

**Minutes of the Meeting of
Shropshire and Wrekin Fire and Rescue Authority
Audit and Performance Management Committee
held at Headquarters, Shrewsbury
on Thursday, 8 September 2011 at 2.00 pm**

Members

Councillors Adams, Carter, Jones (Chair), Kiernan and Mellings (Vice-Chair) and Murray

Officers

Chief Fire Officer, Deputy Chief Fire Officer, Head of District Performance, Head of Finance, Shropshire Rural Performance Group Commander, Planning and Performance Manager and Management Support Officer

External Bodies

Mr Patterson (from 2.05 pm) and Mrs Mayne (Audit Commission)
Mrs Hall (Audit Services, Shropshire Council)

1 Election of Chair

It was proposed by Councillor Mellings and seconded by Councillor Adams

That Councillor Dr Jones be elected Chair of the Audit and Performance Management Committee.

There being no other nominations, Councillor Dr Jones was duly elected Chair to hold office for the ensuing year.

2 Appointment of Vice-Chair

It was proposed by Councillor Jones and seconded by Councillor Adams

That Councillor Mellings be appointed Vice-Chair of the Audit and Performance Management Committee.

There being no other nominations, Councillor Mellings was duly appointed Vice-Chair to hold office for the ensuing year.

3 Apologies for Absence

Councillor Hurst-Knight had advised that he would be late as he was chairing a meeting for another body. Councillor Hurst-Knight subsequently did not arrive at the meeting.

4 Declarations of Interest

There were no declarations of interest.

5 Minutes

Members received the minutes of the meeting of the Audit and Performance Management Committee, held on 9 June 2011.

It was proposed by Councillor Mellings, seconded by Councillor Carter and

Resolved that the minutes of the meeting of the Audit and Performance Management Committee, held on 9 June 2011, be approved and signed by the Chair as a correct record

6 Public Questions

No public questions, statements or petitions had been received.

7 Committee Constitution and Training

This report brought the latest version of the Committee's constitution to the notice of its Members. It also brought Members up-to-date on training issues and asked them to consider what should be the subject of the next training session.

Councillor Mellings referred to page 1 of the Committee constitution which states that at one of its meetings, the Committee will meet with Internal and External Audit without Fire Service Officers present and asked which of the meetings this would happen at. The Committee agreed that it this should happen at the November 2011 meeting.

Mr Patterson, Audit Commission, arrived at this point (2.05 pm)

With regard to the subject of the next training session, Councillor Carter commented that as all the previous sessions had been held before the elections in May 2011, it would probably be beneficial to provide an overview of topics such as Treasury Management and Financial Rules for new members of the Committee. Councillor Kiernan asked if the sessions would be open to all members of the Committee. The Chief Fire Officer (CFO) confirmed that they would be.

Resolved that Members

- a) Note the constitution of the Audit and Performance Management Committee (attached as an appendix to the report); and
- b) Agree that the subject of the next training session should be a general overview of Treasury Management and Financial Rules etc.

8 Statement of Accounts 2010/11

This report presented to the Committee the completed Statement of Accounts for 2010/11, for review prior to consideration by the Fire Authority at its meeting on 26 September 2011.

Councillor Mellings commented that the change to the documents had made it more complex than in previous years. Councillor Mellings then asked why there had been such an increase in the Creditors amount from £1,896,000 in March 2009 to £2,768,000 in March 2011. The Head of Finance (HoF) explained that the creditors increase is due to accrued costs on the new Headquarters building together with accrued compensation amounts relating to the Retained Duty System Firefighter Pensions Employment Tribunal.

Councillor Mellings also commented that he had noticed some formatting errors and minor mistakes within the document. The HoF confirmed that these would be rectified before the document goes to the Fire Authority.

A document detailing amendments to pages 10 and 11 of the Statement of Accounts was tabled to the meeting (copy to be attached to the signed minutes). The CFO explained that the amendments related to Information and Communications Technology (ICT) issues. It was important for this issue to be included as Internal Audit is currently carrying out an investigation into recent events. Councillor Adams asked if there was any likelihood of compensation being received following the recent failure of the Local Area Network (LAN). The CFO explained that the main costs incurred had been in terms of inconvenience so compensation was not available. He further explained that the mobilising system had not failed but the Service wants to ensure that there is no future repeat of the situation.

Resolved that the Committee note the Statement of Accounts prior to its consideration by the Fire Authority.

9 External Audit Matters

9a Annual Governance Report 2010/11

Mr Patterson presented the Audit Commission's report on the audit for the year ended 31 March 2011. A synopsis of the points raised is given below.

Mr Patterson explained that audit opinions have been issued on the financial statements and on Value for Money. It should be noted that the Audit Commission has moved away from issuing scored judgements.

With regard to the preparation of the financial statements as detailed on page 11 of the report, Mr Patterson thanked the Authority's Finance section, Treasurer and CFO for their work in providing comprehensive financial statements within the timescales set by Communities and Local Government. In particular, Mr Patterson recognised this achievement in light of the changes to the Finance section and the financial reporting scheme.

Mr Patterson referred to the unadjusted misstatement as detailed in Appendix 3 (page 21) of the report, and in particular the recognition of the retention relating to the capital project at St Michael's Street. The money has not been shown properly in the accounts and it is recommended that the value of the building should be increased by the value of the retention and shown with an equal and opposite creditor. The Committee need to decide whether or not this adjustment should be made as this will need to be incorporated into the Letter of Representation before it is signed.

Mr Patterson then explained that the unadjusted uncertainties, as detailed on page 22 of the report cannot be changed on the accounts as their impact is currently unknown. These issues have been discussed with senior managers and are to be addressed next year.

Councillor Mellings thanked the Audit Commission for their report which was very comprehensive.

Councillor Jones referred to page 12 of the report and in particular the issue of capacity within the Finance Department and asked what action needed to be taken. Mrs Mayne explained that assurance should be sought from officers. The CFO and HoF have reviewed the capacity of the department and Mr Dixon's retirement as Treasurer has allowed some capacity to be obtained through the appointment of a junior member of staff and close working with Shropshire Council. A 'wash-up' process has also been established with the Auditors to address capacity issues arising from the annual audits.

Mr Patterson commented that many of the issues identified in the report relate to the requirement to report under the International Financial Reporting Standards. The HoF endorsed this assessment and commented that it had been a difficult audit this year but the Authority is happy with the Audit Commission's report.

The HoF then referred to the issue of the £95,000 retention which was not shown properly in the accounts and explained that the money is held in reserve but is not shown in the provisions. The work involved in amending this through the accounts does not justify doing so. The Committee agreed that this should therefore remain unadjusted.

Resolved that the Committee formally adopt the Annual Governance Report 2010/11

The Chair, Chief Fire Officer and Treasurer (in accordance with the authority delegated to them by the Fire Authority at its meeting on 19 July 2006) will sign the Letter of Representation for the year ended 31 March 2011, as required by the Audit Commission.

9b External Audit Statement of Audit Progress

Mrs Mayne presented the External Audit Statement of Audit Progress Report to the meeting. A synopsis of the points raised is given below.

Councillor Mellings referred to the issue of business rates income as detailed on page 5 of the report and asked what the effect would be particularly as Shropshire tended to be a net income authority. Mr Patterson responded that he did not know at this point. The CFO commented that from reading the technical papers on this issue it would appear that there is some protection until 2013/14, depending on the baseline set by Government. At this point a new way of funding will be introduced which leads to new risks in financial planning assumptions. There are options as to how business rates will be treated in the interim period but it would appear that the Authority is relatively safe until 2014/15.

With regard to the key considerations set out on page 9 of the report, the CFO reported that the issue of changes to firefighter pensions will be discussed by the Fire Authority at its meeting on 26 September 2011. The other two issues outlined have been addressed.

Mr Patterson then referred back to page 4 of the report and the update of the Audit Commission which he stated was already out of date. The contract notices for the outsourcing process were issued in the Official Journal of the European Union on 5 September 2011. The notices invite tenders for 10 contract lots in 4 geographical areas. Only one lot will be awarded to any one supplier in one region. There is a strong possibility that there will be an in-house bid from the Audit Commission's Audit Practice. The CFO thanked the Audit Commission team for maintaining their professionalism and optimism during this very difficult time.

Resolved that the Committee note the contents of the report.

10 Annual Governance Statement Improvement Plan 2011/12

This report presented the Annual Governance Statement (AGS) Improvement Plan for 2011/12, agreed by this Committee in June 2011 for approval by the Fire Authority at its meeting on 26 September 2011. The report also detailed the progress made to date against the improvements contained in that Plan.

The Planning and Performance Manager referred to Item 2 in the Appendix to the report which relates to the Asset Management System (AMS) and confirmed that the Committee will be informed once a date has been agreed for the completion of populating the AMS with the appropriate information.

The Planning and Performance Manager also reported that with regard to Item 4 in the Appendix, Fire Control will move into the new Headquarters building next week (week commencing 12 September 2011).

The Planning and Performance Manager also explained that he would be taking on the Risk Management role in the near future.

Resolved that the Committee note the report.

11 Code of Corporate Governance 2011/12

This report gave the Committee an opportunity to make comments on the draft Code of Corporate Governance 2011/12, prior to its going forward to the full Fire Authority for consideration and formal adoption.

It was proposed by Councillor Adams, seconded by Councillor Kiernan and

Resolved that Members

- a) Make no comment on the draft Code of Corporate Governance 2011/12, attached as an appendix to the report; and
- b) Agree to forward the draft Code to the Fire Authority for consideration and formal adoption.

12 Internal Audit Report on Compliance with the Code of Corporate Governance 2011/12

The Committee received the Internal Audit Report on Shropshire Fire and Rescue Service Compliance with the Code of Corporate Governance.

Mrs Hall explained that two areas of improvement had been identified through the audit. These were reference to previous strategic aims on the Service's website and the annual updating of Members Declaration of Interests forms. The CFO responded that the appropriate parts of the website had been updated and that the Declaration of Interest forms would be sent to members this week for updating.

Councillor Mellings queried the reference to 'business interests' in Appendix 1 to the report, as Members are required to declare more than 'business interests' Mrs Hall explained that this terminology had been used as this was the wording that was on the top of the form. It was agreed that this wording needs to be changed and Mrs Hall undertook to raise this issue with the Corporate Services Manager.

Resolved that the Committee note the Internal Audit Report on Shropshire Fire and Rescue Service Compliance with the Code of Corporate Governance

13 Changes to Internal Audit Plan

Following failures to the Service's ICT infrastructure in June 2011, an internal investigation was requested by the Chief Fire Officer, to be undertaken by Audit Services at Shropshire Council.

The investigation is underway, but the proposed duration is as yet unknown. However, it was agreed that, in order to accommodate in part the costs of the investigation, some changes would be made to the Internal Audit Plan for 2011/12, which was approved by this Committee in March 2011.

Following discussion with the Treasurer and the Chief Fire Officer, it has been agreed with Audit Services that 5 days of the Plan will be used, 2 of which were scheduled for Fraud and Corruption and 3 for Risk Management – this audit, originally scheduled for 6 days, will now be a lighter audit of 3 days.

Resolved that the Committee note the update given.

14 Risk Management Group Internal Audit Progress Monitoring Report

This report provided Members with an update on the monitoring of recommendations made by Internal Audit that is undertaken by the Risk Management Group (RMG). It specifically covered details about the progress made against outstanding recommendations.

The Planning and Performance Manager reported that there are no “fundamental” issues which need to be brought to the attention of the Committee. As of 31 August 2011 there are 15 “significant” recommendations. The report focuses on these and the Service’s responses to the issues are set out in the appendix to the report.

Councillor Mellings referred to recommendations 3-6 as set out in the appendix, all of which relate to mobile phone usage and date to 2007/08 and asked what action was being taken in respect of the issues highlighted. The Planning and Performance Manager explained that a new process has been put in place regarding mobile phone usage. The CFO further explained that there had been a risk that fraud could occur so the new phones currently being issued allow for two contracts on one phone thereby allowing officers to receive separate business and personal phone bills.

Resolved that the Committee

- a) Note the progress that has been made against the outstanding recommendations; and
- b) Note that the Risk Management Group will continue to monitor progress against all recommendations, reporting progress to this Committee on a regular basis.

15 Performance Monitoring

15a Public Value Performance Measures 2011/12

This report provided a summary of the organisational Public Value Performance Measures as documented in the 2011/12 Service Plan.

The Deputy Chief Fire Officer (DCFO) referred to the appendix to the report and, as summarise below, talked through those measures that are currently predicted to fail.

The measure for the first fire engine arriving with a minimum competent crew of 4 staff on 100% of occasions has failed to achieve the predicted target by 0.4% which is a failure on 5 occasions out of 1125. Service policy is that if an appliance mobilises with 3 people on board further appliances are immediately mobilised for support and safety. Councillor Carter asked if it was worthwhile amending the measure to reflect the clarification given by the DCFO. The DCFO said that this could be explored and then brought back to Members for consideration. Councillor Jones commented that this is an 'aspirational' target. The CFO agreed that this was the case and that the wording could be looked at. The DCFO explained that this is a high profile target with the public. Councillor Mellings referred to the discrepancy between the percentage and numbers involved and asked if there was any pattern to the occurrences. The DCFO responded that there was not a pattern.

The measure for accidental fires being maintained to not more than 616 fires during 2011/12 is currently predicted to fail. The DCFO explained that the first 3 months of the year always have the highest activity with regard to accidental fires and performance on this indicator should improve for the next reporting period. Of those fires attended, 50% of house fires were out on arrival with approximately 70% of those fires originating in the kitchen. The CFO explained that performance in the 4 quarters of this year was being measured in equal blocks. After these first 12 months peaks / troughs in occurrence will be identified which will enable better judgement of quarterly performance.

The DCFO explained that the measure relating to fire crimes is currently failing due to a high number of vehicle fires related to disputes between rival groups in both the Telford and the Oswestry areas. There has also been a high number of outdoor structure crimes e.g. fires in garden sheds etc. West Mercia Police have been running a campaign on this issue and the figures for July / August are already down as a result of this.

The measure relating to staff injuries through firefighting is currently also failing although 50% of the injuries reported have been sustained in operational training exercises. There have been no significant accidents and only 1 accident which needed to be reported under RIDDOR. The CFO explained that staff are encouraged to report every incident and therefore the figure for this measure may need to be set higher.

Councillor Jones referred back to the measure relating to attendance of minimum competent crew and asked for clarification of what action would be taken with regard to the wording of this. The CFO explained that the measure needs to be looked at again and the wording revised to aid clarification. The revised wording would then be brought back to the Committee for approval.

Resolved that the Committee note the report's contents and agree to continue to receive further quarterly performance updates in the format presented at this meeting.

**15b Retained Duty System Performance Monitoring
April 2011 to June 2011**

This report provided information regarding the ongoing performance and management of the Retained Duty System (RDS) in Shropshire.

The Shropshire Rural Performance Group Commander reported that the stations which are currently experiencing availability issues are Albrighton, Bridgnorth, Cleobury Mortimer, Much Wenlock and Oswestry.

Councillor Adams asked if issues with employment in the station areas, e.g. businesses closing, had a positive or negative impact on availability. The Group Commander explained that there are positive and negative implications in both the long and the short term. It also likely that there will be serious issues in Bridgnorth and Minsterley if major employers in those areas close down in the near future.

Resolved that the Committee note the contents of the report.

The meeting closed at 3.55 pm.

Chair.....

Date.....