

## **SCRUTINY & AUDIT PANEL**

**Minutes of the meeting of the SCRUTINY & AUDIT PANEL held at County Hall, St Anne's Crescent, Lewes, East Sussex, BN7 1UE at 10.00 am on Thursday, 10 November 2022.**

Present: Councillors Lambert (Chair), Azad, Maples, Redstone and Scott

Also present: D Whittaker (Chief Fire Officer & Chief Executive), L Woodley (Deputy Monitoring Officer), D Savage (Assistant Director Resources/Treasurer), L Ridley (Assistant Director Planning & Improvement), L Birch (HR & OD Manager), H Thompson (EY), A Blanshard (Democratic Services Manager), R Smith (Democratic Services Officer)

### **14 Declarations of Interest**

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

### **15 Apologies for Absence**

There were none.

### **16 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.

### **17 Non-Confidential Minutes of the last Scrutiny & Audit Panel meeting held on 21 July 2022**

**RESOLVED** – That the minutes of the meeting held on 21 July 2022 be approved and signed by the Chair.

### **18 Callover**

Members reserved the following Agenda items for debate:

- 19 External Auditor's Audit Results Report (ISO 260) and Statement of Accounts 2021-22
- 20 Appointment of External Auditors
- 21 Internal Audit Report – HR/Payroll
- 22 Corporate Risk Register Review Quarter 2 2022-23
- 23 Performance Report for Quarter 1 2022/23
- 24 Performance Indicator Refresh 2022

### **19 External Auditor's Audit Results Report (ISA 260) and Statement of Accounts 2021-22**

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

The Panel welcomed Helen Thompson of Ernst & Young (EY), the Authority's External Auditor, who introduced the Audit Results Report (ISA 260) and informed the Panel that the audit had been substantially completed for the year ended 31 March 2022. It was highlighted that no recommendations for improvement were made as a result of the audit and there were no issues raised which would require a response in the Letter of Representation. EY thanked Officers for producing high quality financial statements, which assisted the audit process.

The Assistant Director Resources/Treasurer (ADR/T) thanked those involved in carrying out the audit and highlighted that there had been a delay in EY receiving the assurance letter from Grant Thornton, auditors of East Sussex Pension Fund. This meant that the final Statement of Accounts would not be able to be signed off until this was received. To reflect this, the Panel Chair proposed the following additional recommendation to be agreed by the Panel:

- That the Panel would delegate authority to the Assistant Director Resources/Treasurer, following consultation with the Panel Chair, to make any minor amendments required to the 2021/22 Statement of Accounts on receipt of the final Audit Opinion from the Authority's External Auditors.

The Panel thanked EY, East Sussex County Council (ESCC) and the ESFRS Finance team for their work in completing the audit. Members queried why the focus of the report appeared to be on the impact of Covid, rather than more recent issues of Brexit and the war in Ukraine. The ADR/T advised Members that the going concern in the Notes to Accounting Statements included a statement that recognised the shift of focus from Covid to the impact of worldwide supply chain issues. EY clarified that for the purpose of this particular report, Covid would have had a larger impact than other factors.

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

- (i) note the External Auditor's Audit Results Report (ISA 260);
- (ii) authorise the Assistant Director Resources / Treasurer and the Panel Chair to sign the formal letter of representation to the External Auditor;
- (iii) approve the 2021/22 Statement of Accounts for publication; and
- (iv) delegate authority to the Assistant Director Resources/Treasurer, following consultation with the Panel Chair, to make any minor amendments required to the 2021/22 Statement of Accounts on receipt of the final Audit Opinion from the Authority's External Auditors.

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### **20 Appointment of External Auditors**

The Assistant Director Resources/Treasurer (ADR/T) presented a report which set out Public Sector Audit Appointment's (PSAA's) proposals for appointing the external auditor to the Authority for the accounts for the five-year period from 2023/24 and the subsequent impact on audit fees.

The ADR/T reminded Members that following the dissolution of the Audit Commission, local authorities were now responsible for appointing their own external auditors. PSAA was established as an appointing body to administer the national auditor appointment scheme which local authorities had the option to opt-in to. The Panel were advised that following the completion of the procurement process, PSAA proposed that Ernst & Young (EY LLP) should be appointed as the Authority's auditors from 2023/24.

The ADR/T highlighted that there was a significant increase in audit fees expected, however the importance of ensuring that high quality audits were undertaken was emphasised. The Panel expressed concern regarding the increase in audit fees. The ADR/T reminded Members that the existing Government grant, awarded under New Burdens principles to cover all additional costs flowing from the Redmond Review, was insufficient to cover the costs and that the need for an increase to the grant had been raised with the Home Office, the National Fire Chiefs Council and the local MPs.

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

- (i) note the outcome of PSAA's procurement process;
- (ii) agree the PSAA proposal to appoint EY LLP as the Authority's external auditors for a further five years;
- (iii) note the expected increase in audit fees and the resultant pressure on the Authority's revenue budget should the Government not increase the external audit grant; and
- (iv) delegate authority to the Assistant Director Resources / Treasurer to put in place any arrangements necessary to give effect to this decision.

### **21 Internal Audit Report - HR/Payroll**

The Panel received a report from the HR & Organisational Development (OD) Manager informing them of the outcome of the Internal Audit Review of HR/Payroll. Members were informed that the audit opinion given was Partial Assurance, which meant that there were weaknesses in the system of control and/or the level of non-compliance was such as to put the achievement of the system or service objectives at risk. Orbis Internal Audit had identified eleven

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areas which required action, with seven of these being assessed as medium risk and four as low risk. Implementation of the required actions would be tracked, and a follow up audit carried out as part of the 2022/23 Internal Audit Strategy & Plan.

Members asked whether the issues raised in the audit were mainly process based. The HR & OD Manager informed the Panel that currently a number of the HR processes were paper-based and documents were therefore handled by a variety of people in the department. Members were advised that work was being undertaken to digitise many of these.

**RESOLVED** – That the Panel noted the management response to the audit report.

### **22 Corporate Risk Register Review Quarter 2 2022-23**

The Panel received a report from the Assistant Director Resources/Treasurer (ADR/T) which provided an update on the second quarter position for 2022-23. It was highlighted that the risk score for CR2 Future Financial Viability had been revised upwards as a result of the continued financial uncertainty facing the Authority. Members were also informed that the risk score associated with a major loss of staff had not been changed at this time but continued to be under review.

Members queried whether the mitigations for CR13, Financial & organisational impacts of global supply chain disruption, should include investment in renewable energy. The ADR/T advised that this was being investigated as part of the Capital Programme, specifically looking at heating controls and LED lighting, and that bid would be drawn up for either internal funding or applications for other grants that may be available.

The Panel asked how often the risk register was reviewed and acknowledged that issues did occur that were not foreseeable. The ADR/T informed Members that there was a quarterly cycle to review the risk scores, before being reported to the Senior Leadership Team (SLT) and then the Scrutiny & Audit Panel. The Chief Fire Officer (CFO) informed Members that National Risk Register was also considered when assessing the risk score, as well as sharing information with partners and through our membership of the Fire & Rescue Indemnity Company (FRIC).

**RESOLVED** – That the Panel agreed the Q2 Corporate Risk Register, including changes made since Q1.

### **23 Performance Report for Quarter 1 2022/23**

The Panel received a report from the Assistant Director Planning & Improvement (ADP&I) which presented a summary of Service performance information for Quarter 1 2022/23 compared to Quarter 1 2021/22 and the projected year end results 2022/23. It was noted that ten of the 21 indicators were showing an improvement against the same quarter in the previous year

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and highlighted that the number of home safety visits and business safety visits had increased considerably.

The ADP&I informed the Panel that 2022/23 sickness levels were projected to be above both the target and 2021/22 end of year result. Members were informed that this was in part due to the increased waiting times for treatment that staff were experiencing, that an internal audit was due to be carried out to investigate long term absences and sickness levels. The Chief Fire Officer (CFO) confirmed that there had been an increase in the number of cases that required an extension of sickness pay due to waiting for medical appointments for longer than six months. It was explained that as well as the costs incurred through extending sickness pay, there were also additional costs in terms of backfilling positions.

The Panel welcomed the update and work being reported to have been carried out so far to address the issues. Members questioned whether best practice could be shared between the District & Boroughs and County Councils to understand the measures that they had put in place to deal with absence and sickness, or whether occupational health data was compared with other organisations, and they would take this back to their own Local Authorities to find out. The CFO explained that occupational health data was shared through the collaboration with Surrey Fire and Sussex Police and that for wider comparison there was a quarterly Cleveland report that compared sickness data. Within ESFRS long term absences were increasingly due to clinical conditions rather than mental health.

Members enquired as to whether the availability of appliances was measured. The ADP&I reminded the Panel that appliance availability was monitored and that attendance standards set by the Fire Authority were being achieved. The CFO added that the critical issue was that there was strong availability where there was risk and that robust arrangements were in place within the service to monitor operational performance and availability of fire appliances. The Panel were informed that the Operational Committee and an on-call working group consider the challenges given that the availability of operational staff on on-call stations was a national issue. It was suggested that a Scrutiny Working Group of the Scrutiny & Audit Panel be considered to further examine the issues discussed.

**RESOLVED** – That the Panel:

- (i) considered the performance results and progress towards achieving the Service's purpose and commitments as contained in appendix 1 to the report; and
- (ii) considered the performance results and remedial actions that had been taken to address areas of under performance in the Fire Authority's priority areas.

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The Panel received a report from the Assistant Director Planning & Improvement (ADP&I) which presented the refreshed Strategic Tier 1 performance indicators that would form future quarterly performance reports. It was proposed that these would be presented quarterly to the Senior Leadership Team (SLT) and Scrutiny & Audit Panel.

Members were informed that Appendix 1 contained the entire list of Strategic Tier 1 measures that had been considered by SLT. It was noted that a set of 35 indicators had been proposed to be reported on quarterly and targets and tolerances had been set by managers to enable clearer performance reporting. The ADP&I also informed the Panel that the Fire Authority currently had seven performance priority areas and as part of the work to refresh the Strategic Tier 1 measures, it was proposed to delete one of these, 'confining fires to the room of origin'.

The ADP&I advised that Appendix 2 contained a list of Tier 2 measures which had been considered by SLT, and that this had been included to allow the Panel to consider if they required any of these measures to be reported as Tier 1. An example of the proposed performance report was included in Appendix 3 and the ADP&I explained that this would provide a high level summary of all of the performance measures based on performance ratings. Further detail would be reported for priority areas as well as for any measures which were performing under the agreed tolerance level.

The Panel thanked the ADP&I for their report and asked whether historical data was available to compare with the measures presented. The ADP&I confirmed that some of the measures were new and would therefore need to be developed in discussions with the responsible managers.

With regards to the performance priority areas, the Panel enquired as to whether road safety should be included. The Chief Fire Officer (CFO) advised that road safety is reported on by the Sussex Road Safety Partnership, however attendance at road traffic collisions would be reported on. Members suggested that item 4, 'increasing the number of home safety visits to vulnerable members of the community', should be included as a sub-set of item 7, 'number of home safety visits'.

### **RESOLVED – That the Panel:**

- (i) considered the set of Strategic Tier 1 measures in appendix 1 and agreed them for future performance reports;
- (ii) noted that as a part of the work to refresh the Strategic Tier 1 measures a priority area, 'confining fires to the room of origin', was proposed to be deleted. The Panel reviewed the remaining six performance priority areas in paragraph 3.2 and suggested the change detailed above; and
- (iii) noted that a new quarterly performance report will be created, however as number of the indicators were NEW, processes would

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need to be put in place to enable capture of the data if it was not already recorded. This work would begin in Quarter 3 and as more indicators were developed, they would continue to be added into the report.

The meeting concluded at 11.41 am

Signed

Chairman

Dated this

day of

2022