



LONDON FIRE BRIGADE

Report title

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## Proceedings of the Audit Committee

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Report to	Date
Commissioner's Board London Fire Commissioner	8 September 2021

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Report by	Report number
General Counsel	LFC-0588

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### Executive Summary

The London Fire Commissioner (LFC) created an Audit Committee (the Committee) in the Autumn 2020 comprising four independent members in order to:

... enhance public trust and confidence in the governance of the London Fire Brigade (the Brigade), review and, where appropriate, make recommendations to the London Fire Commissioner (LFC) on the comprehensiveness, reliability and integrity of and compliance with the internal and external controls including finance, audit, risk management, and corporate governance' (Audit Committee Terms of Reference).

The establishment of an Audit Committee formed part of the LFC's Transformation Plan.

The minutes of the 15 July 2021 Audit Committee meeting are attached to this report

### Recommended decision

The London Fire Commissioner

Notes the minutes of the Audit Committee for the meeting attached as Appendix 1.

### Introduction and Background

1. The Audit Committee met recently and the minutes of that meeting as approved by the Chair, are attached as Appendix 1.
2. The Committee Terms of Reference provide at paragraph 3.8 Recommendations and reports deriving from the Committee shall be reported to the LFC for decision or consideration. The minutes of the Committee meetings are presented to the Commissioner's Board at the first available date after the Audit Committee meeting has taken place and the minutes are approved.

The Chair of the Committee is invited, as required, to the Board to present those minutes. The purpose of this report back to the LFC within the governance framework is to provide a prompt opportunity for the Commissioner to consider the business of the Committee, and any comments or recommendations that may be made, and to consider where appropriate, any action required. Any urgent matters arising from the Committee meeting will be reported directly to the LFC for action outside of this normal process.

3. The role of the Audit Committee is in part to enhance public trust and confidence in the governance of the London Fire Brigade (Committee Terms of Reference), and accordingly the minutes of the Committee are published on the LFC website as confirmed in the Committee Terms of Reference at paragraph 3.9. The minutes are also be provided to the Deputy Mayor, Fire and Resilience and to the Mayor of London.

### **Equality Impact**

4. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.
5. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
6. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, Sexual orientation.
7. The Public Sector Equality Duty requires the LFC, in the exercise of all its functions (i.e. everything it does), to have due regard to the need to:
  - (a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.
  - (b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
  - (c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.
8. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
  - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
  - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
9. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
10. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- (a) tackle prejudice, and,
  - (b) promote understanding.
11. The Terms of Reference and the Annual Work Plan provide for a focus on the LFC's performance of the duties set out under the Equality Act 2010, and the Audit Committee, through its agendas will be reviewing a range of other arrangements which may be presented to it with equality impact analysis.
12. Any recommendations resulting from the Committee will result in improvements being made by the LFC where needed and accordingly the proposals set out in the report have no negative impact on persons who share a protected characteristic, indeed the functions of the Audit Committee are more likely to have a positive impact.

### **Strategic Drivers**

13. Effective audit assurance and the work of the Audit Committee supports the strategic pillar *delivering excellence* in the LFC Transformation Delivery Plan.

### **Finance comments**

14. There are no financial implications arising from this report.

### **Legal comments**

15. Section 1 of the Fire and Rescue Services Act 2004 states that the Commissioner is the fire and rescue authority for Greater London. The Commissioner is also a 'best value' authority under the Local Government Act 1999 and must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

16. The LFC's Scheme of Governance states, inter alia, that:

"The Commissioner has adopted the CIPFA/SOLACE Framework Delivering Good Governance in Local Government which sets out the core principles on which effective governance should be built. These are: ...

- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

17. The Chartered Institute of Public Finance and Accounting (CIPFA) published a new Financial Management (FM) Code which applied from 1 April 2020. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial stability. A key message in relation to audit committees is included in the section of the FM Code on governance and financial management style, and states:

"All parts of the governance structure of an organisation play an important role, but the audit committee is a key component, providing independent assurance over governance, risk and internal control arrangements. It provides a focus on financial management, financial reporting, audit and assurance that supports the leadership team and those with governance responsibilities."

18. CIPFA's 2018 'Position Statement: Audit Committees in Local Authorities and Police' applies to all principal local authorities in the UK, the audit committees for PCCs and Chief constables in England and Wales, and the audit committees of fire and rescue authorities.

19. The proceedings of the Audit Committee proposals are consistent with the principles set out in that Statement.

### List of Appendices

<b>Appendix</b>	<b>Title</b>	<b>Protective Marking</b>
1.	Minutes of Audit Committee	None



LONDON FIRE BRIGADE

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MINUTES

## AUDIT COMMITTEE

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DATE	Thursday, 15 July 2021	TIME	2.00 pm
VENUE	Microsoft Teams - Virtual		

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Minutes of the proceedings of the meeting of Audit Committee held Microsoft Teams - Virtual on Thursday, 15 July 2021

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### **Present:**

Marta Phillips OBE, Independent Member (Chair)  
Kay Boycott, Independent Member  
Seyi Obakin OBE, Independent Member  
Martin Spencer, Independent Member

### **In Attendance:**

Fiona Dolman, Transformation Director  
Kathy Robinson, General Counsel  
Andy Bell, Assistant Commissioner, Transformation  
Adrian Bloomfield, Assistant Director, Finance  
Kate Bonham, Assistant Director, People Services  
Emma Ford, Risk and Business Continuity Manager  
Lindsey Heaphy, Head of Assurance and Audit MOPAC  
Karen Mason, Group Internal Audit Lead  
Andrew Beesley, Governance Advisor  
Anna Flatley, Governance Manager

### **1. Apologies**

There were no apologies.

### **2. Minutes of the Previous Meeting**

The minutes of the meeting held on 24 May 2021 were agreed as a correct record.

With regard to the outstanding actions, as attached to these minutes, it was noted that the Director for Transformation had arranged to discuss AC5 (Workplan) and AC6 (Internal Audit Progress Report 2020/21 Q3) with the Chair on 1 August 2021. With regard to AC7 (induction site visits), the Chair asked that arrangements be finalised before the next meeting of the Committee.

### **3. Declarations of Interest**

The Chair noted for the record that she had been appointed as a member of the Public Sector Audit Appointments Board. She did not consider it would be significant in terms of her role on the Audit Committee.

#### **4. LFC Executive Summary of Current Events**

The Director for Transformation outlined some of the current issues affecting the London Fire Commissioner (LFC), namely:

- The draft accounts had been published and the audit was underway;
- The principles of the internal budget process had been agreed and the Mayor's budget guidance was awaited;
- The assessment of risk for the Community Risk Management Plan had been agreed at Commissioner's Board as a working document. The key themes within it were being consulted upon and would be reported to the Audit Committee. It was confirmed that this would include assurance that data used was not out of date (i.e. taking into account the effect of pandemic). The Chair asked that the report be presented to the Committee before it was finalised and officers undertook to check whether the next meeting on the 28 October 2021 would be suitable;
- A legal challenge against Draeger regarding lifting auto suspension on a Respiratory Protective Equipment contract - the judgement was awaited. The Chair asked that dependent on the outcome, consideration be given to procurement being the subject of an Internal Audit this year;
- The refusal of planning decision for 8 Albert Embankment – financial implications and next steps were being considered;
- The next HMI Inspection in November 2021 for which the self-assessment was underway;
- The Grenfell Tower Inquiry – module 3 was underway which was considering fire safety. The Chair noted that module 5 (firefighting) would be more significant for the LFB and this was due to start in September.
- The High Rise policy had been published – all relevant staff had received training.

The Committee asked for an update on the impact of Covid on staff and future arrangements in light of the lifting of Government restrictions. It was noted that current policies on working from home and safety measures would be retained for the time being. The numbers of staff who were ill and self-isolating were regularly monitored.

The Chair informed the Committee that the cultural review work was starting; the first stage of which was the establishment of a Committee to oversee the procurement of the panel chair and its members. The Committee consisted of the LFC, the Deputy Mayor and herself.

#### **5. Draft Statement of Accounts - Unaudited**

The Assistant Director, Finance introduced the report by highlighting the key points and noting that the audit had commenced. With considerable challenges, including staffing, the completion of the draft accounts had been a significant achievement. He highlighted the potential impact of the ongoing issues of pension remedy in relation to the Firefighters Pension Scheme and noted that the audited accounts would be reported back to the Committee after the Audit was completed in September.

The Chair welcomed the fact that the accounts were in good shape and asked that any detailed suggested drafting amendments be sent directly to the Assistant Director, Finance. The Committee then discussed the contents and asked questions, in particular in relation to property assets and valuation, risks and reserves. It was noted that the net financial position

on draft outturn was different from that in the Statement of Accounts as a result of different deadlines and the Statement of Accounts figure was correct.

Further to discussion, the Committee asked that the final Statement of Accounts include more explanation on the earmarked reserves (page 34), clearer signposting to corporate risks with the inclusion of a narrative on mitigations in place, the possible future need to draw on reserves in light of potential downward public sector pressure, and more reference to potential challenges ahead; and the cultural change agenda. In addition any further drafting amendments sent directly after the meeting be considered.

The Audit Committee then noted the report.

## **6. Annual Governance Report and Governance Review**

General Counsel introduced the report which provided an all-encompassing view of current governance related issues and policies. General Counsel outlined the background to the LFC's decision making arrangements and likely proposals as part of the current governance review, to move to a more thematic based structure, in line with the transformation plan. It was noted that a Governance Advisor, had been seconded to undertake this review.

The Committee then welcomed this helpful report and discussed its contents. The Committee noted the particular legislative arrangements of the LFC in relation to governance and the challenges that these presented.

Future to discussion, it was suggested that in relation to paragraph 11 of the Annual Governance Statement (Appendix 1) it would be helpful to detail what the controls are that are employed to mitigate key system risks; and it was noted that this would be included in future statements. It was noted that the Audit Committee was referenced in the covering report, and the Committee suggested this should be included in the annual record of accounts also. The Committee also suggested that in relation to paragraph 22 of the main report regarding the Whistleblowing Policy there be a mechanism to report on matters reported, but deemed not to be whistleblowing.

The Audit Committee then noted the report.

## **7. External Audit Plan 2020/21**

The Assistant Director, Finance introduced the report by highlighting the key risks which presented a challenge for the LFC, noting that two other areas of focus, namely pension liability and going concern had been identified by the Auditors; noting that Value for Money requirements were not anticipated to be significant; and outlining the audit timetable. Further to questions the Assistant Director, Finance also noted the staffing issues which the LFC had faced and that the results of the spending review was awaited.

The Committee then discussed the report and highlighted the need to link the Growing Concern with the outcome of the Spending Review and the Mayor's Budget Guidance. It was confirmed that all key questions were being worked through with the Auditors. The Committee also queried the fees, noting that EY were claiming considerable extra fees when there were no significant errors in 2019/20 and the Committee discussed the reasons for this and the steps were being taken to prevent such additional fees in 2020/21.

The Audit Committee then noted the report.

## **8. Provisional Outturn Report for 2020/21**

The Assistant Director, Finance introduced the report and the Chair noted that a number of the issues contained within it had already been discussed under earlier items on the Agenda. The Committee discussed the report and in particular the movement during the financial year, noting that in Quarter 1 there was an overspend forecast of £20 million and in Quarter 4, due to Home Office funding, COVID-19 and progress in levels of spend, there was an underspend forecast of £10 million.

The Audit Committee then noted the report.

## **9. LFB Quarterly Performance Report Quarter 4 2020/21**

The Assistant Commissioner, Transformation introduced the report which it was noted was a condensed report as requested by the Audit Committee Chair and which the Committee welcomed.

The Assistant Commissioner, Transformation then summarised the performance as set out in the report and the appendix, specifically noting the key highlights of the performance indicators, as set out in paragraph 6 and 7 of the report.

The Committee then discussed the report and welcomed that in general performance against key performance indicators was good.

The Committee then discussed how the performance data could be used in aiding the move to a culture of performance improvement through highlighting good practice. It was suggested that in future the Committee be provided with comparisons between boroughs on KPIs and be given some examples of good practice. The Officers undertook to provide this and noted that understanding the tools needed for continuous improvement was one where resources and time were being allocated.

The Committee then discussed how to ensure that progress made would be maintained and lead to lasting change and it was acknowledged that this was key and it was important that progressive actions needed to be embedded. The Committee also discussed whether there should be consideration given to more outcome based key performance indicators.

In response to questions, officers commented that they were confident that the HMICFRS would see the improvements made since the last inspection and the two causes for concern during the last inspection would be acknowledged as having been addressed.

Officers confirmed in response to a question that statistics on the retention of women and BAME staff were collated.

The Audit Committee then noted the report.

## **10. Counter Fraud and Corruption Policy**

The Assistant Director, Finance introduced the report and noted that this policy was reviewed every three years and the changes made in 2021 did not significantly change the arrangements for counter fraud and corruption but were to reflect the environment in which the policy operates, including changes in Brigade structure and approach.



The Committee endorsed the Counter Fraud Policy and then discussed what the Committee's role should be in this area, suggesting that new and emerging threats be included into the Committee's Forward Plan, with the aim of raising awareness. Internal Audit's role in delivery of this strategy was noted and that actions arising from relevant audits would form part of the updates to the Committee.

The Audit Committee then noted the Counter Fraud Policy and that it would be reviewed again in 2024 as part of the regular three year review programme.

## **11. Update on Togetherness Strategy**

The Assistant Director, People Services introduced the report by outlining the highlights as set out in paragraph 4 of the report. It was noted that the Togetherness Strategy had been launched a year previously and 15 of the 97 actions had been completed.

The Committee then discussed the report, welcomed the information provided and endorsed the move towards more clearly reflecting the society which the LFB represents. The Committee also welcomed the move to a Project Management Office Model but stressed the need to ensure spaces remained for individual staff to air views and ideas. Officers acknowledged this and it was noted that there were lots of sessions with fire station staff.

The Chair also asked that for future reports the Action list be made clearer to differentiate actions which had been rescheduled from those which had not been met.

The Audit Committee then noted the report.

## **12. Treasury Management Annual Report 2020/21**

The Assistant Director, Finance introduced the report by noting that the treasury management activities were carried out by the Greater London Authority under a shared service agreement. It was noted that borrowing of £17 million for one year had been secured to deal with the delay to the realisation of the capital receipt from 8 Albert Embankment. It was further noted that the Commissioner and all Directors had received treasury management training.

The Audit Committee then noted the report.

## **13. Risk Register**

The Chair noted that the Committee had looked at this in detail at the previous meeting and this report provided an update. The Assistant Commissioner, Transformation confirmed that this was a high level focus on red risks and added that the Commissioner's Board discussed these on a monthly basis.

The Risk Manager then detailed the current position of the 6 red risks as set out in table 2 of the report, noting that the number of red risks had not changed since previously reported. It was noted that there had been a couple of changes in risk definitions and some controls had been added.

In addition, Horizon Scanning had identified three potential future red risks, namely negative consequences on morale arising from the cultural review; pension changes leading to increased numbers of staff leaving; and leadership capacity as a result of training provisions

being withdrawn from middle managers. It was noted that all three would be discussed at the next meeting of the Peoples Board.

The Committee then discussed the report and in particular the emerging risks which the Committee noted were useful to be made aware of. Particular concern was expressed on the risk regarding the cultural review, noting potential reputational damage if this was not handled correctly. Officers acknowledged this and that any change agenda had to be managed sensitively. The context, in that the fire service had been the subject of considerable criticism over the previous four years was noted, which meant it was unsurprising that there was anxiety about further change.

The Audit Committee then noted the report.

#### **14. Any Other Business**

There was no other business.

#### **15. Dates of Future Meetings**

The next meeting of the Audit Committee is scheduled to take place on 28 October 2021. It was further noted that the Deputy Mayor, who had been unable to attend this meeting, was now scheduled to attend the meeting in October.

Anna Flatley, Governance Manager  
Clerk to Audit Committee