

Minutes of the meeting of the OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 8 MARCH at 10.00 am

**Present:** Councillors Brunning, Clarke OBE (part), Exon, Glover, Teesdale, Watson (Chairman) and Wilson

**Officers:** D Sutherland (Director of Finance and Assets), G Britten (Director of Legal and Governance), N Boustred (Head of Service Delivery), J Parsons (Head of Service Development), M Hemming (Deputy Director of Finance and Assets), L Swift (Director of People and Organisational Development), M Gibb (Internal Audit Manager), B Davidson (Internal Audit), S Gowanlock (Corporate Planning Manager), A Carter (BASI Project Manager), A Hussain (Principal Accountant), D Guest (Ernst & Young) and K Nellist (Democratic Services Officer)

**Apologies:** Councillors Huxley and Mallen

**0A25 MINUTES**

RESOLVED –

That the Minutes of the meeting of the Overview and Audit Committee held on 14 September 2016, be approved and signed by the Chairman as a correct record.

(Councillor Clarke OBE joined the meeting)

**0A26 RIPA POLICY (MINUTE OA39 – 090316)**

RESOLVED –

To note that there had been no covert surveillance conducted by officers since the last meeting of the Committee.

**0A27 TREASURY MANAGEMENT STRATEGY PRESENTATION**

Members received a presentation from David Chefneux, and Nazmin Miah from Capita.

**0A28 TREASURY MANAGEMENT PERFORMANCE – QUARTER 3**

The Director of Finance and Assets advised Members that the accrued interest earned for the first three quarters of 2016/17 was £130k, which was £55k higher than the budget for the period. The Authority proactively managed its finances and had a well-balanced strategy in terms of the amount of risk taken. It was a solid performance in the current economic circumstances.

RESOLVED –

That the Treasury Management Performance 2016/17 – Quarter 3 report be noted.

**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. The work was progressing according to the 2016/17 plan, and regular discussions had been held with the Director of Finance and Assets to monitor progress. Since the last meeting the Financial Planning and Project Management audits had been completed. The final report for the Core Financial Controls audit had also been completed and would be presented to Members at the next meeting. The Business Continuity Planning audit was also now in progress.

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 the findings of the finalised Internal Audit reports issued since the last Overview and Audit Committee meeting. The Financial Planning Audit had been finalised and recommendations had been agreed with the Director of Finance and Assets and suitable dates for implementation had been identified. The areas looked at were the financial planning process, roles and responsibilities, reporting and decision making. The assurance levels were based across three different areas of judgement. The first was management techniques, the second was the design of the control framework and the third was the compliance of the existing control framework.

The Chairman asked if the Capita inflation rate was used in the Medium Term Financial Plan and was advised that a variety of methods were used but inflation rates were kept under review.

The Project Management Audit had also been finalised. This audit focussed on the Business and Systems Integration project. Recommendations had been agreed with the Project Manager and Head of Service Development and suitable deadline dates for implementation had been identified. Internal Audit would monitor the implementation of the recommendations as they fell due. There were five actions raised in total, three were medium priority and two were low priority but for a major project it was fairly minor actions that were raised.

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 Members that this report was the update of the progress of the implementation of audit recommendations. Internal Audit follow up on all actions that were raised as they fall due. There were 37 recommendations to report on, 32 had been fully implemented and 5 were on track but not yet due to be implemented.

The Chairman asked for information on the new finance system and was advised that the new system was called Integra and was provided by Capita. The main benefits of changing systems were that it was a much more modern system; it could be set up exactly as required and would streamline processes and deliver a number of savings. Reconciliations would be done in the system rather than by spreadsheet which would provide a better audit trail with more transparent controls. The new system would go live on 1 April 2017.

RESOLVED –

That the progress on implementation of recommendations be noted.

### **d) Internal Audit Report: Draft Internal Audit Strategy and Annual Internal Audit Plan 2017/18**

The Internal Audit Manager advised Members that this report sets out the Internal Audit Strategy and the proposed Internal Audit Plan for 2017/18. It was a very similar approach as taken in previous years and the annual audit report on the system of internal controls would then be fed into the Annual Governance Statement. The Audit Plan was drafted for approval by this Committee, but it had been through consultation with the Strategic Management Board and took into consideration the Corporate Plan, strategic risks and previous audit activity.

The Internal Audit Manager advised Members that a risk based methodology was used for all audit assignments to provide assurance that key controls were in place and were designed to effectively manage the risks the Authority was facing. The first audit to be undertaken in Quarter 1 was the Fleet Management Audit. The Corporate Governance Audit would be carried out later in the year. The total audit days delivered across the year was 115. The largest bulk of days would be focussing on the Core Financial Controls. The budget had been increased slightly this year due to the implementation of the new finance and HR and Payroll systems, as there would be a whole new set of controls to be documented and provide opinion on. The other audits to be carried out were Corporate Governance and Property Management and there were also contingency days for flexibility. There was also a number of days allowed for following up on audit actions.

A Member asked if it was the intention that all audits would have a 'substantial' opinion and was advised that this was the aspiration.

RESOLVED –

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

## **OA30**

### **ERNST & YOUNG AUDIT PLAN 2016/17**

The External Auditor advised Members that the audit plan set out how Ernst & Young would meet their responsibilities for the financial year 2016-17, 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 2017.

The External Auditor advised that:

One financial statement risk had been identified, the risk of management override. This was a common risk across audits and was a mandatory requirement to be considered, although there had been no historical issues around this area and there was also nothing that has been brought to the External Auditor's attention. There were no other significant risks to bring to Members attention on the financial statements;

At the next meeting the External Auditor would bring the final report and within it would be reported any uncorrected audit misstatements greater than £42k for the main financial statements and £10k for the Pension Fund;

The timescale for close down of the audit would be moving forward in 2017/18. The existing deadline was the end of September and that was now moving to the end of July for 2018/19. The Authority was in a very good place as last year the accounts were able to be signed off at the July meeting of this Committee and the Authority was looking to do that again this year; and

There had been no change in the fees for this year.

A Member asked when the decision would be made by Public Sector Audit Appointments Ltd (PSAA) regarding the appointment of auditors when the current contract expired and was advised that the OJEU notice was issued on 16 February 2017, the opt-in deadline for eligible bodies was 9 March 2017 and the contracts were looking to be awarded at the end of June 2017.

RESOLVED –

That the plan set out in Annex A be noted.

The Corporate Planning Manager advised that:

This was the fourth annual Statement of Assurance which had been presented to this Committee and was a mandatory document required by the National Framework. The Statement of Assurance covers the 2015/16 financial year and includes assurance related activities undertaken within that period. The format and precise content was left to local discretion, but the Authority followed the Government guidance fairly closely;

Members would see from the report that changes since the last Statement were highlighted. Some of the changes related to changes in the legislative and regulatory framework that pertain to the various assurance processes that the Authority operates. Other changes were to reflect the latest opinions of internal and external auditors in relation to their audits of key internal control and governance processes; and

Members would see there were links to the public consultation work that was carried out to inform the Authority's decision making in relation to the blue light hub project at West Ashland in Milton Keynes and there were details of the aid that was provided to Oxfordshire during the incident at Didcot Power Station last year and of the measures taken to ensure the resilience and availability of assets that can be deployed to deal with major civil contingencies at local, regional and national levels.

A Member asked if next year's report could be brought to an earlier meeting and was advised by the Director of Legal and Governance that a Statement of Assurance was currently a requirement of the National Framework. With the advent of an inspectorate, the Home Office may instead place more reliance on inspectorate reports and no longer require a Statement of Assurance. If it was still mandated for 2016/17, officers would endeavour to ensure it comes earlier in the calendar.

RESOLVED –

That the 2015/16 Statement of Assurance be approved for signature by the Chairman and Chief Fire Officer.

The Head of Service Development reminded Members that the Service had been the subject of a Peer Review in the 2014/15 financial year. This review focused on a number of areas, but was not an in depth review of the Service's operational response arrangements. As previously mentioned, legislation had now been

put in place to create an Inspectorate of Fire and this function was expected to undertake its first inspections during the current financial year.

The Head of Service Development advised that:

Officers commissioned an independent operational assurance audit which was carried out by Operational Assurance Limited (OAL) in October 2016. The service had received the audit report in December 2016 and had subsequently developed a detailed improvement plan to focus on areas identified for improvement by the audit team; and

OAL did not find any serious failings and in fact were extremely complimentary about the Authority's performance and also the openness of its staff. OAL identified three areas of priority for improvement as noted on the improvement plan. The timing had been useful as it coincided with reconstituting a new team with a focus on operational assurance which had replaced a previous performance and evaluation team.

Members welcomed the proposals that OAL would revisit the service to examine the progress against their recommendations; and that AOL would be available to present to the Authority at a later date.

A Member asked if the recommendations could be completed within the timeframe and was advised that they could.

The Director of People and Organisational Development advised Members that the Operational Assurance team was led by the Head of Training and over the last two years the Service had changed the way it approached operational training. Previously most training was undertaken in the classroom, but now as much as possible was station based with validation taking place at the Fire Services College.

The Director of People and Organisational Development also advised Members that the team would be fully staffed from 1 April 2017 and the Chief Fire Officer would like to undertake one more external review before an inspection could take place. In parallel there would be a professional standards body and in time the inspectorate would inspect against whatever the professional standards body defined as standard. A lot of standards would be operational performance including workforce standards as well.

Members welcomed the suggestion of a workshop on these continuous improvement themes.

(The two Internal Auditors left the meeting)

RESOLVED –

1. That the OAIP be noted.

2. That it be noted that the ongoing management of the OAIP will be overseen by the OAG which will report on performance against the OAIP to the Performance Management Board (PMB), SMB and the Overview and Audit Committee as set out in the OAG terms of reference.
3. That the terms of reference for the OAG and its resources be noted.

### **OA33**

### **CORPORATE RISK MANAGEMENT**

The Corporate Planning Manager advised Members that this was the regular update on corporate risk that was provided at every meeting of the Committee. As there was not a meeting in December, the risk register was last presented to Members at the meeting on 14 September 2016 for review. Since then, it had been kept under regular review at quarterly Performance Management Board meetings and monthly Strategic Management Board meetings and Members would see that there had been some changes. In particular, the risk relating to the Thames Valley Fire Control Service had been de-escalated as it had demonstrated the required level of resilience since cut over from the Authority's own local arrangements. However, Service Delivery would keep a watching brief and report on its status to the Performance Management Board on a quarterly basis.

The Corporate Planning Manager advised Members that the funding and savings risk had also been reviewed, and whilst the Authority does have a very robust Medium Term Financial Plan (MTFP), this risk had been maintained at red status as there were still considerable financial uncertainties around issues such as the future outlook for USAR, Government Grant Funding and the potential for some inflationary pressures arising during the Brexit process that could impact on the Authority. The assessments of the other two risks were largely unchanged at this time, although would be revisited in April once the effects of measures such as the apprentice scheme and flexible firefighter pilot became clearer.

The Director of Finance and Assets advised Members that because of the uncertain future funding of USAR he had begun negotiations with the owner of the building (Unit 7) which housed USAR to secure more flexibility for the termination options in the lease.

RESOLVED –

That the status report on identified corporate risk at Annex C be reviewed.

### **OA34**

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

The Business and Systems Integration Project Manager advised Members that the system build for both the Finance and HR and Payroll systems was on track. Finance was nearly complete and signed off to go live on 1 April 2017 and HR and Payroll had undertaken a first parallel run and would undertake a second one shortly. Training of staff on the new system had begun.

From the internal audit for Project Management as mentioned previously, three medium and two low actions were identified. Of the three medium, two had been completed and one was due for completion in July. The two low actions were ongoing information that should be considered and so no date had been set for completion.

The Project Manager advised Members that spend remained on track and there were no plans to use the contingency budget. The next two systems to be implemented were the Resource Management and the Premises Risk Management Systems. The contract for Active Informatics to provide the Premises Risk Management System had now been signed and work had begun to ensure it was built to specification.

A Member asked if back up was kept on site and was advised that the systems were cloud hosted.

Officers were congratulated for the delivery of the project on time; and on budget.

RESOLVED –

That the report be noted.

THE CHAIRMAN CLOSED THE MEETING AT 12.00PM