



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

To: The Chair and Members of the Audit &
Performance Review Committee

(see below)

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AUDIT & PERFORMANCE REVIEW COMMITTEE **(Devon & Somerset Fire & Rescue Authority)**

Friday 18 January 2019

A meeting of the Audit & Performance Review Committee will be held on the above date, **commencing at 10.00 am in Committee Room B, Somerset House, Service Headquarters, Exeter** to consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING SHEETS

1 Apologies

2 Minutes (Pages 1 - 4)

of the previous meeting held on 9 November 2018 attached.

3 Items Requiring Urgent Attention

Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

PART 1 - OPEN COMMITTEE

4 External Audit Progress Report and Sector Update (Pages 5 - 16)

The Authority's External Auditor, Grant Thornton, has submitted an Audit Progress Report and Sector Update (as attached) up to 7 January 2019 for information.

5 External Audit Plan (Pages 17 - 30)

The Authority's External Auditor, Grant Thornton, has submitted, for information (and as attached), an overview of the planned scope and timing of the statutory audit of Devon and Somerset Fire and Rescue Authority ('the Authority') for the year ended 31 March 2019.

6 Group Accounts for Devon & Somerset Fire & Rescue Authority & Red One Ltd. (Pages 31 - 32)

Report of the Director of Finance (APRC/19/1) attached.

7 Audit & Review 2018-19 Progress Report (Pages 33 - 42)

Report of the Director of Service Improvement (APRC/19/2) attached.

8 Corporate Performance Reporting (Pages 43 - 52)

Report of the Director of Service Improvement (APRC/19/3) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Healey MBE (Chair), Bowyer, Clayton, Mathews, Napper (Vice-Chair), Saywell and Wheeler

NOTES

1.	<u>Access to Information</u> Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.
2.	<u>Reporting of Meetings</u> Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chair - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority. Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chair or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.
3.	<u>Declarations of Interests at meetings (Authority Members only)</u> If you are present at a meeting and you are aware that you have either a disclosable pecuniary interest, personal interest or non-registerable interest in any matter being considered or to be considered at the meeting then, unless you have a current and relevant dispensation in relation to the matter, you must: <ul style="list-style-type: none">(i) disclose at that meeting, by no later than commencement of consideration of the item in which you have the interest or, if later, the time at which the interest becomes apparent to you, the existence of and – for anything other than a “sensitive” interest – the nature of that interest; and then(ii) withdraw from the room or chamber during consideration of the item in which you have the relevant interest. If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have an interest of a sensitive nature. You must still follow (i) and (ii) above. Where a dispensation has been granted to you either by the Authority or its Monitoring Officer in relation to any relevant interest, then you must act in accordance with any terms and conditions associated with that dispensation. Where you declare at a meeting a disclosable pecuniary or personal interest that you have not previously included in your Register of Interests then you must, within 28 days of the date of the meeting at which the declaration was made, ensure that your Register is updated to include details of the interest so declared.
4.	<u>Part 2 Reports</u> Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.
5.	<u>Substitute Members (Committee Meetings only)</u> Members are reminded that, in accordance with Standing Order 37, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.

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AUDIT & PERFORMANCE REVIEW COMMITTEE

(Devon & Somerset Fire & Rescue Authority)

9 November 2018

Present:-

Councillors Napper (Vice-Chair, in the Chair), Bowyer, Clayton, Coles (vice Healey MBE), Mathews, Peart (vice Saywell) and Wheeler

Apologies:-

Councillor Healey MBE (Chair)

* **APRC/8** **Minutes**

RESOLVED that the Minutes of the meeting held on 27 July 2018 be signed as a correct record, subject to amendment under Minute *APRC/1 to change the word "Mionate" to "Minute" and "te" to "the".

* **APRC/9** **External Audit Update**

Aditi Chandramouli was introduced to the Committee as the new Engagement Manager from Grant Thornton.

The Committee received for information a report submitted by the Authority's external auditors, Grant Thornton, setting out the progress made in delivery of its audit responsibilities to the Devon & Somerset Fire & Rescue Authority (up to 26 October 2018). The report covered the following matters, amongst others:

- The progress made to date with the financial statements audit, the value for money conclusion and the Annual Audit Letter (Minute *APRC/10 below refers);
- A fire sector update including an up to date summary of emerging national issues together with insights from the local authority sector and reports of interests;
- a number of recent CIPFA publications, including a consultation on the Financial Resilience Index.

* **APRC/10** **Annual Audit Letter**

The Committee received for information the Authority's Annual Audit Letter for the year ended 31 March 2018 as submitted by the Authority's external auditor, Grant Thornton.

Peter Barber, representing Grant Thornton, drew attention to the work that had been undertaken with the Authority during the year, including the Statement of Accounts and the Value for Money conclusion, both of which had received an unqualified opinion.

* **APRC/11** **Audit & Review Update: Quarter 2**

The Committee received for information a report (APRC/18/18) that provided an update on the progress made to date against the approved 2018-19 Internal Audit Plan and which also provided an update on the additional audit work undertaken.

The report also provided assurance statements for the audits completed to date and recorded the progress against the approved Internal Audit Plan. Additionally this included an overview of key assurance activities completed by other teams who contributed to the audit plan, such as Information Assurance, Operational Assurance, and Safety Assurance. The report set out an overview of the assurance tracking process and the current high priority recommendations that remain as 'open' on the assurance tracker. It was noted that, over the last 12 months, a 67% decrease had been seen in overdue recommendations with no update, to 43 (132) reported in September 2018).

* **APRC/12** **Corporate Risk Register**

The Committee received for information a report (APRC/18/xx) that set out information on the Service corporate risk register, captured and described the Authority's most significant risks, with a focus on cross-cutting risks and major projects. The report also set out the new risks that had been identified, namely:

- CR041 - Outstanding policies may adversely impact on safe systems of work and reduce existing compliance standards.
- CR042 - Restrictive business rules for minimum operational crewing levels impacts
- CR043 - ICT business continuity plans that support organisational restoration should be tested regularly for plan adequacy.

* **APRC/13** **Devon & Somerset Fire & Rescue Service Performance report: April to September 2018**

The Committee received for information a report of the Director of Service Improvement (APRC/18/20) that set out the Service's performance for the period of April 2017 to September 2018 with a focus on quarter 2 of 2018-19. The report highlighted the new format for the performance information which set out a measure status of good performance, monitor performance' or negative exception. This was established through an assessment of the different types of analysis, for example, performance versus the previous year, performance versus the previous quarter and trends and performance against normal variation to give a more rounded picture and which directed focus more effectively on emerging issues. Where a measure was reported as an exception, a separate report would be provided.

Three of the eight measures were showing positive performance whilst three measures were showing negative performance with two requiring monitoring. In terms of the measures showing negative performance, the following was noted:

Positive performance:

- Fire-related injuries where people live had seen a reduction in both the reporting quarter (-15.4%) and year-to-date figures (-12.5%);
- Fires where people live had seen a reduction in incidents in both the reporting quarter (-9.5%) and year-to date (-12.3%);
- Emergency response standards for fires where people live were showing improvement compared to previous year for the reporting quarter and only a slight deterioration in year-to-date performance. The long-term trend is also positive.

Monitoring Performance:

- Fire-related injuries where people work, visit and in vehicles was showing variable performance with the reporting quarter showing no change from previous year and year-to-date showing a slight improvement. Both three and five-year trends are upward. The number of injuries recorded were low and as such small variations within the data could affect measurement significantly.
- Emergency response standards for road traffic collisions was showing variable performance and should be monitored. There has been a slight decline in performance during Quarter 2 of 2018/19 and year-to-date performance was also slightly worse than previous year. However, three and five-year trends were positive.

Negative Performance

- There had been five fire-related deaths between April and September 2018; three due to fires where people live, one due to a vehicle fire and one due to an out of control bonfire. Where a death unfortunately had occurred the related measures will be reported as exceptions;
- Fires where people work, visit and in vehicles had increased for both the reporting quarter and year-to date. The rolling three-year trend is upward, however, the five-year trend was down. Analysis indicated that the increase was likely to be linked to the sustained period of dry hot weather experienced over the summer months.

***DENOTES DELEGATED MATTER WITH POWER TO ACT**

The Meeting started at 10.00 am and finished at 11.20 am

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Audit Progress Report and Sector Update

Devon and Somerset Fire and Rescue Authority
Year ending 31 March 2019
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January 2019



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Introduction



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This paper provides the Audit and Performance Review Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a fire and rescue authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Performance Review Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at 7 January 2019

2017/18 Audit

We have completed our audit of the Council's 2017/18 financial statements. Our audit opinion, including our value for money conclusion and certificate of audit closure was issued on 30 July 2018.

We issued:

- An unqualified opinion on the Council's financial statements; and
- An unqualified value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have issued all our deliverables for 2017/18 and have concluded our work on the 2017/18 financial year.

2018/19 Audit

We have begun our planning processes for the 2018/19 financial year audit.

Our detailed work and audit visits will begin later in the year and we will discuss the timing of these visits with management. In the meantime we will:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

Other areas

Meetings

We met with the Finance team in October 2018 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We will also be meeting with your Director of Finance and Chief Fire Officer in January 2018 to consider emerging developments

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our next event is our Chief Accountants Workshop which will be taking place early in 2019 to support the production of the 2018/19 financial statements. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Performance Review Committee setting out our proposed approach in order to give an opinion on the Authority's 2018-19 financial statements.	January 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Performance Review Committee .	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Authorities are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

HMICFRS News

HMICFRS Inspection – summary of First Tranche

This is the first time that HMICFRS has inspected fire and rescue services across England. Their focus is on the service they provide to the public, and the way they use the resources available.

HMICFRS have inspected 14 services in the first tranche of inspections. Each inspection assesses how effective and efficient the service is, how it protects the public against fires and other emergencies and how it responds to the same. They also assess how well each service looks after the people who work there. Devon and Somerset Fire and Rescue Authority are in the third tranche of inspections, and are scheduled for inspection in Spring 2019

In carrying out inspections of fire and rescue services in England, HMICFRS have regard to the following main questions:

1. How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
2. How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?
3. How well does the fire and rescue service look after its people?

The categories of graded judgement used are: outstanding, good, requires improvement and inadequate

HMICFRS Inspection - Findings

Effectiveness

Overall, the HMICFRS judged ten services to be good and four as requiring improvement. In arriving at the overall judgment, they examined a range of operational practices, including: fire prevention; protection through regulation; emergency response; and responding to national risks.

Specifically, the HMICFRS has concerns in relation to ‘protection through regulation’ where they have rated eight out of fourteen services as requiring improvement, and one as inadequate.

Efficiency

HMICFRS graded eight of the fire and rescue services they inspected as good for efficiency, five as requiring improvement, and they found one service to be inadequate. In arriving at these judgments, they considered how well the service uses resources to manage risks; and how well the service is using resources to ensure the service it provides is affordable now and in the future

The inspections showed that a large number of services were deploying staff to activities in the same way they always have, which may not be appropriate given new and emerging risks being faced, coupled with having fewer staff. Furthermore, they found that some fire services were using reserves without a longer-term sustainable funding plan in place.

People

Three services were graded as good at looking after the people who work for them; ten services were graded as requiring improvement, and one service was graded as inadequate. They considered how well services train, manage, treat and support the people who work for them

This was the area of greatest concern for the HMICFRS, as the inspection revealed a lack of diversity within fire services, as well as a large number of unreported instances of bullying. A recommendation that leaders take swift and sustained action to remedy these problems was made.

HMICFRS News

NFCC responds to the new fire inspectorate report

The Chair of the National Fire Chiefs Council has received the fire and rescue inspectorate report which gives the first overview of inspections of English Fire and Rescue Services

NFCC Chair Roy Wilsher noted the new inspectorate regime and report, and stated: NFCC has worked closely with the Inspectorate to help develop the inspection methodology. We will now work with fire and rescue services to review the inspectorate reports as they are published. This will allow us, working together, to ensure areas for improvement are identified and addressed.

He also states that the inspections highlight areas which may need additional government support, including funding, particularly in the area of Fire Protection and Prevention, and that the NFCC will work with services, the Home Office and HMICFRS to address these issues. The Chair also notes that the report states that long-term under-investment in areas such as protection has resulted in large reductions in fire safety audits, and that in order to address these issues, it is essential that fire and rescue services receive adequate funding.

The Chair made reference to the issues noted in relation to equality and diversity, and noted that it is disappointing to see that not everywhere has so far achieved a positive internal working culture and stated that the NFCC will continue work on this extremely important area. Diversity and embracing difference is another area for improvement however several NFCC initiatives are underway to address this, which are being well-supported by fire services

Recommendations from the new fire inspectorate report

Some of the key recommendations from the report are listed below:

- a) Services could improve how they engage with communities – The quality, quantity and timeliness of information contained within the IRMP varies significantly between fire and rescue services. HMICFRS would like to see fire and rescue services improving the way they use this information to determine allocation of resources across the organisation according to risk
- b) Services could improve the way they evaluate the benefits of their collaborative efforts – Often services didn't know what benefits (including financial savings) they were getting out of the collaboration, and this could be improved
- c) Financial planning needs to improve – HMICFRS found that several services had very limited financial planning in place beyond 2020. They recommend that planning work beyond 2020 needs to start now in order to understand the tough decisions needed to reduce costs further.
- d) Fire and rescue services need to improve workforce planning – A number of services have carried out little or no recruitment. Leaders need to anticipate their future recruitment needs and plan for these accordingly.
- e) Promotions and selection processes to be more transparent – Fire and rescue services need to do better at explaining their promotion processes to staff, as they are considered unfair, or not clear and open enough.

The full report can be accessed by clicking on the cover



Creating and operating a successful fire trading company – A Grant Thornton report

How fire trading companies can combat austerity

In October 2018, Grant Thornton released a report which contained a study of fire trading companies (FTCs). In our latest study we have researched a range of FTCs, from those reported as being successful to lessons learned from those that have encountered challenges and ceased to trade.

Of the 48 fire and rescue services in England and Wales, only 31% have an FTC. In comparison, 60% of local authorities have at least one trading company. This could be attributed to several factors, such as a lack of willingness to trade; the restricted, specialist and competitive market in which FTCs operate; and the fact that some FTCs have ceased trading.

The report found that the most successful FTCs are not just financially sustainable but are also providing social value and wider benefit to their local communities.

They tend to be larger companies who understand the commercial market in which they operate, are able to capitalise on their specialist skills and are looking for ways to expand and widen their activities.

The report goes on to consider some of the key success factors in running an FTC, including clarity on the rationale for setting up an FTC, ensuring sustainable income streams, creating the right culture, and establishing effective governance arrangements, amongst others.

The report also lists six case studies, which are all FTCs. Some of the successful FTCs are able to have more autonomy from the fire service in meeting their objectives, with ring fenced profits being able to be invested in community projects based on the objectives of the board of the FTC.

Some smaller FTCs also have significant impact on reducing the strain on the public purse, for example by providing training to delegates in improving fire safety and reducing risk

Setting up a fire trading company

FTCs can provide opportunities to generate additional income, utilise spare capacity within the fire and rescue service (FRS), offer a social return and improve fire safety. For example, through bidding for work to provide services outside of their own authority. But while some FTCs are competing successfully and are on a growth trajectory, others are less successful with uncertain futures.

Maintaining success

As with any successful commercial organisation, an FTC must be dynamic, flexible and adapt to changing market forces. It needs to review and develop its commercial acumen and culture on an ongoing basis. And this need to be commercial and sustainable must be recognised by both leadership and staff.

The full report can be accessed by clicking on the cover



Home Office news



Home Office

Enabling Police and Crime Commissioners (PCCs) to sit and vote on Combined Fire and Rescue Authorities (FRAs)

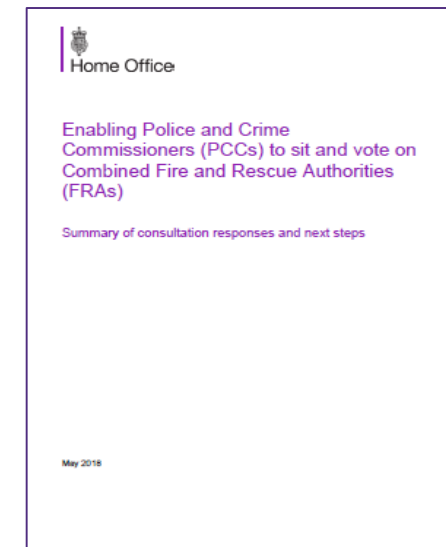
The Home Office has summarised the consultation responses and next steps in respect of the proposal to vary the combination schemes of Combined Fire and Rescue Authorities (FRAs).

The responses demonstrate strong support among those directly affected for implementing the provisions of the 'representation model', with 91% of affected Combined FRAs agreeing to the proposed amendments.

This consultation was about ensuring that Combined FRAs can appoint a PCC with voting rights, and that the same level of transparency applies to Combined FRAs as it does to County or Metropolitan FRAs. Having carefully considered the consultation responses, the Government has decided to vary the combination schemes of those Combined FRAs who have agreed to the proposed amendments. A negative statutory instrument (SI) will now be drafted to make these amendments and it is then expected to be laid before Parliament in the autumn.

This sets a clear expectation for opportunities for closer working and cooperation to be implemented and encourage collaboration in areas where a PCC does not take on responsibility for local fire and rescue services. It is expected that each affected FRA will now carefully consider a relevant PCC's membership request should it be made.

The full report can be accessed by clicking on the cover



Independent Review of Building Regulations and Fire Safety: final report

Commissioned by government following the Grenfell Tower fire to make recommendations on the future regulatory system, Dame Judith Hackitt's final report was published in May 2018. Its purpose is to make recommendations that will ensure we have a sufficiently robust regulatory system for the future and to provide further assurance to residents that the complete system is working to ensure the buildings they live in are safe and remain so. It is examining the building and fire safety regulatory system, with a focus on high-rise residential buildings.

Page 15
the report, Dame Hackitt states that it is essential that the industry works to implement a truly robust approach to building the increasingly complex structures in which people live. The key issues underpinning the system failure include:

a) Ignorance – regulations and guidance are not always read by those who need to, and when they do the guidance is misunderstood and misinterpreted.

b) Indifference – the primary motivation is to do things as quickly and cheaply as possible rather than to deliver quality homes which are safe for people to live in. When concerns are raised, by others involved in building work or by residents, they are often ignored. Some of those undertaking building work fail to prioritise safety, using the ambiguity of regulations and guidance to game the system.

c) Lack of clarity on roles and responsibilities – there is ambiguity over where responsibility lies, exacerbated by a level of fragmentation within the industry, and precluding robust ownership of accountability.

d) Inadequate regulatory oversight and enforcement tools – the size or complexity of a project does not seem to inform the way in which it is overseen by the regulator. Where enforcement is necessary, it is often not pursued. Where it is pursued, the penalties are so small as to be an ineffective deterrent.

Recommendations

The main recommendation as a result of this report is a new regulatory framework focused, in the first instance, on multi-occupancy higher risk residential buildings (HRRB); alongside a new Joint Competent Authority (JCA) comprising Local Authority Building Standards, fire and rescue authorities and the Health and Safety Executive to oversee better management of safety risks in these buildings (through safety cases) across their entire life cycle; as well as a mandatory incident reporting mechanism for dutyholders with concerns about the safety of a HRRB.

The report goes on to set out the changes necessary to achieve this new framework in more detail including chapters on building safety during design, construction, refurbishment and occupation, giving residents a voice, and creating a more robust and transparent construction products regime.

Whilst the recommendations in each chapter are crucial, in isolation they will fail to achieve the systemic change sought. The framework operates as a mutually reinforcing package and requires the implementation of its interdependent components in order for this to be achieved.

The report concludes that it is therefore important that government develops a joined-up implementation plan to provide a coherent approach to delivering the recommendations in this report.

The full report can be accessed by clicking on the cover



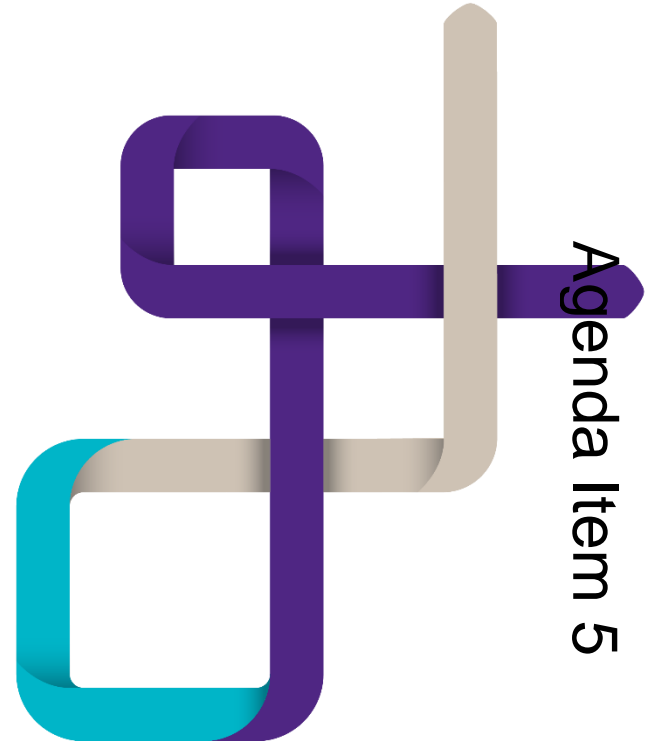
External Audit Plan

Year ending 31 March 2019

Devon and Somerset Fire and Rescue Authority

18 January 2019

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Your key Grant Thornton
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Devon and Somerset Fire and Rescue Authority ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Devon and Somerset Fire and Rescue Authority. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Performance Review Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Performance Review Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue recognition (rebutted)
- Management override of controls
- Valuation of pension fund net liability
- Valuation of property, plant and equipment

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.77m (PY £1.58m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £89k (PY £79k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Medium Term Financial Planning
- Red One – Governance arrangements

Audit logistics

Our interim visit will take place in January and our final visit will take place in June. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £26,041 (PY: £33,820) for the Authority, subject to the Authority meeting our requirements set out on page 13.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

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Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Devon and Somerset Fire and Rescue Authority, the Medium Term Financial Plan modelling is showing that the Authority needs to make significant savings by 2021/22 of between £8.4m and £14.6m depending on the level of Council Tax increase.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

The Authority should consider the effect of these changes and the impact they may have on the financial statements

Changes to service provision

- The Authority has changed its Firefighters Pensions Service Provider from the 1st of April 2018. The new service provider is West Yorkshire Pension Fund
- The Authority has changed its payroll provider during the 2018-19 financial year.

We have been involved in discussions with the Authority about these changes, and the possible impact on the Authority

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- We will undertake audit procedures in order to understand the controls which the new service providers have put in place to ensure that the service is effective
- We will keep you informed of any outcomes from our audit procedures, including whether any additional risks are arising as a result of the changes to service provision.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of fire authorities, including Devon and Somerset Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for the Authority</p>	No work proposed as risk has been rebutted
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Property, Plant and Equipment	<p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£110.7 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£733.3 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<ul style="list-style-type: none"> • We will: • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

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Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

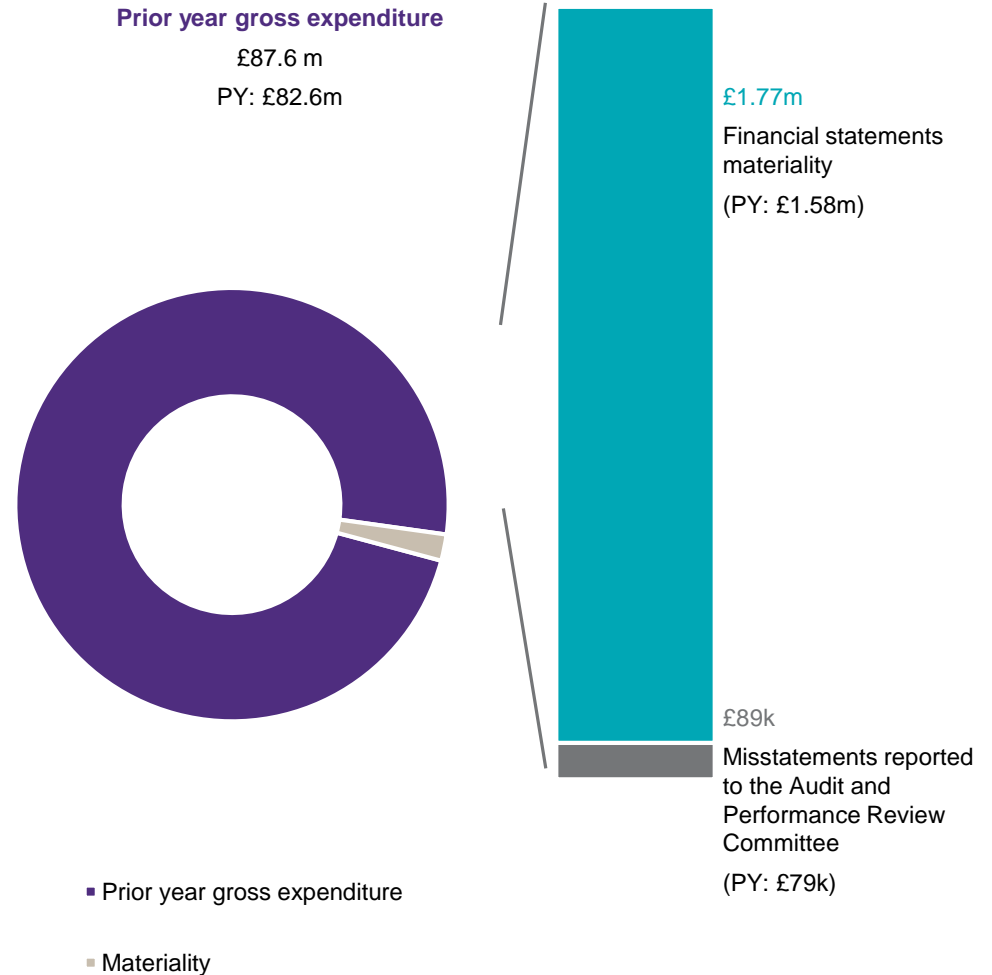
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.77m (PY £1.58m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £20k for Senior officer remuneration.

We re-consider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £89k (PY £79k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Performance Review Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

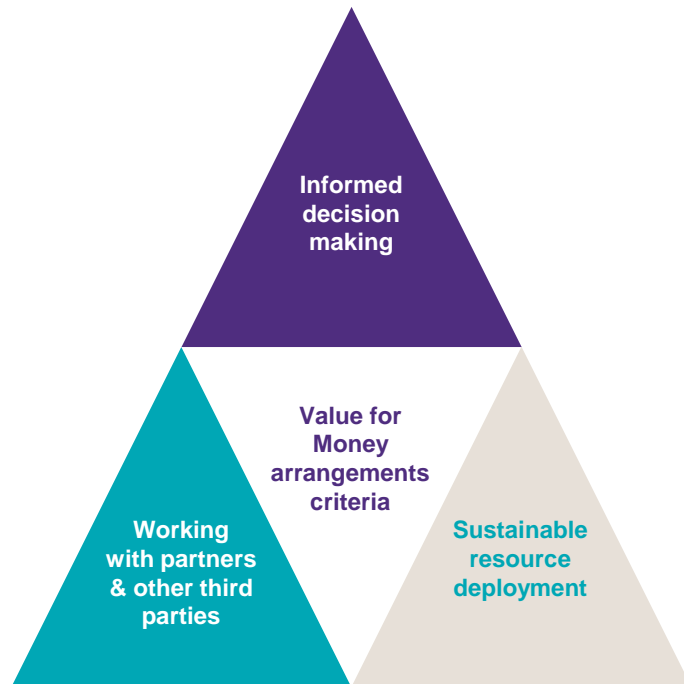
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

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Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Medium Term Financial Planning

The Authority continues to face pressures with the 4 year settlement for 2016/17 to 2019/20 resulting in a 25% grant cut. In order to set a balanced budget for 2018/19 the Authority is proposing, as a short term solution, to reduce the revenue contribution to capital to bridge the budget gap. The budget report also highlights that savings of between £8.4m and £14.6m will need to be made by 2022, depending on the level of Council Tax increase

We will review the Authority's 2019-20 Revenue Budget, as well as the Medium Term Financial Plan, including the assumptions and savings included within the modelling. We will also consider the work being done by the Authority to identify the additional savings that it needs to make in the medium term

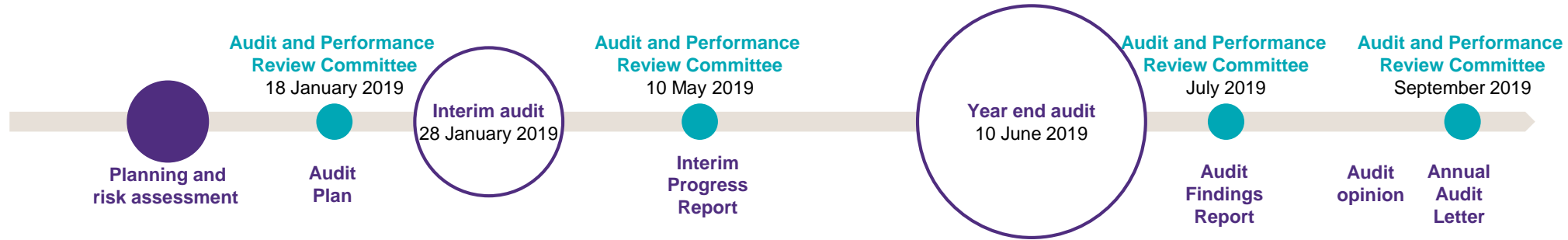


Red One

In 2016/17 the Authority sought external advice in response to concerns over cross charging between the Authority and Red One Ltd, and governance arrangements generally. Reports were received as a result that made a number of recommendations. An action plan was put in place in order to comply with the recommendations. As part of the 2017-18 audit, we reported an instance of cross charging relating to prior years where it was not clear why Red One was involved. We also reported that whilst governance arrangements were improving, this will continue to be monitored as part of the 2018-19 VFM audit

The Authority is making progress in implementing the recommendations in relation to Red One. We will continue to monitor progress in this area to ensure that appropriate action has been taken to address the issues identified.

Audit logistics, team & fees



Barrie Morris, Engagement Lead

Barrie leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority



Aditi Chandramouli, Audit Manager

Aditi plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues



Stephen Clarke, Audit Incharge

Stephen's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently, and is also involved in supervising and co-ordinating the on-site audit team.

Audit fees

The planned audit fees are £26,041 (PY: £33,820) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. There is no non-Code (as defined by PSAA) work planned. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Where additional audit work is required to address risks relating to the application of changes to International Financial Reporting Standard (IFRS) 9 – Financial Instruments and changes to the Authority's recognition and accounting treatment of financial assets and/or liabilities/the application of changes to International Financial Reporting Standard (IFRS) 15 – Revenue from contracts with customers and the Authority's recognition and accounting treatment of income from contracts/emerging going concern issues, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and require PSAA approval.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

The financial statements of Devon and Somerset Fire and Rescue Authority were signed on 30 July 2018, thereby meeting the earlier deadline.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No other services were identified

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Agenda Item 6

REPORT REFERENCE NO.	APRC/19/1
MEETING	AUDIT AND PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	18 JANUARY 2019
SUBJECT OF REPORT	GROUP ACCOUNTS FOR DEVON & SOMERSET FIRE AUTHORITY AND RED ONE LTD.
LEAD OFFICER	Director of Finance
RECOMMENDATIONS	<i>That the accounts of Red One Limited are not consolidated in to Group accounts for the 2018/19 financial year.</i>
EXECUTIVE SUMMARY	Under CIPFA Code of Practice, the Authority can take a view on materiality when preparing group accounts. Following discussion with the external auditors, Grant Thornton, it is the Treasurer's view that the activities of Red One Ltd are not material to the Authority's Statement of Accounts and therefore it is recommended that the accounts are not consolidated.
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable
APPENDICES	None.
LIST OF BACKGROUND PAPERS	None.

1. BACKGROUND

- 1.1. At its meeting on 17 January 2018, the Committee considered a report relating to Group Accounts. The Treasurer recommended that Group Accounts were excluded from within the Statement of Accounts for the Authority and this approach was approved in relation to the financial year 2017/18. (Minute *APRC/20 refers).
- 1.2. In 2011, the Authority agreed to the creation of Red One Ltd which was tasked with trading commercially with a view of generating income for the Authority. The Authority is the single shareholder in the Company.
- 1.3. The Resources Committee (and, previously, the Commercial Services Committee prior to its dissolution on 19 February 2016) should receive quarterly financial performance reports on Red One Ltd. The Annual Accounts of Red One Ltd. are prepared and submitted to the Board of Directors of Red One.
- 1.4. The Statement of Accounts for the Authority are presented to this Committee. Due to the fact the turnover for Red One Ltd is immaterial in relation to the Authority, the two Statements are produced separately. There is a note within the Authority's Accounts mentioning Red One Ltd and the relationship of the Company to the Authority.

2. GROUP ACCOUNTING

- 2.1. From a commercial perspective, the Statement of Accounts for the Authority would reflect the 'Group Position' i.e. statements showing the performance of the two entities together. A definition of Group Accounts is:
"Accounts showing the trading results and financial position of each company in a group individually or in combined form". (F.T.com).
- 2.2. The Authority has agreement from its external auditors, Grant Thornton, that it will not be required to produce Group Accounts until Red One has a deciding interest over the Authority; where the financial or operational circumstances of Red One would have a significant impact upon the financial or operational performance of the Authority. The external auditors are happy with this approach on the understanding that the Committee responsible for the approval of the Authority accounts (i.e. this Committee) is sighted on this issue and agrees with the proposed stance.
- 2.3. This approach will not only save time and effort producing the Statement of Accounts on behalf of the Authority, but will also safeguard the commercial integrity of Red One Limited.

3. RECOMMENDATION

- 3.1. That the Committee notes the content of the paper and agrees with the extension of the proposal to exclude producing Group Accounts within the Statement of Accounts for the Authority for the 2018/19 financial year.

AMY WEBB
Director of Finance (Treasurer)

Agenda Item 7

REPORT REFERENCE NO.	APRC/19/2
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	18 JANUARY 2019
SUBJECT OF REPORT	AUDIT & REVIEW 2018-19 PROGRESS REPORT
LEAD OFFICER	DIRECTOR OF SERVICE IMPROVEMENT
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	<p>This report sets out progress to date (i.e. as at Quarter 3 of the 2018-19 financial year) against the approved Internal Audit Plan for that year and updates on additional review work undertaken.</p> <p>The report provides assurance statements for the audits completed to date and records the progress against the approved Internal Audit Plan.</p> <p>Internal Audit activities across the Devon & Somerset Fire & Rescue Service (the Service) are managed through a shared service agreement that sees the Service's internal Audit & Review section and the Devon Audit Partnership (DAP) work together to deliver the Internal Audit Plan. Additionally this includes an overview of key assurance activities completed by other teams who contribute to the audit plan, such as Information Assurance, Operational Assurance, and Safety Assurance.</p> <p>This report also provides an overview of the assurance tracking process and the current high priority recommendations that remain as 'open' on the assurance tracker.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	Not applicable.
APPENDICES	<p>A. Audit planning process schematic;</p> <p>B. Security events by quarter 2018/19.</p>
LIST OF BACKGROUND PAPERS	<p>Audit & Review 2018-19 Plan</p> <p>Audit & Review Service Policy</p>

1. INTRODUCTION

- 1.1. The 2018/19 Internal Audit Plan was approved by this Committee at its meeting on 26 April 2018 (Minute *APRC/32 refers). The Plan sets out the combined scope of internal audit work to be completed by the Service's internal Audit & Review section and the Devon Audit Partnership, together with other assurance providing functions. The Audit planning process is shown diagrammatic form at Appendix 1.
- 1.2. Audit & Review and the Devon Audit Partnership are accountable for the delivery of the Plan and the policy includes the requirement to report progress to this Committee at least three times per year.
- 1.3. The key objective of this report is to provide the Committee with a progress report of internal audit activity against the Plan. The report includes the assurance statements for the audits completed since the last meeting of the Committee and also includes an overview of the assurance tracking process and the current high priority recommendations that remain as 'open' on the assurance tracker.

2. ASSURANCE STATEMENTS

- 2.1. One of the key roles of Internal Audit is to provide independent assurance as to how effectively risks are managed across the organisation.
- 2.2. The following assurance statements have been developed to evaluate and report audit conclusions:

★★★★ High Standard

The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. Only minor recommendations aimed at further enhancing already sound procedures.

★★★ Good Standard

The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.

★★ Improvements Required

In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.

★ Fundamental Weakness Identified

The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and/or resources of the Authority may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

3. PROGRESS AGAINST THE 2018-19 PLAN

- 3.1. The 2018-19 Internal Audit Plan has been assigned to the Audit & Review Manager, the Information Assurance Manager, the IT Security Officer, the Operational Assurance Manager, the Organisational Safety Manager, and the Risk & Insurance Manager.
- 3.2. To increase clarity on progress, audit phases have been added to Risk Based Audits.

Assurance Area	Progress	Assurance statement / Update
Operational Assurance		
Operational assurance (OpA) process captures information from operational activities, enables the identification of trends through a graphical dashboard and manage the resultant actions with the organisation. Actions are assigned a rating of safety critical, area of concern or notable practice. Actions are assigned to local risk managers and monitored to ensure improvements implemented.		
Operational Assurance	This is an area requiring continuous ongoing review to ensure compliance and organisational improvement	<p>Q3 192 Incidents were monitored. 88 of these incidents identified learning points:</p> <ul style="list-style-type: none"> • 1 safety critical (Q2: 11 safety critical issues) • 105 areas of concern (Q2: 150 areas of concern). • 39 notable practice (Q2: 61 notable practice) <p>Learning points have been referred to the relevant teams to action.</p> <p>Trend analysis carried out by the OpA department and incorporated into quarterly bulletin for organisational learning.</p> <p>Q3 - 107 response support visits completed by flexi officers on targeted themes (100 in Q2). These visits are to enhance learning identified through trend analysis, national learning and learning from other FRS.</p>

Data Protection / GDPR	This is an area requiring continuous ongoing review to ensure compliance and organisational improvement	There were 62 security events reported in Q3 (52 in Q2), of which 13 related specifically to Information Security (18 in Q2). The movement in this can be seen in Appendix B. The increase in Q3 reflects recent work completed by the Information Assurance team to raise organisational awareness of security.
Blue Light driving Compliance Audit	Planning Phase	This audit is currently in the planning phase, due for completion Q4 2018-19.
Payroll Audit	Planning Phase	This audit is currently in the planning phase, due for completion Q4 2018-19.
Payroll provider handover review	Planning Phase	This audit is currently in the planning phase, due for completion Q4 2018-19.
NFCC H&S Assessment	Evidence / Information Gathering Phase	Stage two of the three stage self-assessment (our Safety Management System), with completion of all three stages due Q4 2018-19.
Cultural Audit	Evidence / Information Gathering Phase	Due to be completed Q4 2018-19
Pension Board Governance Audit	Evidence / Information Gathering Phase	Due to be completed Q4 2018-19
IT Health Check - Corporate	Draft Report	A remediation plan is in place.
IT Health Check - NFSP	Draft Report	The 2018 Health Check has been completed and the Remedial Action Plan has been accepted by the partnership. Capita have responded to the plan with their proposed actions
Code of Connection (Airwave/ESN)	Draft Report	The introduction of replacement MDT hardware counts as a significant change under the Airwave Code of Connection and a new draft submission has been sent to the Airwave Accreditor for review.

		ESN has introduced new requirements as a part of an Architectural Pattern document, these are subject to ongoing review with the partnership.
ISO 27001 Alignment	Evidence / Information Gathering Phase	Good progress has been made in Q3 with gathering evidence of ISO27001 alignment. The IT Health Checks and Remedial Action Plans have been a main focus for this quarter.
Procurement Process for Internal audit providers	Evidence / Information Gathering Phase	Information is being gathered from potential internal audit providers.
LGA Peer Review : Update report	Complete	<p>★★★ Good Standard</p> <p>49% of the actions from this review have been closed as completed, or duplicate other actions or work already in progress.</p> <p>20% are being addressed by the Change and Improvement plan, and 7% by our Digital Transformation strategy.</p> <p>11% are being addressed through policy and strategy updates, which are in progress.</p> <p>7% of the actions are being currently addressed by other ongoing work within departments.</p> <p>2% are addressed by the Fire & Rescue plan and 2% by "Training 4 Competence".</p> <p>The remaining 2% of actions are open, however are low priority actions which require significant resource.</p>

Fire Control Review : Update report	Complete	<p>★★★ Good Standard</p> <p>A review of actions for Fire Control following an investigation into “the Sussex Road incident” determined that 76% of the actions had been completed, with 20.5% forming ongoing work, and the remaining 3.5% becoming redundant since ways of working have changed. A good level of assurance could be given that actions were all addressed, and further work on this will take place in 2019.</p>
National Fraud Initiative	Evidence / Information Gathering Phase	This is a mandatory initiative for public sector organisations, and is owned by the Cabinet Office.

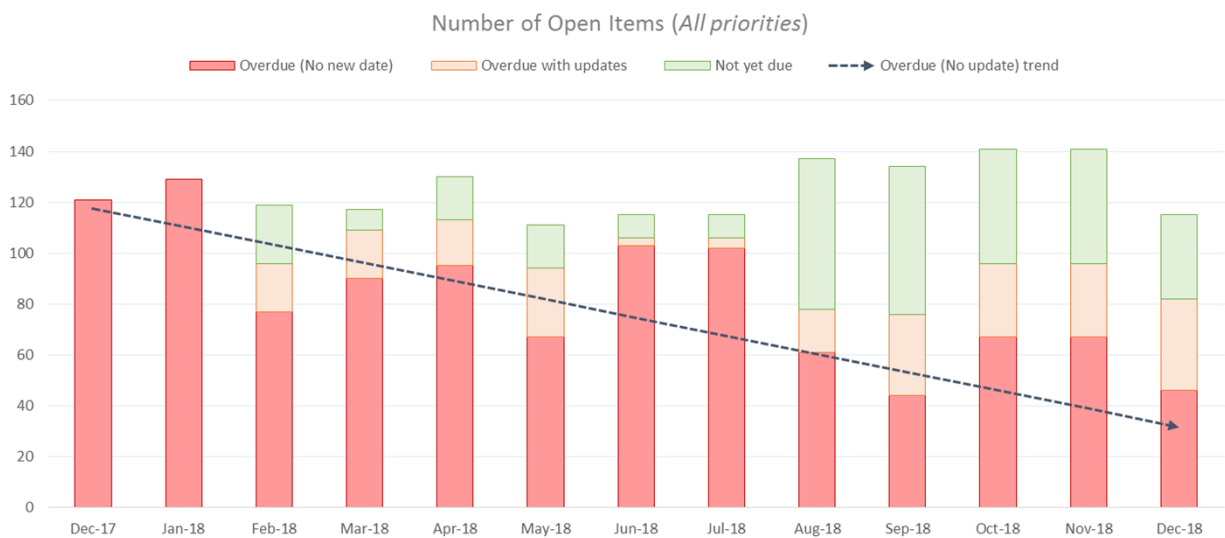
Action Planning

- 3.3. All issues have been discussed with the Lead Officers and Audit & Review are pleased to report that suitable action plans have been agreed to improve the management of any risks identified.
- 3.4. All agreed actions are captured and monitored through the assurance tracking process (see paragraph below), and where relevant, will be reflected in either department plans (if incremental improvement) or the Change & Improvement Plan (if strategic).

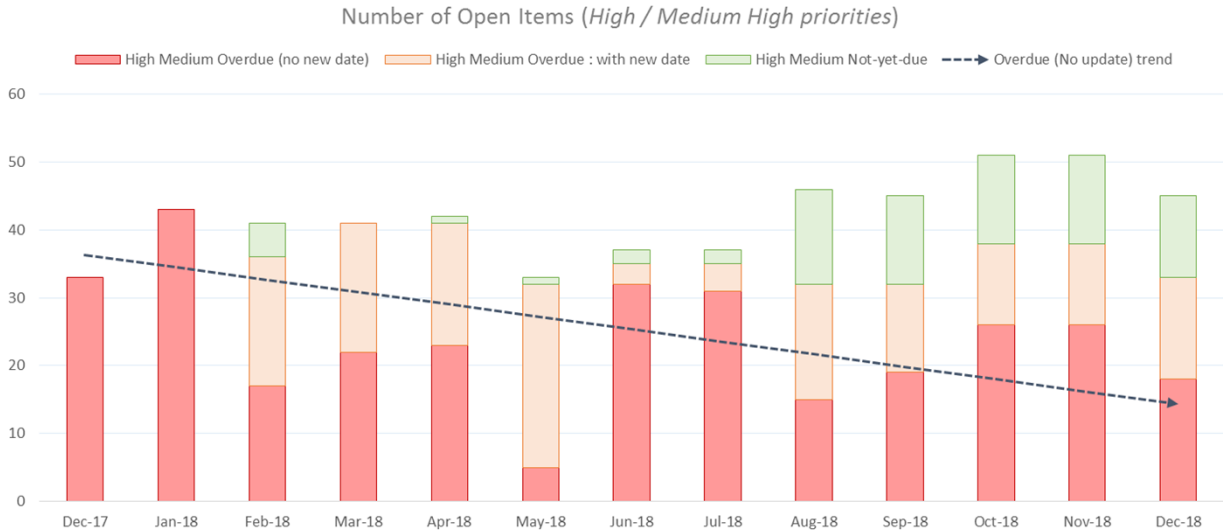
4. WHAT HAPPENS WITH AUDIT & REVIEW RECOMMENDATIONS

- 4.1. The Audit & Review Assurance Tracking system records all recommendations and agreed actions coming out of key assurance activities. The system tracks recommendations at the following assurance levels:
- External reviews (including External audit)
 - Annual Statement of Assurance
 - Internal Audit (Audit & Review and Devon Audit Partnership)
 - Operational Assurance
 - EFQM
 - Peer Review
 - ICT Health Checks
 - Safety Events
 - Security Events

- 4.2. The Assurance Tracker is available to all employees through the Service Information Point (SIP) and will be made available to the public in the future to fall in line with the new draft Fire & Rescue National Framework document.
- 4.3. A quarterly update procedure has been embedded that sees the export and distribution of outstanding recommendations to service managers to provide an update. This has been aligned to the Corporate Planning process to ensure outstanding recommendations are reviewed alongside departmental plans.
- 4.4. The inclusion of additional assurance activity, such as ICT health checks, safety and security events, has seen an overall increase in the total number of open actions. However, even with the additional assurance actions, since January 2018, a 64% decrease has been seen in overdue recommendations with no update, down to 46 from 129 reported in January 2018. Updates are being focussed on the higher priority items, however the overall trend in all priority of open items, continues to decrease. As at December 2018, refer to illustrated Graph 1 and Graph 2 below.
- 4.5. The overdue actions are largely linked to longer term project work that remain on-going and are monitored through the assurance tracking process.
- 4.6. Additionally, open actions have been superseded by changes to the service structure, digital transformation and other actions. Further work is ongoing to ensure that actions that have been superseded are documented and recorded as closed.



Graph 1: Open recommendations (all priorities)

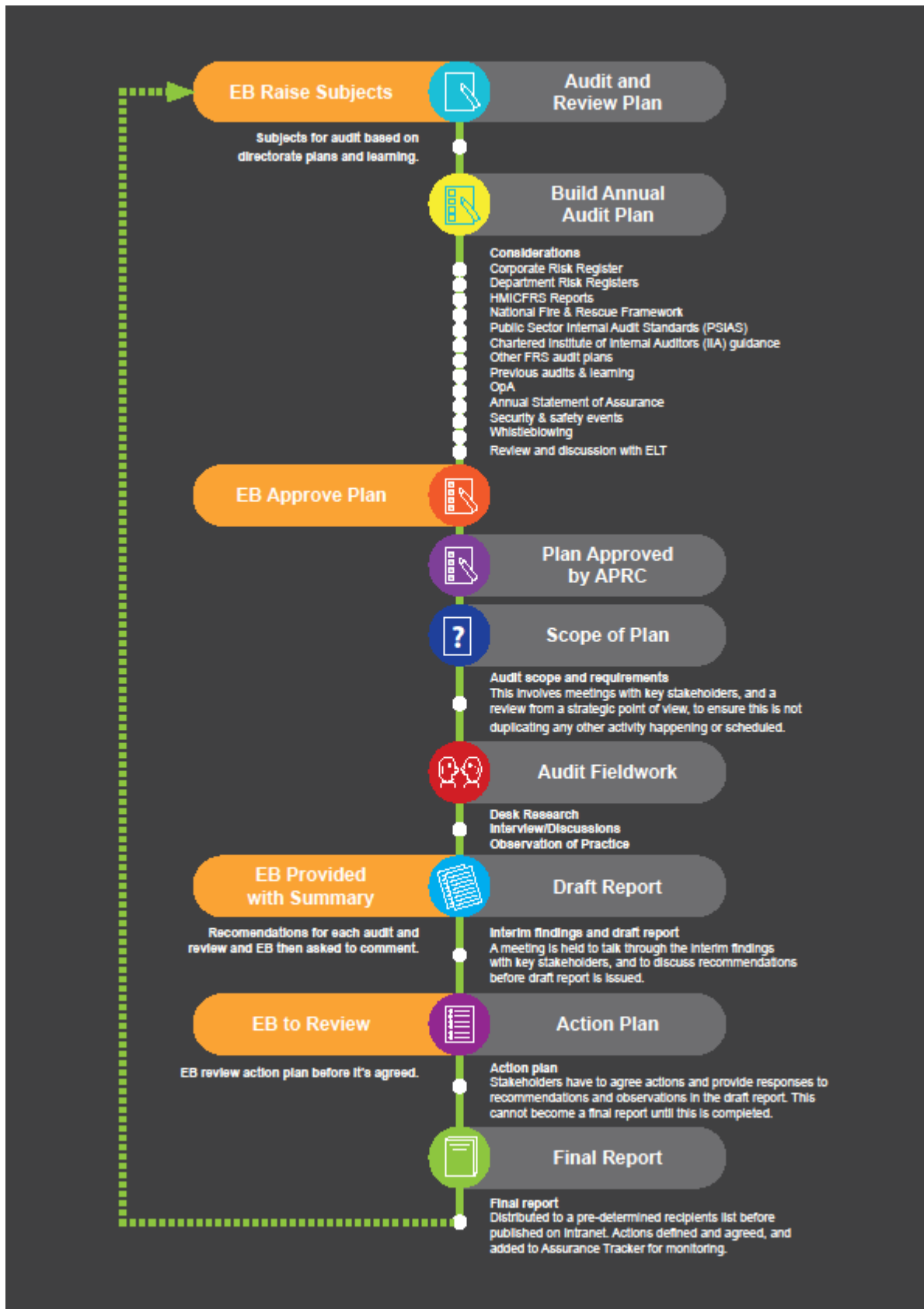


Graph 2: Open recommendations (High/Med High priority)

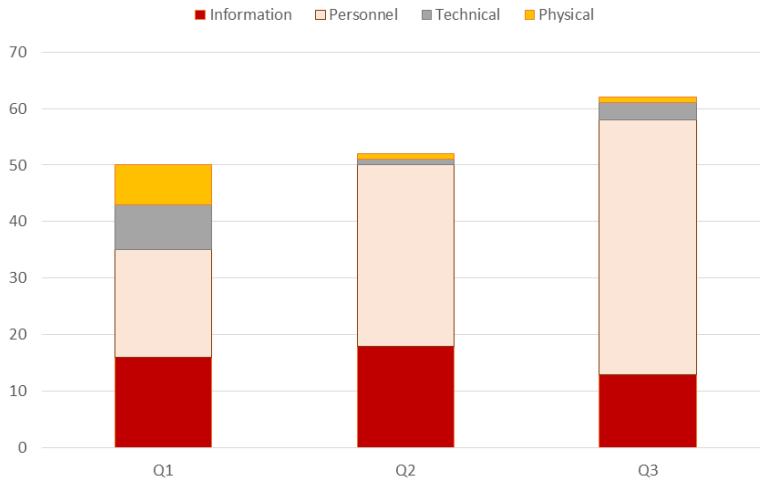
5. CONCLUSION & RECOMMENDATIONS

- 5.1. Based on the work completed to date in this year and knowledge from previous years, the systems in operation within Devon & Somerset Fire & Rescue Service continue to demonstrate a good level of internal control.
- 5.2. Both the Service's internal Audit & Review section and the Devon Audit Partnership would wish to use this report to thank all staff who have worked with them in delivering the audit programme and who have demonstrated a willingness to positively engage in the audit process.
- 5.3. The progress made against the agreed Audit Plan will be reported back to this Committee at regular intervals.

PETE BOND
Director of Service Improvement



APPENDIX B TO REPORT APRC/19/2



Security Events (by type) by Quarter 2018-19

Agenda Item 8

REPORT REFERENCE NO.	APRC/19/3
MEETING	AUDIT & PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	18 JANUARY 2019
SUBJECT OF REPORT	CORPORATE PERFORMANCE REPORTING
LEAD OFFICER	Director of Service Improvement (ACFO Pete Bond)
RECOMMENDATIONS	<i>That the presentation be noted.</i>
EXECUTIVE SUMMARY	<p>Appended to this paper is a presentation that provides an overview of the Service's approach to performance management.</p> <p>The presentation outlines how the organisation is working to embed a positive performance culture through the new Performance Management Framework (PMF) and how this will support it to achieve the priorities set out within the Fire and Rescue Plan and IRMP.</p> <p>Four key elements are covered:</p> <ol style="list-style-type: none"> 1) Organisational culture 2) Performance Management Framework 3) Performance reporting 4) Role of personnel at different levels of the organisation. <p>The objective is to provide the Audit & Performance Review Committee with an overview of how the Service is progressing in this area and to clarify and reaffirm the role that the Committee plays in scrutinising the corporate performance of the organisation, which will be facilitated by the submission of a report twice yearly on performance against a suite of Key Performance Indicators (KPIs).</p>
RESOURCE IMPLICATIONS	None
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	None
APPENDICES	A. Corporate Performance Reporting Presentation Slides
LIST OF BACKGROUND PAPERS	Devon and Somerset Fire and Rescue Authority Corporate Plan 2013/14 – 2014/15

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**DEVON &
SOMERSET**
FIRE & RESCUE SERVICE

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Corporate Performance Reporting

Alice Murray, Strategic Analyst



A change in perception: performance management is positive!





A change in perception: performance management is positive!



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Performance management framework

WE NEEDED A CLEAR PLAN



Annual Directorate Statements
Group Service Plans
Individual Objectives

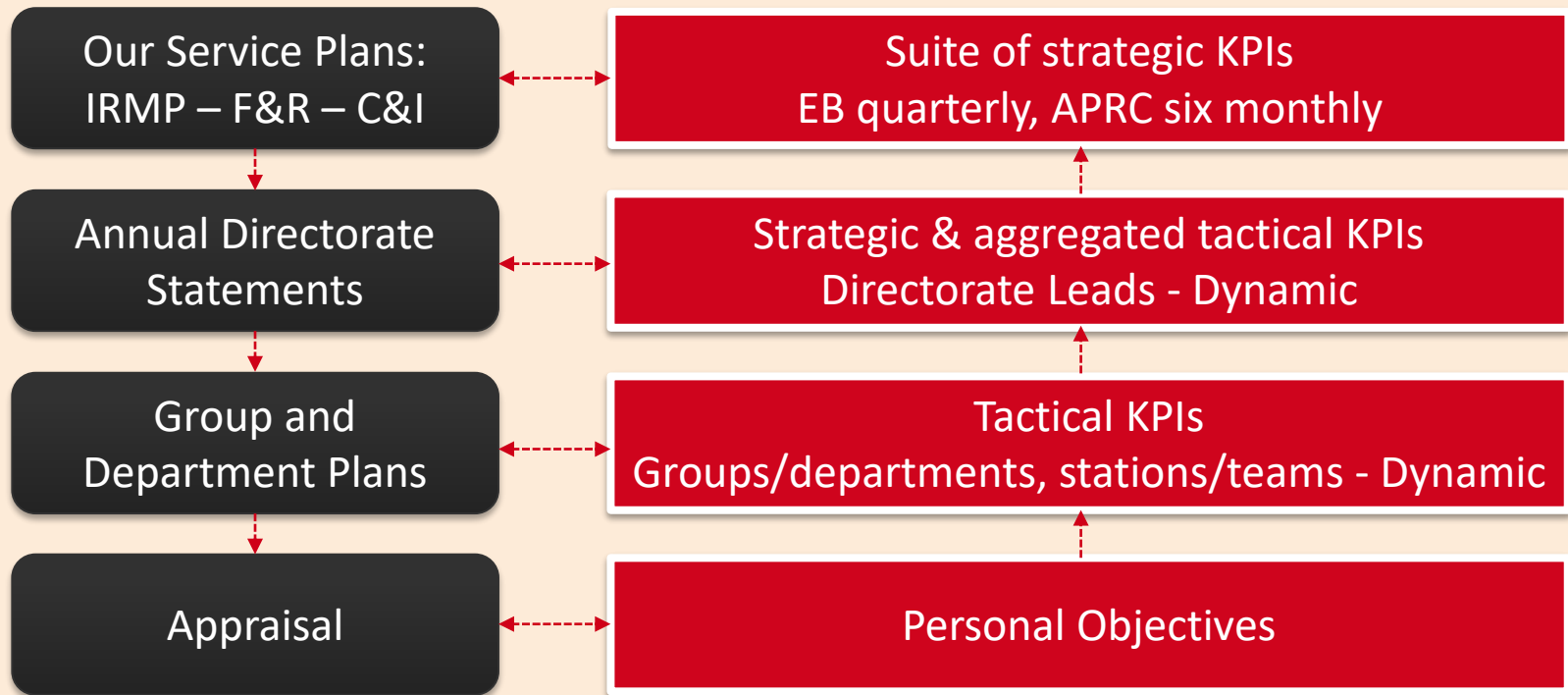
All our plans will show:

- 1) The risks the Service faces
- 2) The priorities and outcomes (performance results) that are to be achieved
- 3) Improvement and change activity
- 4) Relevant performance indicators and targets
- 5) Resources and outline budgets
- 6) Responsibilities for delivery



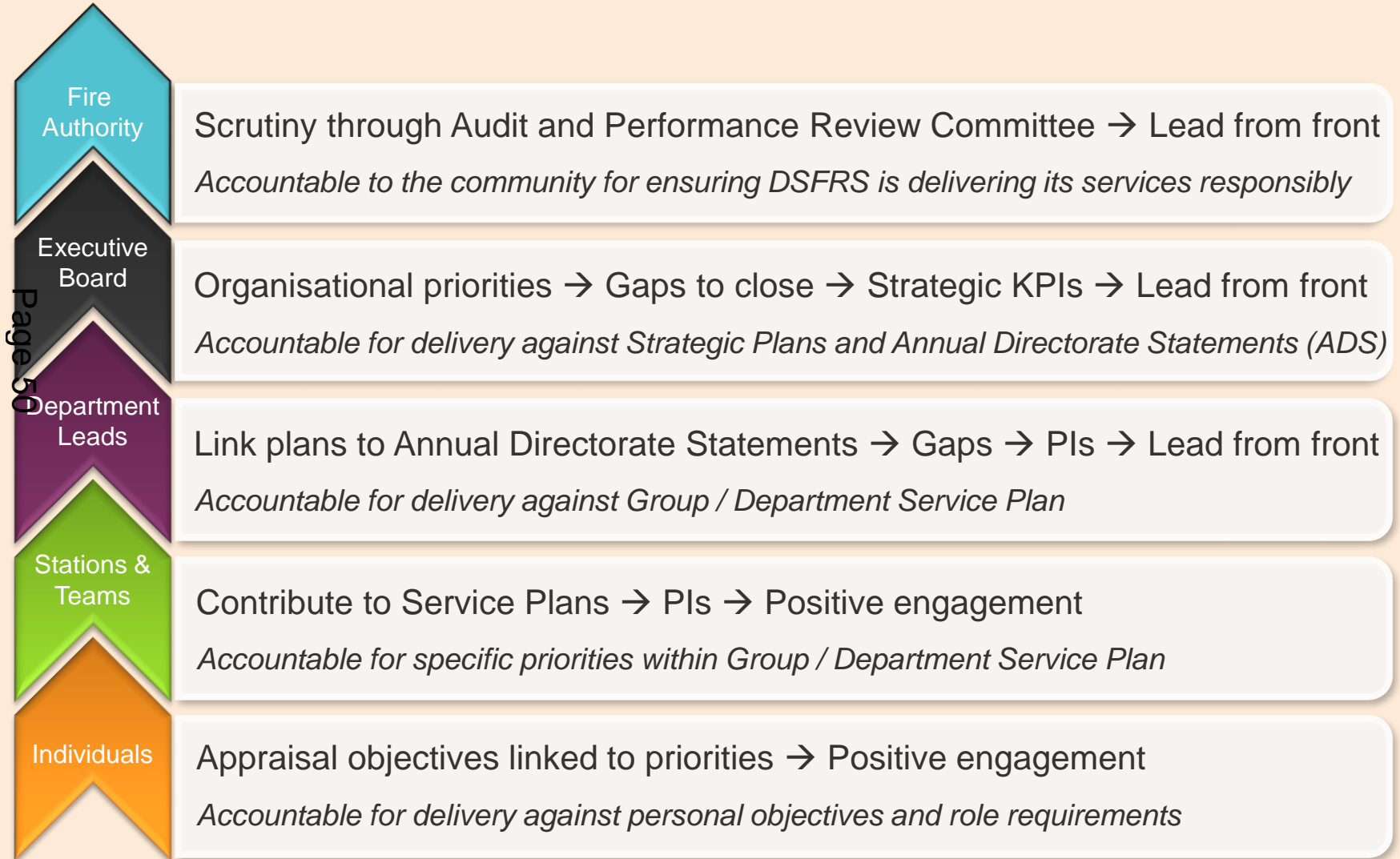
Linking our plans and our reporting

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Expectations: we all have a role to play





Expectations:

What you need to know as Members

Key Performance Indicators linked to organisational priorities.

It's about closing the gap!

What we are aiming to improve with the KPIs we report.

If our measures don't provide assurance or drive improvement they aren't worth having!

Targeted to support us to move towards achieving our priorities.

Stretching yet achievable targets to focus us on what's important.

We'll focus our reporting on exceptions, providing detailed analyses and commentary.

Celebrating our successes and investigating areas of concern.



Scrutiny through Audit and Performance Review Committee

Accountable to the community for ensuring DSFRS is delivering its services responsibly

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