

Minutes of the meeting of the OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 9 March 2016 at 10.00 am

Present: Councillors Bendyshe-Brown, Exon, Glover, Mallen (part) and Watson (Chairman), Wilson (part)

Officers: G Britten (Director of Legal and Governance), D Sutherland (Director of Finance and Assets), L Swift (Director of People and Organisational Development), J Parsons (Head of Service Development), M Hemming (Head of Finance [Deputy Director]), M Gibb (Internal Audit Manager), B Davidson (Internal Audit), S Gowanlock (Corporate Planning Manager), G Barry (Information Governance and Compliance Manager), A Carter (BASI Project Manager), Paul King (Ernst & Young), D Guest (Ernst & Young) and Katie Nellist (Democratic Services Officer)

Apologies: Councillors Clarke OBE, Huxley, Vigor-Hedderly

0A32 MINUTES

RESOLVED –

That the Minutes of the meeting of the Overview and Audit Committee held on 2 December 2015, be approved and signed by the Chairman as a correct record.

0A33 CORPORATE RISK MANAGEMENT

The Corporate Planning Manager advised Members that since the Corporate Risk Register was last reviewed by the Overview and Audit Committee on 2 December 2015, it had been reviewed by the Performance Management Board (PMB) on 4 February 2016 and the Strategic Management Board (SMB) on 16 February 2016. As a result of those reviews, no new risks had been identified but there had been an increase in the risk scoring of the funding and savings risk in light of the 2016/17 Government financial settlement and potential risk to future grant funding.

Members noted that the staff availability risk had reduced due to the FBU's statement that they intended to defer any future industrial action, in relation to the pensions' dispute, until the outcome of the legal challenge was known, which meant there would be no pension related strike action until June 2017 at the earliest.

The ageing workforce impact risk had stayed the same, there had been quite a few recent retirements, but the new apprenticeship scheme would be a way of replenishing the workforce.

(Councillor Wilson joined the meeting)

A Member asked if the Milton Keynes Station Merger project should be on the Corporate Risk Register. Members were advised that the project had not yet been determined and the options were still to be presented to Members. Once Members had chosen their preferred option, the project would be added to the Corporate Risk Register. Members also discussed the issue of wider blue light collaboration, including the power that the Government was intending to give to Police and Crime Commissioners in this regard, as a corporate risk.

A Member asked if the risk of any counterparty failure with regard to Treasury Management should be added to the Corporate Risk Register. Members were advised that the Authority does bear the risk of making investments, but that the risk was mitigated by taking advice and guidance from experts and it was very prudent with whom it invests.

Members requested that the Corporate Planning Manager bring a report on the criteria for escalation of risks to the Corporate Risk Register at the next meeting.

RESOLVED –

That the status report on identified corporate risks at Annex C be noted.

0A34

INTERNAL AUDIT REPORTS

a) Internal Audit Report: Update of Progress of the Annual Audit Plan

The Internal Audit Manager advised that the purpose of this report was to update Members on the progress of the annual Internal Audit Plan since the last meeting.

The audit of Pensions Administration had been completed and issued as a final report. The draft report of the Core Financial Controls audit was ready to be issued and the final report would be presented to Members at the next meeting.

Members were advised that a review of the governance arrangements in place to oversee the transfer of pension administration responsibilities from Buckinghamshire County Council to West Yorkshire Pension Fund was taking place.

Members were also advised that the audit of Core Financial Controls took up the majority of audit work (40 days). The work had now been completed and the report was at a draft stage and would be presented to Members at the next meeting.

A Member asked why Control Room Discontinuity had been shown green on the Corporate Risk Register when the Control

Centre audit had not yet taken place. Members were advised that the audit in conjunction with Oxfordshire County Council would focus on governance arrangements rather than an audit of the Control Centre's mobilising capabilities.

A Member asked to be provided with the reasons why the HR People Management audit had been cancelled. Members were advised that the need for an audit had been reduced due to work undertaken internally.

RESOLVED –

That the progress on the Annual Internal Audit Plan be noted.

b) Internal Audit Report: Final Audit Reports

The Internal Audit Manager advised that the purpose of this report was to update Members on findings of the finalised Internal Audit reports issued since the last meeting.

One report had been issued and agreed with management since the last meeting - Pensions Administration. Areas looked at were roles and responsibilities, legislation, administration and accounting. The audit opinion was that reasonable assurance could be provided and that relevant risks were effectively identified, managed and controlled.

There were two areas of good practice: the Local Pensions Board had been set up and there was a good system in place for reporting starters and leavers. There was one area for improvement identified which was that confirmation in writing had not been received from Buckinghamshire County Council (BCC) that it would continue the service until the new provider was set up in spite of repeated requests from officers. Members requested that a letter be drafted to be sent from the Chairman asking BCC for a response.

(Councillor Mallen joined the meeting)

The recommendations had all been agreed and suitable deadline dates for implementation had been identified. The implementation of recommendations would be monitored as they fall due.

Resolved –

That the recommendations raised in the finalised Internal Audit reports be noted.

c) Internal Audit Report: Update on progress of audit recommendations

The Internal Audit Manager advised that the purpose of this report was to update members on the progress on the implementation of audit recommendations made as at 8 February 2016.

In total there were 42 recommendations to report on. 31 were implemented, 6 were on track but not yet due and 5 were not implemented and the due date revised. The 5 recommendations that had not been fully implemented had been progressed but were not yet complete. There were no outstanding recommendations to bring to the attention of the Members at this time.

Resolved –

That the progress on implementation of recommendations be noted.

d) Draft Internal Audit Strategy and Annual Internal Audit Plan 2016/17

The Internal Audit Manager advised that this report sets out the Internal Audit Strategy and the proposed Internal Audit Plan for 2016/17. It was proposed that the Financial Planning and Project Management audits would be undertaken in Quarter 1 and Business Continuity Planning would be looked at in Quarter 2, as this was a high risk area for the Authority. Each audit assignment would result in a specific audit report although the audit methodology would vary depending on the requirements of the scope of work. Contingency days were built in to provide flexibility and in recognition of an expected but as yet unspecified need.

Members found the analysis of previous audits activity and assurance levels at Appendix B very helpful.

A Member asked if Internal Audit could play a part in looking at how the Authority works with other agencies especially in the areas of protection and protection. Members were advised that although this would be outside the normal remit of Internal Audit it was likely that the Home Office would require some kind of independent assessment of the Authority's operational assurance to replace 'peer review' service audits. The Internal Audit Manager also advised that Internal Audit would be able to look at the partnership governance framework as part of this. The Head of Service Development advised Members that the Chief Fire Officer was in the process of commissioning an external source to undertake an operational assurance audit of service delivery.

RESOLVED –

That the Internal Audit Strategy and Annual Internal Audit Plan be approved.

OA35

INJURY AWARDS: FINAL UPDATE REPORT

The Director of People and Organisational Development advised Members that this report was an update on the report that went to the Fire Authority on 18 February 2015, to reassure Members that the actions were being progressed.

Members were advised that the Authority had accepted recommendations to review its arrangements for the administration of the firefighters pension fund, specifically whether to bring the function in-house or to appoint a new administrator. In collaboration with Royal Berkshire Fire Authority, following a joint tender process, a new pension administrator, with experience of running firefighter pension schemes, was awarded in December 2015; West Yorkshire Pension Fund. Work was underway to transfer the pension administration from Buckinghamshire County Council to West Yorkshire Pension Fund ready for a go live date of 1 April 2016.

In respect of the recommendations to review the handover procedure between leavers and joiners, the Director of People and Organisational Development confirmed that amendments had been made to the recruitment procedure to incorporate handovers between staff joining and leaving the Authority.

The Director of People and Organisational Development confirmed that, following recommendations in the February 2015 report, a document had been produced which set out the process of ill health retirements, including injury awards as defined by the Firefighters' Compensation Scheme (England) Order 2006. A specialist advisor was being sourced to scrutinise the Authority's injury award procedure and the procedure would be launched in June 2016 and followed up by the pensions audit which would be undertaken after the transfer.

A Member asked why the arrangement with Buckinghamshire County Council (BCC) was being terminated. Members were advised that the February 2015 report had questioned the current pension administration. BCC's expertise was based on the Local Government Pension Scheme, less on the Fire-fighters' Pension Scheme and BCC supported the termination.

RESOLVED –

That the resolution of all of the recommendations accepted by the Authority on 18 February 2015 (as detailed in Annex 1) be noted.

**OA36 TREASURY MANAGEMENT STRATEGY PERFORMANCE
2015/16 – QUARTER 3**

The Head of Finance advised Members that this was the Quarter 3 Treasury Management Performance report for 2015/16. It was now nearly three years since Treasury Management had been

brought in house from Buckinghamshire County Council and it continued to perform well. The accrued interest for the first three quarters of 2015/16 was £132k, which was £57k higher than the budget for the period.

Members requested that the fact that the risk of any counterparty failure was included on the Financial Directorate Risk Register be noted within the Risk Management section of future reports.

RESOLVED –

That the Treasury Management Performance 2015/16 - Quarter 3 report be noted.

OA37

**BUSINESS AND SYSTEMS INTEGRATION PROJECT:
PROGRESS REPORT**

The BASI Project Manager advised Members that the project was currently in the procurement phase. Tender responses had closed on the 8 January 2016 and five responses had been received for both tenders (ERP and Finance Solutions). Four responses had been through a two stage scoring process, including a half day presentation of their system, one supplier had been rejected due to non-compliance.

Contracts had been awarded for HR, Payroll and Financial Planning. Community Fire Safety would be going out to tender again in May 2016 as a suitable supplier had not been found. Asset Management and Resource Management were currently on hold, and would be dealt with in Year Two of the project.

A Member asked if there were any major risks on the project risk register. Members were advised that there were no major risks at this time.

A Member asked what the budget for the whole project was. Members were advised that the whole budget for the BASI project was £1M with £200k contingency over two years.

Members thanked the BASI Project Manager for her work so far.

RESOLVED –

That the report be noted.

OA38

2014/15 STATEMENT OF ASSURANCE

The Director of Legal and Governance advised Members that this was a perennial item for the March meeting of the Overview and Audit Committee since the requirement to adopt and approve a Statement of Assurance was introduced by the statutory guidance the Fire and Rescue National Framework.

The Corporate Planning Manager advised Members that this document was designed to summarise and consolidate the inspection activity that had taken place across the Authority, and given the move from the Department of Communities and Local Government (DCLG) to the Home Office, collaboration with other emergency services had been added.

A Member asked if the Authority's co-responders when attending emergencies, had to wait on site for an ambulance or if they could take the patient in a fire appliance to hospital. Members were advised that the protocol was that co-responders stayed with the patient until a competent ambulance crew/technician arrived.

RESOLVED -

That the 2014/15 Statement of Assurance be approved for signature by the Chairman and Chief Fire Officer.

It being moved by Councillor Mallen and seconded by Councillor Wilson it was

RESOLVED -

That opportunities for closer working with blue light and other potential partners be brought by officers as a discussion topic to a future Members' Workshop.

OA39

ANNUAL REPORT ON REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Director of Legal and Governance advised Members that the purpose of the report was to update the Committee on RIPA activity over the past year; appraise the Committee of the Inspection by the Assistant Surveillance Commissioner; obtain approval for the revised CHIS and Surveillance policy and to apprise Members of how the Investigatory Powers Bill would affect the Authority. The Director of Legal and Governance advised that the Inspection Report of the Assistant Surveillance Commissioner had since been received and copies had been circulated to Members.

The Information Governance and Compliance Manager advised Members that changes to the CHIS and Surveillance Policy report had been identified and high-lighted in yellow. Additional amendments were recommended to those in the draft in light of the Report from the Assistant Surveillance Commissioner received since the amended Policy was prepared. [In the Recommendations below].

The Director of Legal and Governance advised that the Assistant Surveillance Commissioner had requested during his inspection that, in order to comply with the statutory guidance on the use of

direct surveillance and covert surveillance, officers report quarterly to the Overview and Audit committee irrespective of its use. It was agreed that a standard agenda item on RIPA authorisation with a nil return would be included as a standing item to the Overview and Audit Committee agenda for future meetings.

RESOLVED –

- 1) That the updated report be noted.
- 2) That the CHIS and Surveillance Policy be approved subject to the following amendments:
 - a. At paragraph 7.3 the text “or that it would be a less serious offence that does not meet the threshold” be deleted; and
 - b. At paragraph 15 the text “report any unlawful act to the Authority” be inserted.

OA40

ERNST & YOUNG AUDIT PLAN FOR FINANCIAL YEAR 2015-16

The External Auditor advised Members that the Audit Plan set out how Ernst & Young would meet their responsibilities for the financial year 2015-16, to provide an audit opinion of whether the financial statements of the Authority gave a true and fair view of the financial position as at 31 March 2016.

The External Auditor advised Members that three financial statement risks had been identified; Joint Control Room, Milne vs GAD and a Risk of Management Override. These would be discussed with those charged with governance and officers.

The External Auditor had determined that overall materiality for the main financial statements of the Authority was £628k based on 2% of gross revenue expenditure and for the pension fund £70k based on 1% of benefits payable.

There was a reduction in fees for 2015-16 which was a reflection of the Audit Commission retendering framework contracts before its demise and reducing scale fees for Principal Authorities by 25%. The indicative fee scale for the audit of the Authority was £31,379.

A Member asked if Ernst and Young audited Buckinghamshire County Council. Members were advised that they do not at this time, as there had been a conflict of interest, but they do audit Milton Keynes Council.

A Member asked if the Authority had been invoiced for the overpayment from DCLG. Members were advised that the

Authority had still not had any communication from DCLG but provision had been made and set aside and it was not known what the move to the Home Office would mean.

RESOLVED –

That the plan set out in Annex A be noted.

THE CHAIRMAN CLOSED THE MEETING AT 11.55AM

DRAFT