

Report title

London Fire Commissioner Audit Committee Annual Report 2020/2021

Report to	Date
Audit Committee	2 December 2021
Commissioner's Board	13 January 2022
Deputy Mayor's Fire and Resilience Board	8 February 2022

Report classification

For Assurance

The subject matter of this report deals with the following LFB strategic priorities

Delivering excellence

Report number – LFC-0648

For Publication

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DECISION-MAKER

Executive Summary

This report provides a summary of the work of the London Fire Commissioner's (LFC) Audit Committee for the year 2020/2021. The Audit Committee was constituted in November 2020 to provide more robust scrutiny and assurance of LFB's financial, risk and governance and other internal control arrangements. Its Terms of Reference state that it shall produce an annual report which will be published on the LFC website.

Additionally, attached at Appendix 3 are the minutes from the recent meeting of the Audit Committee which took place on 2nd December 2021 where the Annual report was approved for consideration by LFC.

Recommended decisions

For the London Fire Commissioner

The London Fire Commissioner notes the Annual Report 2020/21 of the LFC Audit Committee, and notes the minutes of the Audit Committee meeting held on 2 December 2021 attached as Appendix 3.

1. Introduction and background

- 1.1 The London Fire Commissioner (LFC) established the LFC Audit Committee on 4 November 2020 to provide more robust scrutiny and assurance of LFB's financial, risk and governance and other internal control arrangements.
- 1.2 The Audit Committee's agreed Terms of Reference (attached at Appendix 1) state its role is 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'. Appendix 2 also includes an analysis of reports and work undertaken in 2021 against the Terms of Reference.
- 1.3 The LFC Audit Committee comprises four independent Members:- Ms Marta Phillips OBE (Chair); Ms Kay Boycott; Mr Seyi Obakin OBE; and Mr Martin Spencer. All Members were appointed for two years after which this is subject to review by the LFC. Membership attracts a remuneration of £15,000 and £12,000 per annum for the Chair and Members respectively.
- 1.4 The Audit Committee had an initial meeting in December 2020 to consider its Terms of Reference and provide Members with an introduction to the LFC. It then had four substantive meetings in 2021 before today's meeting (25 February; 24 May; 15 July and 28 October) where it considered a wide range of issues as set out below. Unfortunately, due to the Covid pandemic these meetings have all been held virtually. At its meeting on 25 February 2021 it agreed a workplan which provided the basis for agenda planning although was subsequently revised in light of the Committee's experience in its inaugural year. The Committee is due to consider its workplan for 2022 at the December meeting of the Audit Committee and intends to develop this to ensure it can most effectively engage and add value to the work of the LFC.
- 1.5 As required by the Terms of Reference, the Chair of the Audit Committee has also attended the Commissioner's Board to present the minutes of each Audit Committee meeting and answer any questions. These minutes are published on the LFC website in accordance with the Terms of Reference and are also provided to the Deputy Mayor for Fire and Resilience and to the Mayor of London.

Areas of work considered

1.6 The Committee's main focus during its first year has been on the following areas in its work programme and Appendix 2 includes and analysis of the reports and work undertaken against the Terms of Reference:

- **Finance.** The Committee has considered the quarterly LFC financial position reports; the Outturn reports; Budget reports including the Capital Strategy; and Treasury Management reports.
- **Internal Audit.** The Internal Auditors are standing advisors to the Committee and the Committee have considered progress reports on a quarterly basis and the Internal Audit Annual Plan in both its draft and final form.
- **External Audit.** The External Auditors, Ernst and Young, attended two meetings of the Audit Committee where the Committee considered the Statement of Accounts and External Audit Results Report
- **Performance.** LFB Performance Reports have been considered at the Committee
- **Assurance.** The Assurance Framework and action plans arising from the Transformation Delivery Plan, Grenfell Tower and HMI have been considered by the Committee. The Committee also considered the Independent Operational Assurance Advisor Workplan.
- **Risk.** The Committee has discussed the Strategic Risk Register regularly and has focused on red risks including: terror threat; training; culture review and emerging risks. The Committee took a specific paper on the area of commercial risks in procurement and contracts and Cyber Security.

1.7 The Committee has also received at each meeting an update on current key issues, and where relevant noted that issues raised would be considered in more detail as part of its assurance and scrutiny remit. In addition, it has received reports on:

- The Local Pension Board;
- Counter Fraud and Corruption Policy,
- Governance Review,
- Togetherness Strategy,
- Information Requests, and
- Health and Safety Monitoring.

1.8 The Committee, in accordance with best practice, held a closed session with both the Internal and External Auditors at its October meeting

Other Activities by the Audit Committee

- 1.9 The Audit Committee Members have held workshops with relevant officers on the following topics: Finance; Transformation; Assurance; and People. This has provided an opportunity for Members of the Committee to gain a more in-depth knowledge of these areas of focus for the Committee. The Chair also discussed the strategic communications priorities with the then Interim Head of Communications.
- 1.10 The Review of the Culture of the LFC was announced in March 2021 and the Chair of the Audit Committee was appointed to be the Independent Chair of the Search Committee which was established to search for a recruitment agency to source candidates for the Cultural Review Panel Chair and members. In her role as Chair she has participated in the tender and appointment process.
- 1.11 The COVID pandemic has meant that it has been hard to organise visits as part of the induction of members of the Committee. However, arrangements have been made for the Members of the Committee to visit Control in November 2021 and it is hoped further visits will be undertaken in the coming year. It is also hoped that future meetings can be held in person. The Audit Committee would very much welcome this.

Outcomes /considerations for 2022

- 1.12 The Audit Committee Chair has kept the LFC abreast of the work of the Committee when presenting the minutes to the Commissioner's Board and highlighted key points.
- 1.13 The Audit Committee has commented on reports as part of its role in providing assurance and has made suggestions regarding good practice. For instance when reviewing the Statement of Accounts, the Committee noted that the LFC's current external valuers contract was scheduled to come to an end and would need to be renewed. The Committee stressed the need for objectivity from the valuers, noting that good practice requires rotation, whilst acknowledging the need for expertise also.
- 1.14 Specifically the Chair has highlighted that risk management was an area of interest to the Audit Committee and offered to assist the LFC with its responses to internal audit reviews and inspection reports. It has also queried whether budget planning structures were significantly robust.
- 1.15 The Audit Committee has further noted the benefits of the portfolio approach, and the cultural challenges that this would present and expressed a view that a continual forward look would enable the organisation to be more efficient and use its budgets more effectively.
- 1.16 The Committee has expressed its concerns as to whether the LFC has the capacity to respond to all the demands upon it by the sheer volume of change. The Committee has expressed its view for the need for prioritisation.
- 1.17 The Committee will be drawing up its workplan for 2022 in light of the experiences gained in 2021 and where it can add value and provide assurance to the LFC.

2. Objectives and expected outcomes

- 2.1 The Audit Committee supports the strategic pillar delivering excellence in the LFC Transformation Plan by contributing to the provision of effective audit assurance.

3. Equality comments

- 3.1 The LFC and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (section 149 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.
- 3.2 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.
- 3.3 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, and sexual orientation.
- 3.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
 - eliminate discrimination, harassment and victimisation and other prohibited conduct
 - advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it
 - foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 3.5 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:
 - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic
 - 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
 - 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.
- 3.6 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.
- 3.7 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:
 - tackle prejudice
 - promote understanding.
- 3.8 The Audit Committee's Terms of Reference and workplan provide for a focus on the LFC's performance of the duties set out under the Equality Act 2010. The Committee also considers reports which have had equality impact assessments and any resulting recommendations from the Committee may have a positive impact on persons who share a protected characteristic.

4. Other Considerations

Workforce comments

4.1 There is no direct impact on staff arising from this report. Staff side will be provided with a copy of this report in advance of the meeting of the Deputy Mayor's Fire & Resilience Board.

Sustainability comments

4.2 There are no sustainability implications arising from this report.

Procurement comments

4.3 There are no procurement comments arising from this report.

5. Financial comments

5.1 The remuneration of the committee members are now included as part of the Medium Terms Financial Strategy (MTFS). Any consideration in to the forward plan of the committee should be alongside the MTFS in order to develop areas of growth, savings or risk that is unquantifiable at this point in time as part of a risk based approach.

6. Legal comments

6.1 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.

6.2 The LFC's Scheme of Governance states, *inter alia*, that:

6.3 "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: ...

6.4 • Managing risks and performance through robust internal control and strong public financial management

6.5 • Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

6.6 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:

6.7 "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."

- 6.8 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.
- 6.9 The proceedings of the Audit Committee proposals are consistent with the principles set out in that Statement.

List of Appendices

Appendix	Title	Open or confidential
1.	Audit Committee Terms of Reference	
2.	An analysis of reports and work undertaken in 2021 against the Terms of Reference.	
3.	Audit Committee draft minutes from its meeting of 2 December 2021	

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer

Anna Flatley has drafted this report and confirms the following:

Assistant Director/Head of Service

Kathy Robinson has reviewed the documentation and is satisfied for it to be referred to Board for consideration.

Advice

The Finance and Legal teams have commented on this proposal;

Kathy Robinson, General Counsel (Head of Law and Monitoring Officer)

[James Buttery Financial Advisor, on behalf of the Chief Finance Officer