.12.1 The proposals in the latest Integrated Risk Management Plan (IRMP) will assist in increasing operational cover and fire engine availability in rural areas by enhancing contracts for our on-call crews and by ensuring that we are able to increase our core / minimum fire engine availability from 15 (under our current policy arrangements) to 18 through the Operational Resilience Plan (ORP). Implementation of the ORP fully meets the service risk profile, as well as meeting the service expected demand levels and will provide an improved response model in ESFRS. The ORP approach is designed to ensure our response provision not only meets risk and activity levels but also provides the optimum geographical spread. The plan will allow us to improve community safety, improve our resources (for example, through providing an additional fire appliance in Hastings), and free up capacity for staff to do more prevention and business safety work, all areas which the HMICFRS has identified as important.

2.12.2 The data behind the IRMP is based on a comprehensive risk profile called the strategic assessment of risk. This analysis was further disaggregated into 24 station profiles. Over 100 data sets were included and analysed, including indices of multiple deprivation, infrastructure data, emergency planning and benchmarking data, along with 9 years' worth of incident data which equated to 100,291 incident records. The station profiles are the most comprehensive local risk profile ever generated at the service and will be a valuable and essential document for stations in the future. The safer communities strategy contains the thematic plans and inform the full range of activities to mitigate the risk including home safety and safe and well checks, youth engagement programmes, arson reduction and road and water safety initiatives. Activities are developed at station level via our partnership work and engagement with public, private and voluntary sector organisations. Station Profiles are used by local teams to decide which initiatives to carry out, using a risk-based weighting as a guide to determine allocation of resource. Where community risk is high or our response

time is slower, we are more proactive in our community safety. This approach is set out in more detail within our Safer Communities Strategy.

**2.13 The service should make sure its values and behaviours are understood and demonstrated by all staff.**

2.13.1 A significant amount of work has been undertaken over the last year in preparation for the launch and delivery of the Leadership and Behaviour Framework (LBF). The framework is based on the national Fire Service's 'Inspiring Leadership Framework', and aims to inspire leadership in the service and support current and future leaders by giving guidance on the way all staff are expected to operate, both individually and as teams. It is being introduced to provide a consistent approach to leadership within the service, regardless of role or function, and to support a workplace culture that encourages individual and service-wide promotion of ESFRS values - accountability, integrity, pride, respect – through strong leadership. To accompany the launch of the LBF, there is a training and communications plan. From January, and throughout 2021, there will be workshops and training sessions. All colleagues will attend a training sessions that has been designed on the managerial level they are in the organisation. The sessions include team challenges that look at the impact of management behaviour. The sessions will provide the core skills required to help staff model the right behaviours and hold teams to the expected standards.

**2.14 The service should have effective means to monitor the working hours of its staff.**

2.14.1 Electronic input of all working hours is available through the services Fire watch system for all staff. The latest upgrade will have reports that will enable monitoring of time worked. With the second part of the project we will link overtime through fire watch to be able to monitor the number of hours undertaken by staff. This is not yet live on the system but will be progressed this year.

**2.15 The service should develop a workforce plan that takes full account of the necessary skills and capabilities it needs to carry out its integrated risk management plan.**

2.15.1 The Service has written and published its Strategic Workforce plan 2019-21. A number of themes for focus have been identified and all have a number of actions that sit under each area outlining the actions that will deliver the plan. The themes are as follows:

Theme 1 - Recruitment, Promotion & Succession Planning

Theme 2 - Learning & Skills Development

Theme 3 - Apprenticeship Plan

Theme 4 - Talent Pipelines

Theme 5 - Senior Leadership Succession Planning

Theme 6 - Leadership & Behavioural Framework and Leadership Forums

2.15.2 The plan considers available information for the period 2019 – 2025 and considers the workforce challenges ESFRS will face over the period of the plan, together with the profile of our workforce, recruitment and retention and succession planning and talent management. The objectives of the Workforce Plan are to ensure that we have

the right number of people with the right skills employed in the right place, at the right time to deliver the short and long term objectives of ESFRS. The plan is monitored at the Strategic HR Group chaired by the Deputy Chief Fire Officer and the Workforce Planning sub group chaired by the Assistant Director People Services

**2.16 The service should ensure it takes timely action in response to feedback or concerns from its staff.**

2.16.1 A new manual note on Dignity in the Workplace is being developed. A Staff feedback Action Plan has been published on the Intranet and progress is monitored. An employee engagement framework is currently in development and this will ensure there are feedback mechanisms built in.

**2.17 The service should ensure it has mechanisms in place to manage and develop talent within the organisation.**

2.17.1 Talent pipelines is a theme in the workforce development plan. Work is ongoing to ensure that there is an explicit talent management process open to all staff which will focus on talent growth and development across the whole organisation. This moves ESFRS away from a career progression process in terms of only an upward, linear trajectory to one that includes lateral opportunities and developing transferable skills that support the creation of a more diverse workforce. Apprenticeships, secondments and transfers will be pivotal to achieving this to enable us to hone the skill sets required. The Assistant Director People Services sits on the National Fire Chiefs Council (NFCC) talent management work stream. A number of areas have been identified that form part of the underpinning workforce development action plan as follows:

- There will be a 2-fold Talent Management Framework that is influenced by the NFCC Talent Benchmark Guidance. It will lay out the requirement and the process to identify critical roles within each directorate and across the organisation and identify the “next in line” for these roles to develop the necessary skills in accordance with the Learning Pathways document. This will ensure that when critical roles become vacant, appropriately qualified candidates will be able to apply for them.
- The Framework will also align to the revised appraisal process and lay out the need to identify leaders early on in their careers and develop their skills to succession plan into leadership roles.
- We will develop first class leaders, who are inspiring, confident and empowering by enhancing our leadership development alongside our fire service partners in 4F, educational establishments and thought leaders to provide an ethos of excellence, where leaders learn from each other. This will help develop leaders who are confident, inspiring and able to create a culture where staff are empowered, listened to and valued.
- We will continue to explore ways in which to develop our talent pipelines and create processes that enable us to do this transparently and consistently, such as rapid development and direct entry.

**3 COVID- 19 INSPECTION**

3.1 As the COVID-19 pandemic resulted in the postponement of the round two inspection process the Home Office commissioned HMICFRS to undertake mini COVID-19 inspections of all FRS. This was ratified in August 2020. The commission was issued under section 28A (3) of the Fire and Rescue Services Act 2004. The inspectorate was asked to consider the following for each service:

- what is working well and what is being learnt;
- how the fire sector is responding to the COVID-19 crisis;
- how fire services are dealing with the problems they face; and
- what changes are likely as a result of the COVID-19 pandemic?

3.2 The scope of the inspection included:

- The activities that were undertaken to protect communities and limit the spread of COVID-19, including a tripartite agreement
- The safety and wellbeing of staff during COVID-19
- The Maintenance of statutory functions during COVID-19
- The sharing and promoting best practice during COVID-19

3.3 The inspection consisted of a number of elements including surveys undertaken with the representative bodies and staff. A COVID-19 specific data set was provided and there was a small number of documents were requested together with a self-assessment return.

3.4 Interviews were undertaken with 10 staff over the first 2 weeks in November covering specific areas and departments. Colleagues from response, control, protection, prevention, human resources, training, health and safety, business continuity, the local resilience forum, the COVID-19 lead for the service, the Chief Fire Officer and the Chairman were all interviewed. There were a number of key themes being addressed by the inspection team including:

- What are you most proud of?
- How will the service share and receive best practice work with other fire and rescue services?

3.5 Feedback received at the time was positive and the resulting letter with the results of the inspection is expected week commencing 25 January.

#### **4 SERVICE PREPARATIONS FOR 2022 HMICFRS INSPECTION**

4.1 Round 2 of the HMICFRS inspections are scheduled to start from early 2021. All fire and rescue services have been split into 3 tranches with ESFRS remaining in tranche 3. This means that the inspection will take place Spring/Summer 2022. The inspectorate are hoping that there will be a blend of on-line and face to face interviews and focus groups. However, this will obviously be dependent on any local restrictions that remain in place due to COVID-19. Whichever approach is agreed for the first inspections i.e. a mixture of face to face and/ or just virtual will remain for all three tranches to ensure consistency of approach.

- 4.2 The inspection focus for 2022 will concentrate on the same 11 diagnostic areas under the Efficiency, Effectiveness and People pillars as stated in Table 1 of this report. The diagnostics will again be underpinned by the 64 questions. These remain mainly unchanged, although there are a few minor changes to some and one additional question against the first round.
- 4.3 The inspectors will be in the service for a week and ESFRS round 2 report will be published in winter 2022.
- 4.4 Preparations for the next inspection have already begun. The HMICFRS action plan contains the 17 areas for improvement that are contained in this report. There are a further 70 comments that were made by the inspectors in the overall report that have been disaggregated to leads within the service. A mini mock inspection will take place in March 2021. Interviews will take place with the lead officers responsible for the diagnostics and the purpose of the mock inspection is to ensure that the answers to the 64 individual's questions are robust and that evidence is provided. This will enable the service to have a robust gap analysis once more against the areas and ensure that plans for improvement are in progress. Evidence can begin to be gathered to facilitate the inspection process for the following year. A HMICFRS task and finish group will be established as this worked well in the previous inspection process.
- 4.5 The inspection process requires that fire and rescue services provide the inspectorate with data throughout the year which the teams continue to support.

## **5 IMPLICATIONS**

### **5.1 Equality and Diversity Implications**

- 5.1.1 There are no equality and diversity implications expected as part of the preparation process. However, assessment of performance in this area is subject to inspectorate scrutiny.

### **5.2 Legal implications**

- 5.2.1 Since April 2018, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) has been awarded responsibility for inspecting fire and rescue Services (FRSs) in England, as detailed in the Fire and Rescue National Framework for England 2018. The chief fire and rescue inspector and inspectors of fire and rescue Authorities in England have powers of inspection given to them by the Fire and Rescue Services Act 2004, as amended by the Policing and Crime Act 2017. The inspection of FRSs will allow the public to see how well their local fire and rescue service is performing and improving.

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**EAST SUSSEX FIRE AUTHORITY**

**Panel** Scrutiny & Audit Panel

**Date** 21 January 2021

**Title of Report** On Call Pay Review – Internal Audit Report

**By** Mark O’Brien, Deputy Chief Fire Officer

**Lead Officer** John Olliver, Payroll, Pensions and HR Assurance Manager

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**Background Papers** Scrutiny & Audit Panel 5 June 2019 Item 226 – On Call Pay – Internal Audit Review

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**Appendices** Internal Audit Report – Retained Duty Pay Review

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**Implications:**

|                            |   |                               |  |
|----------------------------|---|-------------------------------|--|
| <b>CORPORATE RISK</b>      |   | <b>LEGAL</b>                  |  |
| <b>ENVIRONMENTAL</b>       |   | <b>POLICY</b>                 |  |
| <b>FINANCIAL</b>           | ✓ | <b>POLITICAL</b>              |  |
| <b>HEALTH &amp; SAFETY</b> |   | <b>OTHER (please specify)</b> |  |
| <b>HUMAN RESOURCES</b>     |   | <b>CORE BRIEF</b>             |  |

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**PURPOSE OF REPORT** To inform the Panel of the matters considered by the Senior Leadership Team (SLT) relating to the Internal Audit Follow-Up Review of Retained Pay.

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**EXECUTIVE SUMMARY** In November 2020 SLT met to agree the on-going approach to the above report:

In March 2018 the interface between the 4i and MIS computer systems stopped working which meant that pay claims for On Call staff could not be processed and paid until end of May 2018. A manual workaround using a spreadsheet template was implemented by the Payroll Team to ensure that staff were paid appropriately.

The Fire Authority requested an independent review of the manual procedures in force during the period when the interface was not working to provide assurance that the correct payments were made.

The audit reported that partial assurance could be provided and made recommendations for management actions to address the areas of weakness.

The Follow-Up Review has given an unchanged partial assurance opinion. A draft management response has been prepared which proposes that no further action or investigation is undertaken for reasons set out in this report.

The Assurance & Governance Group, chaired by the Deputy Chief Fire Officer, has instigated a review of the process by which the implementation of agreed actions from Internal Audit reviews are tracked and monitored. AGG is now receiving regular quarterly monitoring reports that will enable it to identify delays in or failure to address internal audit recommendation and ensure that appropriate action is taken.

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**RECOMMENDATION**

The Panel is asked to:

- i. note the Internal Audit Report; and
- ii. approve the proposed management decision that no further action be taken by ESFRS

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**1 INTRODUCTION**

- 1.1 On the 20 March 2018, the interface between the 4i and MIS computer systems stopped working which meant that pay claims for On Call staff could not be processed and paid.
- 1.2 In order to ensure staff were paid, a manual work around was put in place. The payroll team transferred the data from the paper claim forms to a spreadsheet that was then uploaded to SAP. However, there was a risk that this might not be ready for the April pay run.
- 1.3 Therefore, to ensure the staff received a payment in April, January's pay file was rerun to provide the basis for April's pay. This was then reversed in May 2018, once the actual claims for March had been manually loaded to payroll.
- 1.4 The length of the outage for MIS meant that the automatic controls in the system for entitlements to sick on drill nights and leave on drill nights were compromised in some cases.

1.5 Internal Audit conducted a review of the manual procedures and concluded that only partial assurance could be provided for the payment process.

## **2 AUDIT FINDINGS AND RECOMMENDED ACTIONS**

2.1 Internal Audit has provided an **unchanged opinion of Partial Assurance** in respect of the follow-up audit of **RDS Pay**. The reasons for this are as a result of the agreed actions from the previous audit either not being or only being partially implemented. Whilst it is acknowledged by Internal Audit that the values involved are potentially low, this was recognised by management when the actions were agreed as part of the original review. The report makes six recommendations four medium and two low risk.

## **3 CONCLUSIONS**

3.1 The findings of the Follow Up review are disappointing and it is clear that the original report recommendations should have been followed up at the time and the action taken documented. Further follow up of the original recommendations has been complicated by the following factors:

- Since early summer 2018 a number of the key people responsible for implementing agreed actions have since left the Service and it has been difficult to establish what action was taken due to the lack of records
- Where efforts have been made to further investigate the issues identified by Internal Audit the lack of a clear audit trail have made it difficult to establish whether overpayments actually occurred
- The evidence we have indicates that any overpayments were likely to be small
- Given the time elapsed since the problems with MIS occurred, even if overpayments were confirmed recovery would be difficult.

3.2 For these reasons it is our view that no further investigation is justified. Senior Leadership Team has therefore approved the management response to the internal audit as set out in the attached appendix.

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# Internal Audit Report

## RDS Pay – Follow Up 2019/20

### Discussion Draft

Assignment Lead: Jodie Lulham, Senior Auditor  
Assignment Manager: Nigel Chilcott, Audit Manager  
Prepared for: East Sussex Fire & Rescue Service  
Date: April 2020

### Report Distribution List

Duncan Savage, Assistant Director – Resources & Treasurer  
Hannah Scott-Youldon, Assistant Director – Training and Assurance  
John Olliver, Interim Payroll Manager

This audit report is written for the officers named in the distribution list. If you would like to share it with anyone else, please consult the Chief Internal Auditor.

### Internal Audit Key Contact Information

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### 1. Introduction

- 1.1. In March 2018, the interface between the Fire Authority 4i and MIS computer systems stopped working which meant that pay claims for Retained Duty Staff (RDS) could no longer be processed and paid. As a result, a manual workaround using a spreadsheet template was implemented by the Payroll Team to ensure that staff continued to be paid. The manual workaround remained in place until the interface was repaired at the end of May 2018.
- 1.2. Following this, we were requested to complete an independent review of the manual procedures in place during the period when the interface was not working to provide assurance that the correct payments were made. In testing a sample of payments, we found some of these were incorrect. Whilst the errors were low value, it was agreed that all retained stations would complete a full review of payments made during the interim period and report any under or overpayments to the Payroll Team so that corrections could be made.
- 1.3. We also found that, due to the absence of claim data in MIS for April and May 2018, the controls to prevent RDS staff from receiving more than four payments for sick or leave on a drill night had stopped working. Whilst no examples were found during our testing, this could have resulted in invalid payments where staff took more than four leave or sickness absences on a drill night during April or May 2018. It was agreed by management that checks would be made to ensure firefighters were paid appropriately during the interim period.
- 1.4. Given these issues, we were only able to provide an audit opinion of partial assurance in this area.

### 2. Scope

- 2.1. This review has therefore sought to assess the adequacy of implementation of the agreed actions arising from the previous audit.

**3. Audit Opinion**

We have provided an **unchanged opinion of Partial Assurance** in respect of the follow-up audit of **RDS Pay**. The reasons for this are as a result of the agreed actions from the previous audit either not being or only being partially implemented. Whilst it is acknowledged that the values involved are potentially low, this was recognised by management when the actions were agreed as part of the original review. Further detail is provided in the main body of the report.

*Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

### 4. Basis of Opinion

- 4.1. We have provided an unchanged opinion of Partial Assurance over the controls operating within the area under review because:
- 4.2. Although some stations have undertaken a review of the manually entered pay data, with corrections being made where errors had been identified, there remain two stations that have failed to respond to the request to undertake a review of the data which was manually entered during the period in which the 4i to MIS interface was not operational. Furthermore, two additional stations disposed of their records and were therefore unable to undertake the reconciliation as there is no retention policy in place to cover these documents within retained stations.
- 4.3. The previous audit highlighted two employees who may have been overpaid due to the incomplete reversal of a January pay file, applied to April pay. As a result of an incomplete audit trail and further amendments to these employees' records, officers have been unable to ascertain the level of overpayment or take action to rectify these cases if required.
- 4.4. A number of inputting errors were identified in the previous audit, with no evidence provided to demonstrate that these have been investigated and corrected as necessary.
- 4.5. Due to the fact that MIS was not operational for two months and is therefore missing data for that period, the control which prevents retained firefighters from taking more than four nights of paid leave or sickness in a year was not functioning correctly, thus increasing the potential for employees to be paid for more than the permitted amount.
- 4.6. The previous audit identified 37 potential duplicate payments. These were requested by, and sent to, the Interim Payroll Manager for analysis but, as yet, no evidence to support the investigation or correction of these payments has been provided.

**5. Action Summary**

5.1. Although 2 agreed actions from the previous report have been partially implemented, all actions (5 in total) have been repeated in this report. In addition, there is 1 new finding.

| Risk Priority                         | Definition   | No       | Ref     |
|---------------------------------------|--|----------|---------|
| High                                  | Major control weakness requiring immediate implementation  | 0        | N/A     |
| Medium                                | Existing procedures have a negative impact on internal control or the efficient use of resources | 4        | 1,3,4,5 |
| Low                                   | Represents good practice but its implementation is not fundamental to internal control           | 2        | 2,6     |
| <b>Total number of agreed actions</b> |  | <b>6</b> |         |

6. Implementation Action Tracking from Previous Audit

| Original Agreed Action              | Original Risk Rating | Implementation Status | Revised Risk Rating |
|-------------------------------------|----------------------|-----------------------|---------------------|
| Manually Entered Claim Data 1       | Medium               | Partially Implemented | Medium              |
| Manually Entered Claim Data 2       | Medium               | Partially Implemented | Medium              |
| Leave and Sickness on a Drill Night | Medium               | Not Implemented       | Medium              |
| Reversal of January Payments        | Low                  | Not Implemented       | Low                 |
| Potential Duplicate Claims          | Low                  | Not Implemented       | Low                 |

7. Detailed Findings and Agreed Actions

Page 94

| Ref                         | Finding   | Potential Risk Implication   | Priority                           | Agreed Action  |
|-----------------------------|---|--|------------------------------------|--|
| 1                           | <p><b>Review of Manually Entered Payments</b></p> <p>As per the agreed action from the previous audit, stations were requested to carry out a full review of payments made during the period when the MIS interface was not in operation, in order to report any overpayments to the payroll team for resolution.</p> <p>Two stations stated that they have destroyed their records, meaning that retrospective review and reconciliation of payments for employees working from these sites is no longer possible, whilst another two stations have not responded to the request for confirmation.</p> | <p>Failure to ensure that all retained stations carry out a full review of payments made during the period when the interface was not operational may result in overpaid employees retaining the funds, thus resulting in financial loss to East Sussex Fire and Rescue Service.</p> | Medium                             | <p><b>There remains three missing station returns :</b><br/>                     Further reminder emails sent to Battle, Lewes and Hailsham on 5<sup>th</sup> March requesting the WM carry out the prescribed reconciliation. All CC'd into Mark Matthews. Followed up again last week.<br/>                     Status as follows :<br/> <b>Lewes</b> : Current Watch Manager has only been looking after T&amp;A sheets since February 2020. No further response so far.<br/> <b>Hailsham</b> have responded to say they have been reviewed with Vicky Boundy(VB). Watch Manager confirms "I didn't keep any of the data I just worked through the spread sheet to make sure it was correct then I spoke to Vicky to say I had done it."<br/> <b>Battle</b> : Ross Wilson confirmed yesterday that he and Leo Cacciatore will investigate.</p> <p>Battle and Lewes will be required to complete the review.</p> |
| <b>Responsible Officer:</b> |   | Payroll Manager  | <b>Target Implementation Date:</b> | September 2020   |

| Ref                         | Finding  | Potential Risk Implication   | Priority                           | Agreed Action   |     |
|-----------------------------|--|--|------------------------------------|---|-----|
| 2                           | <p><b>Document Retention Policy</b></p> <p>Stations were required to carry out a full review of the payments made during the period that the interface between 4i and MIS was not operational. As stated above, two stations were unable to carry out a review as they had disposed of the related documentation. The Interim Payroll Manager confirmed that there is no current document retention policy to determine the length of time that stations should retain records, meaning that local practices are likely to differ across the county.</p> | <p>A lack of document retention policy means that documentation may be kept for longer than required, thus leading to a breach of data protection regulations, or disposed of when it is still needed, resulting in stations being unable to carry out required activities, such as reconciliations.</p> | Medium                             | <p>There is no documented records retention policy for the Stations. This is down to the fact the originals sit with the Payroll Team and the only purpose of holding forms locally is to make sure the payment has been paid correctly. So once payroll is paid they really should need to hold them. Suggest no further action.</p> |     |
| <b>Responsible Officer:</b> |  | John Olliver   | <b>Target Implementation Date:</b> |   | N/A |

| Ref                         | Finding  | Potential Risk Implication  | Priority                           | Agreed Action   |
|-----------------------------|--|---|------------------------------------|---|
| 3                           | <p><b>Investigation and Correction of Errors</b></p> <p>A number of errors were identified during the previous audit in relation to manually entered claims, input during the period that the 4i to MIS interface was not in operation. There was an agreed action, which stated that 'the errors identified during this review will be investigated and corrected.'</p> <p>Communication from the Interim Payroll Manager suggests that correction of these errors has not taken place.</p> | <p>Failure to identify and correct errors may result in financial loss to East Sussex Fire and Rescue Service due to overpayments made to employees, as well as reputational damage should it be discovered that employees have been underpaid.</p> | Medium                             | <p>Please see reference 1. We acknowledge that errors identified during the original audit should have been investigated at the time. However all the evidence is that any errors are for small amounts and given the time elapsed the effort required to investigate and the limited chance of recovery if errors were confirmed we do not believe further action is justified..</p> |
| <b>Responsible Officer:</b> |  | Payroll Manager   | <b>Target Implementation Date:</b> | N/A   |

Internal Audit Report - RDS Pay – Follow Up 2019/20

| Ref                  | Finding  | Potential Risk Implication   | Priority                    | Agreed Action   |
|----------------------|--|--|-----------------------------|---|
| 4                    | <p><b>Leave and Sickness on a Drill Night</b></p> <p>The 4i to MIS interface was not operational during April and May 2018, with claims being input into SAP using a spreadsheet. Due to this, the control within MIS which prevents more than four instances of paid leave or sickness being taken on a drill night each year was not present, potentially allowing some employees to have been paid in excess of their entitlement.</p> <p>There were two agreed actions within the previous audit which stated that:</p> <ol style="list-style-type: none"> <li>1. 'Checks will be made to ensure that firefighters were not paid for more than four leave or sick events on a drill night during April or May 2018' and;</li> <li>2. 'An end of year reconciliation of leave and sickness on a drill night will be undertaken to ensure that firefighters have not been overpaid.'</li> </ol> <p>Confirmation from the Interim Payroll Manager demonstrated that no further steps have been taken to address these actions, with reliance being placed upon the MIS system which does not contain data for two months out of the year.</p> | <p>Failure to ensure that firefighters were not paid for more than four leave or sick events on a drill night may result in overpayment, thus leading to financial loss for East Sussex Fire and Rescue Service.</p> | Medium                      | <p>The controls for limiting the number of sick/holiday pay on Drill night is held within MIS rather than in SAP. Therefore, as we have proven that the January MIS file was reversed out in June after the May duplication we believe that the systems controls in MIS would have prevented such overpayment. Suggest no further action.</p> |
| Responsible Officer: |  | Payroll Manager  | Target Implementation Date: | N/A   |

| Ref                  | Finding   | Potential Risk Implication   | Priority                    | Agreed Action  |
|----------------------|---|--|-----------------------------|--|
| 5                    | <p><b>Potential Overpayments</b></p> <p>The previous audit identified two employees who may have been overpaid due to the reversal of the January pay file.</p> <p>There was an agreed action which stated that 'the two potential overpayments will be investigated and adjusted if found to be incorrect.'</p> <p>Due to an unclear audit trail and additional amendments having been made to these employees' files in June, the Interim Payroll Manager has been unable to ascertain whether or not overpayments had been made or take action to recover any costs.</p> | <p>Failure to maintain an adequate audit trail around payments may lead to such payments becoming untraceable, thus resulting in overpayments which cannot be recovered and financial loss to East Sussex Fire and Rescue Service.</p> | Low                         | <p>Significant effort has been spent in trying to identify if there was evidence of overpayment in these cases, but due to the lack of a clear audit trail this has not been possible. Therefore, we do not feel that we can be 100% sure that these two entries of £117.41 and £220.14 respectively are overpayments in fact, and that as we are now almost 2 years advanced, that no further action should be taken.</p> |
| Responsible Officer: |   | Payroll Manager  | Target Implementation Date: | N/A  |

| Ref                  | Finding   | Potential Risk Implication  | Priority                    | Agreed Action   |
|----------------------|---|---|-----------------------------|---|
| 6                    | <p><b>Potential Duplicate Claims</b></p> <p>The previous audit identified 37 claims which may have been entered more than once. There was an agreed action that 'all the claims identified with potential duplicate payments will be investigated and adjusted if found to be incorrect.'</p> <p>A list of the potential duplicates was requested by and sent to the Interim Payroll Manager for review, however, no evidence of investigation or the outcome of this review has been seen.</p> | <p>Failure to investigate and action potential duplicate payments may mean that employees are overpaid, thus leading to financial loss for East Sussex Fire and Rescue Service.</p> | Low                         | <p>The report suggests that there were 37 claims that included payments that had potentially been entered twice. We have reviewed a further sample of these cases and have been unable to confirm whether or not duplicate payments were made. However all the evidence is that any errors are for small amounts and given the time elapsed the effort required to investigate and the limited chance of recovery if errors were confirmed we do not believe further action is justified.</p> |
| Responsible Officer: |   | Payroll Manager   | Target Implementation Date: | N/A   |

# Appendix A

## Audit Opinions and Definitions

| Opinion                      | Definition  |
|------------------------------|---|
| <b>Substantial Assurance</b> | Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.   |
| <b>Reasonable Assurance</b>  | Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.  |
| <b>Partial Assurance</b>     | There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.                                   |
| <b>Minimal Assurance</b>     | Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives. |

## Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.