

SCRUTINY & AUDIT PANEL

Minutes of the meeting of the SCRUTINY & AUDIT PANEL held at Council Chamber, County Hall, St Anne's Crescent, Lewes, East Sussex, BN7 1UE at 10.00 am on Thursday, 21 July 2022.

Present: Councillors Lambert (Chair), Galley (In place of Azad), Maples (In place of Powell), Redstone and Theobald

Also present: D Whittaker (Chief Fire Officer & Chief Executive), D Norris (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), J Olliver (Payroll, Pensions & HR Assurance Manager), P Fielding (ESCC Internal Audit), H Thompson (EY), E Simpkin (Democratic Services Officer) and A Blanshard (Senior Democratic Services Officer)

1 Declarations of Interest

Cllr Redstone declared a personal, non-prejudicial interest due to his membership of the East Sussex County Council Pensions Committee.

2 Apologies for Absence

Apologies were received from Councillors Azad, Powell and Scott. Councillors Galley and Maples had been appointed to attend as substitutes.

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

There were none.

4 Minutes of the last Scrutiny & Audit Panel meeting held on 12 May 2022

RESOLVED – That the minutes of the meeting held on 12 May 2022 be approved and signed by the Chair.

5 Callover

Members reserved the following Agenda items for debate:

- 6 Measures to Improve Local Audit
- 7 External Audit Planning Report and Scale Fee 2021/22
- 8 Internal Audit Annual Report & Opinion – 1 April 2021 - 31 March 2022
- 9 Corporate Risk Register Review 1st Quarter 2022/23
- 10 Service Benchmarking Report 2020/21
- 11 Performance and Corporate Strategy Monitoring Report for Quarter 4 2021/22
- 12 Annual Report of the ESFRS Local Firefighters Pension Board 2021/22

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RESOLVED – The Fire Authority agreed that all other reports on this Agenda be approved in full.

6 Measures to Improve Local Audit

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which provided an update on the Department for Levelling Up, Housing & Communities (DLUHC) commitment to improve local audit in response to the Redmond Review. The government commissioned Sir Tony Redmond to undertake an independent review into the effectiveness of local audit and the transparency of local financial reporting which was published in September 2020. In December 2021 DLUHC published a series of commitments setting out how it intended to address the key issues identified in the Redmond Review, these had been reported to the Panel in January 2022.

The DLUHC had published an update to these commitments which were set out in full in Appendix 1. These included systems leadership (establishing a new regulator), the focus of local audit, Procurement/appointing person arrangements. Additionally there were commitments to progress the implementation of recommendations relating to auditor training and qualifications, the functioning of local audit and governance, the transparency of local authorities' accounts, the audit of smaller bodies and the appointment of Independent Members to Audit Committees. Funding had been provided by DLUHC to meet the increased cost of audit in 2021/22 and to fund any costs relating to the Redmond Review, however, the allocation made to the Service was insufficient even to cover the external audit fee scale variation.

There were several outstanding actions from the Redmond Review Working Group, including a review of the Panel's Terms of Reference, skills audit of panel members, matters relating to the appointment of an independent member and whether training for Panel members could be made compulsory. There was an overlap with these outstanding actions and with the commitments made by DLUHC. No further action had been taken, due to the delay in publication of the CIPFA audit committee guidance. The Panel queried the constitution of the Working Group, the proposed timetable and whether it would be a task and finish group. It was confirmed that the Redmond Review Working Group would be made up of volunteers from the Panel membership, they are informal meetings but work to a definite deadline and with an aim of completing the tasks that were required. Cllrs Maples and Lambert volunteered to become members of the Working Group; Cllr Scott would be approached to see if he would be happy to resume his previous membership. The Working Group would not meet until the CIPFA guidance had been published and Officers had been able to consider suggestions within, therefore the likelihood was that its first meeting would not be until the Autumn.

There was a query from the Panel regarding the engagement of local audit firms. The ADR/T confirmed that there was a range of local audit companies tendering through the PSAA's procurement process. There had been bids

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submitted to PSAA with a closing date later in the Summer, they had included a way for smaller companies, i.e., those who audited parish councils.

It was queried whether there should be Key Performance Indicators set for the Scrutiny & Audit Panel. The ADR/T stated that this would be entirely a matter for the Panel to decide whether it would be necessary and what those KPI's might be.

RESOLVED – The Panel agreed that:

- i. they had considered the DLUHC update and the CIPFA position statement; and
- ii. the Redmond Review Working Group would be re-established, when appropriate to do so, to review the Authority's compliance with the CIPFA audit committee guidance (when published) and the other actions arising from the Redmond Review.

7 External Audit Planning Report and Scale Fee 2021/22

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) and the External Auditors Ernst & Young LLP(EY) presenting the external auditor's updated planning report for the audit of the 2021/22 financial accounts and the external audit scale fee variation for the audit of the 2021/22 accounts. EY had not identified any specific risks relating to the Authority's accounts.

In May 2022 EY notified the Authority of a proposed scale fee variation of £11,423 for the audit of the 2020/21 accounts. However, it had not been clear at the time that it should also have included the scale fee rebasing figure of £27,553 included in the original planning document for 2020/21. EY expects to submit a scale fee variation for the audit of the 2021/22 accounts in the range of £43,762 - £47,762 giving a total scale fee of £67,452 - £71,452. At this stage it does not appear that there are any material new responsibilities on external auditors resulting from the relevant Code and therefore if PSAA remains consistent in its approach in previous years then an approved scale fee variation of the order of £20,000 may be a more reasonable forecast, giving a total scale fee of approximately £43,690. The increase exceeds the additional grant provided by Government however can be contained within the existing finance budget.

In response to the Redmond Review the Government amended the draft and final accounts publication deadlines for relevant bodies including Fire Authorities to 31 July and 30 November for the accounting year 2021/22. The Service expects to publish its draft accounts in the week commencing 11 July 2022, later than planned as a result of delayed receipt of the collection fund information from billing authorities, requiring an additional Scrutiny & Audit Panel to be held on 28 September 2022 for approval. It was likely that EY would not receive the assurances required from the auditor of the East Sussex Pension Fund (ESPF) until October. If this was the case a further update and final audit report may need to be presented to the Panel on 10 November 2022.

The Panel queried whether there was a communication issue between ESPF and EY. The ADR/T explained that there had been two issues, one regarding

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communications between ESFRS and Barnet Waddingham, this had been raised previously with the Panel and a more structured approach had been introduced. The second was a perennial issue between EY and the auditors of the ESPF, Grant Thornton. EY confirmed that Grant Thornton were aiming to notify them of their opinion in October, with EY aiming to complete as much of their audit as possible before the Panel in September.

Some members of the Panel repeated their unease at the size of the fee scale variation and whether there were any other options for auditors. EY reminded the Panel that the Fire Authority had chosen to opt into the PSAA which meant that there were no other options available to them. Whilst the fee may appear high, but in the past it had been lower because of PSAA cutting it by 40%. In general audit fees were increasing as a reflection of the environment in which auditors were operating. The ADR/T agreed that the situation was professionally frustrating and that some of the problems being faced were due to regulators responding to problems in Private Sector auditing. EY and ESFRS worked effectively to reduce issues.

The Panel were concerned at the regularity in which the Government were making changes to the Audit requirements and queried whether the findings of the Redmond Review were of real importance or whether there was a point at which they should stop implementing these changes. The ADR/T responded that good quality audits of public sector accounts were essential in ensuring accountability and transparency to council taxpayers and it was important that in practice they work well. The Redmond Review had highlighted the fragmentation of leadership in local audit since the abolition of the Audit Commission. The new system leadership role which had been allocated to the Auditing, Reporting and Governance Authority (ARGA) was intended to bring more structure. Some regulations that were required of Auditors did not benefit small, low risk organisations like the Fire Authority.

RESOLVED - The Panel agreed:

- i. to approve the updated external audit planning report for 2021/22;
- ii. the materiality and reporting levels set out in the planning report;
- iii. to approve the 2020/21 scale fee variation as determined by PSAA;
- iv. to note the planned fee variation set out by EY in Appendix A of their report; and
- v. there were no requests for further information or reassurance from the Authority's external auditors, but the Panel agreed to ask the Chair to write to DLUHC to raise concerns, including those to do with the funding related to the Redmond Review, and to ask that these be included in a letter to local MPs.

8 Internal Audit Annual Report & Opinion - 1 April 2021 - 31 March 2022

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which provided an Opinion on East Sussex Fire Authority's internal control environment and report on the work of Internal Audit for the period 1 April 2021 to 31 March 2022. Based on audit work completed, the Orbis Chief Internal Auditor, as East Sussex Fire Authority's

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Head of Internal Audit, was able to provide reasonable assurance that the Authority had in place an adequate and effective framework of governance, risk management and internal control for the period.

Individual reports on the systems evaluated included agreed actions to enhance controls and management had drawn up action plans to implement these. All key performance indicators for the Internal Audit Service had been met or exceeded during the year with the exception of the target to deliver 90% of the audit plan. The ADR/T confirmed that work was underway to address the issues identified in the audit of Surveillance Cameras and that this would be reported back to the Panel at a future meeting. The Panel queried whether issues relating to Payroll had been resolved and whether the change of software would help. The ADR/T confirmed that these issues were front end rather than relating to software and that the full report and action plan would be brought back to the next meeting of the Panel.

RESOLVED: The Panel agreed:

- i. to note the Head of Internal Audit's opinion on the Fire Authority's internal control environment for 2021/22;
- ii. to note that the review of HR/Payroll would be reported in full the November meeting of the Scrutiny & Audit Panel; and
- iii. that the Fire Authority's system for internal audit had proved effective during 2021/22.

9 Corporate Risk Register Review 1st Quarter 2022/23

The Panel considered the report of the Assistant Director Resources/Treasurer (ADR/T) which presented the first quarter position for 2022-23, detailing the corporate risks identified and how they had or were to be mitigated.

There was a query from the Panel regarding Corporate Risk 17 relating to Firefighter Pension Schemes (FPS) and how much information on these matters had been shared. The ADR/T informed the Panel that nothing had changed regarding the FPS since the last decision was taken on this matter by the Policy & Resources Panel. The Service was very aware of the impacts on staff and continued to liaise with the LGA and the NFCC on the latest position. The LGA and FBU were in discussions regarding advice to Fire Authority's. The National advice and local position were in the public domain and had been shared with employees. Members were reminded that it would be inappropriate for them, as the employer, to reply if they were approached directly by any individuals regarding this complex matter,

RESOLVED: The Panel resolved to:

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- i. agree the Quarter 1 Corporate Risk Register including changes made since Quarter 4; and
- ii. that there was no further information or assurance required from Risk Owners.

10 Service Benchmarking Report 2020/21

The Panel considered the report of the Assistant Director Planning & Improvement (ADP&I) which presented the Fire Statistics for 2020/21 and comparative benchmarking of East Sussex Fire & Rescue Service against its family group to provide context to support the Authority's future decision making. Benchmarking performance enabled the Service to make decisions based on results and to provide a spotlight to managers for further investigation. Results of previous benchmarking exercises had enabled the prioritisation of several areas where concentrated effort bore positive results in the 2020/21 year-end figures. The ADP&I added that there were positives and negatives in looking at a suite of performance measures, the Senior Leadership Team, in consultation with the Chair of S&A and the Lead Member for Performance, were reviewing the set of measures and the draft list of these would be brought back to the Panel at a future meeting.

The Panel thanked Officers for a comprehensive report. There was a query regarding the decrease in the number of Ethnic Minority Firefighters. The ADP&I provided some context to the figures regarding Firefighters from ethnic minorities, this was a small number presented as a percentage, therefore if one person leaves it presents as a dramatic drop in numbers. There were currently 8 Firefighters that declared as being from an ethnic minority, this figure was disappointing but unfortunately it was a standard figure across the sector.

The Assistant Chief Fire Officer (ACFO) addressed a query regarding the number of Fire Safety Audits, the Panel were reminded that both Fire Safety checks and Business Safety Audits were conducted but the latter were not recorded in these figures, there were a total of 1200 conducted last year and including both the checks and the audits the Service now counted as higher performing.

In response to a question regarding deliberate Fire Setting and targeting those responsible, the Chief Fire Officer (CFO) explained that there was a national piece of work focusing on this. There was no single demographic responsible for deliberate fires, at certain times of the year it would be young people responsible, but equally there were issues relating to homelessness, mental health conditions and drug use. In the ESFRS area the figures for this were very low and there was evidence that diversionary schemes had been successful.

The Panel sought some reassurance regarding the levels of sickness absence. The Deputy Chief Fire Officer (DCFO) confirmed that sickness figures had been impacted by Covid-19 and that this report demonstrated that

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there was a return to the pre-pandemic sickness absence figures, these were relating to Musculo-skeletal and mental health issues. These had also been impacted by the NHS waiting list figures and a national delay in access to Occupational Health. As a result, there was a current review of the Occupational health contract underway and Wellbeing arrangements were being refreshed.

The ADP&I addressed a query regarding attendances at Automatic Fire Alarms (AFAs). The Fire Authority's IRMP established that the service would reduce its attendance at AFAs. Fifty percent of the Service's calls were in response to AFAs. There had been a lot of preparatory work in the run up to this change and large amount of publicity and communication with business in advance of implementation. It was important for the Panel to note that this would not show in the figures until the process had time to bed in, but it was reassuring to note that there had not been any complaints from business with regards to this policy change.

RESOLVED: The Panel considered the results of the report in relation to future plans and were satisfied that action was being taken to address those areas of concern that had been raised at this meeting.

11 Performance and Corporate Strategy Monitoring Report for Quarter 4 2021/22

The Panel considered the report of the Assistant Director Planning and Improvement (ADP&I) which presented Members with the 4th quarter and end of year performance results for 2021/22. The report contained information against 21 indicators. Due to the Covid-19 pandemic, the Service had adapted new models of service delivery including telephone home safety visits and business safety audits throughout 2020/21. In person visits had been reintroduced across the Service from July 2021 in line with the relaxation of national government restrictions. This meant that the indicators were incomparable for the current year against the previous one, so no direction of travel was included in these areas.

The Panel were grateful for the comprehensive report and were keen to see the draft set of performance measures that would be presented to them for consideration at a future meeting.

RESOLVED: The Scrutiny & Audit Panel:

- i. Considered the performance results and progress towards achieving the Service's purpose and commitments as contained in Appendix 1; and
- ii. Noted that work was continuing on refreshing the set of performance measures reported to the Panel and that a draft set of measures would be presented to a future meeting.

12 Annual Report of the ESFRS Local Firefighters Pension Board 2021/22

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The Panel received the report of the Assistant Director People Services (ADPS) informing Members of the matters considered by the Pensions Board during 2021/22. The board had met on four occasions during the year and had considered matters including: Terms of Reference, Policies and guides for the Board and the Firefighter Pension Schemes (FPS) and current issues and updates relating to the Authority's FPS.

The Panel were grateful for the update report. In response to a query regarding software or non-scheme costs the ADR/T confirmed that to apply "remedy" there were 2 software companies who would have to provide updates. The Service pays a per member charge to West Yorkshire Pension Fund working on a cost recovery basis, the one off cost would be paid over 5 years on the per member charge. If costs are non-scheme, they cannot be paid by the pension account. The Pension Dashboard costs would be covered by the fee paid to WYPF; the Local Government Association had made representation requesting a delay to the implementation of approximately 6 months.

RESOLVED: The Panel agreed to note the annual report of the Firefighters' Pension Board for 2021/22.

13 Member Attendance Annual Report 2021/22

The Panel received the report of the Senior Democratic Services Officer (SDSO) which presented Member attendance at formal Fire Authority meetings, community events and Member briefing and development events for the year 2021/22.

Member attendance for all formal Fire Authority meetings had first been reported at the Annual Fire Authority on 13 June 2019. At this meeting it was agreed that future reporting on Member attendance would be made to the Scrutiny & Audit Panel on an annual basis for monitoring purposes. A summary of Member attendance at formal meetings in 2021/22 was included at Appendix 1 and attendance at Members Seminars at Appendix 2. It was noted that the Service's programme of open days and other community events, which was suspended throughout the Covid pandemic, recommenced in May 2022 and therefore the attendance at events is not included in this report.

Members were reminded to inform Democratic Services if they attended open days or other events so that it could be recorded, this would once again be reported next year.

RESOLVED: The Scrutiny & Audit Panel noted the Member attendance for 2021/22.

The meeting concluded at 11.16 am

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Signed

Chairman

Dated this

day of

2022