

SCRUTINY & AUDIT PANEL

Minutes of the meeting of the SCRUTINY & AUDIT PANEL held via Webex at 10.00 am on Thursday, 29 April 2021.

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

Also present: Councillor Roy Galley, D Whittaker (Chief Fire Officer & Chief Executive), M O'Brien (Deputy Chief Fire Officer), M Matthews (Assistant Chief Fire Officer), L Woodley (Deputy Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning & Improvement), N Cusack (Assistant Director Operational Support & Resilience), H Scott-Youldon (Assistant Director People Services), H Thompson, S Van der Merwe, N Chilcott, P Fielding, E Williams, E Simpkin, A Blanshard

46 Declarations of Interest

There were none.

47 Apologies for Absence

There were none.

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

Councillor Roy Galley, Fire Authority Chairman, joined the Panel meeting to thank Councillor Barnes, who was not standing for re-election, for his contribution to the Fire Authority adding that having served as Chairman of the Fire Authority he had been an active and engaged Member. Councillor Lambert echoed these sentiments and thanked Councillor Barnes for his balanced approach and being a generous colleague. Councillor Hamilton, on behalf of the Labour group, wished Councillor Barnes the best for the future and Councillor Scott thanked him for his sound contribution and being an amiable colleague.

Helen Thompson, from the Authority's external auditor Ernst & Young, thanked Councillor Barnes for his warm welcome and his balanced approach to matters. Nigel Chilcott, on behalf of the internal audit team at Orbis also expressed his thanks to Councillor Barnes for his support and wished him all the best for the future.

The Chief Fire Officer, on behalf of all the Principal Officers, thanked Councillor Barnes for his contribution to the Fire Authority and for carrying out his duties with dignity and honour.

Councillor Barnes thanked colleagues for their kind words and officers for all their support during his time as a Fire Authority Member.

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49 Non-Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 21 January 2021

RESOLVED: That the minutes of the Scrutiny & Audit Panel held on 21 January 2021 be approved as a correct record and signed by the Chairman.

50 Callover

Members reserved the following items for debate:

52. Consultations on Amendments to Local Audit Fee Setting Arrangements & on Fees Methodology
53. External Audit Plan & Scale Fee 2021/22
54. Internal Audit Strategy & Plan
55. Corporate Risk Register Review Quarter 4 2020/21
56. Assessment of the Corporate Framework and Annual Governance Statement for 2020/21

51 Redmond Review Working Group Update

The Panel received a report from the Assistant Director Resources/Treasurer (ADR/T) which provided an update following the first meeting of the Redmond Review Working Group. The Group had been established by the Panel to consider the recommendations arising from the Government commissioned independent review into the effectiveness of local audit and the transparency of local financial reporting which had been conducted by Sir Tony Redmond and published in September 2020.

The Panel noted the matters arising from the Redmond Review recommendations which had been identified by the Group and the relevant local actions which had been agreed. The Group had agreed to reconvene after the May elections to receive an update on actions and to continue to track and monitor the response to the Redmond Review recommendations.

RESOLVED: That the Panel noted the Redmond Review Working Group update and actions as listed at paragraph 2.1 of the report.

52 Consultations on Amendments to Local Audit Fee Setting Arrangements & on Fees Methodology

The Panel received a report from the ADR/T which sought the Members' views on the Ministry of Housing, Communities and Local Government (MHCLG) consultation on proposed changes to the fee setting and fee variation arrangements, as set out in the Local Audit (Appointing Person) Regulations 2015, to provide additional flexibility to the appointing person for principal bodies to reflect the changing nature of the local audit market. There

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was also a separate consultation seeking views on the most appropriate methodology for allocating the £15 million additional funding to support increased external audit costs announced as part of the Spending Review 2020.

With regard to the consultation on fee setting and fee variation arrangements, the ADR/T explained that he did have concerns with the proposal to amend the date by which the scale fee was set from the start of the financial year to 30 November of the financial year in so far that this would cause difficulties in the budget setting process. Both Panel Members and EY as external auditor agreed with the ADR/T's concerns.

The Panel discussed the second part of the consultation relating to the methodology for the distribution of the £15 million one-off funding to support bodies affected by the anticipated rise in audit fees in 2021/22, noting that the ADR/T did not support any of the proposals set out in the consultation document as he felt that funds should be distributed proportionally according to the level of increase. The Panel agreed that the methodology needed to reflect the actual impact experienced by individual bodies rather than a strictly formulaic approach.

RESOLVED: That the Panel:

- i) noted the consultation papers; and
- ii) delegated the drafting of a response to the consultations to the Assistant Director Resources/Treasurer after consultation with the Chairman, taking into account the views expressed by the Panel.

53 External Audit Plan and Scale Fee 2021/22

The Panel received a report from the ADR/T which presented the work that the Authority's external auditors, Ernst & Young LLP (EY), intended to carry out in order to audit the Authority's 2020/21 accounts and form their judgement on the Authority's value for money arrangements. The ADR/T highlighted that EY had not identified any specific risks relating to the Authority's accounts. The Public Sector Audit Appointments (PSAA) had published its response to the consultation on 2021/22 scale fees and the scale fee for the Authority was £23,690, the same as 2020/21. The report also provided an update on the fee variations proposed by EY for the 2019/20 audit.

Helen Thompson, Associate Partner EY, addressed the Panel highlighting that the risks were largely in line with the 2019/20 audit. The most significant change for the 2020/21 audit related to the new Code of Practice which changed the approach to the value for money judgement. The assessment would still be focused on value for money arrangements as opposed to being outcome based, however, the risk assessment would now be made against the criteria of financial sustainability, governance and improving economy, efficiency and effectiveness and the Annual Audit letter would be replaced

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with the Auditor's Annual Report to the Panel. Further detail on this were set out in the report. The Panel noted that detailed guidance on the new Code had only recently been issued and as a result EY was currently behind schedule with the value for money assessment. The Deputy Chief Fire Officer (DCFO) added that with regards to the scrutiny of value for money, this was also tested through the assessment of efficiency.

RESOLVED: That the Panel:

- (i) Approved the external audit plan for 2021/22, excepting the proposed fee scale variation of £23,690;
- (ii) Noted the change in the audit timetable; and
- (iii) Noted the update on EY's 2019/20 fee variations.

54 Internal Audit Strategy & Plan

The Panel received a report from the ADR/T which provided the Internal Audit Plan for East Sussex Fire Authority covering the period 1 April 2021 to 31 March 2022. The ADR/T introduced the report highlighting that the proposed audit plan had been subject to consultation with Senior Leadership Team (SLT) and the Chairman of the Panel and agreed by SLT who was confident that it would bring benefit and assurance. Nigel Chilcott, Audit Manager (Orbis) added that it was a risk based plan which had been devised in conjunction with senior managers and the Chairman. The plan totalled 79 days of work and included a follow-up audit of procurement cards.

The Panel welcomed the audit of the Protection and Prevention Strategy and asked whether there was a need to consider the effectiveness of business safety audits. The Assistant Chief Fire Officer (ACFO) responded that there had been 2 audits on the delivery of business safety carried out previously which had received partial and then reasonable assurance. The implementation of the Customer Relationship Management (CRM) system would help to address some of the issues identified by the audits and Her Majesty's Inspectorate (HMI). Audit reviews of the implementation of the CRM and FireWatch were also planned and the ADR/T reminded the Panel that the Assurance and Governance Group monitored outstanding internal audit recommendations. The Panel noted that an update on protection, which would include the Risk Based Inspection Programme, would be provided at a future meeting.

RESOLVED: That the Panel approved the internal plan for 2021/22.

55 Corporate Risk Register Review Quarter 4 2020/21

The Panel received a report on the fourth quarter position of Corporate Risk which detailed the business risks identified, including newly identified risks and how they had or were being mitigated. Two new risks had been agreed for addition by SLT, and these were recorded at Corporate Risk (CR) 15

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Health & Safety non-compliance and Corporate Risk (CR) 16 Workforce Planning – Operational Competence.

The Panel questioned whether Corporate Risk (CR) 14 uncertainty about the UK's transition from the EU and its short term impacts should now be amended in order to reflect the remaining risk relating to supply chain resilience. The DCFO agreed and this would be amended to remove reference to the transitional period in the next quarterly review.

RESOLVED: That Panel noted and approved the Q4 Corporate Risk Register including updates made since Quarter 3.

56 Assessment of the Corporate Framework and Annual Governance Statement for 2020/21

The Panel received a report which set out the annual assessment of the effectiveness of governance arrangements and sought approval of the Annual Governance Statement in line with the Accounts and Audit Regulations 2015. The Authority's Local Code of Corporate Governance had been reviewed and was consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework - "Delivering Good Governance in Local Government".

The Panel noted that there were no gaps in assurance over key risks or significant governance issues, however, a range of improvements to the corporate governance framework had been identified and action plans were in place to address the necessary improvements which would be monitored during the year.

The report also provided the annual Statement of Assurance. Section 21 of the Fire and Rescue Services Act 2004 provided the statutory authority for the Fire and Rescue National Framework for England and required Fire and Rescue Authorities to have regard to the Framework in carrying out their functions. The Statement of Assurance was seen by Government as an important measure to ensure that Fire Authorities provide local scrutiny arrangements and access to a range of information to help communities influence, and be assured of the robustness of local delivery arrangements.

RESOLVED: That the Panel:

- (i) confirmed that they were satisfied with the level of assurance provided to them through the report and the Authority's governance framework and processes; and
- (ii) approved the Annual Governance Statement for signing by the Scrutiny & Audit Panel Chairman and the Chief Fire Officer.

The meeting concluded at 11.01 am

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Signed

Chairman

Dated this

day of

2021