



**DEVON & SOMERSET
FIRE & RESCUE AUTHORITY**

**S.J. Sharman
CLERK TO THE AUTHORITY**

**To: The Chair and Members of the Audit &
Governance Committee**

(see below)

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**AUDIT & GOVERNANCE COMMITTEE
(Devon & Somerset Fire & Rescue Authority)**

Monday, 22nd January, 2024

A meeting of the Audit & Governance Committee will be held on the above date, **commencing at 2.00 pm in Committee Room A, Somerset House, Devon & Somerset Fire & Rescue Service Headquarters** to consider the following matters.

S.J. Sharman
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 30 November 2023 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 Revised Forward Plan 2023-24 (Pages 5 - 8)

Report of the Clerk to the Authority (AGC/24/1) attached.

5 Devon & Somerset Fire & Rescue Authority Audit Progress Report and Sector Update (Pages 9 - 26)

The Authority's external auditor, Grant Thornton, has submitted an Audit Progress and Sector Update Report for information (attached).

6 Annual Audit Report 2022-23 (Pages 27 - 50)

The Authority's external auditor, Grant Thornton, has submitted its Annual Audit Report, incorporating its Value for Money opinion, for the 2022-23 financial year (as attached for information).

7 Corporate Risk Register (Pages 51 - 62)

Report of the Director of Finance & Corporate Services (Treasurer) (AGC/24/2) attached.

8 His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) Areas for Improvement Action Plan Update (Pages 63 - 66)

Report of the Chief Fire Officer (AGC/24/3) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Coles (Chair), Clayton, Cook-Woodman, Fellows, Roome, Sellis, Slade (Vice-Chair), Sproston and Sully

Independent, Co-opted Members:-

Messrs. Perks and Turkington

NOTES

1. **Access to Information**

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. **Reporting of Meetings**

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. **Declarations of Interests at meetings (Authority Members only)**

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:

- (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.

	NOTES (Continued)
4.	<p><u>Part 2 Reports</u></p> <p>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.</p>
5.	<p><u>Substitute Members (Committee Meetings only)</u></p> <p>Members are reminded that, in accordance with Standing Orders, 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.</p>
6.	<p><u>Other Attendance at Committees)</u></p> <p>Any Authority Member wishing to attend, in accordance with Standing Orders, a meeting of a Committee of which they are not a Member should contact the Democratic Services Officer (see “please ask for” on the front page of this agenda) in advance of the meeting.</p>

AUDIT & GOVERNANCE COMMITTEE (Devon & Somerset Fire & Rescue Authority)

30 November 2023

Present:

Councillors Coles (Chair), Clayton, Cook-Woodman, Fellows, Roome, Slade (Vice-Chair), Sproston and Sully

In attendance:

Mr S. Perks and Ms A. Turkington – Independent, Co-opted Members
Councillor Randall Johnson (online via Teams)
Andrew Davies – Grant Thornton
Tony Rose – Head of Devon Audit Partnership

Apologies:

Councillor Sellis

* **AGC/23/17 Minutes**

RESOLVED that the Minutes of the meeting held on 28 September 2023 be signed as a correct record.

* **AGC/23/18 External Audit Update**

Andrew Davies, representing the Authority's external auditor, Grant Thornton, gave an update on the progress made with the audit of the financial statements for the 2022-23 financial year for information.

He advised that the Committee had received the External Audit Plan for 2022-23 at its previous meeting on 28 September 2023 (Minute AGC/23/12 refers). The 2022-23 audit had commenced with work on the Value for Money (VFM) assessment undertaken including on the valuation of property, plant and equipment and on pension fund liabilities. Work on the testing of other balances within the financial statements was also underway and there were no issues to draw to the attention of the Committee at this stage.

It was noted that Group Accounts had been a significant risk in previous years but was not considered so for 2022-23 by the external auditor. This work was almost concluded with no issues to report in terms of the consolidation process.

In terms of VFM, good progress had been made. A draft Annual Report covering the VFM findings would be issued to the Service shortly for agreement. This would be submitted at the next meeting of Committee in January 2024. The recommendations were all around improvement with no significant risks identified.

The Treasurer advised that, following discussion with the auditor on 29 November 2023, there was nothing reported that was of concern to him at this stage. The need to bear down on costs was acknowledged and would be reflected in the proposed budget for 2024-25 to be submitted to the Authority on 16 February 2024. It was recognised that visibility for the Authority and governance was a matter to be discussed further.

* **AGC/23/19 Internal Audit Interim Progress Report 2023-24**

The Committee received for information a report of the Head of the Devon Audit Partnership (DAP) (AGC/23/21) on the progress made to date in securing independent assurance for the Authority that it had sufficient governance, risk management and controls in place to secure an efficient and effective service.

The report was positive in that good progress was being made and the Authority was heading in the right direction with the Plan on track. The following audits had been completed with the assurance in the final reports as indicated:

- Medium Term Financial Plan – reasonable assurance;
- Summary of Service Actions on External Bodies Reports – HMICFRS – reasonable assurance;
- Cyber Governance – Cyber Assessment Framework (CAF) Self Assessment – Value added;
- Chartered Institute of Public Finance & Accountancy (CIPFA) Counter Fraud Research Project – Value added; and
- Productivity of the workforce and Wholetime Crews – limited assurance.

Work was ongoing on the following audits:

- Investigations; and
- New People Systems – live advice and quality assurance.

Four further audits had work in progress.

The Committee referred to the productivity of the workforce and asked how this was measured. The Head of DAP stated this was not an easy area to measure but Officers had a system in place. The Treasurer responded that productivity was a key area of focus for the Home Office and a percentage increase was expected for the forthcoming year. The Chief Fire Officer had also imparted information received at a recent meeting through the National Fire Chiefs' Council (NFCC) that there may not be a cut in funding but the increase in productivity was expected. A trial had been run on a number of stations in Devon & Somerset for a few months and this had produced some interesting information. The information would feed into the budget preparations for 2024-25.

The question was raised as to whether a target could be set in this area so that performance could be measured in the future. The Treasurer indicated that data was available now but this was based on self-reporting so it gave a limited picture as to how the Service could boost the productivity of the workforce but he was content to find an appropriate target for the future. The Service needed to ensure that emergency response could be maintained so there was a balance to be found. In response to a further question, the Treasurer added that he would be happy to share information on data gathering at a future Members' Forum.

Reference was also made to the Cyber Governance review and what this had achieved. The Head of DAP responded that the approach to this had been changed in light of the point that the Authority had to undertake a self-assessment. He added that this self-assessment would form part of the Annual Governance Review. The Treasurer stated that he was content for the Committee to see the self-assessment although the Clerk suggested that this should not be undertaken in a public meeting. The Treasurer and Clerk undertook to consider the best way to provide this information.

The Treasurer gave an explanation of the assurance "value added" in response to a question. It was noted that the Internal Audit Plan was commissioned by the Authority but senior officers wished to see support to improve its services so had commissioned additional pieces of work hence the "value added" assessment. The DAP had additional skills and experience to give the Service more reassurance on areas of work undertaken.

Ms Turkington asked why, given the emergency response nature of the Service, the Health and Safety audit had been postponed. The Head of Assurance advised that this had been deferred as the coverage required from information governance was restricted. External health and safety consultants had been appointed recently who had generated a lot of actions to be undertaken and this had given comfort that there was a framework in place to take this forward. Contaminants and PPE had also been audited recently.

Mr Perks drew attention to the point that the HMICFRS audits included examples of significant time extensions. He asked if future reports could identify how many times a deadline had been extended. The Treasurer advised that there was a need to be fully transparent on all slippages which would be included in future.

Mr Perks also referred to the Investigations that were underway but not at a stage where they could be reported to the Committee. The Treasurer stated that it was useful for the Committee to be sighted on all areas of work but there was a confidentiality aspect to internal investigations. He suggested that the report could, in future, include information in terms of what type of investigation was underway, i.e., an internal investigation or one involving a breach of the Members' Code of Conduct.

* **AGC/23/20 Local Pension Board Annual Report 2022-23**

The Committee considered a report of the Director of Finance & Corporate Services (AGC/23/22) to which was appended the Local Pension Board annual report for 2021-22. The report provided information on (amongst other things):

- work undertaken by the Board in 2022-23;
- details of any identified risks and Board actions (based on a RAG rating);
- details of statutory breaches (if any); and
- the management of conflicts of interest.

It was noted that there had been two statutory breaches reported to the Regulator in 2022-23, due largely to timing issues.

RESOLVED that the Local Pensions Board Annual Report for 2022-23, as appended to report AGC/23/22 be endorsed.

* **AGC/23/21 His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) Areas for Improvement Action Plan Update**

The Committee received, for information, a report of the Chief Fire Officer (AGC/23/23) on progress against the Action Plan to address the Areas for Improvement falling within the remit of this Committee and as identified by His Majesty's Inspectorate of Constabulary & Fire & Rescue Services following its last inspection of the Service.

The report identified that there was currently one Area for Improvement recorded as "in progress – off track" (HMI-1.3-202205 – Quality Assurance of Audits and Fire safety Checks) due to changes in management within the protection team. An update was due by 30 November 2023 but it was likely this deadline would be extended.

Mr Perks sought a response on how the Committee could be assured that work on the 8 actions completed was being maintained. It was noted that the 8 actions were not fully closed yet so a final review had not been undertaken. The Service would need to look carefully at how it monitored these actions as business as usual but an assurance was given that there were many levels of review in place within the Service to ensure that actions were maintained.

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

The Meeting started at 10.00 am and finished at 11.25 am

Agenda Item 4

REPORT REFERENCE NO.	AGC/24/1
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	22 JANUARY 2024
SUBJECT OF REPORT	REVISED FORWARD PLAN 2023-24
LEAD OFFICER	Clerk to the Authority
RECOMMENDATIONS	<i>That, subject to any additions/amendments as indicated at the meeting, the Revised Forward Plan for 2023-24, as appended to this report, be approved.</i>
EXECUTIVE SUMMARY	<p>The appendix to this report sets out a revised Forward Plan for submission of items to meetings of this Committee during the 2023-24 municipal year.</p> <p>The external auditor, Grant Thornton, has indicated that work on the audit of financial statements for the 2022-23 financial year would not be completed until late February 2024. This has resulted in the need to change the date of the meeting scheduled for 19 April 2024 to 26 March 2024 to accommodate submission of the final 2022-23 financial statements before the end of the financial year. Thus, the forward plan has been revised to reflect this change.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	Not applicable.
APPENDICES	A. Revised Forward Plan 2023-24
BACKGROUND PAPERS	The Accounts and Audit Regulations 2015 The Accounts and Audit (Amendment) Regulations 2022

1. INTRODUCTION

- 1.1. The current Terms of Reference for this Committee provide that it has responsibility for, amongst other things:
- internal and external audit arrangements for the Authority (including approval of annual financial statements);
 - Standards arrangements (Members' Code of Conduct);
 - Corporate Risk Register;
 - the Authority's arrangements under the Regulation of Investigatory Powers Act (RIPA) 2000 (including annual reporting); and
 - receipt of an annual report from the Authority's Local Pensions Board.
- 1.2. A revised Forward Plan, as included at Appendix A of this report, sets out proposed reporting arrangements in light of delays in submission of the audit of financial statements for the 2022-23 financial year.

2. PROPOSED DATES OF MEETINGS IN 2024-25

- 2.1. Whilst the Forward Plan set out at Appendix A of this report gives an indication of potential meeting dates and items in the 2024-25 municipal year, the Authority will not approve its Calendar of Meetings until its Annual General Meeting on 10 June 2024 thus, the dates are only indicative at this stage.
- 2.2. Additionally, the external auditor for the 2023-24 financial statements will change to Bishop Fleming. It is not clear, as yet, the timescale to which the new auditors will be working, thus dates may need to be amended to reflect this once more detailed information is available.
- 2.3. A Forward Plan for the 2024-25 municipal year will be submitted to the meeting in July 2024 for approval.

SAMANTHA SHARMAN
Clerk to the Authority.

APPENDIX A TO REPORT AGC/24/1

AUDIT & GOVERNANCE COMMITTEE - DRAFT FORWARD PLAN 2023-24

DATE OF MEETING	ITEMS FOR CONSIDERATION
22 January 2024 – 10:00hours	External Audit Update report
	External Auditors' Annual Audit report incorporating the Value for Money opinion
	Corporate Risk Register - Update
	HMICFRS Action Plan Update
	Revised Forward Plan 2023-24
26 March 2024 – 14.00hours	Financial Statements 2022-23, including: <ul style="list-style-type: none"> • Final Statement of Accounts; and • Audit Findings Report & Letter of Representation • Annual Auditors' Report
	Final Annual Statement of Assurance 2022-23
	External Audit Plan (including Fee) 2023-24
	Internal Audit progress report
	Internal Audit Plan 2024-25
	HMICFRS Action Plan Update
22 July 2024 – 10.00hours	Forward Plan 2024-25
	Internal Audit progress report
	Going Concern Review
	Members' Code of Conduct/Standards arrangements annual review
	HMICFRS Action Plan Update
	Draft Annual Statement of Assurance
	Corporate Risk Register Update
30 September 2024 - 10:00hours	Fraud Strategy – annual review of cases
	Regulation of Investigatory Powers Act RIPA Review
	Local Pension Board Annual Report
	HMICFRS Action Plan Update
29 November 2024 - 10:00hours	* Financial Statements 2023-24 including: <ul style="list-style-type: none"> • Final Statement of Accounts; • VFM opinion; • Audit Findings Report & Letter of Representation <p>(* NOTE: the financial statements will be presented to this meeting in the event that they are unavailable for approval by 30 September 2024)</p>
	Internal Audit progress report
	HMICFRS Action Plan Update

DATE OF MEETING	ITEMS FOR CONSIDERATION
27 January 2025 – 10.00hours	External Audit Annual report
	Corporate Risk Register - Update
	HMICFRS Action Plan Update
21 April 2025 – 10.00hours	External Audit Annual Report and associated Risk Assessment
	External Audit Plan (including Fee) 2023-24
	Internal Audit progress report
	Internal Audit Plan 2024-25
	Forward Plan 2024-25

Devon and Somerset Fire and Rescue Authority Audit Progress and Sector Update report

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January 2024



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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 Council 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

Your key Grant Thornton team members are:

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This paper provides the Audit and Governance 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 an 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 Governance 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 <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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 January 2024

Financial Statements Audit 2022/23

The start of the 2022/23 was delayed until November 2023. This was due to Grant Thornton's capacity, which is similar to other auditors within the sector, but also to give the Authority the time to ensure that the accounts submitted for audit were adequately reviewed and supporting papers ready. This decision was taken due to there being a number of adjustments required to the 2021/22 that resulted in additional fees.

We presented our Audit Plan to the Audit and Governance Committee in September 2023 and this set out the key risks and our proposed response to each.

The Audit was due to start 6 November 2023, however this was delayed until 20 November 2023, due to delays completing the team's prior audit. We would like to record our thanks for the Authority's flexibility in this regard.

On receipt, and initial review of the financial statements the draft accounts were well put together, and supporting working papers were available for the audit team. This has helped audit progress. In addition, and despite the audit coinciding with budget setting audit queries have been responded to in a timely manner.

The audit is progressing well with no significant issues noted to date.

Our Audit Findings Report will be presented at the 26 March 2024 Audit and Governance Committee.

We have set out progress and the findings to date in each of the significant risk areas on pages 6-11 of this report.

Value for Money 2022/23

Our VFM work is complete. The Auditors Annual Report (AAR), which sets out the findings of this work is included on the January 2024 Audit and Governance Committee agenda. The AAR contents and the recommendations raised has been agreed with management.

Other areas

Handover

Following completion of all areas of our work, we will work with the Authority's new appointed auditors to ensure the handover is as smooth as possible.

Events

Your officers will be invited to attend our Financial Reporting Workshops in February 2024, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Audit Deliverables

2022/23 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.</p>	September 2023	Complete
<p>Audit Findings Report (AFR)</p> <p>The Audit Findings Report will be reported to the January 2024 Audit and Governance Committee.</p>	March 2024	The full AFR will now be presented to the 26 March 2024 Audit and Governance meeting – progress to date, against the significant risks are set out on pages 6-11.
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	March 2024	We plan to issue our audit report following the 26 March 2024 Audit and Governance meeting.
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money (VFM) arrangements.</p>	March 2024	Our VFM work is complete and the report summarising our findings is included on this agenda. The final report will be updated to reflect the findings from our financial statements audit, that is due to conclude in March 2024.

Progress against 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	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Authority	<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>To date we have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; <p>We are currently completing our work:</p> <ul style="list-style-type: none"> evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions; and testing unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. <p>In the prior year we identified two control deficiencies that increase the risk of management override:</p> <ol style="list-style-type: none"> The Authority does not have preventative or detective controls in place to check journal postings made by team members. In addition, approval is obtained retrospectively, and There is no authorisation limit on journal postings. <p>This remains the situation in 2022/23. Management have asserted that are in discussion with their systems provider and have received advice on integrating to new versions of the system. Discussions are still in progress with regards to implementing such integration.</p> <p>At the time of writing this report our testing of our risk-based sample is in its early stages.</p>

Progress against significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue risk	Group (subsidiary only)	<p>Under ISA 240 (UK) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. The presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue and expenditure recognition.</p> <p>For Devon and Somerset Fire and Rescue Authority, we have concluded that the greatest risk of material misstatement relates to Group Revenue.</p> <p>We have therefore identified the occurrence and accuracy of Red One Limited's trading income as a significant risk of material misstatement, and a key audit matter.</p> <p>We have rebutted this presumed risk for the revenue streams of the Authority because:</p> <ul style="list-style-type: none"> • Other income streams are primarily derived from grants or formula-based income from Central Government; and • Opportunities to manipulate revenue recognition are very limited. 	<p>We re-considered this assessment on receipt of the draft financial statement and have not identified any reasons to change this assessment.</p> <p>In our Audit Plan we further set out that for Devon and Somerset Fire and Rescue Authority, the greatest risk of material misstatement relates to Group Revenue. We therefore identified the occurrence and accuracy of Red One Ltd trading income as a significant risk of material misstatement, and a key audit matter.</p> <p>Albert Goodman have completed their audit of the subsidiary company and have identified no issues regarding revenue recognition. We have reviewed their work, and we are satisfied that their findings are reflective of the work completed.</p> <p>We are therefore able to conclude that there are no issues to report in relation to revenue recognition.</p>

Progress against significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The expenditure cycle includes fraudulent transactions (rebutted)	Group and Authority	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for Devon and Somerset Fire and Rescue Authority because:</p> <ul style="list-style-type: none"> • expenditure is well controlled, and the Authority has a strong control environment; and • the Authority has clear and transparent reporting of its financial plans and financial position to the Authority. <p>For Red One Limited expenditure is well controlled, with elements of support provided by the Authority. There is regular reporting to the Authority which includes expenditure.</p> <p>We therefore do not consider this to be a significant risk for Devon and Somerset Fire and Rescue Authority and the wider group.</p>	<p>We reconsidered this rebuttal on receipt of the draft financial statements and concluded that this remained appropriate.</p> <p>No specific work is planned as the presumed risk has been rebutted.</p> <p>Our general expenditure testing to date has not identified any significant issues, and Red One Limited's auditors did not identify any matters in relation to expenditure recognition.</p>

Progress against significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings and the key assumptions and judgements that underpin this significant estimate	Authority	<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 (£115m) 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 2023.</p> <p>The valuation of land and buildings is a key accounting estimate which is sensitive to changes in assumptions and market conditions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, in particular, any large or unusual assets or where there have been movements in valuations outside our expectations, as well as testing a sample of those within our expectations. This is one of the most significant assessed risks of material misstatement, and a key audit matter.</p> <p>All assets are revalued each year, either through a detailed or desktop valuation.</p>	<p>To date we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; written to the valuer to confirm the basis on which the valuation was carried out; and tested revaluations made during the year to see if they had been input correctly into the Authority's asset register. <p>We are currently completing our work:</p> <ul style="list-style-type: none"> challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation. <p>Our work to date has identified 2 amendments that we wish to bring to your attention:</p> <ul style="list-style-type: none"> During our examination of the accounting policies, it was observed that the current Depreciation Policy states, "Vehicles, plant, and furniture and equipment (UPFE) – useful economic life (UEL) assessed to range from 5-7 years." However depreciation is calculated on VPFE using UPFEs ranging from 5-30 years. We are satisfied with the UELs used as these represent the diverse range of assets. We have therefore requested that the accounting policy be updated to reflect the application. We also noted that note 11.1 was not fully Code compliant. This not should reflect the assets revalued over the past 5 years. This current shows those assets valued in year. We have requested that this table be fully populated. <p>No further issues have been noted as part of our work to date.</p>

Progress against significant risks identified

Risk
relates
to

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability and the key assumptions that underpin this significant estimate	<p>Authority</p> <p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent a significant estimate in the financial statements.</p> <p>The Firefighters Pension scheme's pension fund liability as reflected in the balance sheet and notes to the accounts also represents a significant estimate in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty being sensitive to small adjustments in the key assumptions used.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% increase in the discount rate would reduce the LGPS liability by £1.3m. The same change would reduce the firefighter pensions liability by £9.1m. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>To date we have:</p> <ul style="list-style-type: none"> • updated 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; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested 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; and <p>We are currently completing our work:</p> <ul style="list-style-type: none"> • undertaking 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; and • considering assurances obtained from the auditor of the Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our work to date has identified no significant issues.

Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Red One Limited	Albert Goodman LLP	<p>This is the second year that the Authority has produced Group Accounts.</p> <p>In 2021/22 we reported that a number of amendments were required to the Groups statements and supporting notes.</p> <p>We are pleased to report that our work in this area is complete, and we have no significant issues to report.</p> <p>One small amendment was made to ensure the Authorities related party note was aligned to the balances with Red One agreed as part of the Group Audit.</p> <p>Red One Limited's Auditors have concluded their audit prior to the Authority producing its draft financial statements. They reported that there were no unadjusted misstatements, or any other significant matters.</p> <p>As part of our procedures, we have reviewed Red One Limited's auditors work and have concluded that the findings are in line with the work completed and sufficient assurance was gained.</p> <p>We have completed our detailed group procedures including the consolidation of the subsidiary and have no issues to report in this regard.</p>	Our work on the group is complete.

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing 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, the wider local government sector 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 by clicking on the logos below:

Public Sector

Local
government

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

an agreed approach to dealing with the backlog of local government audits

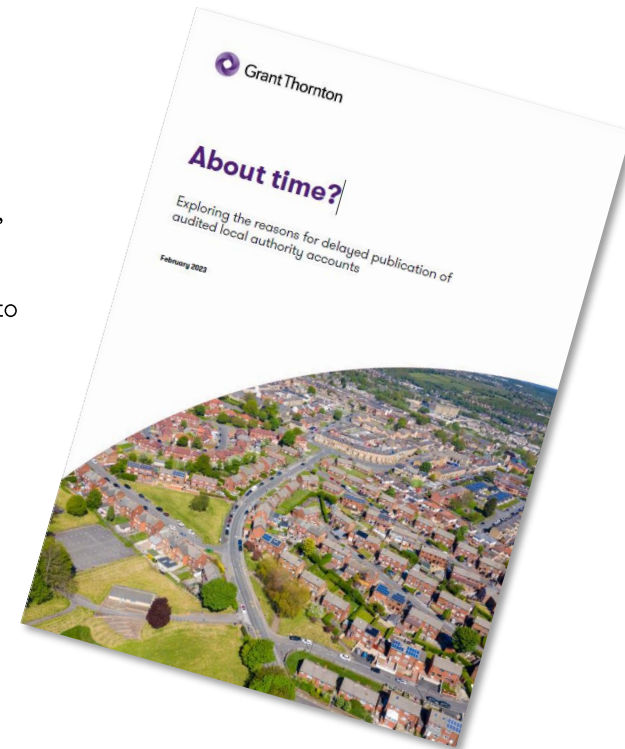
Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)



Call for sanctions for late accounts amid fears of ‘more Wokings - public accounts committee (PAC)

The Commons’ public accounts committee (PAC) published a report, [Timeliness of local auditor reporting](#), which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or authorities.

The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey Clifton-Brown said cases like that of Thurrock Council and Woking Borough Council demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt.



LGPS valuation gives ‘cause for optimism’ – Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia’s invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a [report](#).

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% in 2022.

Robert Bilton, head of LGPS valuations at Hymans Robertson, said: “Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

“While the good news is welcome, the hard work doesn’t stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025.”

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased “across the board” in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

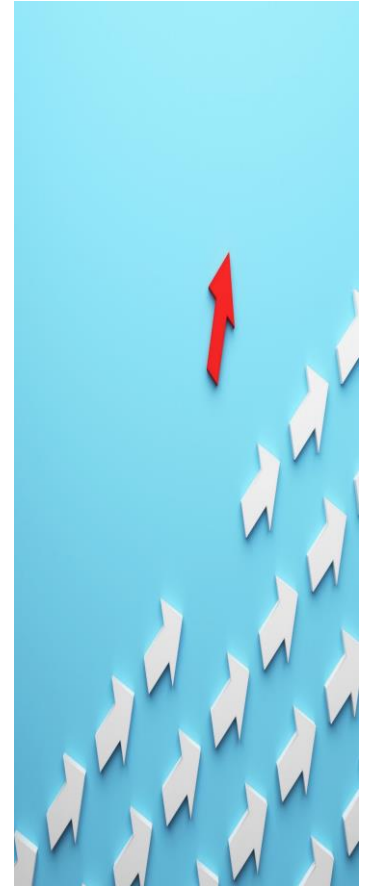
Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

“This is a very positive funding position for the LGPS, Considering that, not so long ago, the Scheme Advisory Board had set up a ‘deficit working group’ and the significant market events that the LGPS has had to navigate in recent years.”

“Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade.”

Read the full report here

[LGPS 2022 Valuation - the big picture.pdf \[hymans.co.uk\]](#)



Sustainability reporting in the public sector - CIPFA

CIPFA said, 'Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.'

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development, said CIPFA.

CIPFA report states, 'the answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.'

Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read the full report from CIPFA here

[Sustainability Reporting \[cipfa.org\]](https://www.cipfa.org)





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Auditor's Annual Report on the Devon and Somerset Fire & Rescue Service

2022/23

December 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Service has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Service's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Executive summary






Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Service has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Service's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Service's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor Judgement on VFM arrangements	2021/22 Auditor Judgement on VFM arrangements	Direction of travel on VFM arrangements
Financial sustainability Page 29	No risks of significant weakness identified during the initial risk assessment and planning process.	No significant weaknesses in arrangements identified, and no improvement recommendations made. Despite adequate arrangements being in place for Financial Sustainability in 2022-23, the Authority's financial challenges continue to be significant and require continued urgent focus.	No significant weaknesses in arrangements identified, but one improvement recommendation made.	↑
Governance	No risks of significant weakness identified during the initial risk assessment and planning process.	No significant weaknesses in arrangements identified but two improvement recommendations made.	No significant weaknesses in arrangements identified. One improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	One risk of significant weakness identified during the initial risk assessment and planning process, in terms of the timeliness of implementation of the HMICFRS recommendations arising from the July 2022 Inspection Report.	No significant weaknesses in arrangements identified and no improvement recommendations made.	No significant weaknesses in arrangements identified but five improvement recommendations made.	↑

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

The Authority has an established consultative approach to setting its annual budget, Medium-Term Financial Strategy (MTFS) and annual savings plan. It has clear and transparent financial reporting and an in-depth knowledge of the financial challenges it faces. Like many fire authorities, the Authority faced significant financial pressures in 2022-23 and overspent its revenue budget by £0.947 million (1.23% of the Net Revenue Budget) causing it to draw down on its General Fund Reserves. The Authority had delivered underspends against the revenue budget, prior to 2022-23, and has built-up earmarked reserves of £22.777m and general reserves of £4.280m at 31 March 2023.

The predicted financial position for 2023-24 at year-end is for spend to be within the set balanced revenue budget. An agreement was made at the Authority meeting on 15 February 2023 to delegate authority to the Treasurer to move up to £2.8m from reserves to fund any difference in the pay awards if necessary. However, through the delivery of efficiencies elsewhere, the £2.8 million of reserves will not be required, and in addition there is also a forecast underspend of some £989k at month 7. Expenditure from reserves is anticipated to be £14.9m within the financial year with projected balances of circa £12.2m at year-end, as the Authority has made a decision to finance the Capital Programme from earmarked reserves. The Medium Term Financial Plan shows there may be a funding gap of up to £20.8 million in 2027-28. The Authority's Strategic Change Programme looks to address the funding gap. It is based on transformational change to deliver greater efficiencies so the Authority may reduce its reliance on reserves which are currently reducing year on year.

Despite the adequate arrangements being in place for Financial Sustainability in 2022-23, the Authority's financial challenges continue to be significant and require continued urgent focus.

Page 30



Governance

We found that the Authority has appropriate processes in place to ensure it manages its risk, gains assurance over the effective operation of internal controls and arrangements to prevent and detect fraud, make properly informed decisions and monitors whether appropriate standards are in place. Our work has not identified any evidence which leads us to conclude that there are significant weaknesses present, however we have raised two improvement recommendations designed to further enhance the arrangements in place. See pages 12 and 13 for more detail.



Improving economy, efficiency and effectiveness

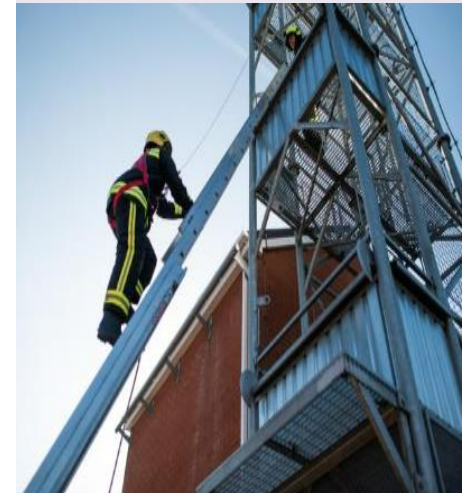
The Authority has adequate processes in place for reporting upon corporate performance, documenting where corrective action is being taken and clear reporting of trends and causes. Our work has not identified evidence of significant weaknesses within the arrangements in place and we have not raised any improvement recommendations.



Financial Statements opinion

We in the process of completing our audit of your financial statements. At the time of writing whilst we have not identified any significant issues, it is too early to determine the expected audit opinion.

Our findings are set out in further detail on page 5.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Service's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021-22

We in the process of completing our audit of your financial statements.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the Court

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for judicial review.

Securing economy, efficiency and effectiveness in the Service's use of resources

All Fire and Rescue Services are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Service's responsibilities are set out in Appendix A.

Fire and Rescue Services report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Service has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Service can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Service makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Service makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Service delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Service's arrangements in each of these three areas, is set out on pages 6 to 22.



Financial sustainability



We considered how the Service:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Performance

The Authority is operating in a challenging financial environment due to the impact of flat funding and increasing inflation. The Authority approved its 2022-23 revenue budget of £77.289 million in February 2022. The 2022-23 revenue outturn position, at £78.236 million, showed an overspend for the financial year of £0.947 million, an adverse variance of 1.23%.

The predicted financial position for 2023-24 at year-end is for spend to be within the set balanced revenue budget. An agreement was made at the Authority meeting on 15 February 2023 to delegate authority to the Treasurer to move up to £2.8m from reserves to fund any difference in the pay awards if necessary. However, through the delivery of efficiencies elsewhere, the £2.8 million of reserves will not be required, and in addition there is also a forecast underspend of some £989k at month seven.

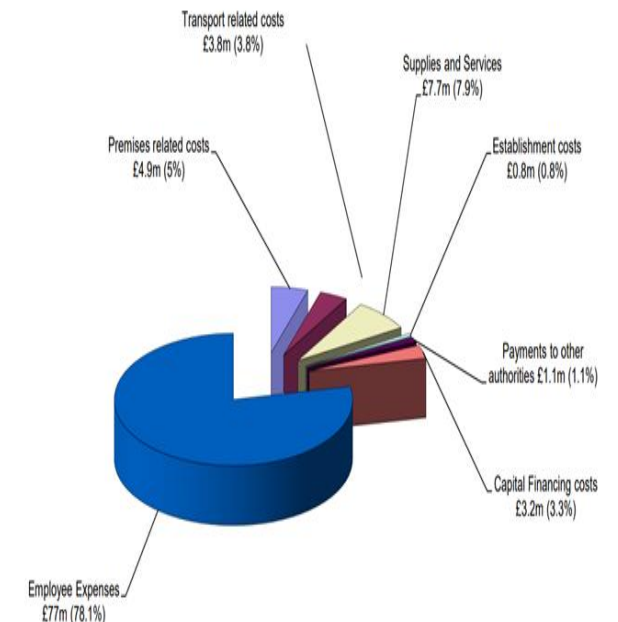
Reserves

Reserves are being used as a tool to ensure budget stability as the Authority is facing significant financial challenges. The Authority currently has an appropriate level of reserves to deal with its identified financial risks. An agreement was made at the Authority meeting on the 15 February 2023 to delegate the authority to the Treasurer to move up to £2.8m from reserves to fund any difference in the pay awards for 2023-24, which is now not needed. Expenditure of £14.9 million on the Capital Programme in 2023-24 will leave the Authority with projected balances of around £12.2million at 31 March 2024. Significantly, in the Medium Term Financial Plan to 2027-28, it is documented that earmarked reserves of £25.621 million will be spent leaving the Authority with a General Fund Reserve of £4.325 million, which is its current target of 5% of its net revenue spend.

Medium term financial planning

The Authority's Medium Term Financial Plan (MTFP) is embedded within the annual budget setting cycle to provide a four year view of priorities and demand for services. This demonstrates that financial risks are considered each year in both the short and long term. The Authority's scenario planning processes ensure the key variables around future funding levels, pay awards and pension costs are built into its MTFP in depth.

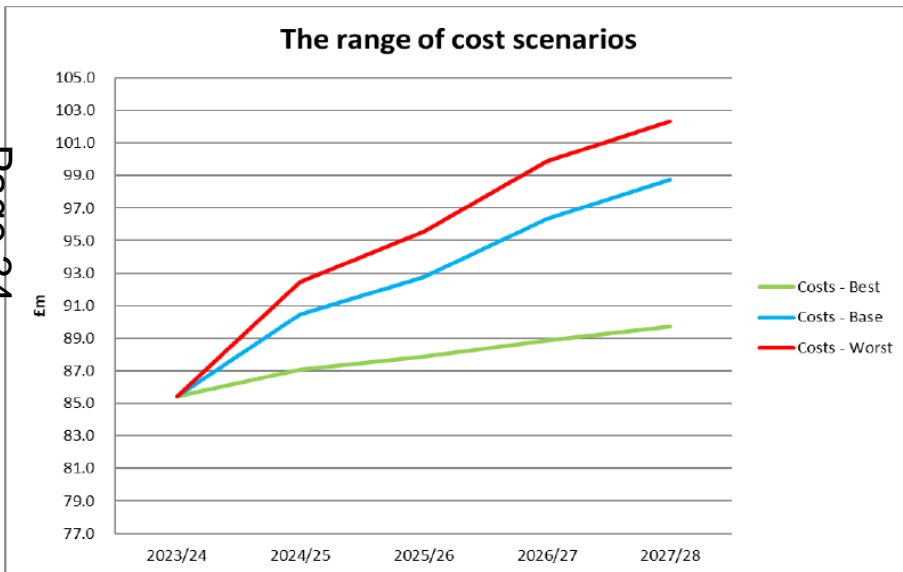
Devon & Somerset Fire & Rescue Authority - Analysis of Spending 2023/24



Financial sustainability (continued)

Medium term financial planning (continued)

The MTFP was presented to the Fire Authority on the 15 February 2023 where a number of scenarios were included based on the best, base and worse cases in relation to funding and costs, as shown below. The current MTFP identifies the need to reduce the costs for the Service over the next three years



The MTFP identifies that there may be a funding gap of up to £20.8 million in 2027-28 if council tax is frozen, falling by £8.6m, to £12.2 million if council tax increased in line with assumed referendum limits (i.e. 1.99%) set by HM Treasury.

Savings targets and the Target Operating Model

The Authority has a good history of achieving savings targets, with over £22.5m saved in the period 2011-12 to 2022-23. Given the big challenge posed by the funding gap and the need to reform the Service, plans have been approved to future-proof the organisation and deliver budget savings.

The Community Risk Management Plan will define the Service's high-level strategy alongside the current creation of a Target Operating Model (TOM) which will align the Service workforce in the most efficient and effective way.

The Authority's Strategic Change Programme, considered by the Authority on 11 December 2023, is based on transformational change in workforce planning to deliver greater efficiencies so that the Authority may reduce its reliance on reserves year on year. There was full support for the four proposals which will result in £1.8 million removed from 24/25 budget in terms of changes to the Whole Time Duty System, the operating model for specialist rescue capability (SRT), the Pay for Availability remuneration, and the policy and practice for dealing with unwanted fire signals.

Summary of findings

Overall, we are satisfied that the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. The Authority is well managed financially and there is a high level of understanding of its budgetary position and its budgetary pressures in the short and the medium term. We acknowledge the challenging context arising after the 22-23 year end, with the significant increase in inflation adding pressures beyond those initially planned for. The significant challenges around financial sustainability in the medium term will need to be a key area of focus.



Governance



We considered how the Service:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Governance and Informed Decision Making

Devon and Somerset Fire and Rescue Service is governed and led by the Fire Authority, which is an independent body comprising of 25 elected Members. The Authority's decision making processes is supported through delegated responsibility to the Audit & Governance Committee, the Community Safety Committee, the People Committee and its Resources Committee. The Authority relies on the reporting of minutes from these meetings to gain assurance that issues are being considered. Members also have access to all committee papers. However we suggest that a high level performance report, similar to the one taken to the Executive Board arising from the business of its Senior Leadership Team (SLT), is taken to each Authority meeting so that all members of the Authority have full oversight of key performance and financial issues. (*Improvement recommendation 1*).

Annual budget setting and budgetary control

The Authority has appropriate processes in place to ensure that budget holders have a key role in setting and monitoring budgets. Finance monitoring reports provide sufficient information to provide an accurate and detailed overview of the financial position without such information being overly complex or simplistic. The budget is developed through stages with the refinement of assumptions and funding stream estimates, examining the budget gap and developing savings proposals. There is also evidence of scenario analysis and planning. We did note a reliance on balancing the budget through the use of reserves, which we have reported upon earlier.

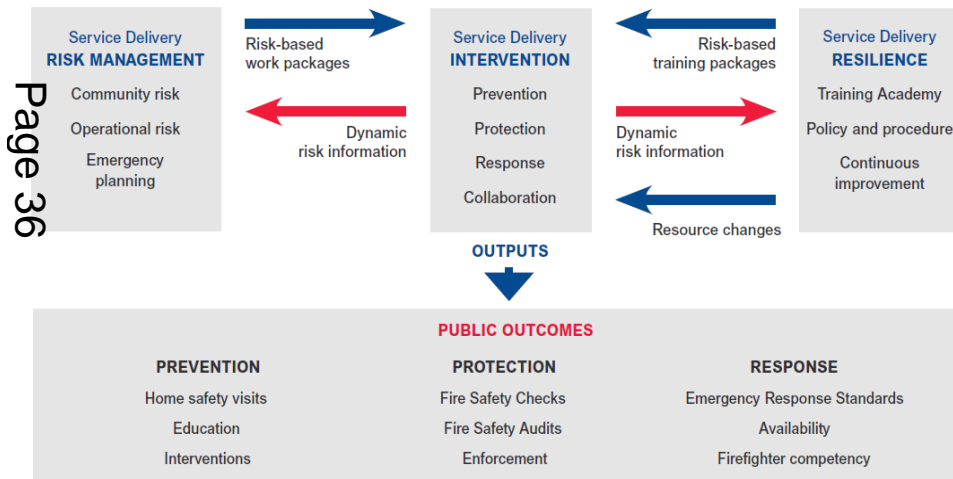
Internal and external stakeholders are involved and consulted within the process and budget managers are required to sign up to and take accountability for delivering their budget. Accurate and timely financial monitoring reports are provided for budget holders. The Finance Team provides regular support and guidance. A separate budgetary control procedure and associated budget manager training was implemented for the 23/24 financial year. Budget managers receive monthly monitoring reports and monthly meetings are held with the finance team to discuss issues, risks and adverse variances. The Resources Committee receives detailed quarterly Financial Monitoring reports for discussion and challenge. In addition, the People Committee receive quarterly activity reports separate to the financial monitoring reports.



Governance (continued)

Community Risk Management Planning

The National Framework issued by central government details the requirement for Fire Authorities to draft, consult upon and publish its strategic intent in the format of an Integrated Risk Management Plan (IRMP) which must span at least three years. In February 2022, the Authority approved its Community Risk Management Plan (CRMP) 2022-2027.

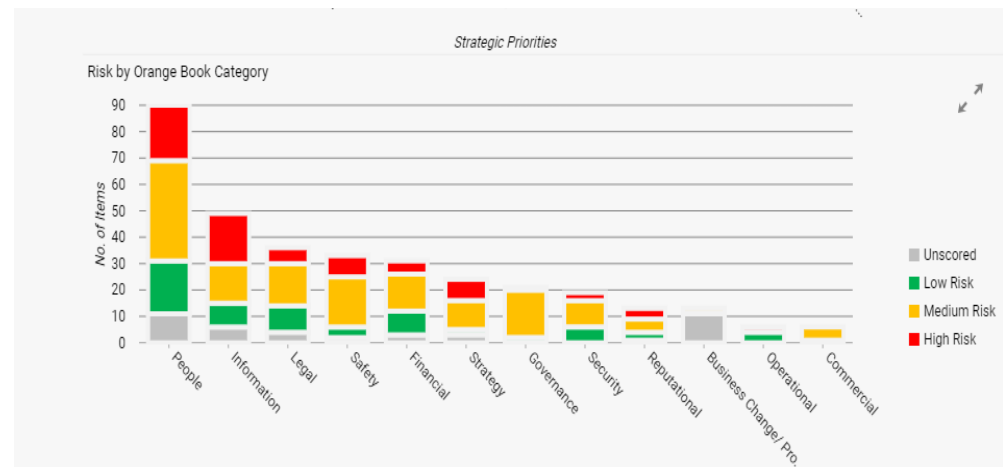


The CRMP is aligned to new National Fire Chiefs Council (NFCC) best practice guidance and outlines the approach to the identification and mitigation of risk within the Counties. The plan is driven and underpinned by an annual Strategic Assessment of Risk (SAoR) which analyses external and internal operating environments as part of the corporate planning process. The SAoR highlights risks faced and describes how the Authority intends to deal with them. The data within the SAoR is used in the Corporate Planning process and identified risks link to core strategies, the CRMP, Corporate Programme, Annual Service Plan and local delivery plans.

Risk Management

A Risk Management Policy is in place, encompassing risk scoring and guidance around the operational arrangements and processes in place for managing, monitoring and reporting risk. Our review of the procedures did not identify any gaps in risk management arrangements as we found it includes key elements for a robust framework to managing risk at all levels across the Authority.

Risks are mapped against the four organisational priorities. The scoring methodology uses a 5 X 5 matrix to prioritise risks. Risk likelihood and impact criteria is clearly documented and includes domains such as financial, service provision and reputation etc. Risks are recorded within the Authority's Corporate Risk Register. The register is reviewed monthly by the Service's Executive Board dependent on net risk score with high risks reviewed each month and medium risks each quarter. Update reports are presented at each quarterly meeting of the Audit & Governance Committee to provide members with oversight of management, mitigation and any new risks or changes to current risks. SharpCloud, a cloud-based software, visualise risk registers at strategic, thematic and local contexts, as shown below.



Governance (continued)

Internal Control and Internal Audit

The Authority has adequate Internal Audit and Local Counter Fraud Services provided by Devon Audit Partnership. Regular reporting is provided to the Audit and Governance Committee with evidence of appropriate oversight and challenge. The Internal Audit Plan for 2022-23 was approved by the Audit and Governance Committee in March 2022 and confirms compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS). A summary of progress against the annual plan is presented to each Audit and Governance Committee meeting, setting out the work completed to date and any significant findings.

The year end Head of Internal Audit Opinion (HoIAO) in 2020-21 and 2021-22 was “Reasonable Assurance”. However for 2022-23, the HoIAO provided “Limited Assurance” regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control. This is because there were a greater number of Limited Assurance audit reports for 2022/23, as shown below.

Summary Assurance Opinions

Service Delivery	Service Delivery Support	Finance and Corporate Services
Operation of the critical messaging process Pay for Availability	Fleet Management	Key Financial Systems (Inc. Payroll)
Organisational Safeguarding Assurance Crewing pool		Use of Data Information Security – Availability of systems Control of working hours (multiple contracts) Application of HR policy and procedure – Recruitment and Promotion
Informed the 2021/22 End of Year Opinion Community Safety: Fire Prevention Flexi Duty Rota Personal Protective Equipment Audit	Application of learning (including internal investigations and external reports e.g., Grenfell)	Project Management Maturity Assurance

The HoIAO also noted that “work is already underway to address issues identified and therefore has the potential to positively impact the Opinion in 2023-24.” The Head of Internal Audit Opinion and Annual Report documents that there were no specific incidences of fraud or irregularity that have been brought to the Authority’s attention during 2022-23.

Standards of Behaviour

The Authority has a number of policies and procedures in place to manage and mitigate the risk of fraud, and to outline the standards of behaviours expected from both its members and staff. These include, but are not limited to:

- Codes of Conduct,
- Anti-Fraud and Corruption Policy,
- Whistleblowing Policy,
- Gifts and Hospitality Policy,
- Conflicts of Interest Policy,

However, from review of the information on the Authority’s website, we could not evidence that some of these have been reviewed or updated recently i.e. Anti-Fraud and Whistleblowing Policies. We have recommended that the Authority reviews these policies on a bi-ennial basis to ensure they remain current and reflect the current environment and landscape. **(Improvement recommendation 2).**

The Service conducted a People Survey, in June 2023, to gather insight from the workforce (including volunteers) about how they feel within their role. Following the analysis of the results, the Extended Leadership Team agreed five areas of focus from the report, which are:

- (1) Inclusion of thought – valuing opinions and ideas for all areas of the Service;
- (2) Bullying and harassment – improving reporting and responses;
- (3) Trust in leadership – having visible leaders who engender trust in colleagues;
- (4) Support staff – valuing support staff and create better learning and development opportunities; and
- (5) Working together – improving collaboration and inter-departmental practices.

The Authority should follow-up the progress against these actions to evidence the impact on standards of behaviour in the Service.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority’s arrangements for ensuring that it makes informed decisions but have raised two improvement recommendations to strengthen the governance processes in place.

Improvement recommendations

Improvement recommendation 1

Governance and Informed Decision Making:

We recommend that a summary performance report, similar to the one taken to the Executive Board arising from the business of its Senior Leadership Team (SLT), is taken to each Authority meeting so the Authority has full oversight of key performance and financial issues.

Improvement opportunity identified

To strengthen reporting at the Authority level, rather than place full reliance on minutes from quarterly Committee meetings that not all members attend, to ensure that the Authority has summary timely information on an exception basis that reflects the service's most recent financial and service performance. This is key given the Authority's challenging financial position.

Summary findings

The Authority's decision making processes is supported through delegated responsibility to the Audit & Governance Committee, the People Committee and its Resources Committee. The Authority relies on the reporting of minutes from these meetings to gain assurance that issues are being considered.

Criteria impacted by the finding



Governance

Auditor judgement

Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Improvement recommendations

Improvement recommendation 2

Standards of Behaviour:

The Authority should ensure that its key governance policies are reviewed and updated on at least a bi-ennial basis.

Improvement opportunity identified

To ensure that the Authority is reflecting the latest local and national requirements in its day to day business.

Summary findings

We could not evidence from the Authority's website that some of its key policies had been reviewed or updated recently for example Anti-Fraud and Whistleblowing Policies.

Criteria impacted by the finding



Governance

Auditor judgement

Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Improving economy, efficiency and effectiveness







We considered how the Service:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Authority has embedded processes in place to monitor and report upon its corporate performance, documenting where corrective action is being taken and supported by clear reporting of trends and causes.

The Authority monitors performance through its Community Safety (Priorities 1 and 2), People (Priority 3) and Resources (Priority 4) Committees who review achievements against the four key CRMP priorities below:

-  **Priority 1:** Our targeted prevention and protection activities reduce the risks in our communities, improving health, safety and wellbeing, and supporting the local economy.
-  **Priority 2:** Our operational resources provide an effective emergency response to meet the local and national risks identified in this plan.
-  **Priority 3:** Devon and Somerset Fire and Rescue Service is recognised as a great place to work: our staff feel valued, supported, safe, and well-trained to deliver a high performing fire and rescue service.
-  **Priority 4:** We are open and accountable, using our resources efficiently to deliver an effective, sustainable service that demonstrates improving public value.

The four priorities are underpinned by 25 objectives aimed at ensuring that the CRMP is delivered and resources are allocated to areas of higher risk. The performance reports provide a good level of detail to enable an appropriate level of challenge, discussion and assurance to be gained. KPI's are presented showing the direction of travel and are RAG rated to demonstrate those which are showing a positive or negative exception. The performance status of the KPIs is based on the following criteria.

Succeeding	The KPI (key performance indicator) is achieving its target.
Near target	The KPI is less than 10% away from achieving its target.
Needs improvement	The KPI is at least 10% away from achieving its target.

When a KPI has a status of “needs improvement”, an exception report will be provided which will contain further analysis and identify whether additional action needs to be taken to drive improvement.

His Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) - Areas for Improvement

On 27 July 2022, HMICFRS published the Devon & Somerset Fire & Rescue Service (DSFRS) 2022 inspection report. The inspection report identified one Cause of Concern and 14 Areas for Improvement (AFIs). Progress against these is monitored by the Authority’s committees with a full update against the action plan presented to the Authority twice per year. The September 2023 Authority report outlines the progress that has been made against the HMICFRS Areas for Improvement action plan to date. The key highlights were that:

- One action within the Cause of Concern action plan is ‘In Progress – Off Track’ due to the need for the trainee/ trainer charter being presented for feedback at the next Equality, Diversity and Inclusion Commission (scheduled October 2023). A further update will be provided once this has taken place.
- Three Areas for Improvement are currently recorded as ‘In Progress – Off Track’ due to:
 - Dependencies associated with the Target Operating Model (HMI-2.2-202206b: Estates Strategy).
 - One action which has not been completed in the required timeframe due to cross-department dependencies (HMI-2.2-202207b: Response - Technology and Innovation).
 - Delays in the development of a revised recruitment policy, to include a process for monitoring temporary promotions (HMI-3.2-202210: Temporary Promotions).

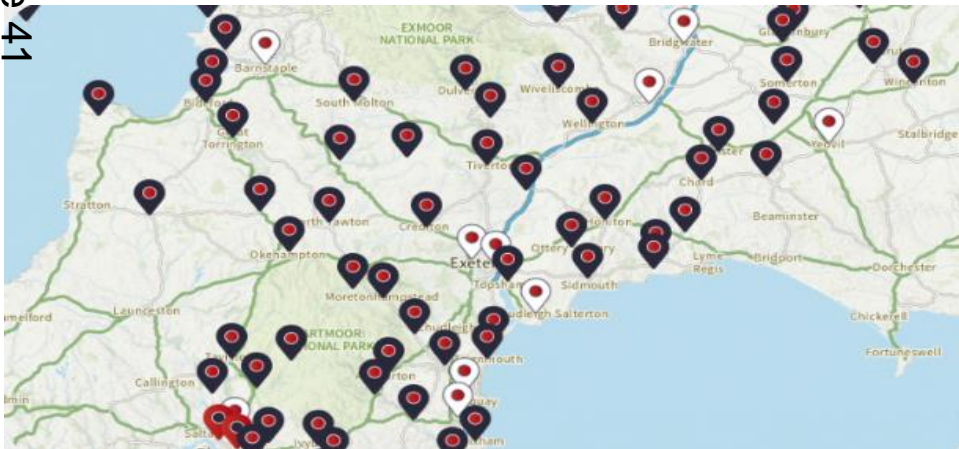
In July 2023, Internal Audit gave a “Substantial Assurance” on the adequacy of the Authority’s arrangements for implementing HMICFRS actions.

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Fire Authority has adequate arrangements in place for working with its partners. The Police Force, Fire & Rescue Service and Emergency Ambulance Service are under a formal duty to collaborate under the Policing and Crime Act 2017. The objectives are to improve efficiency, effectiveness and deliver improved outcomes. To meet the requirements of this duty, the respective blue light services in Devon and Somerset, meet regularly at both tactical and strategic levels. The CRMP was agreed in year following extensive consultation with key partners. Partnership working is crucial in developing prevention strategies. The Authority has plans in place to increasingly use community partnerships, as well as internal and external learning, to identify trends and emerging risks to enable targeting of prevention activities

Geographical spread of Devon and Somerset fire stations

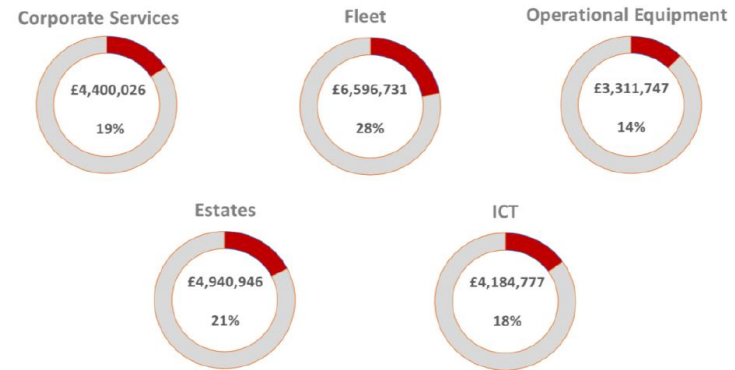


The Authority play a key role in the South West Emergency Services Collaboration (SWESC) which brings together the region's emergency services and directs and coordinates a diverse range of regional collaboration projects. SWESC is recognised as one of the leads nationally and is the largest both geographically and in partner numbers. In support of the emergency services, the programme also has Public Health England SW as a key partner.

Commissioning and procurement

The Fire Authority has appropriate arrangements in place for procuring goods and services and monitoring its contracts.

The Service spends some £16-23 million per annum on goods, services and works with over 800 external providers. The Authority has in place a Procurement Strategy 2023-2028 designed to identify procurement priorities aligned with local, regional and national procurement policy. The approach to procurement is adequately analysed between the following five areas.



Procurement expertise exists within in the Authority with officers specialising and leading on local and national contracts alongside other fire authorities.

Summary of findings

Overall, we found no evidence of any significant weaknesses in the Authority's arrangements for improving the way the Authority delivers its services in terms of improving economy, efficiency and effectiveness. We have followed up on the six recommendations, on pages 16 and 17, from the prior years which remain in progress.

Follow-up of prior year recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>1 Financial sustainability: Given the likelihood that any budget gaps will increase further given the current economic climate and inflationary pressures, we recommend that further consideration should be given to introducing a formal and more frequent review and sensitivity analysis and scenario planning on key assumptions and estimates within the MTFP. This will provide transparency on the sector wide uncertainties the Authority is subject to and the potential impact of these on its financial sustainability.</p>	Improvement	April 2023	The MTFP assumptions are reviewed regularly, but only published annually. The Service will shortly be published a Target Operating Model (TOM) document detailing the initiatives that will be implemented to drive sufficient efficiencies to match the funding gap. The TOM will be reviewed and compared to the MTFP at every opportunity.	Yes	No
<p>2 Governance: We recommend that there is a further review controls are introduced to ensure that the draft financial statements are free from error and are internally consistent.</p>	Improvement	April 2023	Within the year-end process, the team have added in additional checks to ensure that the notes and primary statements balance where necessary. This should ensure that any anomalies are spotted and addressed before the Accounts are submitted.	Yes	No
<p>3 Improving economy, efficiency and effectiveness: We recommend that each objective should be supported by clear action plans that set out specificity, how it will be measured, be achievable and realistic and be timebound. This will ensure that objectives and actions can be cascaded to individual Station Managers.</p>	Improvement	April 2023	The corporate planning department is currently developing a strategic planning portal which provides a service dashboard for managers on performance, planning and risk registers. These areas are linked to systems including PowerBI, Sharpcloud, 365 and Verto. The portal within the performance area link directly to skills dashboards, service delivery dashboard, KPI's, PowerBI reports and Verto. The planning link goes directly to the CRMP actions assigned to managers and local community plans for SD managers at all levels. The risk area has DSFRS risk registers and the National Risk register. The assurance link provides direct access to organisation and operational assurance and the document repository has relevant service documents and information to support Performance, Planning, Risk and Assurance. There will also be direct links to HMICFRS AFI plan, national operational guidance strategic gap analysis and fire standard action plans. Having a single landing page for performance planning risk and assurance enables managers to understand their actions and which are measured through real time performance data.	Yes	No

Follow-up of prior year recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	<p>Improving economy, efficiency and effectiveness: We recommend that going forward, where strategic priorities are refreshed and updated that this is completed ahead of budget round commencement.</p>	Improvement	April 2023	The strategic Priorities have been set by the Fire Authority and will be in place throughout the CRMP. The strategic objectives have been developed to meet the requirements of the CRMP. The strategic objectives will be reviewed with the CRMP annually in April to ensure to ensure they are agreed before the budget round in October.	In progress	No
5	We recommend that a full suite of KPIs be developed covering all strategic priorities.	Improvement	April 2023	<p>A range of KPIs that align to the objectives set within priorities 3 and 4 have been identified and reporting is in development. There are data issues associated with implementing many of these KPIs, however project management support is now being provided to help move things forward.</p> <p>A provisional report containing the reportable KPIs priorities 3 and 4 will be provided to EB for the formal meeting in May. This will give the year-end position for the 2022/23 financial year.</p>	In progress	No
6	We recommend that a data strategy is developed.	Improvement	April 2023	The Digital Strategy 2020-23 laid the high level underpinnings for our forthcoming data strategy, which will align to the recently approved Data Management Fire Standard.	In progress	No
7	We recommend that the performance data on the Authority website is updated quarterly.	Improvement	April 2023	The Strategic Analysts will ensure the Authority website is updated quarterly with Performance Data through the Comms department in conjunction with Community Safety Committee performance reporting.	In progress	No
8	We recommend that the Authority implement a formal partnership register	Improvement	Feb 2022	The 2010 IDeA report is being reviewed and in addition to populating a Partnership Register, existing partnerships will assessed against the Framework requirements with completion by the end of the financial year.	In progress	No

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Service's financial statements:

- give a true and fair view of the financial position of the Service as at 31 March 2023 and of its expenditure and income for the year then ended, and
 - have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- We conducted our audit in accordance with:
- International Standards on Auditing (UK)
 - the Code of Audit Practice (2020) published by the National Audit Office, and
 - applicable law

We are independent of the Service in accordance with applicable ethical requirements, including the Financial Reporting Service's Ethical Standard.

Audit opinion on the financial statements

This work remains underway at the time of writing. At the time of writing, whilst we have not identified any significant issues, it is too early to determine the expected audit opinion.

The full opinion will be included in the Authority's Annual Report for 2022/23, which can be obtained from the Authority's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements

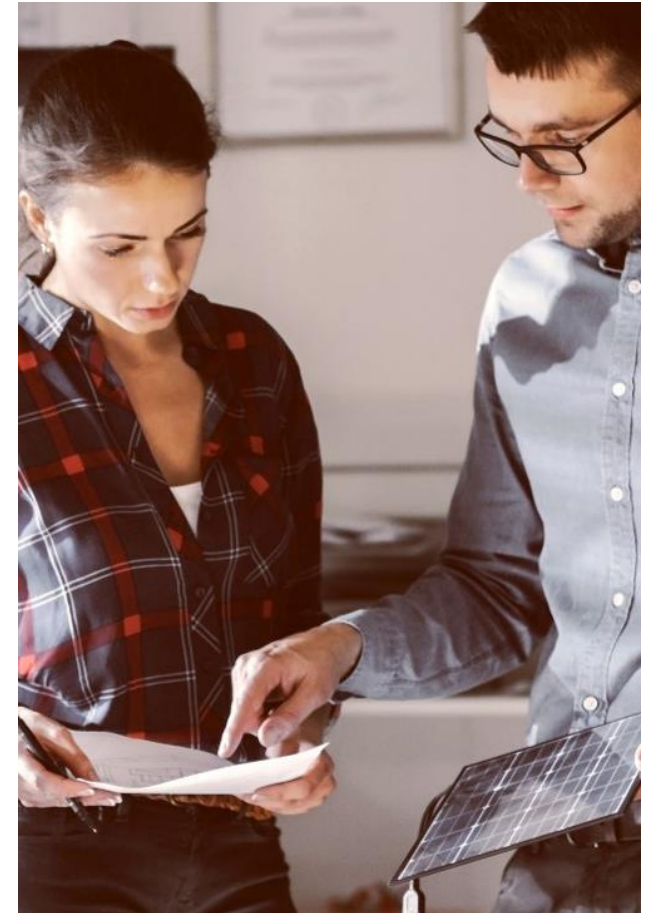


Timescale for the audit of the financial statements

- Our Audit Plan was issued in June 2023 and presented to the Audit Committee
- We completed our planning and interim work from March to June and our final visit between July and December
- The Authority provided draft financial statements on 31 July 2023, later than the national timetable of 31 May 2023.
- The work remains underway at the time of writing. We intend to issue an unqualified opinion on the Authority's financial statements once the work is complete.

Findings from the audit of the financial statements

More detailed findings are set out in our Audit Findings Report which will be presented to the Audit and Governance Committee in March 2024. Requests for this Audit Findings Report should be directed to the Authority.



Appendices

Appendix A – Responsibilities of the Service

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

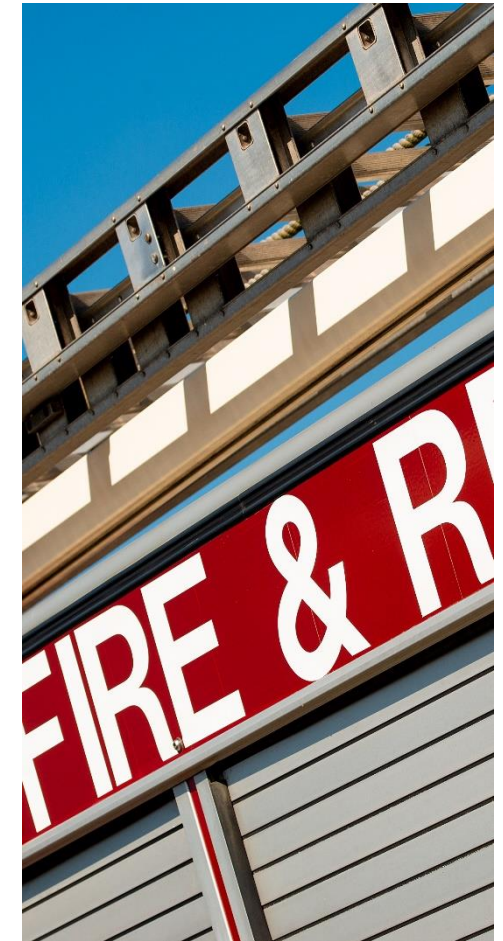
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Service's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Service will no longer be provided.

The Service is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Service’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Service under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Service. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Service, but are not a result of identifying significant weaknesses in the Service’s arrangements.	Yes	Governance: pages 12 - 13

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Agenda Item 7

REPORT REFERENCE NO.	AGC/24/2
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	22 JANUARY 2024
SUBJECT OF REPORT	CORPORATE RISK REGISTER
LEAD OFFICER	DIRECTOR OF FINANCE & CORPORATE SERVICES (TREASURER)
RECOMMENDATIONS	<i>That the report is used to assess, monitor and have oversight of risks within the Service, ensuring that appropriate levels of assurance are in place to protect the Service interests and achieve Strategic Objectives.</i>
EXECUTIVE SUMMARY	<p>Managing risks, both operational and strategic, is an important part of ensuring that the resources of Devon and Somerset Fire and Rescue Service are used to best advantage. Risk is inherent in most things that the Service does and much of its activity is already assessed and managed through the application of the operational risk management procedures and good common sense.</p> <p>The Corporate Risk Register sets out risks and mitigation to ensure that risk is managed appropriately and proportionately.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ASSESSMENT	Not applicable.
APPENDICES	A. Risk Management Framework
BACKGROUND PAPERS	<p>AGC 21 July 2023 – Corporate Risk Report and risk management awareness session</p> <p>AGC 29 November 2022 – Corporate Risk Register</p> <p>AGC 7 March 2022 – Corporate Risk Register</p>

1. INTRODUCTION

1.1 The aims of Risk Management for the Devon & Somerset Fire & Rescue Service (“the Service”) are to:

- Protect the assets of the Service;
- Ensure service continuity; and
- Facilitate innovation and opportunity.

1.2 Risk management does not mean risk avoidance. It is about encouraging officers and managers to identify, understand and control risk and to learn how to accept the right level of risk.

2. CORPORATE RISK REGISTER

2.1 The corporate risk register captures and describes the Service’s most significant risks, with a focus on cross-cutting risks and major projects. It is formally reviewed and refreshed on a regular cycle. In order to embed the Service’s approach to managing strategic and operational risks, risk management is integrated within the planning process so that it is part of direction setting, activity and resource planning and activity monitoring.

2.2 Risk management is the process by which risks are identified, assessed, recorded, mitigated and reviewed. A risk is the threat that an event or action will adversely affect the ability to achieve our objectives. The Risk Management Framework sets out responsibilities for the management of risk and seeks to ensure that key risks to the achievement of DSFRS objectives are understood, reported and appropriately mitigated. It is important to recognise that an effective risk management framework is as much a way of thinking as it is a process or system as illustrated in Appendix A.

2.3 The process includes the identification, assessment and recording of risks and mitigating activities which is incorporated into annual service plans. The final stage of the process, once risks have been reviewed by risk owners and directors, is for the Audit & Governance Committee (the Committee) to use the report to assess, monitor and have oversight of risks within the Service, ensuring that appropriate levels of assurance are in place to protect the Service interests and achieve Strategic Objectives.

2.4 Since the last report to the Committee in July 2023 (Minute AGC/23/6 refers) the five high risks updated are listed below:

- **CR044 Cyber attack causes sustained business systems outage, risk owner Shayne Scott (SIRO). Risk added September 2018. Risk remains indefinitely on register.**
 - The annual IT internal and external Health Check was performed in October 2023. The check is a test of the Service’s technical security controls, both internal and anything internet facing or hosted (external). The next update report on progress in addressing the outcome of this check is expected from Information Governance in January 2024.

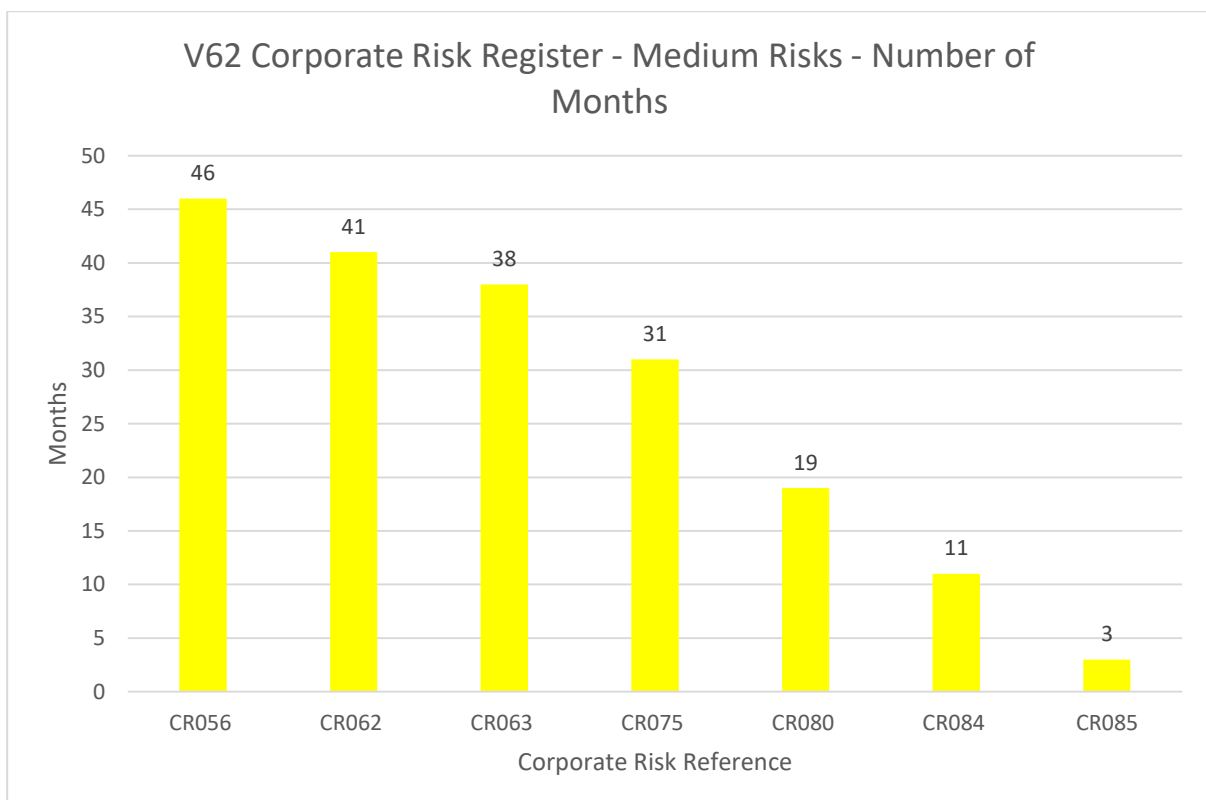
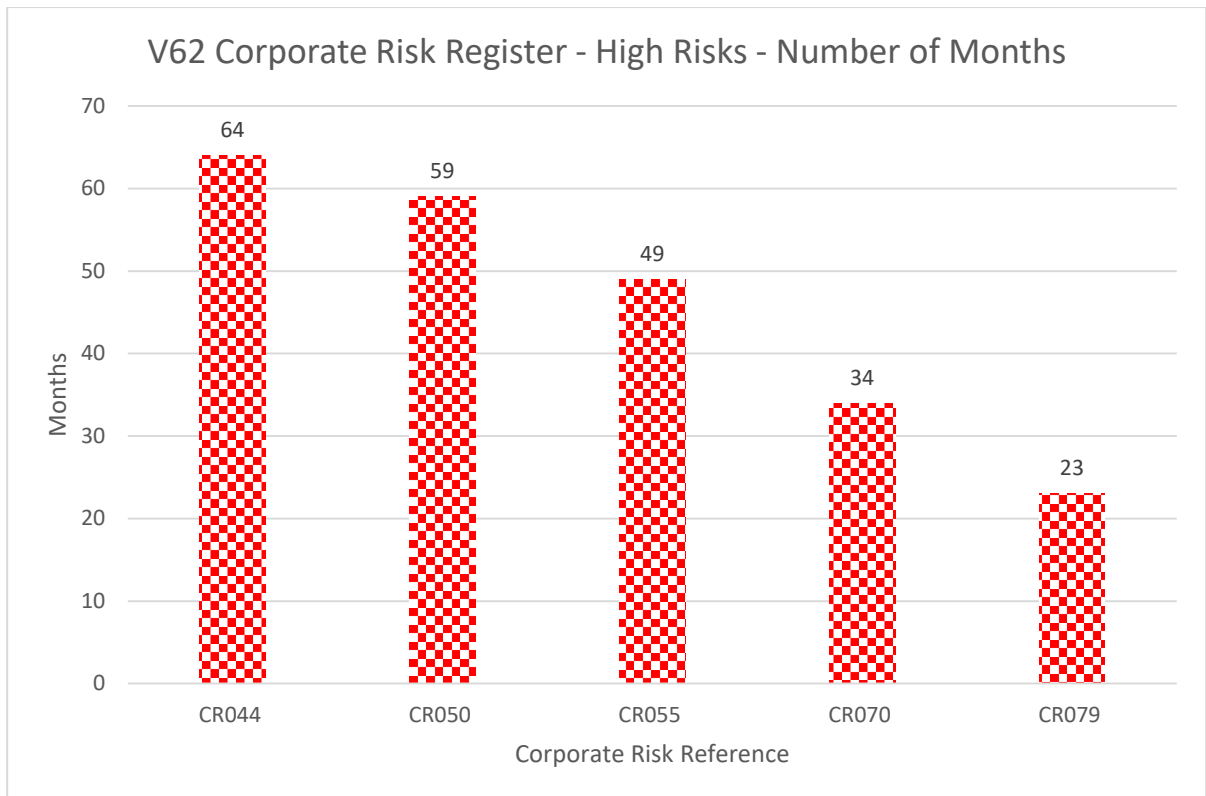
- **CR050 Failure to agree actions to set a balance budget in future years. Risk owner Shayne Scott. This risk was added September 2018. Risk remains indefinitely on the register.**
 - The risk description was amended to ‘Failure to set a balanced budget in future years’, removing reference to 2024/25 due to savings generated and agreed plans to reduce spending.
 - As at period 8, the Medium-Term Financial Plan suggests the Service could have a £1.3m gap in our budget requirement for 2024-25 when compared to our income streams which increases to £5.6m in 2025-26. There is a requirement for the Treasurer to present a balanced budget for the year to the Fire Authority during February 2024. Failure to implement plans focused on addressing the shortfall could prevent the Treasurer from being in a position to present a balanced budget.
 - The Treasurer’s report to the Devon and Somerset Fire and Rescue Authority meeting on 11 December 2023 (Minute DSFRA/23/29) outlined some of the key areas of focus that are within the first tranche of the ‘Sustainable Transformation Programme’. They include a change to Whole Time Duty Systems; changes to the operating model for specialist rescue capabilities (SRT); amendments to Pay for Availability remuneration agreement and amendments to the policy and practice for dealing with unwanted fire signals. Members unanimously endorsed the planned areas for change and that they be included in the revenue budget proposals for 2024 – 2025. Collectively, it is anticipated that this will deliver savings in the region of £1.8m but there remain risks to its success which must be closely monitored e.g. system upgrades to manage a change to the rota system, union negotiation etc.
 - On 1 December 2023, the Chief Fire Officer outlined to all staff the areas being looked at and further work will now progress to realise the anticipated savings within the required timeframes. All staff are encouraged to have their say and to help shape and influence the future of the Service.
- **CR055 (SSC003) Failure to thoroughly investigate and learn from safety events and take corrective action to prevent foreseeable reoccurrences. Risk owner Maria Phillips. This risk was added December 2019. Based on current progress it is anticipated that the risk should be de-escalated by 31 March 2024.**
 - The Health and Safety team and investigators have continued to work to reduce the total number of overdue safety event investigations. The overall number of overdue safety events is 60, no change to last month.
 - From September 2023, the weekly Health and Safety report includes an overview of outstanding Safety Event Reporting Tool (SERT old system) recommendations; the first report noted 181 overdue. There are currently 41 outstanding, a decrease of 8 from last month. This will remain an area of focus for SLT until they are completed, with review at the weekly Service Leadership Team (SLT) meeting.

- Executive Board approved the use of casual contractors for safety event investigations; recruitment starts January 2024.
- Overall, the risk direction has improved since the last report.
- **CR070 Failure to operate an effective risk assessment process. Risk owner Maria Phillips. This risk was added March 2021. It is anticipated that this risk should be de-escalated 31 March 2024.**
 - The Health and Safety team and the risk assessment owners have continued to work to reduce the total number of overdue RA2's. There has been an increase of 7 (68 - 75) since last month's report although it should be noted that new risk assessments will pass their review due date each month.
- **CR079 Inability to assure ourselves that the HFS data created, held and reported on is correct. Risk owner Gerald Taylor. This risk was added February 2022. It is anticipated that this risk should be de-escalated by the end of 2024.**
 - On 25 August 2022 the issue of delayed application development was escalated to EB with a recommendation to revisit the March 2022 decision in relation to MORI and Home Fire Safety data issues to understand the current status and revised action timeline.
 - Since the previous report, the Data and Digital team has implemented DELT lite system upgrades and continue to work with the Community Safety Prevention team to cleanse data. Executive Board agreed additional temporary resources.

2.5 Risk sources are both internal and external to Service activities, therefore establishing categories for risks provides a mechanism for collecting and organising risks as well as ensuring appropriate scrutiny and management attention for those risks that can have more serious consequences for the ability to meet objectives. Risk categories consolidate risks into a two dimensional view, strategic process and directorate; either may exist in a single directorate or cut across multiple directorates. Service corporate risks are aligned to HM Treasury Orange Book (2020) risk categories. Failure to manage risks in any of these categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational consequences.

2.6 The Service risk profile has changed since the last report in July 2023. The corporate risk register entries total twelve risks with one risk added and five de-escalated to local and thematic risk registers and no risks closed. The register is reviewed monthly by the Service's Executive Board dependent on net risk score with high risks reviewed monthly and medium risks quarterly.

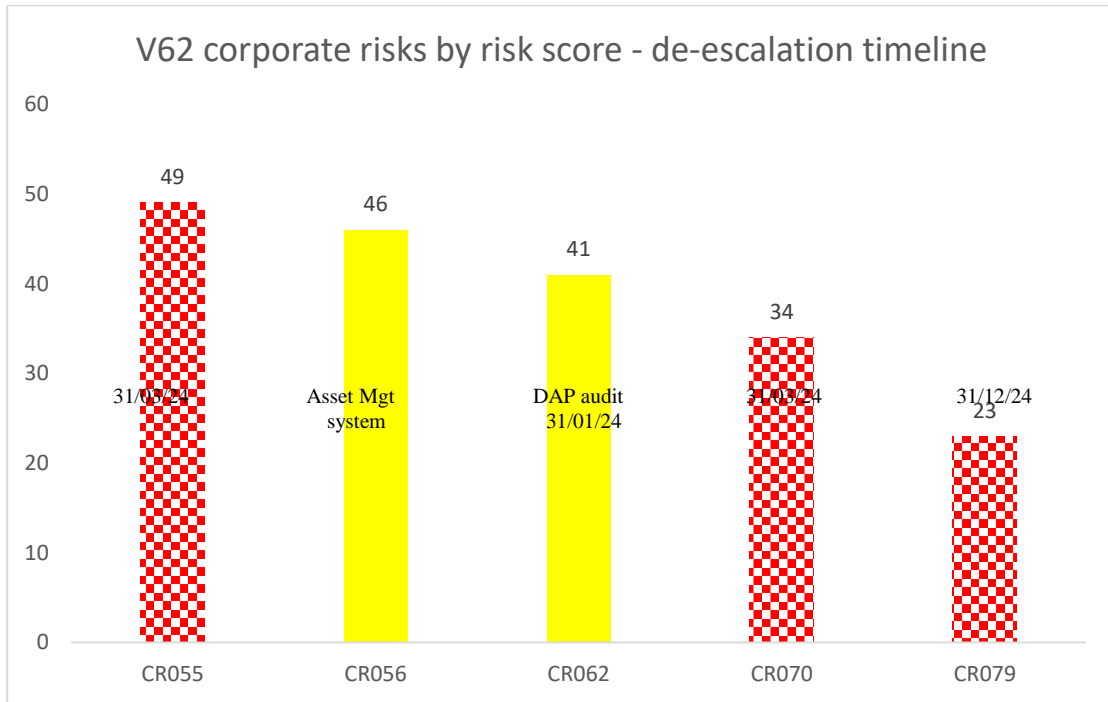
2.7 The Audit and Governance Committee on 29 September 2023 expressed its desire that, from 22 January 2024, the six-monthly corporate risk reports should include how long risks have been on the Corporate Risk Register, those risks that are static and those that when mitigated to a tolerable level will be de-escalated, see tables below.



2.8. Based on current progress, it is anticipated that both CR055 Failure to thoroughly investigate and learn from safety events and take corrective action to prevent foreseeable reoccurrences and CR070 Failure to operate an effective risk assessment framework should be de-escalated to the Health & Safety thematic risk register by 31/03/2024.

2.9. CR056 Failure to ensure that fleet and equipment is available and is fit for puprose is dependent on the phase 3 asset management system and CR079 Inability to assure ourselves that the Home Fire Safety data created, held and reported on is correct, on CFRMIS system implementation.

2.10. Completion of an internal audit by Devon Audit Partnership (DAP) will support a review of CR062 Failure to operate an effective Information Governance framework; the final report is expected by 31/01/2024,see table below.



2.11 Over the last twelve months, 62 actions have been closed. The graph below illustrates actions closed per month.



2.12 As is normal, there have been minor changes to control measures across the risk portfolio. Risk owners are assigned to each risk with active mitigation in place. All risk register owners have reviewed and updated their risk mitigations and agreed new review dates. Overall, the Service Executive Board is duly satisfied with the adequacy of the risk mitigation progress.

3. CORPORATE RISKS ADDED AND AMENDED SINCE THE LAST REPORT TO THE COMMITTEE

3.1 Executive Board considered the following risks and made decisions on appropriate risk register inclusion:

- October 2023 CR085 Inconsistent performance data evaluation processes and impact on decision making. CR035 (Failure to agree performance measures and inability to fully & immediately report against agreed measures which may reduce the ability to make informed decisions) de-escalated to Corporate Planning risk register and replaced by new risk (CR085) focusing on data evaluation and reporting.
 - Agreed action: Manual performance data reporting, forward looking to automate utilising Power BI.

3.2 Executive Board agreed to amend the following risks on the corporate risk register:

- October 2023: CR044 Cyber attack causes sustained business systems outage: risk impact score increased from three to four, increasing the risk from medium to high.
- November 2023: CR063 Failure to delivery environmental strategy and action plan, risk owner changed from AM Taylor to AM Bottomley.
- December 2023: CR080 Failure to create a diverse and inclusive workforce risk likelihood score reduced from four to three, reducing the risk from high to medium. All bar three actions have been implemented, thereby reducing the risk monitoring frequency from monthly to quarterly.

4. RISKS DELEGATED TO LOCAL RISK REGISTER

4.1 The following two risks have been delegated to local risk registers now that they have been mitigated within a tolerable risk level.

- August 2023 CR073 Failure to assure that staff read and understand critical messages and apply required changes. *De-escalated to Health and Safety thematic and Service Delivery risk registers.*
 - Internal assurance team reported reasonable assurance on the process now in place. Service Delivery focus is now on developing a pilot messaging system via Gartan server.
 - Seven audit recommendations added to strategic action tracker with ownership assigned to relevant Senior Leadership Team leads.

- October 2023 CR035 (SSC0011) Failure to agree performance measures and inability to fully & immediately report against agreed measures which may reduce the ability to make informed decisions. Risk de-escalated to Corporate Planning risk register.
 - Revised corporate measures one, two, three and four established and reported on to senior management and Resources committee November 2023. Actions completed.
- December 2023 CR065 Theft or accidental loss leads to data breach of sensitive operational and / or personal data
 - There have been no significant issues in the last six months; risk de-escalated to Digital, Data and Technology (DDaT) risk register.
- December 2023 CR074 Supply chain disruption to operational assets.
 - There have been no significant issues in the last six months therefore recommend risk de-escalated to Health & Safety thematic and operational asset registers.
- December CR081 Failure to operate appropriate trading company governance arrangements.
 - The Fire and Rescue Authority 11 December 2023 agreed the audit recommendations management responses which have been assigned to Democratic Services Manager and Democratic Services risk register.

5. **HORIZON SCANNING**

- 5.1 The concept of horizon scanning aims to detect early warning signs of emerging risk to prompt the Service to make decisions to act when needed.
- 5.2 Over the last six months, Executive Board and Service Leadership team (ELT) agreed to include horizon scanning into corporate planning processes. The outputs inform corporate risk register, reports and planning.
- 5.3 The National Preparedness Commission (NPC) released a report on measuring and strengthening national resilience; the Building Confidence in the Future report, produced for the NPC by Marsh McLennan. This provides a framework for understanding and analysing national ambitions, capabilities, and mobilisation towards resilience outcomes.
- 5.4 This follows the publication of the Government's latest National Risk Register, which assesses national-level threats to the UK, response capabilities, and long-term recovery. Key risks for Fire and Rescue Service response include a major high-rise fire, fires and explosions at major hazards and fuel pipelines, industrial action, and terror attacks in public venues. Both reports will be reference points for strategic planning and horizon scanning and to answer the following questions: 'What does resilience look like?', 'How resilient do we need to be?' and 'How do we know we're doing enough?'

6. HEALTH AND SAFETY THEMATIC RISK REGISTER

- 6.1. On the corporate risk register, there are four health and safety corporate risks, a reduction of one from the previous report. Executive Board decided on 10 August 2021 to set up a thematic health and safety risk register to focus on health, safety and wellbeing risks with a wider stakeholder group.
- 6.2. The strategic health and safety thematic risk register workshop is chaired by ACFO Bottomley, reviewed quarterly by Health and Safety stakeholders, including representative bodies, and quarterly by Strategic Safety Committee which is chaired by a member of the Executive Board. The risks are owned by Service Leadership team leads, and managers are the control and action owners.

7. BUSINESS CONTINUITY

- 7.1. Since the previous report, strategic and tactical debrief sessions have been completed and lessons learnt captured. Business continuity planning continues to ensure that the Service complies with the Civil Contingences Act 2004 (CCA) that places a duty upon the Service as a category one responder, to ensure that activities are maintained to deliver core services in adverse conditions.
- 7.2. On the 25 June 2023, the 999 call system experienced a national outage affecting Police and Fire and Rescue Services. BT reverted to a call back system, however, it was unable to determine the call location or number. The 999 system became available later the same day. A debrief session was held 27 November 2023 on the 999 mobilisations system outage, report issued with business continuity plans amended accordingly and actions added to the operational assurance action tracker.
- 7.3. On 28 September 2023, Contingency Response Team (CRT) was stood up to consider the risk of future industrial action. Other industries have ongoing industrial action including rail, NHS and schools. It was noted that the Service has good employer relations.
- 7.4. The decision to stand up CRT was based on the rising tide concern for disputes in 2024, pressures of adverse weather, seasonal flu, potential for new covid strains, national power outages and increase in cyber attacks. The Fire Brigade Union (FBU) pay claim is expected in the coming months.
- 7.5. Annually the National Chiefs Council issue an industrial action survey to confirm the level of resilience across UK fire and rescue services. The expectation is that there should be a minimum of 25% resources available during periods of industrial action. The annual NFCC industrial action survey was returned on the 29 September 2023 confirming the Service degradation plans meet requirements.
- 7.6. A no notice exercise took place at Service headquarters on 9 November 2023. The exercise was based on a national power outage for an unknown duration. A debrief report identified lessons learnt which will inform national power outage business continuity plans.

7.7. Following a short period of relocation, December 2023 saw the return of crews to Camels Head station. A debrief session was held 27 November 2023 with a final report, management responses agreed and added to the strategic action tracker.

8. **INSURANCE**

8.1. Since 2015, the Fire and Rescue Indemnity Company (FRIC) has generated a surplus of £2m, four new members have joined, one new member is due to join on 1 April 2024 and the Company holds £4.5m in reserves.

8.2. The external insurance market has hardened, and underwriters are being pushed to improve efficiency and profitability. No longer are they able to rely on investment income to balance disappointing outcomes, the industry is now looking to adopt new technologies to make process efficient. However, improving underwriting processes is not a one off project. There are a lot of moving parts to consider and new data will continue to accumulate, hence processes need to be monitored and optimised on an ongoing basis.

8.3. Annual insurance renewal is based on external insurance market conditions and individual member loss ratios and claims experience. Three factors dominated this year's renewal cycle:

- Enduring inflationary pressures impacting FRIC's cost base and core lines of business; costs of repairs to vehicles and property (materials and labour), but also injury settlements which are linked to lost earnings.
- Liability rate increases, especially in the reinsurance layers over £10m and ongoing concern relating to Employers' Liability risk profile (emerging risks such as contaminants, Perfluoroalkyl and polyfluoroalkyl substances PFAS foam).¹
- Market wide concern relating to injury and damage arising from "Forever Chemicals" (traditionally found in fire-fighting foam) culminating in the liability policy exclusion. Whilst resisting the change in 2022 the imposition of the liability exclusion was non-negotiable this year and the new London Market standard exclusion was applied from 1 November 2023.

8.4. Across the FRIC membership the rate changes applied were as follows:

- Motor plus 2%;
- General liability plus 5%, Employers liability plus 5%, Public Liability 'Standing Charge' +25%; and
- Property rates remain unchanged for fourth year running.

8.5. In summary, this means that most Members will see a change between 4%-9% (8.3% average) in their 2023/24 invoice (excluding prior year Marauding Terrorist Attacks) compared to previous year.

¹ Perfluoroalkyl and polyfluoroalkyl substances (PFAS) are a large group of human-made chemicals that have been used in industry and consumer products worldwide since the 1950s. PFAS have been used specifically in some synthetic Class B firefighting foams, including aqueous film-forming foam (AFFF)

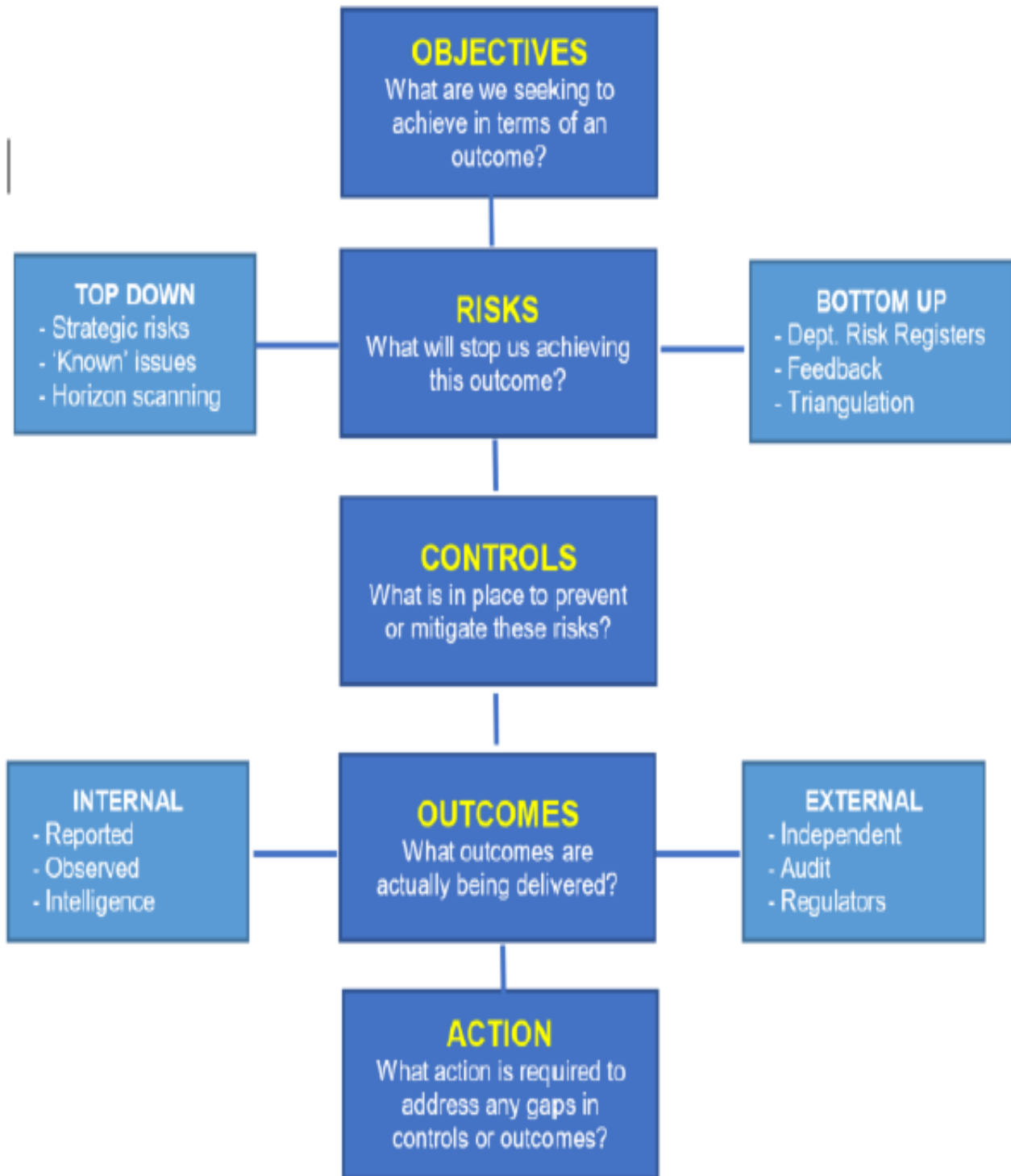
- 8.6. In 2021 /22, the Service increased its motor retention from £5k to £50k per claim, this resulted in contributions reducing by £65k from £457,248.28 to £426,377.93. This year's renewal has seen further reduction of from £426,377.93 to £406,036.47, a saving of £20k.
- 8.7. Across FRIC, five of the thirteen members have achieved the maximum level of Motor KPI Discount capped at 15% of motor insurance premium. The Service 15% capped was £68,587, this year we achieved £51,222 discount. The reason for not achieving full discounts was due to late reporting of safety events.
- 8.8. The FRIC Contribution Model is made up of a large number of calculations against each Member's own exposure data so there are many variables. The exceptions are explained by factors such as increased vehicle numbers, large changes in property reinstatement values and motor KPI performance.
- 8.9. Increased costs are always a difficult sell but in the current economic climate FRIC believe this is a good result delivering against the Mutual's key objectives of price stability and financial sustainability. The revised rating continues to benchmark favourably against the wider market as demonstrated by West Yorkshire's decision to join FRIC from 1st April 2023 with rates circa 10% to 15% higher.

9. NEXT STEPS

- 9.1 The Corporate risk register will continue to be subject to monthly review by the Service Executive Board. The next formal review of the corporate risk register by the Committee is due to take place in six months' time.

SHAYNE SCOTT
Director of Finance and Corporate Services

Risk Management Framework



Agenda Item 8

REPORT REFERENCE NO.	AGC/24/3
MEETING	AUDIT AND GOVERNANCE COMMITTEE
DATE OF MEETING	22 JANUARY 2024
SUBJECT OF REPORT	HIS MAJESTY'S INSPECTORATE OF CONSTABULARY & FIRE & RESCUE SERVICES (HMICFRS) AREAS FOR IMPROVEMENT ACTION PLAN UPDATE
LEAD OFFICER	Chief Fire Officer
RECOMMENDATIONS	<i>That the Committee reviews progress in delivery of the action plan.</i>
EXECUTIVE SUMMARY	<p>On Wednesday 27th July 2022 HMICFRS published the DSFRS 2022 inspection report. The inspection report identified one Cause of Concern and 14 Areas for Improvement (AFIs). Of these AFIs, four have been linked to the Audit and Governance Committee.</p> <p>The paper appended to this report outlines the progress that has been made against the HMICFRS Areas for Improvement action plan since the last update in November 2023. The key highlights are that:</p> <ul style="list-style-type: none"> • Delivery of the Areas for Improvement action plan is on track.
RESOURCE IMPLICATIONS	Considered within the Action Plan where appropriate.
EQUALITY RISKS AND BENEFITS ANALYSIS	Considered within the Action Plan where appropriate.
APPENDICES	A. HMI Audit and Governance Committee Update
BACKGROUND PAPERS	None

1. INTRODUCTION

- 1.1. On Wednesday 27th July 2022 HMICFRS published the DSFRS 2022 inspection report. The inspection report identified one Cause of Concern and 14 Areas for Improvement (AFIs).
- 1.2. This report provides an update on the Areas For Improvement action plan that has been produced following the inspection, which concluded in October 2021.

2. AREAS FOR IMPROVEMENT ACTION PLAN COMPLETION STATUS

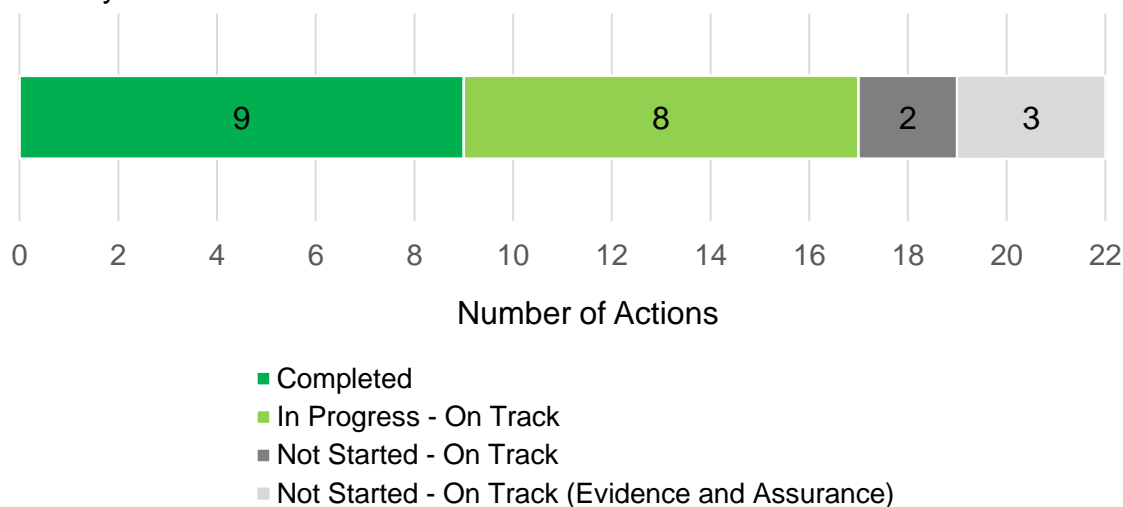
2.1 Table 1 lists the Areas For Improvement linked to the Audit and Governance Committee and their individual implementation status.

Table 1:

Reference	Description	Target Completion	Status
HMI-1.1-202202	The service should make sure its integrated risk management plan includes clear outcomes that show the public how it is currently mitigating risk.	31/01/2024	In Progress – On Track
HMI-1.3-202205	The service should make sure it has an effective quality assurance process, so staff carry out audits and fire safety checks to an appropriate standard.	30/09/2023 30/11/2023 31/08/2024	In Progress – On Track
HMI-2.2-202207a	Prevention and Protection – The service should be aware of, and invest in, developments in technology and future innovation to help improve and sustain operational efficiency and effectiveness.	30/04/2025	In Progress – On Track
HMI-2.2-202207b	Response – The service should be aware of, and invest in, developments in technology and future innovation to help improve and sustain operational efficiency and effectiveness.	31/10/2023 31/07/2024	In Progress – On Track

2.2 Figure 1 below outlines the completion status of all actions designed to address the Areas For Improvement linked to the Audit and Governance Committee, as outlined above.

Figure 1: Audit and Governance Committee Action Status - January 2024



2.3 Table 2 below outlines the completion status of all actions designed to address the Areas for Improvement linked to the Audit and Governance Committee.

Table 2: Summary of progress against the individual actions					
Areas For Improvement (Audit and Governance Committee)					
Not started (on track)	Not started (off track)	In progress (on track)	In progress (off track)	Completed	Closed
5 (→ at 5)	0 (↓ from 1)	8 (↑ at 6)	0 (↓ from 1)	9 (↑ from 8)	0 (→ at 0)

* Please note that three of the actions which have not yet started are the evidence and assurance required once all other actions have been completed.

3. **AREAS FOR IMPROVEMENT DEADLINE EXTENSIONS**

3.1. Table 3 below outlines the areas for improvement, number of deadline extensions, total extension length and current target completion date.

Table 3:

Title	Number of Extensions	Total Extension Length (months)	Target Completion Date
IRMP Mitigating Risk	0	0	31/01/2024
QA Audits and FSCs	1	11	31/08/2024

Prevention and Protection – Technology and Future Innovation	0	0	30/04/2025
Response – Technology and Future Innovation	1	9	31/07/2024

3.2. Table 4 below outlines the reasons for any deadline extensions which have occurred since the last update to the committee.

Table 4:

Improvement Area	Status
HMI-1.3-202205 – QA Audits and FSCs	In Progress – On Track
Reasons for Deadline Extension	
<p>The quality assurance process has been in place since July 2023. From January 2024 the quality assurance manager will be visiting fire safety managers to ensure the process is being completed to the appropriate standard. The action relating to this piece of work has had a deadline extension to allow time for these visits to be undertaken.</p>	