

**HUMBERSIDE FIRE AUTHORITY**  
**GOVERNANCE, AUDIT AND SCRUTINY COMMITTEE**

**16 SEPTEMBER 2013**

**PRESENT:** Independent Co-opted Members Mr D Hughes (Chairperson), Mr M Allingham, Mr D Chapman, Mrs G Hardy, Mr J Jepson, Mrs M Thomlinson and Mr C Vertigans.

Councillors Briggs, Swift and Whittle attended as observers.

Chief Fire Officer & Chief Executive, Deputy Chief Officer/Director of Operations, Secretary/Director of People, Director of Finance & Assets/Section 151 Officer, Assistant Chief Officer/Director of Safety, Head of Human Resources, Committee Manager and Mr D Murray (External Audit - KPMG), Ms J Rae (KPMG) and Ms Y Mehmood (Internal Audit - H W Controls & Assurance) were also present.

The Chairperson stated that Mr J Jepson would arrive later in the meeting.

The meeting was held at the Humberside Fire and Rescue Service Headquarters, Kingston upon Hull. Meeting commenced at 10.00 a.m.

The Chairperson welcomed all who were observing the meeting.

**4251 DECLARATIONS OF INTEREST** – There were no declarations.

**4252 MINUTES** – *Resolved* – That the minutes of the meeting of the Committee held on 15 July 2013, having been printed and circulated amongst the Members, be taken as read and correctly recorded and be signed by the Chairperson.

**MATTERS ARISING FROM THE MINUTES, OTHER THAN ON THE AGENDA**

**4253 Fire Authority Response to ‘Facing the Future** – The Chairperson referred to Minute 4199 and stated that at the meeting of the Fire Authority on 9 September 2013 which he had attended as an Observer he had noted that the Chief Fire Officer & Chief Executive had reported that this Authority was the only Fire Authority to have submitted a response to the report ‘Facing The Future’. The Chief Fire Officer & Chief Executive confirmed that the Authority was the only Authority in the Yorkshire and Humber Region to have submitted a response but that the Chief Fire Officers’ Association had submitted a response which reflected the views expressed by this Authority.

*Resolved* – That the report be noted.

**4254 Sickness Absence 2012-13** – The Secretary/Director of People referred to Minute 4202 and stated that there was no update at this meeting mainly due to the switch to the Firewatch system and difficulties in extracting comparable information. It appeared that the sickness absence figures were falling slightly from those reported at the last meeting. A further report would be submitted to the next meeting.

*Resolved* – That the report be noted.

**4255 Accountability of Chief Fire Officer** – The Chairperson referred to Minute 4215 and the report submitted to the Fire Authority on 26 July 2013 regarding the accountability of the Chief Fire Officer (Minute 4238 refers). The Authority had agreed that that a process should be formalised regarding the review of the performance of the Chief Fire Officer & Chief Executive and in turn the Corporate Management Team and that the Chairperson and Group Secretaries consider the matter and bring back their recommendations to the September 2013 meeting of the Authority. The Chairperson reported that the matter had been discussed by the Independent Co-opted Members immediately prior to this meeting and had agreed

that they would wish to put forward views to the Group considering the matter and to the Authority, which would include:

- Any process should be similar to that which applies to all staff;
- There should be 360% feedback;
- The process should include the setting of realistic targets and timescales in line with the Authority's Vision statement;
- Rather than an Annual Review there should be a mid-term (six monthly review);
- Projects should be completed in a timely manner.
- It is the view of the Independent Co-opted Members of the Governance, Audit and Scrutiny Committee that the Committee should not be involved in the review process, as it is the role of the Committee to ensure that any review process is robust.

The Secretary/Director of People stated that he understood that the Chairperson of the Authority and Group Secretaries would be meeting before the next meeting of the Authority on 27 September 2013 and that the views of this Committee can be fed into that meeting. The Chairperson would pass the views of the Committee to the Secretary.

**Resolved** – That the Chairperson of this Committee will supply the Secretary/Director of People with a note confirming the views now expressed for referral to the Members' Group considering the matter

**4256 UPDATE: MATTERS ARISING/FEEDBACK FROM FIRE AUTHORITY** - The Secretary/Director of People submitted a report summarising the consideration given by the Authority to the report presented by Mr D Chapman on behalf of the Chairperson of the Governance, Audit and Scrutiny Committee and the draft minutes of the meeting of the Committee held on 15 July 2013. The Secretary/Director of People also referred to the Special Meeting of the Authority held on 9 September 2013 which had confirmed its previous decision that the review of the Role of the Governance, Audit and Scrutiny Committee should be carried out in the Spring 2014 with a view to reporting to the Authority in April 2014. This Committee will therefore continue to operate as at present until the Authority consider the outcome of the review in April 2014.

The Chairperson referred to the occasions when he had attended meetings of the Authority as an Observer and that he had noted that whenever Officers were asked to do something there was always a report back to the Authority whereas when matters are referred to the Group Secretaries there is not a separate report on their deliberations. The Chairperson also referred to the following matters which had been referred to Group Secretaries:

- Membership of 'HFR Solutions' (CIC)
- Appointment of Internal Auditors
- Allowances for Elected Members

The Secretary/Director of People stated that when a Panel meets a report should be produced by Officers capturing the views expressed for submission to the Authority and that was done unless the Chairperson of the Authority decided to give a report. The Chairperson commented that the report to the Authority on the Role of the Governance, Audit and Scrutiny was essentially the same as the previous report. The Secretary/Director of People stated that the report was submitted as there was an expressed desire by Members of the Authority to reconsider the previous decision. However the Authority decided to confirm the previous decision. The Chairperson stated that this Committee fully support that decision. An Independent Co-opted Member stated that this Committee would find it helpful to meet prior to the review being undertaken for the purpose of receiving feedback as to how the Committee had performed its role thus far. The Secretary/Director of People acknowledged that it was a reasonable suggestion which should be considered.

**Resolved** – (a) That the content of the report and the further update by the Secretary/Director of People be noted, and

(b) that the Authority be informed that this Committee supports the decision to defer the review of the Role of this Committee until the Spring of 2014 and that the Committee would welcome feedback on its performance to date before that review.

## EXTERNAL AUDIT

**4257 Report to those Charged with Governance (ISA 260) 2012/13** – Mr D Murray (KPMG) submitted a report summarising the key issues identified during the audit of the Authority's financial statements for the year ended 31 March 2013 and their assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources. The External Audit Plan 2012/13 presented to the Authority in April 2013 set out the four stages of the financial statements audit process. The report now submitted focussed on the second and third stages of the process: control evaluation and substantive procedures. Based on the work carried out KPMG had found that the Authority's organisation and I.T. control environment was effective, and controls over the key financial systems were sound. The report indicated that KPMG anticipated issuing an unqualified audit opinion by 30 September 2013. KPMG had identified one significant misstatement of £1.8m where the Authority had shown some long term creditors as short term creditors. Although that did not have an impact on the Authority's overall financial position it was misleading and had since been corrected. Differences were identified within a number of disclosure notes, details of which were set out in Appendix 2 to the report. In addition, KPMG had identified a small number of presentational adjustments required to ensure that the accounts were compliant with the Code of Practice on Local Authority Accounting the United Kingdom 2012/13 ('the Code'). The Authority had addressed all those points. KPMG had reviewed the Annual Governance Statement and confirmed that:

- it complied with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- it was not misleading or inconsistent with other information KPMG were aware of from their audit of the financial statements.

KPMG had made a number of comments in respect of its format and content which the Authority had agreed to amend. That had included adding a more detailed conclusion on the effectiveness of arrangements at the end of the statement. Mr Murray expressed his thanks to the Director of Finance & Assets/Section 151 Officer and his team for having a good final accounts process in place which had assisted the audit. Mr Murray stated that there were a couple of minor typographical errors in the report which would be corrected for submission to the Authority.

The Chairperson referred to the comment regarding the Control Environment on page 3 of the report relating to 'inappropriate access rights' and stated that this was not the first instance when this issue had come to the attention of this Committee, and whilst acknowledging that in each instance steps were taken to address the issue, queried whether this latest instance suggested there was an underlying root cause that needed to be addressed. The Chief Fire Officer & Chief Executive stated that a number of triggers were built into staff exit arrangements and he felt sure that appropriate mechanisms to avoid any repeat of the issue could be built into that process.

**Resolved** – That the content of the report be noted and that Members of this Committee take assurance from the outcome of the audit.

**4258 External Audit Progress Report and Technical Update** – Ms J Rae (KPMG) submitted a report providing an overview on progress in delivering KPMG's responsibilities as external auditors. The report also highlighted the main technical issues which were currently having an impact in local government. At the end of each stage of the audit KPMG

issued certain deliverables, including reports and opinions. A summary of those deliverables for the 2013/14 audit was provided in Appendix 1 to the report. The views of the Committee were sought as to whether they found the technical information helpful and would like similar information including in subsequent reports. The Chairperson commented that the information was useful particularly from a long-term planning point of view.

**Resolved** – That the report be noted and that it be a recommendation to the Authority that this Committee considers it would be helpful for future reports to include current technical issues.

**4259 AUDITED STATEMENT OF ACCOUNTS FOR 2012/13** – The Director of Finance & Assets/Section 151 Officer submitted a report presenting the audited version of the Fire Authority's Accounts for the financial year 2012/13 following the successful completion of the audit of the Authority's 2012/13 Statement of Accounts. In partnership with the Authority's external auditor, KPMG, a small number of corrections to the draft Accounts had been undertaken in order to reach the final version, as detailed in the 'Report to those charged with governance (ISA 260) 2012/13' referred to in Minute 4258 above. The final version of the Annual Accounts was attached at Appendix 1 to the report. Members were reminded that the draft unaudited Statement of Accounts for 2012/13 had been submitted to the meetings of this Committee on 11 June 2013 and the Authority on 24 June 2013. The outturn position remained that which was reported to those meetings, a £2.076m underspend. The 'Report to those charged with governance (ISA 260) 2012/13' had given an unqualified opinion on the Authority's Accounts for 2012/13 and an unqualified value for money conclusion. Both of these aspects were extremely pleasing and show another year of sound financial management. The report now submitted represented the final stage in the sign-off of the 2012/13 Statement of Accounts. Once approved by the Authority, the draft 'Letter of Representation' attached at Appendix 2 to the report would be duly signed and submitted to KPMG. After the Authority on 27 September 2013 the 2012/13 Accounts would be distributed to stakeholders and local libraries as well as posted on the Authority's website, to ensure information was as accessible as possible. A notice would also be placed in the press to inform the public that the 2012/13 audit of Accounts was now closed.

**Resolved** – That Members of this Committee take assurance from the Statement of Accounts presented for 2012/13 and endorse the comments by the External Auditor as to how good the audit process was.

#### INTERNAL AUDIT

**4260 Internal Audit Monitoring Report 2013/14** – Ms Y Mehmood (H W Controls & Assurance) submitted a report updating the Committee on the progress of the 2013/14 Internal Audit Plan as set out in Appendix A to the report.

A Member referred to the delay in the work on the Pensions review due to limited data available from West Yorkshire Pension Authority and sought clarification of the issue. Ms Mehmood explained that this Authority only had a relatively small number of pensions to administer compared to larger authorities and that if data was not available for the current year it might be necessary to use data for the previous year. The Director of Finance & Assets/Section 151 Officer reported that the Pension Authority was in the process of migrating data to a new computer system and confirmed that this Authority would look to carry out a data validation process in due course. Ms Mehmood confirmed that the Bradford Authority's internal audit had looked at the migration work and had indicated that there were no material issues arising from the data migration.

**Resolved** – That the report be noted.

**4261 EXCLUSION OF PRESS AND PUBLIC – Resolved** – That the press and public be excluded from the meeting during consideration of the following item (Minute 4262) on the grounds that they are likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

*(In making its decision the Committee confirmed that having regard to all the circumstances it was satisfied that the public interest in maintaining the exemption outweighed the public interest in disclosing the information).*

**4262 HFR SOLUTIONS' PERFORMANCE SUMMARY REPORT APRIL – JUNE 2013 -**

The Deputy Chief Officer/Director of Operations submitted a report indicating that as agreed previously by the Authority reporting had been restructured to report the performance of HFR Solutions operations and service delivery within each operating quarter, and therefore the report now submitted covered the following four main areas of activity: Business; Training, Community, and Risk. The report also included a summary of HFR Solutions' profit and losses for the period April to June 2013 and details of the expansion of HFR Solutions' Team with the introduction of a Business Development Manager and a Training Course Developer. The Deputy Chief Officer/Director of Operations stated that he was not in a position to present a Business Plan to this meeting and that the Business Development Manager would be available to talk to Members at the end of the meeting.

The Committee asked questions on the content of the report which were answered by Officers. A Member asked if the Committee could be supplied with the workforce numbers for the company. A Member suggested that it would be helpful if a future report included a diagram showing the CIC structure. The Deputy Chief Officer/Director of Operations stated that it might be timely to look at that in the governance review. A Member stated that she had looked at the company's website which was very good.

**Resolved** - That this Committee takes assurance from the report that HFR Solutions is developing into a successful business, which is capable of effectively supporting Humberside Fire & Rescue Services operational and community protection service delivery requirements, across both business and residential communities of the area.

*(Independent Co-opted Member Mr J Jepson arrived at 11.00am)*

**4263 OPERATIONAL EFFICIENCY PROGRAMME** – The Chairperson reported that he had been present as an Observer at the meeting of the Authority when the outcome of the engagement process on options proposed in the Operational Efficiency Programme had been considered and had been very impressed with the discussion that had taken place. In particular he welcomed the set of slides circulated at the meeting by the Assistant Chief Officer/Director of Safety which summarised the options and also included those options that had been suggested during the engagement exercise. The Chairperson stated that he also welcomed the fact that a summary report would be submitted to the next meeting of the Authority on the options selected for consultation and the proposed consultation arrangements. The Chairperson concluded that this was a good process overall.

*(Ms J Mehmood (H W Controls & Assurance) left the meeting for the consideration of the following item (Minute 4264)).*

**4264 REVIEW AND TENDERING - INTERNAL AUDIT SERVICES** - The Secretary/ Director of People and Director of Finance & Assets/Section 151 Officer submitted a report indicating that the current internal audit service had been delivered by H W Controls & Assurance since 1 April 2011. Internal audit services had been procured previously on a three year contract basis. As such, it was proposed to continue that approach and go out to tender for internal audit services in readiness for 1 April 2014. The report outlined what the focus and evaluation of internal audit should comprise; set out a broad timetable for the tender process, subject to Authority approval, and also proposed that the Evaluation Panel should consist of:-

- The Chairperson of Governance, Audit and Scrutiny Committee
- Chairperson or Vice Chairperson of the Fire Authority
- The Chief Fire Officer/Chief Executive (or nominee)
- The Director of Finance & Assets/S.151 Officer

- The Secretary/Director of People
- Up to 3 further Members nominated by the Group Secretaries

A Member queried whether it was appropriate for a representative of the Governance, Audit and Scrutiny Committee to be involved in the Evaluation Panel as that seemed to be more an operational decision. The Secretary/Director of People stated that the Authority would decide the acceptance of a tender but that as the process was about selecting an Internal Auditor and that function was central to the role of this Committee. As such having a member of the Governance, Audit and Scrutiny Committee involved was appropriate and helpful, but this was a matter for the Authority.

**Resolved** - That this Committee recommends that the Fire Authority commences a tender process to secure Internal Audit Services for a three year period (with the option of a two year extension) from 1 April 2014. .

**4265 MANAGEMENT ACCOUNTS TO 31 JULY 2013** - The Director of Finance & Assets/Section 151 Officer submitted a report containing the Authority's Management Accounts and Prudential Indicators for the period ending 31 July 2013. The summary estimated outturn position from the Management Accounts and Prudential Indicators was as follows:

- Revenue Budget - £287k underspend;
- Capital Programme - £9.127m total expenditure against an allocation of £10.711m;
- Pensions Account - £9.307m deficit

A Member referred to page 160 of the report and sought clarification regarding the savings arising from vacancies. The Director of Finance & Assets/Section 151 Officer stated that there were vacancies which it was proposed to fill but where there had been a delay in the process. The Secretary/Director of People stated that some posts might only be appointed to on a temporary basis. A Member sought clarification regarding the borrowing and lending activity set out on page 165 of the report which seemed to indicate that the Authority had £35m lent out and yet had outstanding loans, and queried why it was not in the Authority's best interests to repay some of those loans given current low interest rates on balances. The Director of Finance & Assets/Section 151 Officer explained the Authority's practice of borrowing on a long term basis for capital expenditure so as to spread the cost over a period of time, and also stated that in the last 18 months the Authority had used cash balances to fund some short term capital expenditure, but that it was a matter of judgment weighing that use of balances against borrowing which is a long term decision based on interest rate expectations. A Member queried that the level of reserves was increasing. The Director of Finance & Assets/Section 151 Officer stated that the investments included approximately £6.26m which was held by the Authority on behalf of the East Coast and Hertfordshire Control Project. A Member queried that the borrowing and lending activity appeared to show that loans of £10m had been repaid by other authorities but had not been re-invested. The Director of Finance & Assets/Section 151 Officer stated that the funds were re-invested and confirmed that as at 31 July 2013 the balance in the Authority's bank account was just £515k. The Member stated that he would seek further clarification of other financial reporting queries he had direct with the Director of Finance & Assets/Section 151 Officer after the meeting. A query by a Member regarding the way in which the salaries of Officers seconded to HFR Solutions were accounted for was answered by the Director of Finance & Assets/Section 151 Officer. The Chairperson stated that the report indicated that £35m was invested at an interest rate of only 1/2% which meant that the Authority was losing 2% a year due to inflation. The Director of Finance & Assets/Section 151 Officer stated that in accordance with the Authority's lending policy the drive for investments was security and liquidity. The Chairperson stated that he thought that the Authority's advisers 'Sector' had previously suggested reducing the level of balances. The Director of Finance & Assets/Section 151 Officer stated that they had and that had led to the actions now reported such as the use of Money Market Fund Deposits. The Chairperson stated that he would

discuss his on-going queries direct with the Director of Finance & Assets/Section 151 Officer after the meeting.

**Resolved** – That, whilst clarification is needed for some items now discussed, Members take assurance from the report and the Authority's financial position for the period ending 31 July 2013.

#### **4266 HUMBERSIDE FIRE AUTHORITY FINANCIAL OUTLOOK 2014/15 ONWARDS -**

The Director of Finance & Assets/Section 151 Officer submitted a report which took a comprehensive look at the Authority's financial prospects for the years 2014/15 to 2016/17. The report also included where possible updated assumptions as a result of the Comprehensive Spending Review (CSR) announcements made on 26 June 2013. The report would be submitted to the next meeting of the Fire Authority.

The Chairperson asked whether there was anything different in the forecast to what Members had previously been informed about. The Director of Finance & Assets/Section 151 Officer stated that the likely 10% reduction in Fire and Rescue funding from Government in 2015/16 was more than had been anticipated. A Member referred to the Government's £30m resource fund against which Fire and Rescue Services could bid and queried how bids would be assessed. The Director of Finance & Assets/Section 151 stated that based on previous experience the criteria would focus on rates of return on the investment and the quality of the bid. The Chief Fire Officer & Chief Executive stated that the Authority had already discussed with the Department for Communities and Local Government the proposed three-Service collaborative workshops scheme and that the preliminary indications were that it would qualify under the resource fund.

**Resolved** - That Members receive the report and support any bids for funding the Authority chooses to make.

**4267 SERVICE PERFORMANCE AND RISK REPORT FOR THE 1ST QUARTER PERIOD APRIL – JUNE 2013** - The Assistant Chief Officer/Director of Safety submitted a report providing information relating to the Service's Performance and Risk Framework as highlighted in the following summary table:

<b>Section 1 – Strategic Risks</b>	
Reduction in external financial support.	No change in risk.
The likely need to reduce the WDS establishment	No change in risk.
Likely changes leading to commissioned services	No change in risk.
<b>Section 2 – Prevention Performance</b>	
Accidental Dwelling Fires	17.6% better than target.
Other Accidental Fires (exc Vehicles)	7% better than target
Deliberate Primary Fires	8.5% better than target
Deliberate Secondary Fires	17% better than target
Number of Automatic Fire Alarms	17% better than target.
Fatalities	0 fatalities against aspirational target of zero.
Injuries	25 injuries against aspirational target of zero.
<b>Section 3 – Response Performance</b>	
First engine response	9.4% better than target
Second engine response	13.3% better than target
<b>Section 4 – Projects Update</b>	
Key projects are reported in this section	

Further detailed information was contained within the body of the report.

A Member referred to page 201 of the report and sought clarification as to the type of incidents included within Service Performance Indicator (SPI) 2a. The Assistant Chief Officer/Director of Safety stated that that indicator included all incidents which were not otherwise reported under SPI 2 on page 200 of the report and that he would submit an explanation of those incidents to the next meeting of this Committee. A query by a Member regarding the reference to Vehicle Telematics on page 209 of the report was answered by the Director of Finance & Assets/Section 151 Officer and the Deputy Chief Officer/Director of Operations.

**Resolved** - That the Committee endorses the quality of the data presented in the report and takes assurance as to the Service's proactive approach to performance and risk management.

**4268 INSPECTION OF MEMBER REGISTERS** – The Member Registers of Interests and Declarations of Gifts and Hospitality were made available for inspection by any Member of the Committee as part of their monitoring role.

**4269 INSPECTION OF OFFICER REGISTERS** – The Officer Registers of Interests and Declarations of Gifts and Hospitality were made available for inspection by any Member of the Committee as part of their monitoring role.

#### **ANY OTHER BUSINESS**

**4270 Training for Members of Audit Committees** – An Independent Co-opted Member referred to an email he had received regarding a training opportunity for members of audit committees and suggested that it might be appropriate for Independent Co-opted Members of this Committee.

**Resolved** – That the details of the training opportunity be forwarded to the Chairperson of this Committee.

**4271 Committee Workstreams 2013/14 - Suggested Alignment to Individual Members** – The Chairperson referred to the discussion at a previous meeting of this Committee when it had been suggested that it would be helpful to Members of this Committee if they were each aligned to the proposed workstreams according to the individual Members' skillset (Minute 4149 refers). It had been agreed that that the Chairperson of this Committee would consult with Members of the Committee and notify the Secretary/Director of People of the names of Members to be linked to workstreams on a trial basis. The Chairperson undertook to supply the information to the Secretary/Director of People.

**Resolved** – That the Chairperson will supply the information to the Secretary/Director of People.

*Meeting closed at 11.45am*