

**HUMBERSIDE FIRE AUTHORITY**  
**GOVERNANCE, AUDIT AND SCRUTINY COMMITTEE**  
**12 SEPTEMBER 2016**

**PRESENT:** Independent Co-opted Members Mr D Chapman (Chairperson), Mr M Allingham, Mr J Doyle, Mrs P Jackson, Mr A Smith, Mrs M Thomlinson and Mr C Vertigans.

Councillor Briggs attended as an observer.

Monitoring Officer/Secretary, Director of Emergency Response, Director of Organisational Development, Finance Manager, Committee Manager, Mr J Prentice (External Audit – KPMG) and Mrs B Boyes (Internal Audit - MIAA) were also present.

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.)*

**PROCEDURAL**

**5212 DECLARATIONS OF INTEREST** - Mrs B Boyes (Internal Audit - MIAA) declared an interest in Agenda Item 17 (Internal Audit Arrangements 2017/18 Onwards) and Mr J Prentice (External Audit – KPMG) declared an interest in Agenda Item 8.3 (Changes to Arrangements for the Appointment of External Auditors) and both stated that they would leave the meeting for the respective item.

**5213 MINUTES – Resolved** – That, subject to the inclusion of the Finance Manager in the list of persons present, the minutes of the meeting of the Committee held on 18 July 2016 having been printed and circulated amongst the Members, be taken as read and correctly recorded and be signed by the Chairperson.

**5214 MATTERS ARISING FROM THE MINUTES, OTHER THAN ON THE AGENDA –** There were no matters.

**GOVERNANCE**

**5215 UPDATE: MATTERS ARISING/FEEDBACK FROM FIRE AUTHORITY** – The Monitoring Officer/Secretary submitted a report summarising the consideration given by the Authority at its meeting on 29 July 2016 to the draft minutes of the meeting of the Committee held on 18 July 2016 and also providing feedback on other items considered by the Fire Authority at its meeting on 29 July 2016.

A Member referred to Minute 5197 regarding the nomination of Councillor Matthews as a Board Member for HFR Solutions and asked, given that HFR Solutions is an independent body, what was the function of a Fire Authority Member on the Board. The Monitoring Officer/Secretary stated that it was a matter for the Board who they appointed as Board Members and confirmed that there was no requirement for the Board to contain Members of the Authority. The Director of Organisational Development stated that it was custom and practice for the Board to include Members who bring value to the Board by virtue of their knowledge, expertise and skills rather than being a Member of the Fire Authority.

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

**5216 REVIEW OF ANTI-FRAUD RELATED STRATEGIES** – The Finance Manager presented a joint report by him and the Monitoring Officer/Secretary reminding the Committee that at its meeting on 5 March 2013 two reports were submitted concerning Whistleblowing and Anti-Fraud and Corruption strategies which were supported by the Committee and subsequently endorsed by the Fire Authority at its meeting on 15 March 2013. Both strategies form a key part of the governance framework and the Annual

Governance Statement. Following a recent review of Anti-Fraud related strategies and policies the Corporate Management Team (CMT) had approved the revision of some existing strategy statements and policies and had also approved a number of related policies (Anti-Bribery Policy and an Anti-Money Laundering Policy) and a copy of the updated and new documents approved by CMT were attached to the report for Members' information and assurance:

- Appendix A - Anti-Fraud & Corruption Strategy (Part A) /  
Anti-Fraud & Corruption Procedure (Fraud Response Plan) (Part B)
- Appendix B - Whistleblowing Strategy (Part A) /  
Whistleblowing Procedure (Part B)
- Appendix C - Anti-Bribery Policy
- Appendix D - Anti-Money Laundering Policy

With regard to promotion of the strategies the report indicated that effective Whistleblowing and Anti-Fraud and Corruption Strategies formed part of the governance arrangements of the Authority. The strategies made the Authority's position clear on a number of key areas. Importantly, clear steps were set out should a process need to be initiated. The strategies were part of the system of internal control. Whistleblowing and Anti-Fraud and Corruption Strategies were promoted internally, through induction of new employees (and forming recruitment packs) and through ongoing training and development. The strategies would be readily accessible both on the internet and intranet. As part of the employee payslips, the new strategies will be further promoted and through Siren (internal publication). There had been very few cases of whistleblowing or anti-fraud and corruption in the Service since the strategies were introduced. The Authority's anti-fraud arrangements were scheduled to be reviewed by Internal Audit during the year.

Members drew attention to the following anomalies in the Appendices:

- (i) Appendix A (Anti-Fraud & Corruption Strategy) and Appendix B (Whistleblowing Strategy) refer to the outcomes of investigations being referred to the Governance, Audit and Scrutiny Committee but there was no such requirement in Appendix C (Anti-Bribery Policy) and Appendix D (Anti-Money Laundering Policy);
- (ii) The front page of Appendix A (Anti-Fraud & Corruption Strategy) states that the next review will be July 2019 whereas paragraph 22 states that the Strategy will be reviewed on annual basis, and
- (iii) Paragraph 2 of Appendix C (Anti-Bribery Policy) refers to "the Council" instead of "the Authority".

The Finance Manager acknowledged the matters raised and stated that the Appendices would be amended/clarified as appropriate. A Member referred to paragraph 6 of the report which indicated that there had been very few cases of whistleblowing or anti-fraud and corruption since the strategies were introduced and asked if any further information was available. The Finance Manager stated that he was only aware of there being one case under consideration. A Member stated that the reports referred to counselling being available and sought clarification regarding the arrangements that were in place. Officers confirmed the arrangements that were in place. In response to a query by a Member regarding the Authority's attitude to whistleblowing the Director of Organisational Development confirmed that it was encouraged. Mrs Boyes (Internal Audit – MIAA) confirmed that a review of Counter Fraud was included in the internal audit plan and that she would be looking at how the Authority's policies are constructed and relate to each other, and that she would also aim to give some benchmarking data to give an indication as to where the Fire Service is as a sector.

**Resolved** – (a) That Members take assurance from the actions taken by CMT following a review of the Authority’s Anti-Fraud and Corruption related strategies and policies as set out in the report now submitted, and

(b) that it be noted that the Appendices to the report will be amended as appropriate to address the anomalies now identified by Members as set out above.

### **SCRUTINY PROGRAMME**

**5217 SCRUTINY WORK PROGRAMME 2016/17 - UPDATE** – The Chairperson stated that the Sub-Group undertaking the review of Collaboration intended to present its report to the meeting of the Committee in October 2016 and thanked the Members of both sub-groups for their work to date. The Chairperson invited the lead Member for the two Sub-Groups (Collaboration and Members’ Allowances) to update the meeting on progress to date.

Collaboration – Mr M Allingham (Lead Member) stated that meetings had been held with Humberside Police, Humberside Fire and Rescue Service and North East Lincolnshire Council and that a draft report was under preparation which would be circulated to all Members of the GAS Committee prior to submission to the Secretariat for submission to the October 2016 meeting of the Committee.

Members’ Allowances – Mr C Vertigans (Lead Member) stated that Members of the Sub-Group would be having discussions with the Chairperson of the Fire Authority on the rising of this Committee meeting to outline how the review will be taken forward.

**Resolved** – That the updates be received.

### **AUDIT**

#### **EXTERNAL AUDIT (KPMG)**

**5218 Annual Audit Letter** – Further to Minute 5185 Mr J Prentice, External Audit (KPMG) presented the final Annual Audit Letter in respect to the Authority’s accounts for 2015/16 indicating that KPMG had issued an unqualified opinion on the Authority’s 2015/16 financial statements; had concluded that the Authority’s Annual Governance Statement was consistent with their understanding.; and that KPMG had also concluded that the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Mr Prentice stated that he had been impressed by the innovative/proactive approach that had been adopted by the Fire Authority for addressing the challenges that it faced in difficult financial times. Mr Prentice also drew attention to an error on page 8 of the letter in that the certificate was issued on 31 July 2016 and not 30 July as stated. The letter indicated that KPMG’s fee for 2015-16 was £31,897 excluding VAT compared to £42,529 in 2014/15. This was in line with the fee agreed at the start of the year with the Authority. Fees were set nationally by Public Sector Audit Appointments Limited and reflected significant 25% reductions made nationally to scale fees.

A Member sought clarification of the statement on page 8 of the letter that “Our materiality for the audit was £1 million and queried whether it was a standard figure for an Authority of the size of Humberside Fire Authority. Mr Prentice explained the technicalities behind the approach taken.

**Resolved** – That the Annual Audit Letter be noted.

**5219 External Audit Progress Report and Technical Update** – Mr J Prentice (External Audit (KPMG) submitted a report providing an overview on progress in delivering KPMG’s responsibilities as external auditors. Mr Prentice apologised that the report seemed a little out of date and that he would check whether the latest version had been supplied to the Authority. The report indicated that at the end of each stage of the audit KPMG issued certain deliverables, including reports and opinions. A summary of progress against those deliverables was provided in Appendix 1 of the report. The report also highlighted the main technical issues that were currently having an impact in local government.

A Member referred to the technical update relating to Greater Manchester Combined Authority on page 12 of the report and asked for Mr Prentice his view. Mr Prentice replied.

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

*(Mr J Prentice (External Audit – KPMG) having declared an interest left the meeting for the following item (Minute 5220).)*

**5220 Changes to Arrangements for the Appointment of External Auditors** – The Finance Manager submitted a report summarising the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits. The Authority would need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

The report indicated that there were three broad options open to the Authority under the Local Audit and Accountability Act 2014 (the Act) and outlined the advantages/benefits and disadvantages/risks associated with each option:

- Option 1 – To make a stand-alone appointment - The Authority will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former Elected Members (or Officers) and their close families and friends. This means that Elected Members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Authority's external audit. A new independent auditor panel established by the Authority will be responsible for selecting the auditor.
- Option 2 – Set up a Joint Auditor Panel/local joint procurement arrangements - The Act enables the Authority to join with other Authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees. Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Authority under the Act and the Authority would need to liaise with other local authorities to assess the appetite for such an arrangement.
- Option 3 – Opt-in to a sector led body - In response to the consultation on the new arrangement the LGA successfully lobbied for Authorities to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. A SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. Information on this approach was released on 12 July 2016 and is shown as Appendix 1 to the report. Furthermore, on 22 August 2016 it was announced that the SLB will be PSAA. Some 270 eligible bodies had now expressed an interest in opting-in to a SLB.

The Authority has until December 2017 to make an appointment. In practical terms this meant that one of the 3 options outlined in the report would need to be in place by late 2016 in order that the contract negotiation process can be carried out during 2017. The LGA had developed a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in that option. Greatest economies of scale will come from the maximum number of Authorities acting collectively and opting-in to a SLB. This was considered to be the preferred option and assurances had been sought that where possible local Fire and Police Services will be allocated the same External Auditor given the close links between them, which is only likely to intensify over the next 3-5 years. In conclusion the report indicated that the Authority will need to take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed,

the Committee was asked to give early consideration to the preferred approach. The Authority had been asked by the LGA for an indication of the preferred approach in order that it can invest resources in providing appropriate support to Authorities. The LGA is strongly supportive of the SLB approach as it believes this offers best value to Authorities by reducing set-up costs and having potential to negotiate lowest fees.

The Chairperson stated that the Authority was faced with a very tight timescale and that effective management of any handover of audit arrangements was very important.

**Resolved** - (a) That the LGA Sector Led Body 'opt-in' be the approach recommended to the Fire Authority, and

(b) that a progress update be brought to a future Governance, Audit and Scrutiny Committee.

**5221 MANAGEMENT ACCOUNTS TO 30 JUNE 2016** - The Finance Manager submitted a report containing the Authority's Management Accounts and Prudential Indicators for the period ending 30 June 2016. The summary estimated outturn position from the Management Accounts and Prudential Indicators was as follows:

- Revenue Budget - £250k underspend;
- Capital Programme - £9.049 total expenditure against an allocation of £9.156 m;
- Pensions Account - £13.748m deficit.

The Management Accounts for 2016/17 will follow the reporting cycle frequency shown in the table below:

<u>Period Ending</u>	<u>Authority Meeting</u>
30 June 2016	29 July 2016
30 September 2016	21 October 2016
31 December 2016	13 February 2017
28 February 2017	17 March 2017

The accounts had been previously submitted to the Fire Authority on 29 July 2016 (Minute 5202 refers).

Members asked questions seeking clarification of aspects of the accounts which were answered by the Finance Manager.

**Resolved** – That Members take assurance from the report and the Authority's financial position for the period ending 30 June 2016.

**5222 FIRE PROCUREMENT INFORMATION PUBLISHED BY THE HOME OFFICE** – The Finance Manager submitted a report indicating that on 24 August 2016 the Minister of State for Policing and the Fire Service, Brandon Lewis MP, issued survey data that had been collected from English Fire and Rescue Services on 25 commonly procured items. The output from the data collection exercise was published with other information which was shown in Appendices 1, 2 and 3 of the report. Further analysis of the data in Appendix 3 had been undertaken by the Service's Procurement Team to give a fuller picture of Humberside's position and that information was contained in Appendix 4 to the report. The report outlined reasons why the data issued by the Home Office needed to be interpreted with a degree of caution. That said, the data was welcomed by the Service and provided a good basis on which to challenge procurement activities where required. In the main the Service fared well in the 'league table' analysis shown in Appendix 4 with perhaps one or two areas where further analysis was required to understand the Service's position relative to others more clearly. This was pleasing when coupled with the approach in the Service to buy good quality items wherever a sound case is made to do so.

Moving forward there will now be further work undertaken with the Chief Fire Officers' Association's National Procurement Hub and more locally with neighbouring Fire and Rescue Services and through the Hull 2020 Finance Directors Procurement Group (Hull University, Hull City Council, East Riding of Yorkshire Council, Hull CCG, East Riding CCG, Humberside Police, Humber Mental Health Trust, Hull and East Yorkshire Hospitals, Yorkshire Ambulance Service, City Health Care Partnership and Humberside Fire and Rescue Service all have representation on this group) to identify collaborative procurement opportunities and share best practice wherever possible. The Service's Procurement Team are also undertaking significant professional development and upskilling with for example two members of the team undertaking the Chartered Institute of Procurement and Supply (CIPS) qualification at the moment.

A Member stated that a column was missing from the data on page 131. Members asked questions seeking clarification regarding the data in respect to vehicles and uniforms which were answered by Officers.

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

### **INTERNAL AUDIT (MIAA)**

**5223 Internal Audit Update** – Mrs B Boyes (Internal Audit - MIAA) submitted a report providing the following information:

Internal Audit Plan 2016/17 - A position statement for the 2016/17 Internal Audit plan with a summary provided at Appendix 1 to the report detailing the expected timelines of activity to align with service requirements and developments. A review around Service Improvement (which combined planned reviews for Savings Plan Delivery and Value for Money/Service Improvement) had been scoped and was due to commence in September 2016.

Risk management coverage (under operational reviews) was in progress and commenced with a workshop on 19 July 2016 for the Corporate Management Team (CMT) and the Tactical Management Team (TMT) which provided a baseline and context for the subsequent planned Internal Audit review of the Risk Management and Assurance Framework. Workshop outcomes suggested the following areas for improvement which were currently being considered by officers:

1. Ensuring strategic risks are derived with reference to achieving strategic objectives (including partnership working) would benefit from being revisited and refreshed through a facilitated workshop.
2. The level to which risks drive agendas and priorities should be reviewed to ensure the risk management process is aligned to strategic delivery and decision making.
3. The extent of the introduction of new risks should be reviewed in terms of manager/risk owner awareness and completeness of the strategic risk register in view of delivering organisational objectives.
4. Organisational accountability arrangements for risk and opportunity management require redefinition and relaunch in respect of CMT: TMT management, GAS Committee oversight and Fire Authority assurance.
5. The use of surveys in the organisation to be clarified so that if they are used they are supported and completed.
6. Opportunity management requires greater emphasis relative to risk mitigation.
7. Risk and opportunity management documentation to be reviewed, updated and streamlined.

8. A consistent approach to the assessment of risk management performance to be achieved through specific inclusion in the (Personal Development and Review (PDR) process.
9. Any specific system improvements should be communicated to the Programme and Risk Manager to determine their feasibility and, if appropriate, implement.

As a result of the workshop on 19 July 2016, a subsequent workshop was requested which is planned for 11 October 2016 and which is designed to critically evaluate (and refresh) the strategic risk register. The risk management review, which draws on information from planning and delivering the risk workshops, is expected to be completed during quarter 3 (October 2016). This audit will also align with planned reviews of Strategic Planning and Business Continuity. Reviews profiled for quarter 3 (October to December 2016) include Service Improvement and Counter Fraud. Counter fraud coverage had been discussed and agreed as an overview of the policy and procedural framework was in place and focus on compliance with requirements of the Bribery Act. Whilst the potential scope for the Workforce Planning review had been discussed with the Head of HR, this will be further considered after the recently appointed Director of HR has commenced in post.

**Resolved** – That the Committee notes the progress against the 2016/17 Internal Audit Plan and issues arising.

### **PERFORMANCE, RISK AND PROGRAMME MANAGEMENT**

**5224 Service Performance and Risk Report - 1st Quarter Period April – June 2016 -** The Director of Emergency Response presented a report by the Corporate Planning & Performance Manager providing information relating to the Service's Performance and Risk Framework which was highlighted in the following summary table:

<b>Strategic Risks</b>	
Reduction in external financial support	No change in risk. Awaiting Autumn Statement.
Emergency Services Mobile Communications Programme (ESMCP).	No change in risk.
East Coast and Hertfordshire Control Room Project.	No change in risk
Review and Development of Protective Security.	Reduced likelihood due to progress in implementation of Action Plan.
Incident Command System software supplier support and maintenance agreement.	New Risk. Supplier of Incident Command software has gone into administration causing uncertainty regarding on-going support. Interim arrangements are in place pending decision regarding future supplier.
<b>Prevention Performance</b>	
Accidental Dwelling Fires	4.7% above 3 year average.
Other Accidental Fires (exc. Vehicles)	16.4% below 3 year average.
Deliberate Primary Fires	16% above 3 year average.
Deliberate Secondary Fires	11.5% above 3 year average.
Number of Automatic Fire Alarms	14.3% above 3 year average.
Fatalities	1 fatality (aspirational target 0)
Injuries	4 injuries (aspirational target 0)
<b>Response Performance</b>	
First engine response	8.79% better than target
Second engine response	12.73% better than target
<b>Strategic Projects</b>	
Project updates	• All on track except for the ARK.

Further detailed information was contained within Appendix 1 to the report which identified a number of performance issues of note that had arisen during the reporting period, and also the supporting information previously circulated separately and handed out at the meeting.

A Member sought clarification with regard to the new risk (Incident Command System software support). The Director of Emergency Response and the Director of Organisational Development outlined discussions that were taking place with other Services similarly affected and potential alternative support suppliers, including Hull University. A Member sought clarification regarding the performance under SPI 2.5 (Total Automatic Fire Alarms) and referred to a recent presentation to Members regarding some work undertaken to establish whether the incidents were sector based. The Director of Emergency Response stated that the two main sectors were NHS premises and commercial premises and indicated that the Director of Public Safety was looking at the data and considering whether the Service should change its charging policy in respect false alarms. Members asked if a short interim report could be submitted to the next meeting of this Committee. A Member referred to the ARK water safety training project and queried whether a proper business plan for the latest scheme going to be presented to the Fire Authority. The Director of Emergency Response briefly outlined how the proposed project had changed since its original inception and agreed that a business plan would be submitted to the Authority.

**Resolved** – (a) That the Committee takes assurance as to the Service’s proactive approach to performance and risk management;

(b) that a report be submitted to the next meeting of this Committee with regard to incidents relating to Automatic Fire Alarms, and

(c) that it be noted that a detailed business plan regarding the ARK project will be submitted to a future meeting of the Fire Authority.

**5225 Health, Safety and Environmental Report for the 1st Quarter Period April –June 2016** - The Director of Emergency Response submitted a report providing information with regard to Health, Safety and Environmental outcomes for the 1st Quarter Period April – June 2016. Details of the Service’s Health, Safety and Environmental outcomes for this quarter was contained in Appendices 1 and 2 to the report.

A Member sought clarification regarding the levels of sickness, particularly in Control staff and Retained Firefighters. The Director of Emergency Response answered the query and stated that the matter would be an early issue for the new director of Human Resources to look at when she commences in October 2016. A Member referred to paragraph 3.3 on page 182 regarding the RoSPA Audit and sought further information regarding the score of 75% for Workplace Safety and Welfare. The Director of Emergency Response undertook to submit an explanation of the data to the next meeting of this Committee.

**Resolved** – (a) That the Committee notes the report and takes assurance as to the Service’s proactive approach to Health, Safety and Environmental outcomes, and

(b) that it be noted that an explanation of the RoSPA Audit in respect to Workplace Safety and Welfare will be submitted to the next meeting of this Committee.

**5226 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.

**5227 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.

**5228 ANY OTHER BUSINESS** – The following matters were briefly discussed:

- Fire Angels – Mr Doyle on behalf of the Board of Dove House expressed thanks for the recent visit by Fire Angels from Humberside Fire and Rescue Service.
- Member Day 7 October 2016 – The Chairperson referred to Minute 5182 when this Committee had indicated that its Members would appreciate it if they could be invited to the next Member Day on 7 October 2016 when Equality and Inclusion is to be further considered.
- Retirement of Mr N Granger, Director of Organisational Development – The Chairperson referred to the impending retirement of the Director of Organisational Development on 30 September 2016. Members thanked Mr Granger for all the support he had given to the Committee and wished him a long and happy retirement.

**5229 EXCLUSION OF PRESS AND PUBLIC – Resolved** – That the press and public be excluded from the meeting during consideration of the following item (Minute 5230) on the grounds that it is 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).*

*(Mrs B Boyes (Internal Audit - MIAA) and Mr J Prentice (External Audit – KPMG) having declared an interest left the meeting for the following item (Minute 5230).)*

**5230 INTERNAL AUDIT ARRANGEMENTS – 2017/18 ONWARDS** – The Finance Manager orally reported that Mersey Internal Audit Agency (MIAA) were appointed for an initial three year period from 1 April 2014 to 31 March 2017. An option to extend for a further two years to 31 March 2019 was included as part of the tendering process. A report was due to be submitted to the next meeting of the Fire Authority and this Committee was invited to put forward any views regarding its experiences of working with MIAA that it would wish the Authority to take into account when deciding future auditing arrangements.

**Resolved** – That the Authority be informed that this Committee has always found MIAA to be very supportive and co-operative; has been very good at managing their activities alongside the Committee's work requirements; that Members feel that they have benefitted from the support given by the MIAA representative, and also that Members feel that there is some benefit of continuity of service provider particularly at a time of changes in external audit arrangements at the conclusion of 2017/18 audits.

*Meeting closed at 11.32 a.m.*

