



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)

Tuesday, 26th March, 2024

A meeting of the Audit & Governance Committee will be held on the above date, **commencing at 2.00 pm in Committee Room B, 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 22 January 2024 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 **Devon & Somerset Fire & Rescue Authority Financial Statements 2022-23:**
 - a **Statement of Accounts 2022-23** (Pages 5 - 68)
Report of the Treasurer (AGC/24/4) attached.
 - b **Audit Findings for Devon & Somerset Fire & Rescue Authority for the Year Ended 31 March 2023** (Pages 69 - 110)
The Audit Findings for the Devon & Somerset Fire & Rescue Authority is a document prepared by Grant Thornton, the Authority's External Auditor (as attached for information). The document sets out the external audit findings and opinion and is accompanied by the Authority's Financial Statements for the year ended 31 March 2023.
 - c **2022-23 Letter of Representation** (Pages 111 - 114)
Accompanying the External Audit Findings is the Letter of Representation which is attached **FOR APPROVAL**.
- 5 **Annual Statement of Assurance 2022-23 (Pages 115 - 148)**
Report of the Director of Finance & Corporate Services (Treasurer) (AGC/24/5) attached.
- 6 **Review of Journals Posted during 2023-24 Year to Date (Pages 149 - 152)**
Report of the Director of Finance & Corporate Services (Treasurer) (AGC/24/6) attached.
- 7 **Annual Internal Audit Report 2023-24 (Pages 153 - 174)**
Report of the Head of Devon Audit Partnership (AGC/24/7) attached.
- 8 **Internal Audit Follow Up Report (Pages 175 - 186)**
Report of the Director of Finance & Corporate Services (Treasurer) (AGC/24/8) attached.
- 9 **Internal Audit Charter 2024-25 Plan and Internal Audit 2023-25 Charter and Strategy (Pages 187 - 222)**
Report of the Head of Devon Audit Partnership (AGC/24/9) attached.
- 10 **His Majesty's Inspectorate of Constabulary & Fire & Rescue Services (HMICFRS) Areas for Improvement Action Plan Update (Pages 223 - 226)**
Report of the Chief Fire Officer (AGC/24/10) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Coles (Chair), Biederman, Clayton, 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)

22 January 2024

Present:

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

Independent, Co-opted Members:

Messrs Perks and Turkington

Apologies:

Councillor Sproston

* **AGC/23/22** **Minutes**

RESOLVED that the Minutes of the meeting held on 30 November 2023 be signed as a correct record.

* **AGC/23/23** **Revised Forward Plan 2023-24**

The Committee considered a report of the Clerk to the Authority (AGC/24/1) on proposed revisions to its Forward Plan which had arisen as a result of delays in submission of the Authority's financial statements for the 2022-23 financial year.

RESOLVED that the revised Forward Plan for 2023-24 as appended to report AGC/24/1 be approved.

* **AGC/23/24** **Devon & Somerset Fire & Rescue Authority Audit Progress Report and Sector Update**

The Committee received, for information, an external audit progress report and sector update from Grant Thornton (the Authority's external auditor) covering, amongst other areas:

- A summary of emerging national and sector issues and developments relevant to the fire & rescue service;
- An update on progress made up to January 2024;
- A number of challenging questions in respect of the emerging issues for consideration by the Committee.

Andrew Davies, representing Grant Thornton, advised the Committee that the audit of the Authority's financial statements was progressing well now, albeit that there had been an initial delay with its commencement.

The following key points were highlighted:

- Management over-ride of controls: the only reference had been to two previously identified control deficiencies. (No authorisation limit on journal posting and checking of journal postings). The Treasurer advised that a new finance system would be introduced in 2024-25 which would address the risks outlined. Mr Perks raised concerns around unusual journals as there had been no second line of defence. He requested a brief paper from management outlining the lower and higher risk journals to allow the Committee to challenge management. The Treasurer responded that 95% of the journals were automated and focused on payroll, recharges and site fuel costs. He confirmed he would submit a paper to the Committee on this matter. Grant Thornton had also recognised the retrospective controls that were in place providing a level of mitigation. The Treasurer reconfirmed the risk would be mitigated once new financial software was in situ.
- ISA240 Revenue Risk: Grant Thornton had re-considered their assessment upon receipt of the draft financial statement and had not identified any reasons to change their assessment. The Treasurer advised that the Committee had limited control over the Red One Ltd. financial audit. The company's Articles of Association stated that the appointment of its statutory auditors was a matter reserved to the Authority. The Treasurer's view was that this had not taken place. He added that the Authority was progressing a governance review which would improve its oversight of the company overall. A report thereon would be considered by the Authority at its meeting on 16 February 2024.
- Valuation of land and buildings: It was noted that Grant Thornton had asked for vehicle policies to be updated to reflect their asset lives. The Treasurer advised that the policies had been updated and the Service had responded to Grant Thornton accordingly. Grant Thornton had subsequently responded that the age of the asset life was not used appropriately. The Treasurer advised that, from an accounting perspective, the Service recognised the depreciating value of the asset as items aged.

* **AGC/23/25 Annual Audit Report 2022-23**

The Committee received for information the Annual Report on Devon & Somerset Fire & Rescue Authority's Value for Money (VFM) arrangements as submitted by the external auditor, Grant Thornton for the 2022-23 financial year.

Under the National Audit Office Code of Practice, the external auditor was required now to consider whether the Authority had put into place proper arrangements to secure economy, efficiency and effectiveness in its use of resources in 2022-23 rather than giving a qualified/unqualified VFM conclusion.

Justine Thorpe, representing Grant Thornton, presented the VFM findings to the Committee. The criteria under which the Authority's VFM arrangements were judged was:

- Financial sustainability;
- Governance; and
- Improving economy, efficiency and effectiveness.

The external auditor had to consider whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. There were no significant weaknesses identified in the Authority's arrangements in all three of the above areas and good progress had been achieved overall since the previous Annual Audit Report albeit that two improvement recommendations were made (governance) as set out within the report circulated.

Reference was made to the significant financial challenges faced by the Service in future years (£20.8m) as identified within its Medium-Term Financial Plan which required the Authority's continued focus.

* **AGC/23/26** **Corporate Risk Register**

The Committee received for information a report of the Director of Finance & Corporate Services (Treasurer) (AGC/24/2) that provided an update on the Corporate Risk Register. The Corporate Risk Register (CRR) captured and described the most significant risks, both internally and externally, facing the Devon & Somerset Fire & Rescue Service ("the Service"), with a focus on cross-cutting risks and major projects and was reported to the Committee on a bi-yearly basis.

The risk management process included the identification, assessment and recording of risks together with mitigating activities. The Service's Risk Manager advised that there were currently 12 risks entered on the Corporate Risk Register with 1 risk added and 5 de-escalated to local and thematic risk and no risks closed. Of the 12 risks on the CRR currently, 5 were high risk and 7 were medium. The five high risks on the CRR were:

- CR044 - Cyber-attack causes sustained business systems outage, risk owner Shayne Scott (SIRO). Risk added September 2018. Risk remains indefinitely on register;
- 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;
- 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 was anticipated that the risk should be de-escalated by 31 March 2024;

- CR070 - Failure to operate an effective risk assessment process. Risk owner Maria Phillips. This risk was added March 2021. It was anticipated that this risk should be de-escalated 31 March 2024; and
- 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 was anticipated that this risk should be de-escalated by the end of 2024.

The report set out details of the current position in respect of each of the 5 high risks together with information on how long each risk had been on the Register as requested by the Committee at its previous meeting. Based on current progress, it was anticipated that both CR055 and CR070 (as above) should be de-escalated to the Health & Safety thematic risk register by 31 March 2024. The Committee noted that the Executive Board monitored the position in respect of the CRR monthly and took decisions in respect of the closure, amendment or de-escalation of risks as set out within paragraph 3.1 and 3.2 of this report.

The Committee received assurance that appropriate controls were in place to protect the Service's interests and to achieve its Strategic Objectives.

Reference was made to the point that response to incidents involving flooding for the Service did not attract any funding from Government since this was not a statutory duty under the Fire & Rescue Services Act 2004. The Committee requested that the Authority consider this matter further with a view to pressing the Government for funding as appropriate to cover this work given the position with climate change and its acute financial pressures.

* AGC/23/27

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/24/3) 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 all four Area for Improvement linked to this Committee were recorded as "in progress – OnTrack" albeit that the timescale for completion of (HMI-1.3-202205 – Quality Assurance of Audits and Fire safety Checks) had been extended to 31 August 2024. Mr Perks suggested that this action could be closed potentially as this could be an area in which the quality assurance process would be continually changing as further audits were undertaken. The Treasurer undertook to look into this matter and report back to the Executive Board accordingly.

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

The Meeting started at 2.00 pm and finished at 4.10 pm

REPORT REFERENCE NO.	AGC/24/4
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	26 MARCH 2024
SUBJECT OF REPORT	STATEMENT OF ACCOUNTS 2022-23
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<i>That the final Statement of Accounts for 2022-23 be approved for publication.</i>
EXECUTIVE SUMMARY	<p>This report provides the Committee with an audited version of the Statement of Accounts for 2022-23 with an opportunity to review the content prior to publication per the Accounts and Audit Regulations 2015.</p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that extend the statutory audit deadlines for 2022/23. The publication date for audited bodies has moved from 30 November 2022 for year 2021-22 to 30 September 2023 for 2022-23. Whilst the Service published the draft accounts within the deadline, the external audit has been protracted until after the deadline.</p> <p>The audited accounts are attached to this report at Appendix A and incorporate amendments to the draft Statement of Accounts as agreed with the auditors. The Audit Findings Report associated with the Statement of Accounts for 2022-23 is also included within the agenda for this meeting for consideration.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	A. Statement of Accounts 2022-23
LIST OF BACKGROUND PAPERS	Accounts and Audit Regulations 2015 (as amended 2022)

1. INTRODUCTION AND BACKGROUND

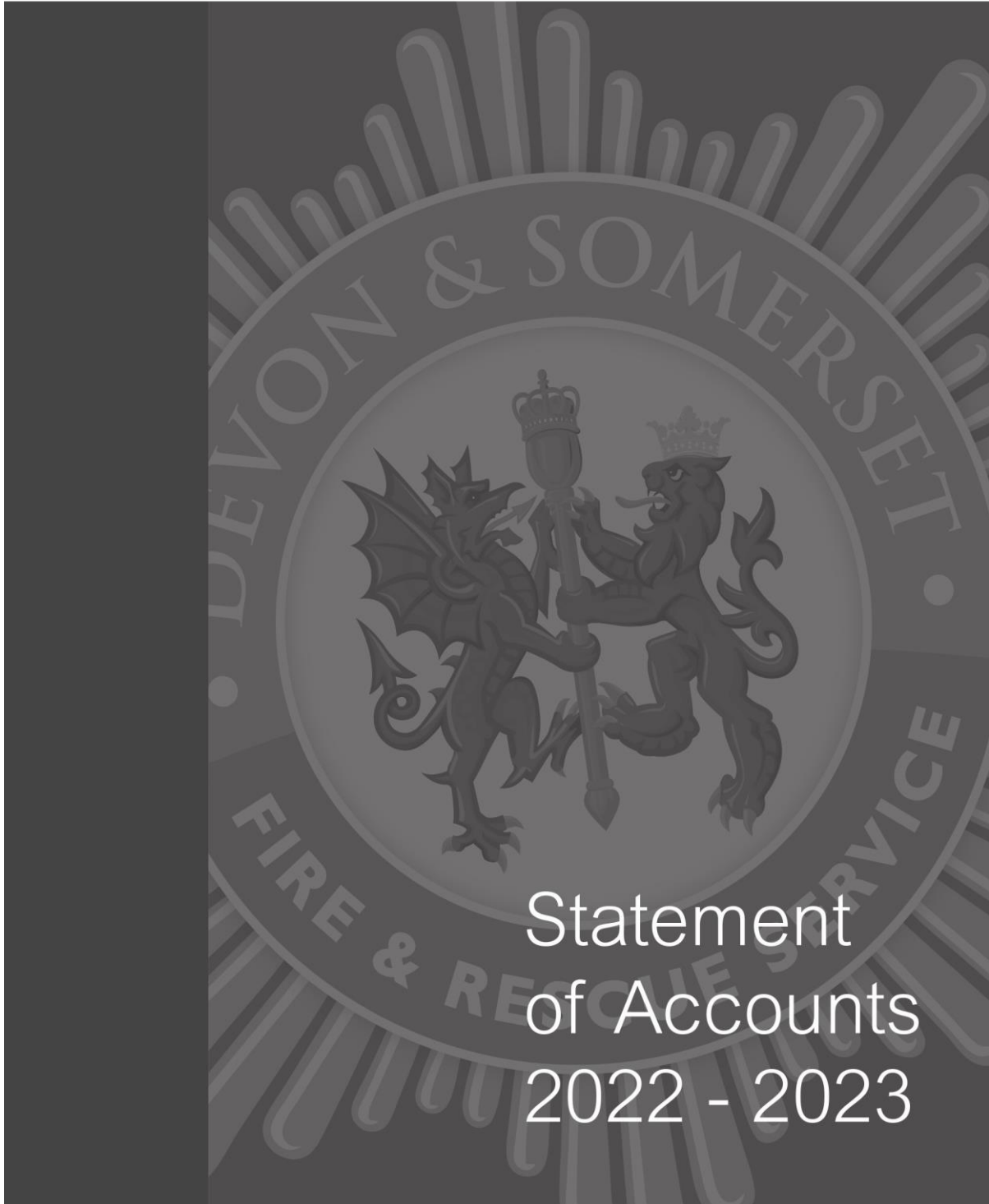
- 1.1 The Accounts and Audit Regulations 2015 (“The Regulations”), which apply to the Authority, introduced a new timetable for preparation, audit and publication of both the draft and final Financial Statements. The Financial Statements comprise the Statement of Accounts, including the Narrative Statement, and the Annual Statement of Assurance. Whilst the Regulations came into force in 2015 the revisions to the timescales for publication applied from the 2021-22 financial year onwards and therefore, to the Accounts for the year ending 31 March 2023.
- 1.2 The Regulations require the final financial statements to be signed off by the Authority and this is delegated to the Audit & Governance Committee. The 2015 Regulations also introduced a requirement that the draft Financial Statements be available for inspection on the Authority website and this practice commenced for the 2015-16 financial year.
- 1.3 On the 30 June 2022, the Accounts and Audit (Amendment) Regulations 2022 were published. These amendments changed the deadlines for the publication of audited accounts from 31 July 2023 to 30 September 2023.
- 1.4 The final audit is now complete, the Audit Findings Report is included within the agenda for consideration.
- 1.5 The draft financial statements were made available to the auditors on 6th September 2023. I would like to take the opportunity to thank all those involved in preparing the Financial Statements for their hard work and commitment to continuously improving processes whilst meeting this timescale for publication and audit of the accounts in different and difficult circumstances.

SHAYNE SCOTT

Director of Finance & Corporate Services (Treasurer)



DEVON & SOMERSET FIRE & RESCUE AUTHORITY



Statement of Accounts 2022 - 2023

Devon and Somerset Fire and Rescue Authority

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Devon & Somerset Fire & Rescue Authority - STATEMENT OF ACCOUNTS 2022/23

NARRATIVE REPORT

Introduction

The purpose of these Accounts is to advise stakeholders of the financial performance of the Authority for the financial year ending 31 March 2023. The Accounts are presented in compliance with International Financial Reporting Standards (IFRS). The Accounts are prepared on the basis of a going concern given that the Authority has sufficient resources to fund its financial obligations and has no major concerns of its financial viability over the medium term.

The main purpose of the report is to provide an explanation of the financial position of the authority and assist in the interpretation of the financial statements as well as providing information on the economy, efficiency and effectiveness in its use of resources over the financial year.

Group Accounts - This is the second time we have produced a set of group accounts in conjunction with our trading company Red One Limited. This consist of a Consolidated Comprehensive Income & Expenditure Statement, Consolidated Balance Sheet, Consolidated Cashflow Statement and Consolidated Movement in Reserves Statement. These statements bring together the two entities and remove any intra group transactions. More can be found from pages 19 to 27 in the accounts.

Information on the financial performance of the authority includes four key accounting statements;

Comprehensive Income & Expenditure Statement - This statement reports the cost of providing services based upon generally accepted accounting principles. This cost will differ from the actual expenditure funded from taxation, as there are some costs e.g. depreciation of assets, which are not required to be funded from taxation.

Balance Sheet - This records the assets and liabilities of the Authority as at the end of the financial year.

Cash Flow Statement - This statement shows the movement in cash and cash equivalents during the year. It illustrates how the Authority generates and uses cash and cash equivalents, analysed by operating, investing and financing activities.

Movement in Reserves Statement - This statement shows the movement in the year on all of the different reserves held by the Authority. The reserves are reported under two broad headings; "usable reserves" (which can be used to fund expenditure or reduce local taxation) and "unusable reserves" (which recognise non-cash transactions in/out of reserves e.g. revaluation of an asset.).

Financial Performance for the year

Inflation has impacted the Authority during 2022/23 including energy (gas and electricity), vehicle fuel and wage inflation which was far greater than originally budgeted for. The Authority anticipated a 2% pay award across the board during 2022/23. In the end, the grey book staff (firefighters and control room staff) accepted an increase of 7%, the green book staff (professional and technical staff) accepted a flat rate increase of £1,925 each. There has been no support received to fund these increases so reductions in planned expenditure were made to help meet the majority of these cost pressures.

Against this backdrop it is imperative for the Authority's Medium Term Financial Plans to be focused on providing forecasts of budget savings required and to inform its strategic planning. So far the Authority has responded well based upon a strategy which has been focused around the three key areas of improving efficiency, reducing costs and increasing income generation. Total recurring budget savings of £22.5m have been delivered since 2010. The Service is in the process of finalising and publishing a Target Operating Model which will determine the savings and improvement plans for the period to 2023-27. It is forecast that a minimum of £12.1m of recurring savings need to be identified over that period but this may increase to £18.4m if funding risks and cost pressures do materialise.

Revenue spending in 2022/23 before transfer from reserves of £0.947m was £78.236m, compared to an agreed budget of £77.289m. Table 1 provides a summary of revenue spending in 2022/23 compared with agreed budget headings.

TABLE 1 – SUMMARY OF REVENUE SPENDING 2022/23

	Budget	Spending	Variance
	£m	£m	£m
Employee Costs	72.0	74.9	2.9
Premises Related Costs	4.3	4.6	0.3
Transport Related Costs	3.5	3.1	(0.4)
Supplies and Services	7.9	6.9	(1.1)
Establishment Expenses	0.7	0.7	(0.0)
Payments to Other Authorities	0.8	0.9	0.0
Capital Financing	4.4	3.3	(1.1)
Gross Spending	93.8	94.4	0.6
Income	(12.3)	(13.0)	(0.7)
Transfer to (from) Reserves	(4.2)	(4.1)	0.1
Net Spending	77.3	77.3	(0.0)
Funded By:			
Council Tax Precept	(57.2)		
Business Rates Redistribution	(2.8)		
Central Government Funding	(17.2)		
Total Funding	(77.3)		

An overspend of £0.947m, equivalent to 1.23% of the total revenue budget, has occurred due to larger than budgeted pay awards for both firefighters and professional and support staff of 7.0% and a flat rate of £1,925 across the board respectively. Reductions in discretionary spend coupled with recruitment controls instigated early in the financial year helped reduce the overspend position.

Contributions from Earmarked Reserve

The Fire Authority approved that the net overspend of £0.947m be transferred from the Direct Funding to Capital Reserve to ensure the outturn position was neutral. A further £0.225m has been transferred to the General Fund Balance to ensure the target of 5% of Revenue budget, as suggested by CIPFA, is maintained. Further detail on all Earmarked Reserve balances is included in Note 20 to the financial statements.

Capital Expenditure and Financing 2022/23

The financial statements include capital spending of £5.1m in 2022/23 of which £1.6m has been spent either on the rebuild of fire stations or improvements to them and £3.5m on replacement fleet and equipment, primarily focused on the continued roll-out of new traditional fire appliances to replace older vehicles of the same type.

Aligned to the Authority strategy to avoid any new external borrowing to fund medium term capital spending, no new borrowing was taken out in 2022/23. Of the total spending of £5.1m an amount of £1.3m was funded from existing borrowing.

Authority Borrowing

External borrowing from the Public Works Loan Board (PWLB) as at 31 March 2023 was £24.2m. All of this debt is at fixed rates which protects costs from adverse changes in interest rates in the future. This level of debt is well within the maximum debt level of £27.0m, set by the Authority at the beginning of the financial year as one of its prudential indicators for capital financing.

Pension Liabilities

As at 31 March 2023 the Authority pension liability has been calculated to be £604.2m (£921.5m in 2021-22). This is based on an actuarial assessment and represents accrued benefits of members of the pension schemes that the Authority participates in; the Fire-fighter Pension Schemes (operational staff) and the Local Government Pension scheme (support staff). Further details of the assets and liabilities of each scheme are included in note 30 of these Accounts.

The impact of reporting pension assets and liabilities, under the current accounting standards (IAS19), is that all fire and rescue authorities, and also police services, find themselves in the position of reporting significant net liability position in the balance sheet. This is because the Fire-fighter Pension Scheme is not a funded scheme, unlike the Local Government Pension Scheme, and therefore has no reported assets to meet future pension costs. It should be emphasised that this liability position does not cause any funding concerns as it does not require any immediate call on Authority reserves. Current accounting standards for the Fire-fighter Pension Scheme require that the Authority only set aside provision for retirement benefits in the year in which the commitment arises.

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges and fire fighters' schemes as part of the reforms amounted to unlawful discrimination. The Government sought permission to appeal from the Supreme Court, however this was not granted.

The Government has considered the impact of the Court of Appeal decision including any impact on other public service schemes and launched a consultation to address the discrimination in July 2020. The proposed remedy is to offer pension scheme members the option to return to their previous scheme if this is preferential and will therefore increase costs of the scheme going forward, although this cannot be measured with any certainty at this time. The final remedy was confirmed when HMT published their response to their consultation on 4 February 2021, with no change to that proposed in the consultation. Last year's Statement of Accounts was in line with this remedy therefore no further adjustments are required to the allowance for the McCloud/Sargent case.

Assets/Liabilities of the Authority

The balance sheet of the Authority as at 31 March 2023 shows a net liability of £469.0m (£784.8m as at 31 March 2022). This includes the pension liability of £604.2m (£921.5m as at 31 March 2022) required to be included under IAS 19.

Performance and Use of Resources

Public Safety - We believe it is better to prevent an emergency from happening in the first place rather than deal with it when it does. To support this belief we work with local communities and partners to educate them in how to reduce the risk of fires and other emergencies and do all we can to help prevent crime and disorder through, for example, our work on reducing incidents of arson.

If a fire does start, we want to make sure people have the best chance of escape and that the disruption to business and the community is kept to a minimum. We will work with businesses to influence and regulate the built environment to protect people, property and the natural environment from harm. In situations when an emergency response is needed, we will make sure that our resources are appropriately located, reflecting our Community Risk Management Plan, so that we have the right resources in the right place at the right time.

Staff Safety - As our work evolves due to the changing demands on our service, we need to make sure that we develop our staff so they have the right skills and values to deliver our services to the community. Our staff need to operate in a safe and supportive working environment and we will provide them with the most appropriate vehicles, equipment and information relevant to the risks they are likely to face.

Effectiveness and Efficiency - We will aim to continuously improve our effectiveness and efficiency. This means that we are working to improve, while at the same time spending less money. To achieve this, we will need to transform the way we work through continuous long-term improvement. We will promote this transformation by involving staff and the community, encouraging innovation and change, and looking for opportunities to do things differently for the benefit of the community. We will learn from other high-performing organisations and focus on activities that support effectiveness and efficiency.

Key Performance Indicators

In Table 2 is a summary of performance against corporate Key Performance Indicators (KPIs) in 2022/23 with a comparison against the previous year. Our KPIs are reported to the Fire Authority throughout the year and are used to benchmark against other Services.

Measure			
Non-financial Indicators	2022-23	2021-22	variance
Number of deaths as a result of fires where people live	6	8	-25.00%
Number of injuries as a result of fire where people live	80	75	6.70%
Number of fires where people live	882	864	2.00%
Number of fire related deaths where people work, visit and in vehicles	0	2	-100.00%
Number of fire related injuries where people work, visit and in vehicles	17	14	21.40%
Number of fires where people work, visit and in vehicles	1242	1171	5.90%
Emergency Response Standard for attendance at fires where people live (1st appliance to attend within 10 minutes)	69.00%	71.40%	-2.4% pt
Emergency Response Standard for attendance at road traffic collisions (1st appliance to attend within 15 minutes)	72.10%	76.40%	-4.3% pt
Sickness - Rate of shifts lost to sickness per full time equivalent (FTE)	13.15	9.42	-3.73

Overview of Service Performance in 2022/23

Prevention

The Service has delivered over 20,000 targeted home fire safety visits. This has been delivered through a combination of specialist staff with our dedicated home safety technicians delivering 12,175 Home Safety Checks, and Operational Fire Fighters delivered 8,007 Home Safety Checks.

A continued review of our Partnerships (over 300 currently) to ensure quality referrals are received of the most at risk members of the community.

We are continuing to implement training packages aligning Prevention work with National expectation. This includes the National Fire Chiefs Council, 'Person Centred Framework', and our alignment to the Fire Standard for Prevention. Other work of note.

- An Action Plan has been put in place to resolve a build-up resulting in a backlog in our home safety visits to ensure we deliver our services in a timely manner.
- Collaboration with our Protection team to ensure our teams better understand each other's area of business which is essential in the high-rise residential environment. Joint Community delivery of Prevention and Protection activity to refugee groups and those that may not have English as a first language.
- Fatal Fire reviews. Enabling us to identify trends or risks that contribute to Fire deaths. Reporting nationally and locally increasing learning and improvement in our services.

Protection

2022- 23 has seen Protection consolidate activities around the Risk Based Inspection Programme, Building Risk Review (high-rise) and the development of a cohort of new Fire Safety Inspecting Officers. The Service is seeing a high number of experienced staff retire and Protection is no different, however the lead in period to become competent is 2 – 5 years. This presents a number of key challenges maintaining the broad range of regulatory demands, however both key targets of 700 Fire Safety Audits (825 Fire Safety Audits) and 3,000 Fire Safety Checks (3,717 Fire Safety Checks) have been exceeded. As a comparator, during 2021/22, the Service completed 549 fire safety audits and 3,271 fire safety checks.

Additionally, Protection continue to assess and respond to formal Building Regulations and Licensing Consultations in line with procedural guidance, on average 98.5% within the target time. We also maintain a Fire Safety Helpdesk supporting business owners and wider community with compliance support and a route to raise fire safety concerns. This is complimented by an effective and resilient 'Out of Hours' Team ensuring we can respond 24/7 to dangerous conditions within the built environment due to serious fire safety failings and support operational crews.

In addition to being an active participant with the NFCC Protection Team, we have also reviewed the following internal processes and have been working to support the implementation of the new Building Safety Regulator: -

- Risk Based Approach to 'Post Fire' Inspections
- Unwanted Fire Signal Reduction Strategy
- Quality Assurance Process for Protection Activities and Third-Party Accreditation
- Recruited Southwest Building Safety Regulator Manager and Inspecting Officer
- Significant increase in complex enforcement / legal action cases
- Supporting the implementation of the Fire Safety (England) Regulations 2022

Protection have also had to react to the government relocation programme for refugee and asylum seekers. Ensuring a wider joined up response between Protection, Prevention, Risk and Response.

Group Accounts

This is the second set of Accounts produced by the Authority which includes Group Accounts incorporating the trading arm of the Authority, Red One Ltd. Red One Ltd was formed in 2010 and provides fire and safety training for both fire services and commercial clients as well as providing stand-by rescue teams and event safety. Until 2021/22, the turnover of Red One Ltd has been deemed immaterial (consistently in the region of £1.3m per year) to warrant producing Group Accounts. However, a large commercial contract was secured by Red One during 2020/21 which has resulted in turnover exceeding £4.3m for 2022/23. Due to the turnover of the company being considered material, Group Accounts have been produced.

Climate change

In October 2020, the Fire Authority declared a climate emergency and endorsed the green Devon and Somerset Fire and Rescue strategy.

During 2022-23 initiatives commenced to reduce the amount of greenhouse gas emissions. These include; rationalising our Estate and closing under-utilised offices. Replacing office lighting with LED lights and orders placed for Electric Vehicle Charging Infrastructure to compliment the first batch of Electric Vehicles which are on order.

The three scopes

1) Direct emissions' from the activities under our control and includes fuel use in areas such as onsite gas boilers, fleet vehicles, and leaks from air conditioning units.

2) Indirect emissions' from electricity used at our sites.

3) Covers all 'other indirect emissions' from our activities. They include (but are not limited to) the carbon embodied in everything that we purchase, our business travel, waste disposal and water consumption.

Scope three emissions are likely to account for the greatest share of our carbon footprint, however, core data is not as readily available, and the emissions are harder to accurately calculate.

For 2022-23, the Service are reporting 2,7667.7 tCO2e greenhouse gas emissions for the year - for 2021-22 it was 2,548.4 tCO2e.

The Service has a green goal to be carbon net zero by 2030 and carbon negative by 2050.

Targets will be set, however, at this time a tolerance of 50% reduction of gross scope 1, 2 and 3 emissions will be considered as a successful achievement towards our 2050 goal.

- Identifying and including data for scope 3 emissions
- Annual review of the Environmental Aspects, Legislative registers
- Annual review of the action plan aligned to ISO14001 standard
- Review of the UK Climate Risk Assessment
- Preparations for implementation of Electric vehicle charging points and introduction of Electric vehicles
- Undertaking an energy efficiency review across 10 sites (mixed use)
- Establishing an environmental protection group (operations)
- Supporting the NFCC (National Fire Chiefs Council) sustainability and environmental toolkit and group
- Planning small reductions in fleet and estates buildings
- Introducing HGV (Heavy Goods Vehicle) fleet to latest Euro6 standards
- Implementation of the electric vehicle salary sacrifice scheme
- Delivering environmental awareness training to all staff via e-learning

Conclusion on performance for the year

The Authority has been in a good position to use its resources to effectively respond to the increased costs for utilities, fuel and payroll and continue to meet the needs of the community it serves. The longer-term indicates there will be some financial pressures that will need intervention but, the Authority has a fantastic record of achieving savings in the past. The Target Operating Model will ensure the officers are focused on ensuring costs are reduced where necessary but a continued focus on organisational and financial risk management will enable effective performance going forward.

I would like to take this opportunity to place on record my own thanks to members and officers of the Authority who have played their part in securing the financial health of the Authority during 2022/23.



Shayne Scott
Treasurer to the Authority

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

Responsibilities of the Authority

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. For the Fire Authority, that Officer is the Treasurer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts

Responsibilities of the Treasurer

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices, as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom.

In preparing the Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

The Treasurer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Treasurer's Certificate

I certify that the Statement of Accounts provide a true and fair view of the financial position of the Authority at the accounting data and its income and expenditure for the year ended 31 March 2023.

Shayne Scott
Treasurer to the Authority
Date: 26-03-2024

STATEMENT OF ACCOUNTING POLICIES

General principles

The Statement of Accounts summarises the Service transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which are to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the 2015 Act.

These accounts have been prepared on a going concern basis, it is assumed that the functions of the Authority will continue in operational existence for the foreseeable future.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Each entry in the Statement of Accounts is consistently rounded to the nearest £1,000 and because of the complexity of the accounts there will be instances where, due to the use of rounding, subtotals or final totals appear inconsistent with the entries which make up the total or where an entry has a small difference between notes. These minor rounding differences are considered immaterial to the overall presentation of the Statements and accompanying notes.

Charges to Revenue

The Income and Expenditure Account is charged for the use of capital. These charges comprise of minimum revenue provision (MRP) and depreciation.

The extent to which the Authority is to set aside an amount each year from its revenue budget to repay debt is laid down in its Minimum Revenue Provision (MRP) Statement, as agreed at the beginning of the financial year. The policy adopted by the Authority is to make a provision based upon the useful lives of the assets which are being provided for.

Interest charged on external borrowing, and also interest receivable on investments, is accrued and accounted for in the period to which it relates.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Revenue is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. The main source of revenue for the Service is Council Tax and Government Grant.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. They are measured at the fair value of the consideration payable.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The basis on which payables and receivables are included in the Accounts is as follows:

Payables are accrued on expenditure to cover goods and services received but not paid for by 31 March 2023. Receivables are accrued on income to cover goods and services provided before 31 March 2023 but for which no payment has been received.

We have reviewed the requirements of IFRS 15 - Revenue from Contracts, and consider that this standard does not apply to the Authority.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of the Accounts and that are readily convertible to known amounts of cash with insignificant risk of change in value. Investments exceeding 3 months but less than 12 months are classed as short-term investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

There were no changes to accounting policies or prior-period adjustments during 2022/23.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

depreciation attributable to the assets used by the relevant service

revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principle), by way of an adjusting transaction with the Capital Adjustment Account in the Statement of Movement in Reserves for the difference between the two.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Statement of Movement in Reserves so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Benefits are charged on an accruals basis to the Cost of Service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement in Reserves, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The treatment of pension costs in these accounts complies with the Code of Practice on Local Authority Accounting for 2022/23, which requires adoption of IAS19 Employee Benefits.

The Authority participates in two different pension schemes to meet the needs of the employees. Each scheme provides members with defined benefits related to pay and service. These schemes are administered by either West Yorkshire Pension Fund for the firefighters pension scheme or Peninsula Pensions for the Local Government Pension Scheme.

(a) Uniformed Staff

The Authority is responsible for deducting contributions from current employees to be paid into the Pensions Account, together with an employer's contribution based upon a rate set by the Government Actuary Department (GAD). The last valuation was undertaken as at March 2021.

(b) Civilian Staff

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Scheme through the Pension Fund, which is administered by Peninsula Pensions on behalf of Devon County Council. The employer's contribution rate for those employees in the scheme is based on advice from the Fund's Actuary who carries out regular actuarial valuations. The last valuation was undertaken in March 2022.

Pensions Reserve and Impact on Council Tax

For all schemes, the pension costs charged in the accounts per the reporting requirements of the Standard IAS19. This means that the figures are calculated on an actuarial basis to reflect the Authority's share of the increase in the present value of pension liabilities arising from employee service in the current period.

It is a statutory requirement that the cost of pension benefits to be funded by taxation are those cash payments made in accordance with the scheme requirements. These payments do not match the change in the Authority's pension assets or liabilities for the same period including the real cost of retirement benefits earned during the year by Authority employees. The difference between the cost charged against taxation and the real cost of retirement benefits is represented by an appropriation to the pensions reserve, which equals the net change in the pension liability recognised in the Statement of Comprehensive Income & Expenditure.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Authority has not provided or received any soft loans as at 31st March 2023.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement in Reserves.

Financial Assets

Loans and receivables are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Authority business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable in year.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Group recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Group.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains or losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are provided by the Group of Treasury advisors.

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

Revenue Support Grant and National Non Domestic Rates grant are received direct from government. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Statement of Movement in Reserves. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Inventories and Long Term Contracts

Inventories are included in the Consolidated Balance Sheet at cost.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. As at 31 March 2023 the Authority had significant Capital contracts outstanding as detailed in Note 11 to the accounts.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Further information in respect of leasing obligations is included in the notes to the core financial statements (Note 27).

Overheads Support Services Costs

In line with the CIPFA Code of Practice, all overheads and support services costs are allocated to the Authority's reportable segment - Fire & Rescue Services.

Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Intangible Assets

There are no intangible assets recognised by the Authority.

Tangible Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure below £20,000 on plant and equipment is treated as de-minimis, it is not capitalised and accordingly is charged to the revenue account in the year it is incurred.

Measurement

Assets are initially measured at cost, comprising: the purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets are then carried in the Balance Sheet using the following measurement bases:

Assets under construction – depreciated historical cost;

All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Under IFRS 13 Fair Value Measurement, non-cash and non-operational current assets are required to be valued at Market Value. The Authority does not hold any of this type of asset.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. A full revaluation was undertaken as at the 31 March 2023. A full revaluation will be undertaken every five years as a minimum. The Authority's valuer is South West Norse Group Ltd which is a subsidiary of Norse Group, a controlled company of Norfolk County Council.

Land and buildings costs have been separately identified and will continue to be so for all future revaluations.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives using the straight-line method. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- Buildings including PFI assets – useful economic life of each asset determined as part of the revaluation process.
- Fire Appliances – useful economic life assessed to be between 10 - 15 years depending on type. Specialist vehicles (e.g. Aerial Platforms) have longer useful lives dependent on the specifics of the vehicle
- Vehicles, plant and furniture and equipment – useful economic life assessed per individual asset with a range of 5-30 years, with lives beyond 10 years only affecting a very few specialist vehicles.
- Intangible assets are to be amortised over 7 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately (see componentisation note below).

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where an asset has components which have a significantly different life, depreciation is applied over the life of each component rather than applying the same life for the whole of the asset. Components for fire stations are the land (indefinite life), main structure (60 year life (40 years if prefabricated)), mechanical & electrical (20 year life) and steel training towers (30 year life (40 years if masonry)).

Disposals and Non-current assets held for sale

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals of fixed assets are credited to the Capital Receipts in Advance Account. Receipts are appropriated to the account from the General Fund Balance in the Statement of Movement in Reserves.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Heritage Assets

Heritage assets are something which have a historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The Authority has identified heritage assets held by the Service however no recognition has been included in the Accounts on the grounds that the value is not material, and that the exercise of obtaining valuations for the vast majority of these assets would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. Devon & Somerset Fire & Rescue Authority, in partnership with Avon Fire Authority and Gloucestershire County Council has invested in a PFI project to

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Non Domestic Rates Appeals provision

A number of appeals have been made to billing authorities against the rateable value of Non Domestic Properties. The Fire Authority is required to account for its share of the provision for successful appeals, amounting to £0.564m in 2022/23.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

There are two contingent liabilities for 2022/23. One is as a result of the changes to the firefighters pension reforms and the other regrading an appeal to the employment tribunal decision. These can be found within Note 31.

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Statement of Movement in Reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Statement of Movement in Reserves so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Details of all reserve balances at the year-end are included with note 20 to these accounts.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Devon & Somerset Fire & Rescue Authority

Group Accounts

Devon & Somerset Fire & Rescue Authority Group Accounts

Group Accounts

The group accounts contain core financial statements such as those included in the Authority's single entity statements, but which represent the consolidated position of the group. Notes to the Group accounts have been included where relevant values and/or the impact on the group statements are material.

The group accounts are presented in the following pages:

Group Comprehensive Income and Expenditure Statement for year ended 31 March 2023

This statement shows the Groups accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves.

	NOTE	Gross Expenditure 2022/23 £000	Gross Income 2022/23 £000	Net Expenditure/ (Income) 2022/23 £000	Gross Expenditure 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure/ (Income) 2021/22 £000
Fire & Rescue Service		115,602	(17,173)	98,429	110,245	(16,878)	93,367
Cost of Services		115,602	(17,173)	98,429	110,245	(16,878)	93,367
Financing and Investment Income and Expenditure	9	24,421	(811)	23,610	18,806	(93)	18,713
Other Operating Expenditure / (Income)	8	-	(7,732)	(7,732)	-	(10,522)	(10,522)
Taxation and Non Specific Grant Income	10	-	(79,581)	(79,581)	-	(76,298)	(76,298)
(Surplus) or deficit on provision of services				34,726			25,259
Tax expenses of the subsidiaries				71			-
Group (Surplus)/Deficit				34,797			25,259
(Surplus)/Deficit on Revaluation of Non-Current Assets	11 & 20			(7,768)			(15,567)
Impairment losses on non-current assets charged to the revaluation reserve	11 & 20			-			-
Actuarial (gains) or losses on Pension assets and liabilities	20			(343,388)			20,785
Other comprehensive income and expenditure				(351,156)			5,218
Total Comprehensive Income and Expenditure				(316,360)			30,477

GROUP BALANCE SHEET AS AT 31 March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The first category of reserves comprises those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

		31 March 2023	31 March 2022
	NOTE	£000	£000
Non-Current assets			
Intangible Assets		-	3
Property, plant and equipment	11	132,494	127,791
Long-term Investments	12	-	-
Trade and other receivables	15	537	620
Total Long-Term assets		133,031	128,414
Current assets			
Inventories	14	655	498
Trade and other receivables	15	8,798	11,931
Short-term Investments	12	20,050	24,500
Cash and cash equivalents	16	9,608	10,519
Assets held for sale	17	218	273
Total current assets		39,329	47,722
Total assets		172,360	176,136
Current liabilities			
Trade and other payables	18	(11,055)	(13,109)
Borrowings	12	(207)	(188)
Provisions	19	-	-
Total current liabilities		(11,262)	(13,298)
Net current assets		28,067	34,424
Total assets less current liabilities		161,098	162,839
Non-current liabilities			
Borrowings	12	(24,938)	(25,567)
Pensions Liability	30	(604,259)	(921,661)
Provisions	19	(563)	(655)
Deferred tax liability		(25)	-
Total non current liabilities		(629,785)	(947,884)
Total liabilities		(641,047)	(961,181)
Net assets employed		(468,686)	(785,046)
Unusable Reserves			
Revaluation reserve	20	(54,218)	(49,986)
Capital Adjustment Account	20	(53,343)	(52,385)
Pensions Reserve	20	604,259	921,542
Council Tax + Business Rates Adjustment Accounts	20	(1,632)	669
Accumulated Absence Account	20	1,593	1,391
PFI - Equalisation Fund	20	(537)	(620)
		496,122	820,610
Usable Reserves			
General fund balance	20	(4,280)	(4,050)
Earmarked reserves	20	(22,777)	(31,759)
Capital Grants Unapplied		-	-
Profit & Loss Reserve		(379)	245
		(27,436)	(35,564)
Total Reserves		468,686	785,046

These financial statements replace the unaudited financial statements confirmed by Shayne Scott on 24-08-23

Shayne Scott

Treasurer to the Authority

Date: 26-03-2024

**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2023**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	NOTE	2022/23 £000	2021/22 £000
Cash flows from operating activities			
Net deficit on provision of services		(34,797)	(25,259)
<u>Adjustments to deficit relating to non-cash movements</u>			
Depreciation and Impairment	11	7,994	8,668
Pension Liability	20	25,984	17,552
(Increase)/decrease in inventories	14	(157)	(19)
(Increase)/decrease in debtors	15	3,649	3,941
Increase/(decrease) in creditors	18	(2,533)	542
Increase/(decrease) in provisions	19	(92)	(523)
Income Tax Expense	-	71	-
Other non-cash movement	13.4	(243)	(341)
Net cash inflow/(outflow) from operating activities		(123)	4,562
<u>Adjustments to deficit relating to items that relate to investing and financing activities</u>			
Transfer from government grant reserve		-	-
Net cash inflow/(outflow) from operating activities		(123)	4,562
Net cash inflow/(outflow) from investing activities	13.2	(175)	(11,333)
Cash outflow from financing activities		(613)	(698)
Net increase/(decrease) in cash and cash equivalents	16	(911)	(7,472)
Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year	16	10,519	17,990
Cash/cash equivalents (and bank overdrafts) at the end of the financial year	16	9,608	10,519

GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 March 2023

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or Deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Increase/Decrease in year' line shows the movement on the statutory General Fund Balance including Earmarked Reserves.

Note	Total General fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Authorities Useable Reserves £000	Authorities Share Of		Total Usable Reserves £000	Authorities Unuseable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Group £000
					Subsidiaries Useable Reserves £000	Reserves £000				
Balance carried forward as at 31 March 2022	35,806	-	-	35,806	(245)	35,564	(820,610)	(820,610)	(785,046)	
Movement in reserves during 2022/23										
Surplus or (deficit) on provision of services	(34,976)	-	-	(34,976)	179	(34,797)	-	-	(34,797)	
Other Comprehensive Income and Expenditure	-	-	-	-	124	124	351,032	351,032	351,156	
Total Comprehensive Income and Expenditure	(34,976)	-	-	(34,976)	303	(34,673)	351,032	351,032	316,360	
Group Account Adjustments										
Adjustments between group accounts and authority accounts	(320)	-	-	(320)	320	-	-	-	-	
Net increase or decrease before transfers	(35,296)	-	-	(35,296)	624	(34,673)	351,032	351,032	316,360	
Adjustments between accounting basis and funding basis under regulations										
<u>PFI Adjustment</u>										
<u>Adjustments involving the Capital Adjustment Account</u>										
<u>Reversal of items in the C.I.E.S.</u>										
Depreciation, impairment & revaluation losses	11	7,975	-	7,975	-	7,975	(7,975)	(7,975)	-	
Reversal of Impairments	11	-	-	-	-	-	-	-	-	
Net gain or loss on sale of non-current assets	8	(301)	663	362	-	362	(362)	(362)	-	
Capital grants received	10	-	-	-	-	-	-	-	-	
<u>Insertion of items not in the C.I.E.S.</u>										
Minimum Revenue Provision	20.2	(1,975)	-	(1,975)	-	(1,975)	1,975	1,975	-	
Revenue Provision in respect of finance leases	20.2	-	-	-	-	-	-	-	-	
Capital expenditure funded direct from revenue	20.2	(3,120)	-	(3,120)	-	(3,120)	3,120	3,120	-	
<u>Adjustments involving the Pensions Reserve</u>										
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	20.2	40,388	-	40,388	-	40,388	(40,388)	(40,388)	-	
Employers pension contributions and direct payments to pensioners	20.2	(14,407)	-	(14,407)	-	(14,407)	14,407	14,407	-	
<u>Adjustments involving the Collection Fund Adjustment Account</u>										
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	20.2	(2,301)	-	(2,301)	-	(2,301)	2,301	2,301	-	
<u>Adjustments involving the Accumulated Absence Account</u>										
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	20.2	202	-	202	-	202	(202)	(202)	-	
<u>Adjustments to Capital Resources</u>										
Use of the Capital Receipts Reserve to finance capital expenditure		-	(663)	(663)	-	(663)	663	663	-	
Application of capital grants to finance capital		-	-	-	-	-	-	-	-	
Cumulative Roundings		-	-	-	-	-	-	-	-	
Total Adjustments between accounting basis and funding basis under regulations	26,543	-	-	26,543	-	26,544	(26,544)	(26,544)	-	
Increase/Decrease in year	(8,753)	-	-	(8,753)	624	(8,128)	324,489	324,488	316,360	
Balance carried forward as at 31 March 2023	27,052	-	-	27,052	378	27,435	(496,121)	(496,122)	(468,686)	

GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 March 2022

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or Deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Increase/Decrease in year' line shows the movement on the statutory General Fund Balance including Earmarked Reserves.

Note	Total General fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Authorities Share Of			Total Unusable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Group £000
				Authorities Useable Reserves £000	Subsidiaries Useable Reserves £000	Total Usable Reserves £000			
Balance carried forward as at 31 March 2021	45,753	-	-	45,753	(643)	45,113	(799,681)	(799,681)	(754,568)
Movement in reserves during 2021/22									
Surplus or (deficit) on provision of services	(25,073)	-	-	(25,073)	(186)	(25,259)	-	-	(25,259)
Other Comprehensive Income and Expenditure	-	-	-	-	27	27	(5,245)	(5,245)	(5,218)
Total Comprehensive Income and Expenditure	(25,073)	-	-	(25,073)	(159)	(25,232)	(5,245)	(5,245)	(30,477)
Group Account Adjustments									
Adjustments between group accounts and authority accounts	(557)	-	-	(557)	557	-	-	-	-
Net increase or decrease before transfers	(25,630)	-	-	(25,630)	398	(25,232)	(5,245)	(5,245)	(30,477)
Adjustments between accounting basis and funding basis under regulations									
<u>PFI Adjustment</u>									
<u>Adjustments involving the Capital Adjustment Account</u>									
<u>Reversal of items in the C.I.E.S.</u>									
Depreciation, impairment & revaluation losses	11	8,661	-	8,661	-	8,661	(8,661)	(8,661)	-
Reversal of Impairments	11	-	-	-	-	-	-	-	-
Net gain or loss on sale of non-current assets	8	89	20	109	-	109	(109)	(109)	-
Capital grants received	10	-	-	-	-	-	-	-	-
<u>Insertion of items not in the C.I.E.S.</u>									
Minimum Revenue Provision	20.2	(2,219)	-	(2,219)	-	(2,219)	2,219	2,219	-
Revenue Provision in respect of finance leases	20.2	-	-	-	-	-	-	-	-
Capital expenditure funded direct from revenue	20.2	(6,210)	-	(6,210)	-	(6,210)	6,210	6,210	-
<u>Adjustments involving the Pensions Reserve</u>									
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	20.2	31,736	-	31,736	-	31,736	(31,736)	(31,736)	-
Employers pension contributions and direct payments to pensioners	20.2	(14,196)	-	(14,196)	-	(14,196)	14,196	14,196	-
<u>Adjustments involving the Collection Fund Adjustment Account</u>									
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	20.2	(2,076)	-	(2,076)	-	(2,076)	2,076	2,076	-
<u>Adjustments involving the Accumulated Absence Account</u>									
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	20.2	(159)	-	(159)	-	(159)	159	159	-
<u>Adjustments to Capital Resources</u>									
Use of the Capital Receipts Reserve to finance capital expenditure		-	(20)	(20)	-	(20)	20	20	-
Application of capital grants to finance capital		-	-	-	-	-	-	-	-
Cumulative Roundings		-	-	-	-	-	-	-	-
Total Adjustments between accounting basis and funding basis under regulations	15,684	-	-	15,684	-	15,684	(15,684)	(15,684)	-
Increase/Decrease in year	(9,947)	-	-	(9,947)	398	(9,547)	(20,929)	(20,929)	(30,477)
Balance carried forward as at 31 March 2022	35,806	-	-	35,806	(245)	35,564	(820,610)	(820,610)	(785,046)

Notes To The Group Accounts

The Group

The relevant accounting standards have been applied in determining which organisations are included in the group boundary. The extent of the Authority's interest and control over the entity was considered as was the materiality of the financial impact on the Authority's group accounts and the transparency of less material entities to allow the reader to understand the Groups consolidated position. From the assessment of Red One Ltd they are considered to fall into the following category.

Subsidiaries - Where the Authority either wholly or by majority controls the entity. Red One is consolidated within the group accounts on a subsidiary basis.

The authority has disclosed further information on all of its major business interests in the Related Parties note, in the Authority's single entity accounts (Note 25).

Accounting Policies

Subsidiaries have been consolidated using the acquisition accounting basis. This is the full, line by line consolidation of the financial transactions and balances of the Authority and Red One Ltd. To avoid overstating balances within the group financial statements, all transactions between the authority and group companies have been eliminated.

Alignment of accounting framework and policies

Where the accounting framework used by the group companies differs from that of the Authority including the accounting policies and impact of such differences would have a material impact on the group financial statements the relevant balances have been adjusted to bring them in line with the policies of that Authority.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 March 2023

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves.

	NOTE	Gross Expenditure 2022/23 £000	Gross Income 2022/23 £000	Net Expenditure/ (Income) 2022/23 £000	Gross Expenditure 2021/22 £000	Gross Income 2021/22 £000	Net Expenditure/ (Income) 2021/22 £000
Fire & Rescue Service		111,661	(12,671)	98,990	106,836	(13,095)	93,740
Cost of Services		111,661	(12,671)	98,990	106,836	(13,095)	93,740
Financing and Investment Income and Expenditure	9	24,418	(811)	23,607	18,805	(93)	18,711
Other Operating Expenditure / (Income)	8	-	(7,732)	(7,732)	-	(10,522)	(10,522)
Taxation and Non Specific Grant Income	10	-	(79,568)	(79,568)	-	(76,299)	(76,299)
(Surplus) or deficit on provision of services				35,296			25,630
(Surplus)/Deficit on Revaluation of Non-Current Assets	11 & 20			(7,768)			(15,567)
Impairment losses on non-current assets charged to the revaluation reserve	11 & 20			-			-
Actuarial (gains) or losses on Pension assets and liabilities	20			(343,264)			20,812
Other comprehensive income and expenditure				(351,032)			5,245
Total Comprehensive Income and Expenditure				(315,736)			30,875

BALANCE SHEET AS AT 31 March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The first category of reserves comprises those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	NOTE	31 March 2023 £000	31 March 2022 £000
Non-Current assets			
Property, plant and equipment	11	132,394	127,759
Long-term Investments	12	-	-
Trade and other receivables	15	537	620
Total Long-Term assets		132,930	128,379
Current assets			
Inventories	14	655	498
Trade and other receivables	15	8,384	11,868
Short-term Investments	12	20,050	24,500
Cash and cash equivalents	16	9,052	9,936
Assets held for sale	17	218	273
Total current assets		38,360	47,076
Total assets		171,290	175,455
Current liabilities			
Trade and other payables	18	(10,388)	(12,303)
Borrowings	12	(207)	(188)
Provisions	19	-	-
Total current liabilities		(10,595)	(12,491)
Net current assets		27,764	34,585
Total assets less current liabilities		160,695	162,964
Non-current liabilities			
Borrowings	12	(24,938)	(25,567)
Pensions Liability	30	(604,259)	(921,542)
Provisions	19	(563)	(655)
Total non current liabilities		(629,760)	(947,765)
Total liabilities		(640,356)	(960,256)
Net assets employed		(469,064)	(784,800)
Unusable Reserves			
Revaluation reserve	20	(54,218)	(49,986)
Capital Adjustment Account	20	(53,343)	(52,385)
Pensions Reserve	20	604,259	921,542
Council Tax + Business Rates Adjustment Accounts	20	(1,632)	669
Accumulated Absence Account	20	1,593	1,391
PFI - Equalisation Fund	20	(537)	(620)
		496,122	820,610
Usable Reserves			
General fund balance	20	(4,280)	(4,050)
Earmarked reserves	20	(22,777)	(31,759)
Capital Grants Unapplied		-	-
		(27,057)	(35,809)
Total Reserves		469,064	784,800

These financial statements replace the unaudited financial statements confirmed by Shayne Scott on 24-08-23

Shayne Scott

Treasurer to the Authority

Date: 26-03-2024

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2023**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	NOTE	2022/23 £000	2021/22 £000
Cash flows from operating activities			
Net deficit on provision of services		(35,296)	(25,630)
<u>Adjustments to deficit relating to non-cash movements</u>			
Depreciation and Impairment	11	7,975	8,661
Pension Liability	20	25,979	17,540
(Increase)/decrease in inventories	14	(157)	(19)
(Increase)/decrease in debtors	15	3,567	4,178
Increase/(decrease) in creditors	18	(1,914)	487
Increase/(decrease) in provisions	19	(92)	(523)
Other non-cash movement	13.4	(233)	(341)
Net cash inflow/(outflow) from operating activities		(172)	4,353
<u>Adjustments to deficit relating to items that relate to investing and financing activities</u>			
Net cash inflow/(outflow) from operating activities		(172)	4,353
Net cash inflow/(outflow) from investing activities	13.2	(102)	(11,299)
Cash outflow from financing activities	13.3	(610)	(696)
Net increase/(decrease) in cash and cash equivalents		(884)	(7,644)
Cash/cash equivalents (and bank overdrafts) at the beginning of the financial year	16	9,936	17,581
Cash/cash equivalents (and bank overdrafts) at the end of the financial year		9,052	9,936

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 March 2023

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or Deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Increase/Decrease in year' line shows the movement on the statutory General Fund Balance including Earmarked Reserves.

Note	Total General fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance carried forward as at 31 March 2022	35,808	-	-	35,808	(820,609)	(784,801)
Movement in reserves during 2022/23						
Surplus or (deficit) on provision of services	CIES (35,296)	-	-	(35,296)	-	(35,296)
Other Comprehensive Income and Expenditure	-	-	-	-	351,032	351,032
Total Comprehensive Income and Expenditure	(35,296)	-	-	(35,296)	351,032	315,736
Adjustments between accounting basis and funding basis under regulations						
<u>PFI Adjustment</u>	20.2 83	-	-	83	(83)	-
<u>Adjustments involving the Capital Adjustment Account</u>						
<u>Reversal of items in the C.I.E.S.</u>						
Depreciation, impairment & revaluation losses	11 7,975	-	-	7,975	(7,975)	-
Reversal of Impairments	11 -	-	-	-	-	-
Net gain or loss on sale of non-current assets	8 (301)	663	-	362	(362)	-
<u>Insertion of items not in the C.I.E.S.</u>						
Minimum Revenue Provision	20.2 (1,975)	-	-	(1,975)	1,975	-
Capital expenditure funded direct from revenue	20.2 (3,120)	-	-	(3,120)	3,120	-
<u>Adjustments involving the Pensions Reserve</u>						
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	20.2 40,388	-	-	40,388	(40,388)	-
Employers pension contributions and direct payments to pensioners	20.2 (14,407)	-	-	(14,407)	14,407	-
<u>Adjustments involving the Collection Fund Adjustment Account</u>						
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	20.2 (2,301)	-	-	(2,301)	2,301	-
<u>Adjustments involving the Accumulated Absence Account</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	20.2 202	-	-	202	(202)	-
<u>Adjustments to Capital Resources</u>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	(663)	-	(663)	663	-
Application of capital grants to finance capital	-	-	-	-	-	-
Cumulative Roundings	-	-	-	-	-	-
Total Adjustments between accounting basis and funding basis under regulations	26,543	-	-	26,543	(26,544)	-
Increase/Decrease in year	(8,753)	-	-	(8,753)	324,489	315,736
Balance carried forward as at 31 March 2023	27,056	-	-	27,056	(496,121)	(469,064)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 March 2022

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or Deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Increase/Decrease in year' line shows the movement on the statutory General Fund Balance including Earmarked Reserves.

	Total General fund balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Note	£000	£000	£000	£000	£000	£000
Balance carried forward as at 31 March 2021	45,753	-	-	45,753	(799,681)	(753,927)
Remeasurement of pensions reserve following McCloud Sargent guidance Sept 2020	-	-	-	-	-	-
Remeasured balance carried forward as at 31 March 2021	45,753	-	-	45,753	(799,681)	(753,927)
Movement in reserves during 2021/22						
Surplus or (deficit) on provision of services	CIES (25,630)	-	-	(25,630)	-	(25,630)
Other Comprehensive Income and Expenditure	-	-	-	-	(5,245)	(5,245)
Total Comprehensive Income and Expenditure	(25,630)	-	-	(25,631)	(5,245)	(30,875)
Adjustments between accounting basis and funding basis under regulations						
<u>PFI Adjustment</u>	20.2 58	-	-	58	(58)	-
<u>Adjustments involving the Capital Adjustment Account</u>						
<u>Reversal of items in the C.I.E.S.</u>						
Depreciation, impairment & revaluation losses	11 8,662	-	-	8,662	(8,662)	-
Net gain or loss on sale of non-current assets	8 89	20	-	109	(109)	-
Capital grants received	10 0	-	-	-	-	-
Minimum Revenue Provision	20.2 (2,219)	-	-	(2,219)	2,219	-
Revenue Provision in respect of finance leases	20.2 -	-	-	-	-	-
Capital expenditure funded direct from revenue	20.2 (6,210)	-	-	(6,210)	6,210	-
<u>Adjustments involving the Pensions Reserve</u>						
Reversal of items related to pension benefits debited or credited to the Comprehensive Income and Expenditure Account	20.2 31,736	-	-	31,736	(31,736)	-
Employers pension contributions and direct payments to pensioners	20.2 (14,196)	-	-	(14,196)	14,196	-
<u>Adjustments involving the Collection Fund Adjustment Account</u>						
Amount by which council tax and business rates income credited to the CIES is different from the council tax calculated by statutory regulations	20.2 (2,076)	-	-	(2,076)	2,076	-
<u>Adjustments involving the Accumulated Absence Account</u>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration charged in accordance with statutory requirements	20.2 (159)	-	-	(159)	159	-
<u>Adjustments to Capital Resources</u>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	(20)	-	(20)	20	-
Application of capital grants to finance capital	-	-	-	-	-	-
Cumulative Roundings	-	-	-	-	-	-
Total Adjustments between accounting basis and funding basis under regulations	15,685	-	-	15,685	(15,685)	-
Increase/Decrease in year	(9,946)	-	-	(9,946)	(20,930)	(30,875)
Balance carried forward as at 31 March 2022	35,807	-	-	35,808	(820,609)	(784,801)

NOTES TO THE CORE FINANCIAL STATEMENTS

1.1 EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to the council tax and rate payers how the funding available to the Authority (i.e. Government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for the decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2022/23

	Net Expenditure on General Fund reported to Members	Adjustments to arrive at net amount chargeable to General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 1.2)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Fire & Rescue Service	77,268	(42,688)	70,194	28,796	98,990
Net cost of services	77,268	(42,688)	70,194	28,796	98,990
Other income and expenditure	(77,267)	15,827	(61,440)	(2,253)	(63,693)
(Surplus) or Deficit	0	(26,861)	8,754	26,543	35,297

Opening General Fund	35,808
Plus Surplus/(Deficit) on General Fund balance in year	(8,754)
Closing General Fund balance at 31 March	27,054

2021/22

	Net Expenditure on General Fund reported to Members	Adjustments to arrive at net amount chargeable to General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 1.2)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Fire & Rescue Service	74,222	(33,812)	61,931	31,809	93,740
Net cost of services	74,222	(33,812)	61,931	31,809	93,740
Other income and expenditure	(74,222)	22,237	(51,985)	(16,125)	(68,110)
(Surplus) or Deficit	0	(11,574)	9,946	15,684	25,630

Opening General Fund	45,753
Plus Surplus/(Deficit) on General Fund balance in year	(9,947)
Closing General Fund balance at 31 March	35,808

1.2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

	Depreciation charged to the General Fund	Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
2022/23	£000	£000	£000	£000	£000
Fire & Rescue Service	7,975	(5,096)	25,715	202	28,796
Net Cost of Services	7,975	(5,096)	25,715	202	28,796
Other income and expenditure		(301)	266	(2,218)	(2,253)
Total	7,975	(5,396)	25,981	(2,016)	26,543

	Depreciation charged to the General Fund	Adjustment for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
2021/22	£000	£000	£000	£000	£000
Fire & Rescue Service	8,661	(8,430)	31,736	(159)	31,809
Net Cost of Services	8,661	(8,430)	31,736	(159)	31,809
Other income and expenditure		89	(14,196)	(2,018)	(16,125)
Total	8,661	(8,341)	17,540	(2,177)	15,684

NOTES TO THE CORE FINANCIAL STATEMENTS

1.3 EXPENDITURE AND INCOME ANALYSED BY NATURE

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is reported as a segment as specified by The CIPFA Code of Local Authority Accounting in the UK. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across expenditure codes. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The table below shows the income and expenditure of the Authority in the form presented for management purposes during the year, reconciled to the cost of services included in the Comprehensive Income and Expenditure Account.

	2022/23			2021/22		
	£000	£000	£000	£000	£000	£000
<u>Amounts as reported to management</u>						
Employees	74,924			69,761		
Premises	4,567			4,114		
Transport	3,107			3,116		
Supplies & Services	6,867			6,872		
Establishment Costs	727			766		
External Support Costs	854			963		
Capital and Lease Financing Costs	3,303			5,434		
<u>Gross Expenditure</u>		94,350			91,026	
<u>Gross Income</u>		(12,973)			(12,734)	
Contributions to or (from) reserves		(4,110)			(4,069)	
Net Expenditure		77,268			74,222	
Government Grant and Council Tax Income (budget for the year)		(77,267)			(74,222)	
Net surplus - to be transferred to reserves		(0)			(0)	
Contributions (to) from reserves		(942)			(3,338)	
Transfers between Useable Reserves		-			-	
Spending from Earmarked Reserves		9,694			13,281	
Net movement in Earmarked Reserves			8,752			9,943
<u>Amounts in the CIES not reported to management</u>						
Depreciation and impairment	7,975			8,661		
Net charges made for retirement benefits	40,387			31,736		
Surplus of PFI Equalisation Fund	83			58		
Employee Absence Accrual	202			(159)		
Deficit/(Surplus) on Council Tax and NNDR Collection Fund	(2,301)			(2,077)		
Net (Gain) or Loss on Sale of non-current Assets	(301)			89		
		46,046			38,307	
<u>Amounts in management information not included in the Cost of Services in the CIES</u>						
Minimum Revenue Provision	(1,975)			(2,219)		
Direct Revenue funding to Capital	(3,120)			(6,210)		
Employers Contributions to Pensions	266			(14,196)		
		(4,829)			(22,626)	
Total Adjustment Between funding and Accounting Basis (Surplus) or deficit on provision of services			41,217			15,679
			49,970			25,621

NOTES TO THE CORE FINANCIAL STATEMENTS

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified.

The CIPFA Code of Practice requires disclosure of information relating to the impact of accounting standards that have been issued but not yet adopted. The Authority does not anticipate that the following amendments will have a material impact on the information provided the financial statements however, the impact cannot be quantified at this time:

- Leases, classification of Leases (IFRS 16) - Due to Covid 19, the implementation of this Standard has been delayed until 2024/25

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Whilst there is some uncertainty in the short term regarding levels of government funding for the Fire Sector following a one year settlement at the 2022/23 budget announcement, risks remain regarding the levels of local funding achievable via the Council Tax Precept and Business Rates retention scheme as well as longer term grant funding. However, the Authority has determined that this uncertainty, when combined with COVID-19 risks, are not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Under a joint PFI venture, Gloucestershire County Council, Avon Fire & Rescue Service and Devon & Somerset Fire & Rescue Service receive a significant element of their training from Babcock International Group PLC, a Ltd company contracted to provide the training until 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates under the PFI contract. As such, the Authority is deemed to part control the training services provided under the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the authority's share of the training centre is recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the value of the assets is reduced, revaluations will increase or decrease, resulting in a change to the carrying value of the asset. 100% of land & buildings are revalued so are carried at revalued figure, so asset life has no impact on their carrying value in the accounts. Plant & machinery, and transport had an opening carrying value of £14.7m with a 1-year change in useful life increasing depreciation by approximately £0.4m.
	Land and Buildings are revalued on the basis of Depreciated Replacement cost which is dependent on assumptions about the building industry, for which there is a level of uncertainty.	If Direct Replacement Cost differs significantly, revaluations will increase or decrease, resulting in a change to the carrying value of the asset. 100% of land & buildings are revalued. A 1% change in the valuation of those assets would result in a change in the carrying amount of £1.1m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected returns on assets (LGPS only). A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance within the Firefighters pension scheme, a 0.1% increase in the discount rate would result in a decrease in the pension liability by £9.1m. Within the LGPS scheme this change would result in a £1.3m decrease

NOTES TO THE CORE FINANCIAL STATEMENTS

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

All major items of Income and Expenditure are disclosed on the face of the Comprehensive Income and Expenditure Statement with no material items required to be separately identified.

6 EVENTS AFTER THE BALANCE SHEET DATE

There are none to report.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This Movement In Reserves Statement details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

8 OTHER OPERATING INCOME AND EXPENDITURE

	2022/23	2021/22
	£000	£000
(Gains)/losses on the disposal of non-current assets	(301)	89
Communities for Local Government Firefighters Pension Top-Up Grant	<u>(7,432)</u>	<u>(10,612)</u>
	<u>(7,732)</u>	<u>(10,522)</u>

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2022/23	2021/22
	£000	£000
Interest on Loans	1,161	1,341
Investment income	(811)	(93)
Pensions Interest and administration Cost	<u>23,257</u>	<u>17,464</u>
	<u>23,607</u>	<u>18,711</u>

10 TAXATION AND NON SPECIFIC GRANT INCOMES

	2022/23	2021/22
	£000	£000
Council tax income	(57,725)	(56,017)
Non domestic rates	(4,668)	(3,303)
Tariff top up grant	(10,555)	(10,555)
Revenue Support Grant (RSG)	<u>(6,621)</u>	<u>(6,424)</u>
	<u>(79,568)</u>	<u>(76,299)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY PLANT AND EQUIPMENT

	Land	Buildings excluding dwellings	Surplus Assets	Assets under construction	Plant and machinery	Transport	Total
2022/23	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2022	19,042	91,009	-	3,010	3,404	30,215	146,680
Additions - purchased	-	985	-	1,368	-	2,795	5,148
Additions - exchange	-	-	-	-	-	-	-
Additions government granted	-	-	-	-	-	-	-
Reclassifications	(36)	2,458	177	(4,377)	112	1,666	-
Reclassified as held for sale	-	-	(225)	-	-	-	(225)
Derecognition - disposals	-	(24)	-	-	(30)	(707)	(761)
Reversal of impairments	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-
Revaluation Increase/(decrease):	-	-	-	-	-	-	-
- to Revaluation Reserve	-	1,817	48	-	-	-	1,865
- to Surplus/Deficit on the provision of services	-	(14)	-	-	-	-	(14)
At 31 March 2023	19,006	96,231	-	1	3,486	33,969	152,693
Depreciation at 1 April 2022	-	(6)	-	-	(2,241)	(16,674)	(18,921)
Reclassifications	-	11	(11)	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-	-
Derecognition - disposals	-	6	-	-	22	651	679
Revaluation removals	-	5,892	11	-	-	-	5,903
Impairments	-	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-	-
Charged during the year	-	(5,903)	-	-	(205)	(1,853)	(7,961)
Depreciation at 31 March 2023	-	-	-	-	(2,424)	(17,876)	(20,300)
Net book value							
As at 31 March 2022	19,042	91,003	-	3,010	1,163	13,541	127,759
As at 31 March 2023	19,006	96,231	-	1	1,062	16,093	132,393
Asset financing							
Owned	19,006	94,457	-	1	1,062	16,093	130,619
Finance Leased	-	-	-	-	-	-	-
Private finance initiative	-	-	-	-	-	-	-
PFI residual interests	-	1,774	-	-	-	-	1,774
Total 31 March 2023	19,006	96,231	-	1	1,062	16,093	132,393

SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2023 the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years budgeted to cost £5m. There were similar commitments at 31 March 2022 of £6m. Of these contracts there are two of significant value, being £2.5m committed to purchase rescue appliances and £2.1m to purchase aerial ladder platform appliances.

NOTES TO THE CORE FINANCIAL STATEMENTS

11.1 PROPERTY PLANT AND EQUIPMENT VALUATIONS

	Land	Buildings excluding dwellings	Surplus Assets	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000	£000
2022/23							
Valued at Historical Cost	-	-	-	1	3,486	33,969	37,456
Valued at Current Value in:	-	-	-	-	-	-	-
2022/23	19,006	96,231	-	-	-	-	115,237
2021/22	-	-	-	-	-	-	-
2020/21	-	-	-	-	-	-	-
2019/20	-	-	-	-	-	-	-
2018/19	-	-	-	-	-	-	-
Total	19,006	96,231	-	1	3,486	33,969	152,693

Valuation Information:

The above statement shows the impact of the Authority's programme for the revaluation of property, plant and equipment, including assets valued following completion of significant projects. The Authority has moved away from the five year rolling programme of revaluations in order to ensure that all revalued assets falling under the same class are assessed at the same time, per CIPFA guidance.

Valuations of land and buildings are carried out by a qualified surveyor (FRICS) in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the Statement of Accounting Policies.

The authority is not aware of any material changes in asset values that have not been updated.

11.2 PROPERTY PLANT AND EQUIPMENT PRIOR YEAR

	Land	Buildings excluding dwellings	Surplus Assets	Assets under construction	Plant and machinery	Transport	Total
	£000	£000	£000	£000	£000	£000	£000
2021/22							
Cost or valuation at 1 April 2021	18,226	80,339	280	3,765	3,378	24,474	130,462
Additions - purchased	-	1,069	-	5,317	26	1,842	8,254
Additions - exchange	-	-	-	-	-	-	-
Additions government granted	-	-	-	-	-	-	-
Reclassifications	-	1,888	-	(6,072)	-	4,184	-
Reclassified as held for sale	-	-	(280)	-	-	-	(280)
Derecognition - disposals	-	-	-	-	-	(285)	(285)
Reversal of Impairments	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-
Revaluation increase/(decrease):							
- to Revaluation Reserve	891	8,348	-	-	-	-	9,239
- to Surplus/Deficit on the provision of services	(75)	(635)	-	-	-	-	(710)
At 31 March 2022	19,042	91,009	-	3,010	3,404	30,215	146,680
Depreciation at 1 April 2021	-	(5)	-	-	(2,019)	(15,455)	(17,479)
Reclassifications	-	-	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	182	182
Revaluation removals	-	6,327	-	-	-	-	6,327
Impairments	-	-	-	-	-	-	-
Reversal of Impairments	-	-	-	-	-	-	-
Charged during the year	-	(6,328)	-	-	(222)	(1,401)	(7,951)
Depreciation at 31 March 2022	-	(6)	-	-	(2,241)	(16,674)	(18,921)
Net book value							
As at 31 March 2021	18,226	80,334	280	3,765	1,359	9,019	112,983
As at 31 March 2022	19,042	91,003	-	3,010	1,163	13,541	127,759
Asset financing							
Owned	19,042	89,853	-	3,010	1,163	13,541	126,609
Finance Leased	-	-	-	-	-	-	-
Private finance initiative	-	-	-	-	-	-	-
PFI residual interests	-	1,150	-	-	-	-	1,150
Total 31 March 2022	19,042	91,003	-	3,010	1,163	13,541	127,759

NOTES TO THE CORE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS

12.1 CATEGORIES OF FINANCIAL INSTRUMENTS

This note shows the effect of the reclassification of financial assets and the remeasurements of the carrying amounts then required.

	Current		Long Term	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Investments				
Loans and Receivables	-	-	-	-
Amortised Costs	20,050	24,500	-	-
Fair Value through Profit or Loss	-	-	-	-
Total Investments	20,050	24,500	-	-
Cash and Cash Equivalents				
Amortised Costs	2,002	8,185	-	-
Fair Value through Profit or Loss	7,050	1,751	-	-
Total Cash and Cash Equivalents	9,052	9,936	-	-
Debtors (Trade Receivables)				
Amortised Costs	5,144	8,463	537	620
Total Debtors (Trade Receivables)	5,144	8,463	537	620
Borrowings				
Amortised Costs	(90)	(90)	(24,264)	(24,757)
Total Borrowings	(90)	(90)	(24,264)	(24,757)
Finance Lease				
Amortised Costs	(117)	(98)	(673)	(809)
Total Finance Lease	(117)	(98)	(673)	(809)
Creditors (Trade Payables)				
Amortised Costs	(7,177)	(9,185)	-	-
Total Creditors (Trade Payables)	(7,177)	(9,185)	-	-

12.1.1 BORROWING

All long-term borrowing was from the Public Works Loan Board, an executive agency of HM Treasury. Annual repayments are for interest only and the principal is repayable at the date of loan maturity.

12.1.2 FINANCIAL ASSETS

Financial assets at fair value through Profit and Loss consist of deposits with external fund managers. These are valued by reference to quoted market price.

12.1.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the bank current account, on call accounts and money market funds all of which are repayable at 24 hours notice without penalty.

12.2 INCOME, EXPENSES, GAIN AND LOSSES

	Surplus or Deficit on the Provision of Services Financing and Investment Income and Expenditure	
	2022/23 £000	2021/22 £000
Net gains/losses on:		
Financial assets measured at Amortised Cost	(2)*	(2)*
Total net gains/losses	(2)*	(2)*

* The £2k represents an expected credit loss based on historical risk of default tables and as the sum falls below materiality levels it has not been charged to the Comprehensive Income & Expenditure Statement.

	2022/23 £000	2021/22 £000
Interest Revenue		
Financial assets measured at Amortised Cost	811	93
Total Interest Revenue	811	93

	2022/23 £000	2021/22 £000
Interest Expense		
Financial liabilities measured at Amortised Cost	(1,161)	(1,341)
Total Interest Expense	(1,161)	(1,341)

12.3 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE (but for which FAIR VALUE DISCLOSURES ARE REQUIRED)

Financial Liabilities	2022/23 £000	2021/22 £000
PWLB Debt	(23,382)	(32,166)
Short Term Borrowing	(94)	(90)
Short Term Creditors	(7,177)	(9,185)
Short Term PFI & Finance Lease Liability	(117)	(98)
Long Term PFI & Finance Lease Liability	(673)	(809)
Total Liabilities	(31,442)	(42,349)

Financial Assets	2022/23 £000	2021/22 £000
Money Market Loans < 1 Year	7,050	1,751
Short Term Investments	22,311	32,529
Long Term Investments	0	0
Short Term Debtors	5,144	8,463
Long Term Debtors	537	620
Total Assets	35,042	43,363

All Financial Assets at amortised cost with less than 12 months to maturity at Balance Sheet date are deemed to have the same carrying value and fair value as at 31st March 2023.

12.3.1 FAIR VALUE HIERARCHY FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE

Recurring Fair Value Measurements using:	Quoted Prices			Total
	in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant observable inputs (Level 3)	
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB Debt	-	(24,358)	-	(24,358)
PFI and Finance Lease Liability	-	(117)	-	(117)
Total	-	(24,475)	-	(24,475)
Financial Assets				
Financial Assets held at amortised cost:				
Total	-	29,050	0	29,050

12.4 AMOUNTS ARISING FROM EXPECTED CREDIT LOSSES

Loss Allowance by Asset Class

	12 Month Expected Credit Losses £000	Lifetime Expected Credit Losses - not credit impaired £000	Lifetime Expected Credit Losses - simplified approach £000	Total £000
Opening Balance as at 1 April 2022	(2)	-	-	(2)
Financial Assets held at amortised cost:	-	-	-	-
As at 31 March 2023	(2)	-	-	(2)

Credit Risk Exposure	Credit Risk Rating £	Gross Carrying Amount
12 Month Expected Credit Loss	AAA	-
12 Month Expected Credit Loss	AAA	-
12 Month Expected Credit Loss	A (incl A+)	(2)

Interest Rate Risk	Total £000
Decrease in Fair Value of Fixed Rate Investments	526
Impact on Other Comprehensive Income and Expenditure	(2,115)
Decrease in fair value of Fixed Rate Borrowings Liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income or Expenditure)	(2,642)

These are notional costs and they would not be incurred if the outstanding loans run to their contractual maturity date. The approximate impact of a 1% decrease in interest rates would be as above but with the movements being reversed.

13 CASH FLOW STATEMENT NOTES

13.1 OPERATING ACTIVITIES

The cash flows for operating activities include the following items;

	2022/23	2021/22
	£000	£000
Interest Received	811	93
Interest Paid	(1,161)	(1,341)
Total	(350)	(1,247)

13.2 INVESTMENT ACTIVITIES

	2022/23	2021/22
	£000	£000
Payments for property, plant and equipment	(5,215)	(8,804)
Sale of property, plant and equipment	663	(20)
(Increase)/Decrease in Short-Term Deposits	4,450	(2,475)
Capital Grant Received	-	-
Net Cash Flows from investing activities	(102)	(11,299)

13.3 FINANCING ACTIVITIES

	2022/23	2021/22
	£000	£000
Loans Repaid	(493)	(593)
Loan Capital Repayments of PFI and finance leases	(117)	(103)
Net Cash Flows from investing activities	(610)	(696)

13.4 OTHER NON CASH MOVEMENT

	2022/23	2021/22
	£000	£000
(Gains)/losses on the disposal of non-current assets	(301)	89
PWLB Interest due, paid in new year	94	90
Accumulated Absence Account	(202)	159
Other Adjustments	176	(678)
Net Other non cash movement	(233)	(340)

NOTES TO THE CORE FINANCIAL STATEMENTS

14 INVENTORIES

	31 March 2023 £000	31 March 2022 £000
Uniforms and Protective Clothing	308	248
Vehicle Spares Stocks	133	129
Fuel	101	0
Equipment Stocks	114	122
Total	655	498

15 DEBTORS

15.1 Trade and other receivables

	Current		Non-current	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Public Sector Bodies	4,587	7,774	537	620
Prepayments	2,660	2,559		
Other	1,192	1,590	-	-
Provision for the impairment of receivables	(55)	(55)	-	-
Total	8,384	11,868	537	620

15.2 Receivables past their due date but not impaired

	31 March 2023 £000	31 March 2022 £000
By up to three months	181	320
By three to six months	8	87
By more than six months	219	514
Total	407	922

15.3 Provision for impairment of receivables

	31 March 2023 £000	31 March 2022 £000
Balance at 1 April	(55)	(655)
(Increase)/decrease in receivables impaired	-	600
Balance at 31 March	(55)	(55)

16 CASH AND CASH EQUIVALENTS

	31 March 2023 £000	31 March 2022 £000
Balance at 1 April	9,936	17,581
Net change in year	(884)	(7,645)
Balance at 31 March	9,052	9,936
Made up of		
Commercial banks and cash in hand	52	185
Current investments (less than 3 Months to maturity)	9,000	9,751
Cash and cash equivalents as in statement of financial position	9,052	9,936
Bank Balance - Commercial banks	-	-
Cash and cash equivalents as cash flow statement	9,052	9,936

NOTES TO THE CORE FINANCIAL STATEMENTS

17 Assets Held for Sale

The Fire Authority agreed to close Topsham station at its meeting of 10/1/20. During the 21/22 financial year the decision was taken to sell the property and actively seek a buyer triggering the requirement of the Code to reclassify it to Assets Held for Sale. The property was sold on 1/6/22.

The Redwoods building on the headquarters site ceased being used as an office on 1/7/22. The Fire Authority agreed to sell the property at its meeting of 16/2/23, and it was actively marketed from 9/3/23, triggering the requirement of the Code to reclassify it to Assets Held for Sale. The property is not yet sold.

	Current	
	31 March 2023	31 March 2022
	£000	£000
Balance outstanding at start of year	273	-
Assets newly classified as held for sale:		
Property, plant & equipment	225	280
Revaluation losses	(7)	(7)
Assets sold	(273)	-
Balance outstanding at year-end	<u>218</u>	<u>273</u>

18 CREDITORS

	Current	
	31 March 2023	31 March 2022
	£000	£000
Current Liabilities		
Public Sector Bodies	(4,349)	(6,389)
Other entities and individuals	(4,446)	(4,523)
Accum absence	(1,593)	(1,391)
Defined Benefit Pension Schemes	-	-
Total	<u>(10,388)</u>	<u>(12,303)</u>

19 PROVISIONS

	Current		Non-current	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£000	£000	£000	£000
Firefighter Employer Pension Contribution	-	-	-	-
NDR Appeals Provision	-	-	(564)	(656)
Total	<u>-</u>	<u>-</u>	<u>(564)</u>	<u>(656)</u>

	Firefighter Employer Pension Contribution £000	NDR Appeals £000	Total £000
At 1 April 2021	502	60	562
Arising during the year	(73)	-	(73)
Used during the year	(429)	-	(429)
Reversed unused	-	596	596
Unwinding of discount	-	-	-
At 31 March 2022	<u>(0)</u>	<u>656</u>	<u>656</u>
At 1 April 2022	(0)	656	656
Arising during the year	-	-	-
Used during the year	-	-	-
Reversed unused	-	(92)	(92)
At 31 March 2023	<u>(0)</u>	<u>564</u>	<u>564</u>
Expected timing of cash flows:			
Between 1 April 2023 & 31 March 2024	-	-	-
Thereafter	-	564	564

NOTES TO THE CORE FINANCIAL STATEMENTS

20 USABLE AND UNUSABLE RESERVES

20.1 USABLE RESERVES

Movements in the Authority's usable reserves are summarised in the Movement in Reserves Statement.

Earmarked Reserves

One of the categories of usable reserves is earmarked reserves. Details of the amounts set aside (transfers in) from the General Fund to provide financing for future expenditure is given in the table below.

The table below also shows the amounts posted back (transfers out) from earmarked reserves to meet the specific expenditure which is included within the CIES in 2022/23.

2022/23

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Grants unapplied from previous years	3,093	44	(2,000)	1,137
Invest to Improve	2,869	-	(991)	1,878
Budget Smoothing Reserve	1,831	666	(1,831)	666
Direct Funding to Capital	19,032	2	(3,610)	15,424
Projects, risks, & budget carry forwards				
PFI Equalisation	50	-	-	50
Emergency Services Mobile Communications Programme	1,302	-	(252)	1,050
Mobile Data Terminals	168	-	(23)	145
Pension Liability reserve	1,362	-	(144)	1,218
Budget Carry Forwards	1,633	-	(743)	890
Environmental Strategy	268	-	(25)	243
MTA Action Plan	151	-	(75)	76
Total Earmarked Reserves	31,759	712	(9,694)	22,777
General Fund (non-Earmarked) Balance	4,050	230	-	4,280
Total General Fund	35,809	942	(9,694)	27,057

2021/22

Earmarked reserve	Balance 1 April	Transfers In	Transfers Out	Balance 31 March
	£000	£000	£000	£000
Grants unapplied from previous years	£000	£000	£000	£000
Grants unapplied from previous years	4,526	2,270	(3,703)	3,093
Invest to Improve	3,896	219	(1,246)	2,869
Budget Smoothing Reserve	1,818	288	(275)	1,831
Direct Funding to Capital	23,270	100	(4,338)	19,032
Projects, risks, & budget carry forwards				
PFI Equalisation	150	-	(100)	50
Emergency Services Mobile Communications Programme	1,347	-	(45)	1,302
Mobile Data Terminals	266	-	(98)	168
Pension Liability reserve	1,231	139	(8)	1,362
Budget Carry Forwards	3,458	64	(1,889)	1,633
Environmental Strategy	308	-	(40)	268
MTA Action Plan	200	-	(49)	151
Total Earmarked Reserves	40,470	3,080	(11,791)	31,759
General Fund (non-Earmarked) Balance	5,282	258	(1,490)	4,050
Total General Fund	45,752	3,338	(13,281)	35,809

NOTES TO THE CORE FINANCIAL STATEMENTS

20.2 UNUSABLE RESERVES

	31 March 2023 £000	31 March 2022 £000
Revaluation Reserve	(54,218)	(49,986)
Capital Adjustment Account	(53,343)	(52,386)
Pensions Reserve	604,259	921,542
Collection Fund Adjustment Account	(1,565)	(1,086)
NNDR Adjustment Account	(67)	1,755
Accumulated Absences Account	1,593	1,391
PFI Equalisation Fund	(537)	(620)
Total	496,121	820,609

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

	2022/23 £000	2021/22 £000
Balance at 1 April	(52,386)	(49,431)
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	363	109
Revaluation losses on property, plant and equipment	14	710
Charges for depreciation and impairment of non-current assets	7,961	7,951
	8,338	8,770
Minimum Revenue Provision	(1,975)	(2,219)
Capital Expenditure charged against the Revenue Account	(3,120)	(6,210)
Capital Receipts Reserve	(663)	(20)
Adjusting amounts written out of the Revaluation Reserve	(3,537)	(3,276)
Balance at 31 March	(53,343)	(52,386)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

	2022/23 £000	2021/22 £000
Balance at 1 April	(49,986)	(37,695)
Upward Revaluation of assets	(7,768)	(15,567)
Disposal/derecognition	201	-
Downward revaluations	-	-
Difference between fair value depreciation and historical cost depreciation	3,336	3,276
Balance at 31 March	(54,218)	(49,986)

NOTES TO THE CORE FINANCIAL STATEMENTS

20.2 UNUSABLE RESERVES (Continued)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2022/23 £000	2021/22 £000
Balance at 1 April	921,542	883,190
Remeasurements of the net defined liability/ (asset)	(343,264)	20,812
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on Provision of services	40,387	31,736
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,408)	(14,196)
Balance at 31 March	604,258	921,542

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2022/23 £000	2021/22 £000
Balance at 1 April	(1,086)	140
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(479)	(1,226)
Balance at 31 March	(1,565)	(1,086)

National Non Domestic Rates (NNDR) Adjustment Account

The NNDR Adjustment Account manages the differences arising from the recognition of NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from commercial premises compared with the statutory arrangements for paying across amounts to the General Fund from the Collection fund.

	2022/23 £000	2021/22 £000
Balance at 1 April	1,755	2,605
Amount by which NNDR credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	(1,822)	(850)
Balance at 31 March	(67)	1,755

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2022/23 £000	2021/22 £000
Balance at 1 April	1,391	1,549
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	202	(159)
Balance at 31 March	1,593	1,391

PFI - Equalisation Fund

An equalisation fund is administered by Gloucestershire County Council on behalf of the project partners. The fund balance attributable to the authority at the end of each financial year is recognized within the balance sheet. As at 31st March 2023 a surplus of £0.537m (£0.620m as at 31 March 2022) was attributable to Devon and Somerset FRA and this has been included as a PFI debtor against Gloucestershire County Council.

	2022/23 £000	2021/22 £000
Balance at 1 April	(620)	(678)
PFI Movement for the year	83	58
Balance at 31 March	(537)	(620)

NOTES TO THE CORE FINANCIAL STATEMENTS

21 MEMBERS ALLOWANCES

It is a requirement that after the end of the year to which a scheme relates, an Authority shall make arrangements for the publication of the total sum paid by it in the year under the scheme to each recipient in respect of basic allowance and special responsibility allowance. Details of such payments in 2022/23 are shown in the following table which shows all serving members during 2021/22 and 2022/23.

The Authority paid the following amounts for members of the Authority during the year.

	Basic and Special Responsibility Allowance	Travel and Subsistence	2022/23	2021/22
	£	£	£	£
Mary Aspinall	1,090	-	1,090	-
Michael Best	3,068	140	3,208	2,786
Frank Biederman	3,068	440	3,508	3,050
Ann Bown	906	38	944	5,947
Julian Brazil	6,659	436	7,095	2,996
Pam Buchan	374	-	374	2,928
Peter Burrige-Clayton	3,068	-	3,068	3,012
Richard Chesterton	7,558	-	7,558	5,500
Simon Coles	3,068	443	3,511	3,186
Polly Colthorpe	5	-	5	307
John Cook-Woodman	8,629	871	9,500	-
Margaret Corvid	374	-	374	2,786
Ian Doggett	-	-	-	-
Jonathan Drean	3,086	331	3,417	3,879
Andrew Eastman	5	-	5	307
Robert Hannaford	6,677	95	6,772	3,800
Mark Healey	1,264	-	1,264	7,221
Neill Hendy	2,613	258	2,871	-
Andy Kendall	2,573	456	3,029	-
Tim Kerley	2,573	-	2,573	-
Swithin Long	3,068	194	3,262	3,483
Dermot McGeough	3,060	-	3,060	2,359
Terry Napper	374	-	374	3,045
Sarah Parker-Khan	512	-	512	2,359
Philip Partridge	1,531	-	1,531	-
Ronald Peart	7,565	119	7,684	5,986
Tom Power	2,573	-	2,573	-
Graham Prowse	3,068	-	3,068	2,786
Ray Radford	9,969	-	9,969	6,796
Satnam Rai	551	-	551	500
Sara Randall Johnson	18,389	393	18,782	16,736
Leigh Redman	529	108	637	4,643
Ian Roome	3,060	190	3,250	2,538
Andrew Saywell	24	-	24	1,393
Richard Scott	512	-	512	2,359
Debo Sellis	2,564	427	2,991	-
Mark Shayer	9,962	1,023	10,985	6,353
Andy Sully	2,573	-	2,573	-
David Thomas	5,010	167	5,177	10,352
Jeffrey Trail	2,572	95	2,667	427
Ian Tuffin	-	-	-	-
Linda Vijeh	37	-	37	2,142
Nick Way	-	-	-	-
George Wheeler	23	-	23	1,330
Jeremy Yabsley	8	-	8	427
Totals	134,192	6,226	140,418	123,720

22 OFFICERS REMUNERATION

The remuneration paid to the Authority's senior employees is as follows analysed in bands of £5,000 in excess of £50,000:

The decrease in numbers earning £50,000-£59,999 since last year is due to a rationalisation of roles, whereby the number of officers earning within this bracket was reduced.

22.1 Number of Employees earning in excess of £50,000

	2022/23	2021/22
£50,000 - £54,999	55	50
£55,000 - £59,999	43	56
£60,000 - £64,999	32	31
£65,000 - £69,999	25	13
£70,000 - £74,999	6	1
£75,000 - £79,999	1	2
£80,000 - £84,999	-	4
£85,000 - £89,999	3	-
£90,000 - £94,999	1	-
£95,000 - £99,999	2	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	2	2
£125,000 - £129,999	-	1
£130,000 - £134,999	1	-
£160,000 - £164,999	1	1

NOTES TO THE CORE FINANCIAL STATEMENTS

22.2 Senior Officers Remuneration 2022/23 over £50k

There were leavers and new starters in senior management which has amended the number of individuals shown on the list below when compared to 2021/22.

Post Title	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of office	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2022/23
	£	£	£	£	£	£
Chief Fire Officer - Lee Howell	162,061	-	-	162,061	46,674	208,735
Deputy Chief Fire Officer	134,510	-	-	134,510	38,739	173,249
Director of Service Delivery	121,543	-	-	121,543	35,004	156,547
Director of Service Improvement	121,543	-	-	121,543	35,004	156,547
Director of Governance & Digital Services	99,955	-	-	99,955	17,269	117,224
Director of Finance, People and Estates	99,496	-	-	99,496	17,269	116,765
Area Manager Corporate Planning & Strategic Analysis	95,305	-	-	95,305	24,809	120,114
Area Manager Transformation	86,290	-	-	86,290	24,852	111,142
Area Manager Service Delivery Resilience (a)	61,721	-	-	61,721	15,497	77,218
Area Manager Service Delivery Response (b)	85,484	-	-	85,484	24,619	110,103
Area Manager Service Delivery Risk	85,674	-	-	85,674	24,674	110,348
Head of ICT (c)	63,725	-	-	63,725	11,219	74,944
Head of ICT (d)	13,617	-	-	13,617	2,125	15,742
Co-Head of People Services (e)	44,072	-	-	44,072	7,710	51,782
Co-Head of People Services (f)	60,274	-	-	60,274	10,252	70,526
Head of Finance	69,024	-	-	69,024	11,955	80,979
Head of Estates	69,500	-	-	69,500	11,955	81,455
Head of Communications & Engagement	70,054	-	-	70,054	12,234	82,288
Head of Fleet & Procurement	73,366	-	-	73,366	12,885	86,251
Head of Organisational Assurance	67,619	-	-	67,619	11,728	79,347
Head of Portfolio & Programme Manager	68,276	-	-	68,276	11,955	80,231
	1,753,109	-	-	1,753,109	408,428	2,161,537

a) Started role on 01/11/2022
b) Started role on 05/04/2022
c) Started role on 30/05/2022
d) Left role on 04/06/2022
e) Unpaid leave from 01/08/2022 - 19/09/2022 and 01/12/2022 - 15/02/2023
f) Left role on 17/03/2023

Senior Officers Remuneration 2021/22 over £50k

Post Title	Salary (Including Fees and Allowances)	Benefits in Kind	Compensation for loss of office	Total Remuneration excluding pension contrbns	Pension Contrbns	Total Remuneration including pension contrbns 2021/22
	£	£	£	£	£	£
Chief Fire Officer - Lee Howell	162,660	-	-	162,660	46,846	209,506
Deputy Chief Fire Officer (a)	123,860	-	-	123,860	35,654	159,514
Deputy Chief Fire Officer (b)	126,140	-	-	126,140	35,445	161,585
Director of Service Delivery	122,008	-	-	122,008	35,134	157,142
Director of Service Improvement (c)	84,979	-	-	84,979	24,474	109,453
Director of Governance & Digital Services	106,129	-	-	106,129	18,443	124,572
Director of Finance & Resourcing (d)	14,361	-	-	14,361	1,921	16,282
Director of Finance, People and Estates (e)	80,224	-	-	80,224	12,116	92,340
Area Manager Corporate Planning & Strategic Analysis (f)	54,134	-	-	54,134	10,255	64,389
Area Manager Corporate Planning & Strategic Analysis (g)	82,068	-	-	82,068	21,375	103,443
Area Manager Service Delivery Resilience	81,774	-	-	81,774	23,525	105,299
Area Manager Service Delivery Risk	81,100	-	-	81,100	21,430	102,530
Head of ICT	66,351	-	-	66,351	11,597	77,948
Co-Head of People Services	64,326	-	-	64,326	11,293	75,619
Head of Finance	68,698	-	-	68,698	11,924	80,622
Head of Estates	65,957	-	-	65,957	11,370	77,327
Head of Communications & Engagement	66,717	-	-	66,717	11,649	78,366
Head of Fleet & Procurement	69,215	-	-	69,215	12,359	81,574
Head of Organisational Assurance	63,932	-	-	63,932	11,147	75,079
Head of Portfolio & Programme Manager	64,140	-	-	64,140	11,370	75,510
	1,648,773	-	-	1,648,773	379,327	2,028,100

(a) Left post 28/02/2022
(b) In post from 01/03/2022. Was previously ACFO Director of Service Improvement from 01/08/2020 to 28/02/2022
(c) In post from 01/03/2022. Was previously Area Manager Service Delivery Response 21/10/2020 to 28/03/2022
(d) Left post 09/05/2021
(e) In post from 19/07/2021
(f) Left post 30/10/2021
(g) In post from 31/10/2021

22.3 Exit Packages agreed

This note identifies the cost of termination benefits for those Employees who the Authority has decided to terminate employment before their normal retirement date.

Exit Package Cost Band (including special payments)	No of Compulsory Redundancies		No of other departures agreed		Total No of exit packages by cost band (b + c)		Total cost of exit packages in each band	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0 - £20,000	-	-	2	2	2	2	28,414	£19,361
£20,001 - £40,000	-	-	-	0	-	0	-	£0
£40,001 - £60,000	-	-	-	0	-	0	-	£0
Total	-	-	2	2	2	2	28,414	£19,361

NOTES TO THE CORE FINANCIAL STATEMENTS

23 EXTERNAL AUDITOR FEES

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

	2022/23 £000	2021/22 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	53	41
Total	53	41

In 2021/22 additional fees of £6,000 were incurred for group accounting and remote working plus an additional £10,000 for audit overrun making the total charge for 2021/22 £57,000 for the year.

24 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement (CIES) in 2022/23

	2022/23 £000	2021/22 £000
Grants		
New Dimensions Grant	(946)	(953)
Firelink Grant	(739)	(859)
Hinkley Point Grant	(86)	(109)
Rural Services Delivery Grant	(445)	(445)
Covid 19 Grant	-	(121)
Business Rates Relief	(3,127)	(1,528)
Fire Pension Grant	(4,042)	(4,022)
Section 31 Grants (Minor)	(28)	(17)
Building Protection Grant	(294)	(344)
Services Grant	(1,098)	-
Business Rates Grant	-	(1,756)
Council Tax Grant	-	(943)
	(10,806)	(11,097)
Insurance cost recovery	(59)	(9)
Procurement income from Frameworks	(56)	(73)
Rental income	(98)	(73)
Secondment income	(351)	(241)
Vehicle sales and maintenance	(140)	(40)
Other income and donations	(279)	(460)
Co-responder Income	(183)	(89)
Ambulance Covid Support	(207)	(289)
PFI Fair value	(447)	(447)
Apprenticeship Delivery	(114)	
Training Income	(248)	(270)
Primary Authority	(0)	(7)
Sub Total Other Income	(2,182)	(1,999)
Total within cost of services in the CIES	(12,987)	(13,095)

NOTES TO THE CORE FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties/bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills). Grants received from government departments are set out in Note 24.

Members of the Authority have direct control over the Service's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 21. In relation to members, the Authority's constitution requires members to declare their interests in related parties in a register of interests. In addition, members are asked to declare separately any transactions with the Authority. **In relation to 2022/23 no material transactions were disclosed.**

	2022/23 £000	2021/22 £000
Red One Ltd[^]		
Net receipts from Red One Ltd of training income & reimbursements, minus any payments made	(320)	(557)
FRIC*		
Payments for Insurance	895	876

[^]Red One Ltd.

In 2013 the Authority established Red One Ltd., which is a wholly owned subsidiary limited by shares, to enable trading activity to take place. The company focuses on selling training and specialist staffing solutions to public and private sector clients both in the UK and overseas. Any costs born by the Authority in relation to this activity are directly reimbursed and an annual dividend is paid over to the Authority from retained profits.

The Authority and management made the decision to consolidate the activity of both the Authority and Red One Ltd into Group Accounts for the first time for 2021-22 due to the increase in activity generated by Red One Ltd.

As at 31st March 2023 the Authority had a closing balance of £436k, which is an decrease from last year where we reported a closing balance of £499k.

*Risk Protection

Until 31 October 2015 Insurances for the Authority were arranged as part of a consortium of nine fire and rescue authorities. These fire and rescue authorities, including Devon & Somerset, are now members of the Fire and Rescue Indemnity Company Limited. The Company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the Company. The Authority made a contribution of £895k to the company for the insurance year-end 31 October 2022 of which £521k relates to the 2023/24 financial year.

NOTES TO THE CORE FINANCIAL STATEMENTS

26 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2022/23	2021/22
	£000	£000
Opening Capital Financing Requirement	25,665	25,860
<u>Capital investment</u>		
Operational assets	5,149	8,254
<u>Sources of finance</u>		
Capital receipt	(663)	(20)
<u>Sums set aside from revenue</u>		
Minimum Revenue Provision	(1,976)	(2,219)
Direct revenue funding	(3,120)	(6,210)
Closing Capital Financing Requirement	25,055	25,665
Explanation of movements in year	2022/23	2021/22
	£000	£000
Increase/(Decrease) in underlying need to borrow	(493)	(92)
(Decrease) in PFI/lease liabilities	(117)	(103)
Increase/(decrease) in Capital Financing Requirement	(610)	(195)

27 LEASES

27.1 OPERATING LEASES AS LESSEE

Total rentals paid during the year amounted to £0.651m. It is estimated that the outstanding liability for future years, in relation to existing lease agreements is £0.229m.

	2022/23	2021/22
	£000	£000
<u>Payments recognised as an expense in year</u>	651	647
<u>Future Minimum Lease Payments payable:</u>		
Not later than one year	122	266
Between one and five years	107	229
Total	229	495

NOTES TO THE CORE FINANCIAL STATEMENTS

28 PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

In a joint PFI venture, Gloucestershire County Council, Avon Fire & Rescue Service and Devon & Somerset Fire & Rescue Service receive an element of their fire training from Babcock International Group PLC, a company contracted to provide the training until 31 March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates (DBFO) under the PFI contract.

The IFRS Code accounting regulations require the asset to be included in the balance sheet relating to our 25% share of the contract. The liabilities to pay future rentals are also required to be included.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2023 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	2022/23 £000	2021/22 £000
Paid in 2022/23	618	117	81	815	795
Outstanding undischarged contract obligations:					
Payable within one year	630	135	70	835	815
Payable within two to five years *	2,746	656	151	3,552	3,467
Payable within six to ten years	0	0	0	0	921
	<u>3,376</u>	<u>791</u>	<u>221</u>	<u>4,387</u>	<u>5,203</u>

* There are five years remaining.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2022/23 £000	2021/22 £000
Balance outstanding at 1 April	907	1,010
Payments in year	(117)	(103)
Capital Expenditure incurred in the year		
Other movements		
Balance outstanding at 31 March	<u>790</u>	<u>907</u>

29 IMPAIRMENT LOSSES & REVERSALS

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 11 which reconciles the movement over the year in the Property, Plant and Equipment balances.

	2022/23 £000	2021/22 £000
Impairment of Land	-	-
Impairment of Buildings	-	-
Net Amount Charged to the CIES	<u>-</u>	<u>-</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

30. PENSIONS

30.1 Pension Costs

In accordance with the requirements of IAS19 the Devon & Somerset Fire & Rescue Authority records in its balance sheet its share of assets and liabilities related to pension schemes and matches the net amount with an equivalent pension reserve. The Authority participates in three schemes, two of which are Fire Service Pension Schemes for Fire Officers which are unfunded, and the Local Government Pension Scheme which is administered by Devon County Council.

The Local Government Pension Scheme is a funded defined benefit scheme meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. In addition, there is a second unfunded local government pension scheme liability which was previously reported under the LGPS but is now shown separately. This unfunded scheme is where the Authority has, as an employer, agreed to enhance the retirement pensions of staff, for which there are no additional employee contributions received.

There are four Firefighter Pension Schemes (FPS) for fire officers, all of which are unfunded defined benefit schemes, meaning there are no investment assets built up to meet the pension liabilities as they fall due. The schemes are administered by the Fire Authority and known as the fire fund. The schemes are balanced to zero by the receipt of top-up grant received from the Home Office. The three legacy schemes are as follows.

- 1992 FPS
- 2006 FPS
- 2006 Modified FPS (reported within the 2006 FPS)

From April 2015 the FPS 2015 came into being, with previous schemes being closed to new members. The Authority has one further pension liability which is in respect of injury awards issued under the Firefighters Compensation Regulations.

For all schemes the employee contribution is based upon their gross salary, with that percentage varying if their salary changes.

Scheme	Employer Percentage Rate 2022/23	Total Contributions expected to be made by the authority in the year to 31st March 2024 £000
Local Government Pension Scheme	18.5%	2,543
1992 Firefighters Pension Scheme	37.3%	} 10,741
2006 New firefighters Pension Scheme	27.4%	
2006 Modified firefighters Pension Scheme	37.3%	
2015 Firefighters Pension Scheme	28.8%	

The cost of retirement benefits are recognised in the comprehensive income and expenditure statement (CIES) when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge which has to be made against council tax is based on the cash payable in the year, so the real cost (service cost) of retirement benefits is reversed out of the General Fund by way of the Movement in Reserves Statement (MIRS).

There have been no material adjustments relating to pensions relating to the transition to IFRS.

The following transactions have been made in the CIES & MIRS during the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 30.2 Pension Schemes

	LGPS 2022/23 £000	LGPS 2021/22 £000	LG Unfunded 2022/23 £000	LG Unfunded 2021/22 £000	Fire schemes 2022/23 £000	Fire schemes 2021/22 £000	Total 2022/23 £000	Total 2021/22 £000
Comprehensive Income & Expenditure Statement								
<i>Service Cost Comprising:</i>								
Current Service Cost	5,069	6,478	-	-	19,202	17,938	24,271	24,416
Past Service Costs	-	-	-	-	291	468	291	468
<i>Financing and Investment Income and Expenditure:</i>								
Net Interest Expense	843	1,085	7	5	22,363	16,333	23,213	17,423
Administration Expenses	44	41	-	-	-	-	44	41
Home Office Pension top up grant					(7,432)	(10,612)	(7,432)	(10,612)
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	5,956	7,604	7	5	34,424	24,127	40,387	31,736
<i>Remeasurement of the net defined benefit liability comprising:</i>								
Expected return on plan assets (excluding the amount included in net interest expense)	3,279	(3,591)					3,279	(3,591)
Actuarial gains and losses arising on changes in demographic assumptions	(6,983)				-	14,775	(6,983)	14,775
Actuarial gains and losses arising on changes in financial assumptions	(53,499)	(7,830)			(347,979)	(28,413)	(401,478)	(36,243)
Other								
Total Post-employment benefits charged to the CIES	(57,203)	(11,421)	-	-	(347,979)	(13,638)	(405,182)	(25,059)
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post - employment benefits in accordance with the code	(5,956)	(7,604)	(7)	(5)	(34,424)	(24,127)	(40,387)	(31,736)
<i>Actual amount charged against the General Fund Balance for pensions in the year</i>								
Employers contributions payable to scheme	(2,456)	2,280	-	-	4,699	9,542	2,243	11,821
Employers contributions payable to scheme (seconded not charged to general fund)	-	-	-	-	21	25	21	25
Ill health charges	-	-	-	-	-	66	-	66
Payment in advance	-	-	-	-	-	-	-	-
Retirement benefits payable to pensioners - Authority	-	-	-	18	(2,530)	2,266	(2,530)	2,284
Retirement benefits payable to pensioners - Fund	1,658	2,008	17	-	(21,620)	24,594	(19,945)	26,602
Total Retirement benefits payable to pensioners	1,658	2,008	17	18	(24,150)	26,860	(22,475)	28,886

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the present value of the scheme liabilities	LGPS 2022/23 £000	LGPS 2021/22 £000	LG Unfunded 2022/23 £000	LG Unfunded 2021/22 £000	Fire schemes 2022/23 £000	Fire schemes 2021/22 £000	Total 2022/23 £000	Total 2021/22 £000
Opening balance as at 1st April	122,610	122,492	237	314	871,838	827,599	994,685	950,405
Opening balance adjustment	66	58	-	(58)	-	-	66	-
Current Service Cost	5,069	6,478	-	-	19,202	17,938	24,271	24,416
Interest Cost	3,102	2,439	7	5	22,363	16,333	25,472	18,777
Contributions by scheme participants	897	752	-	-	4,699	4,350	5,596	5,102
<i>Remeasurement (gains) and losses:</i>								
Actuarial gains and losses arising on changes in demographic assumptions	(6,983)	-	-	-	-	14,775	(6,983)	14,775
Actuarial gains and losses arising on changes in financial assumptions	(53,499)	(7,830)	(45)	(7)	(347,979)	(28,413)	(401,523)	(36,250)
Experience gains and losses	6,177	229	13	1	56,367	45,648	62,557	45,878
Past service Costs	-	-	-	-	291	468	291	468
Benefits Paid	(1,443)	(2,008)	(17)	(18)	(24,151)	(26,860)	(25,611)	(28,886)
Closing balance as at 31st March	75,996	122,610	195	237	602,630	871,838	678,821	994,685

Pensions Assets and Liabilities Recognised in the Balance Sheet	2022/23 £'000	2021/22 £'000
Present value of liabilities		
LGPS	(75,996)	(122,610)
LGPS- unfunded	(195)	(237)
Firefighters Pension schemes	(551,560)	(820,768)
Firefighters Compensation Regulations	(51,070)	(51,070)
Fair value of assets in the LGPS	74,563	73,143
	(604,258)	(921,542)
Surplus/(deficit) in the scheme:		
LGPS	(1,433)	(49,467)
LGPS- unfunded	(195)	(237)
Firefighters Pension schemes	(551,560)	(820,768)
Firefighters Compensation Regulations	(51,070)	(51,070)
Net Liability arising from defined benefit obligation	(604,258)	(921,542)

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. All schemes have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the LGPS Devon Fund being based on the latest full valuation of the scheme undertaken in 2022 and the Devon & Somerset FPS valuation in 2021.

The value of pension assets is estimated based upon information available at the Balance Sheet date, but these valuations may be earlier than the Balance Sheet date. The actual valuations at the Balance Sheet date, which may not be available until some time later, may give a different value of pension assets, but this difference is not considered to be material.

The Fire Fund has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:-

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 30.3 Pension Assets & Basis For Valuation

Proportion of assets held - LGPS	£000	31 March 2023	£000	31 March 2022
		%		%
Gilts	0	0%	9,983	14%
UK Equities	5,882	8%	6,623	9%
Overseas Equities	33,401	45%	36,385	50%
Property	6,536	9%	6,746	9%
Infrastructure	6,704	9%	4,333	6%
Target Return Portfolio	5,182	7%	6,936	9%
Cash	886	1%	618	1%
Other Bonds	15,943	21%	1,530	2%
Alternative Assets	29	0%	-11	0%
Total Fair value of LGPS assets	74,563	100%	73,143	100%

Based on estimated bid values.

Movement between the opening and closing balances of the fair value of assets:	Year to 31 March 2023	Year to 31 March 2022
	£000	£000
Opening fair value	73,143	67,215
Interest Income	2,259	1,354
Return on plan assets (excluding the amount included in net interest expense)	(3,279)	3,591
Other Actuarial Gains/ (Losses)	594	-
Administration Expenses	(44)	(41)
Contributions by employer	2,668	2,298
Contributions by scheme participants	897	752
Estimated benefits paid	(1,675)	(2,026)
Fair value of scheme assets at end of period	74,563	73,143

Basis for establishing assets and liabilities	LG Pension Scheme	LG Pension Scheme	LG Unfunded	LG Unfunded	Fire Schemes	Fire Schemes
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	£000	£000	£000	£0	£000	£000
Mortality assumptions						
Longevity at 65 for current pensioners						
Men	21.8	22.70	21.8	22.70	20.6	25.10
Women	22.9	24.00	22.9	24.00	22.9	22.70
Longevity at 65 for future pensioners						
Men	23.1	24.00	23.1	24.00	21.9	21.70
Women	24.4	25.40	24.4	25.40	24.4	24.20
Rate of inflation CPI	2.85%	3.20%	2.85%	3.20%	2.90%	2.80%
Rate of increase in salaries	3.85%	4.20%			3.90%	3.80%
Rate of increase in pensions	2.85%	3.20%	2.85%	3.20%	2.90%	2.80%
Rate for discounting scheme liabilities	4.80%	2.60%	4.80%	2.60%	4.80%	2.00%
Take-up of option to convert annual pension into retirement lump sum	50% of commutable pension				50% of commutable pension	

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes that the assumption analysed changes while all the other changes remain constant.

Sensitivity Analysis 2022/23	LG Pension Scheme	Fire Schemes
	PV* £000	PV* £000
Adjustment to the Discount Rate		
+0.1%	74,845	593,509
0.0%	76,191	602,631
-0.1%	77,573	611,986
Adjustment to Long Term Salary Increase		
+0.1%	76,347	603,562
0.0%	76,191	602,631
-0.1%	76,036	601,706
Adjustment to Pension Increases and Deferred Revaluation		
+0.1%	77,442	611,220
0.0%	76,191	602,631
-0.1%	74,974	594,259
Adjustment to Mortality Age Rating Assumption		
+ 1 year	78,633	625,645
None	76,191	602,631
- 1 year	73,830	580,502

* Present Value of Total Obligation

NOTES TO THE CORE FINANCIAL STATEMENTS

31 CONTINGENT LIABILITIES

A contingent liability is a possible present conditional obligation arising from past events and whose existence will be confirmed only by the occurrence of future uncertain events not wholly within the Fire Authority's control.

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The Government has now confirmed the final remedy in response to the case and primary legislation is also in place to allow remedy to be applied from 1 October 2023. It is likely that the Authority will incur additional costs in the future as a result of this case and the agreed remedy, for example through increased employer's contributions to the scheme or through the costs incurred to administer the remedy. In addition there is the risk that the Authority may incur tax or other liabilities for payments made to Scheme Members under the Immediate Detriment Framework (which gives them access to legacy scheme benefits prior to remedy being in place). At this stage it is not possible to quantify what these costs might be or whether they will be incurred.

There is one Employment Tribunal appeal awaiting a decision. If the appeal is unsuccessful, a further remedy hearing will be listed with the award likely to be in excess of £85,000.

32 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

The Authority's activities expose it to a variety of financial risks:

Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.

Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.

Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall financial risk management procedures focus on the unpredictability of financial markets and seek to minimise those risks. The procedures for risk management are set out through a legal framework in the Local Government Act and the associated regulations. These require the Authority to comply with the CIPFA Prudential code and The CIPFA Treasury Management in the Public Services Code of Practice. The Authority's Treasury Management policy explains the risks to the Authority and sets procedures to be followed in order to keep such risks to a minimum.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they comply with the requirements of the Authority's Treasury Management Policy mentioned above.

The following summarises the Authority's potential maximum exposure to credit risk, based on experience of default over the last five years.

	Amount as at 31 March 2023 £000	Historical Experience of Default £000	Historical Experience adjusted for market conditions as at 31 March 2023 £000	Estimated maximum exposure to default and uncollectability £000
Deposits with bank & financial institutions	29,102	-	-	-
Public Sector Bodies	4,587	-	-	-
Other	1,192	-	-	-
Total	34,882	-	-	-

All deposits with the bank and financial institutions are due within a year. The authority generally allows 28 days for debts to be settled before debt recovery processes are implemented. As at the 31st March 2023, the value of debt which exceeded this period was £407k, broken down as follows:

	2022/23 £000	2021/22 £000
Up to Three Months	181	320
Between Three & Six Months	8	87
Over Six Months	219	514
Total	407	921

An allowance for potential bad debts of £55k has been made at the year- end.

NOTES TO THE CORE FINANCIAL STATEMENTS

Liquidity Risk

The funding of the Authority comes from a variety of sources, the major ones being central government (RSG & NNDR), other local authorities (council tax) and the Public Works Loan Board (PWLB). Therefore there is no significant risk that it will be unable to raise finance to meet its liabilities. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Accordingly, in line with its Treasury Management Policy, care is taken as to when loans are taken from PWLB or require repayment.

The maturity analysis of financial liabilities is as follows:-

	2022/23	2021/22
	£000	£000
Less than one year – including trade and other creditors	9,382	11,496
Between one and two years – PWLB loan repayments	458	493
Between two and five years – PWLB loan repayments	3,280	3,145
More than five years – PWLB loan repayments	20,033	20,626
Total	33,153	35,760

Market Risk

Interest Rate risk

The Authority is exposed to interest movements on its borrowings and investments. All borrowings and investments are on fixed rates. If, for example, there was an increase in interest rates it would have the following effects:

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried on the balance sheet at fair value, so nominal gains and losses on fixed rate borrowings would not impact upon the Income & Expenditure account. The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to inform the budget monitoring process during the year.

Price Risk

The Authority does not invest in equity shares and is therefore not exposed to losses arising from movements in the prices of shares.

Foreign Exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

THE PENSION FUND

There are four Firefighter Pension Schemes (FPS) for fire officers, all of which are unfunded defined benefit schemes, meaning there are no investment assets built up to meet the pension liabilities as they fall due. The schemes are administered by the Fire Authority and known as the fire fund. The schemes are funded from in-year employee and employer contributions and balanced to zero by the receipt of top-up grant received from the Home Office. The three legacy schemes are as follows.

- 1992 FPS
- 2006 FPS
- 2006 Modified FPS (reported within the 2006 FPS)

From April 2015 the FPS 2015 came into being, with previous schemes being closed to new members. The Authority has one further pension liability which is in respect of injury awards issued under the Firefighters Compensation Regulations.

The fire pension fund is currently dissimilar to a normal pension fund in that it has no trustees, bank account or investment assets. The fund is managed on a separate ledger to that for normal activities of the Authority. Items of income and expenditure are recognised on the date of the cash transaction.

Firefighters Pension Fund	2022/23	2021/22
	£'000	£'000
Contributions receivable from:		
Fire authority:-		
a) contributions in relation to pensionable pay	(10,355)	(9,566)
b) early ill health retirements & other income	(32)	(66)
c) Firefighters contributions	(4,707)	(4,350)
	(15,094)	(13,981)
Transfers in	(587)	(277)
Benefits payable		
d) pensions	20,934	19,960
e) commutations and lump sum benefits	2,172	4,896
f) lump sum death benefits	-	-
h) GAD arrears	-	-
g) transfers out	6	14
h) refunds of contributions	-	-
Total benefits payable, less transfers in	22,526	24,593
Net amount payable for the year ¹	7,432	10,612
top-up grant received from Central Government	(7,910)	(8,766)
Balance of top-up grant for the year, payable to Central Government ³	478	-
Balance of top-up grant for the year, receivable from Central Government	-	1,846
Recoverable overpayments of pensions		

Note 1 - As DSFRS has paid or will pay all pensions and commutation payments from its own bank account it is due reimbursement for costs

Note 2 - It should be noted that the amounts included within the firefighters pension fund are only for the period of 2022/23 and do not take into account liabilities to pay pensions or benefits after that period.

Note 3 - £7.91m had been received from Home Office by 31st March 2023, being 80% of notified top-up grant expected. As there was a funding surplus of £0.478m, this amount will be deducted from the next grant payment from the Home Office in order to balance the total costs to total income within the fund.

GLOSSARY OF TERMS

Accounting Policies

Rules and practices adopted by the Authority that dictate how transactions and events are shown and costed.

Accruals

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuary

An independent professional who advises on the position of the pension fund.

Actuarial Valuation

The Actuary reviews the assets and liabilities of the pension fund every three years.

Assets

Items that are owned by the Authority or money that is owed to it.

Balance Sheet

Statement of recorded assets, liabilities, reserves and other balances at the end of the accounting period.

Capital Expenditure

Expenditure on the acquisition of fixed assets or expenditure which adds to and not merely maintains the value of existing fixed assets.

Capital Financing Costs

Costs associated with the financing of fixed assets, representing interest and principal repayments on loans and contributions from revenue reserves towards capital payments.

Capital Receipts

Proceeds from the sale of assets, which may be used to finance new capital expenditure or set aside for the repayment of external loans.

Cash equivalents

Short term, highly liquid investments which have little scope for changes in value.

Cash Flow Statement

The statement which summarises the Authority's inflows and outflows of cash during the year.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public sector.

Collection Fund Adjustment Account

A reserve on the balance sheet used to hold accounting differences attributable to the collection of council tax.

Comprehensive Income and Expenditure Statement

This is a core statement reporting the net cost of the Authority and demonstrates how this cost has been financed from grants and tax payers.

The "Code"

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. This prescribes the form and content of the Statement of Accounts, and is published by a joint committee of CIPFA and LASAAC. It is based on approved accounting standards and reflects specific statutory accounting requirements. Compliance with the Code is necessary in order that the Authority's Accounts give a "true and fair" view of its financial position and performance.

Contingent Liability

A potential liability at the balance sheet date, which is still uncertain when the accounts are submitted for approval. The liability will be included in the balance sheet if it can be estimated reasonably accurately. Otherwise the liability will be disclosed as a note to the accounts.

Creditors

Amounts owed by the Authority for goods and services received on or before 31 March.

Current Assets

Assets that are expected to be used in the short term (less than one year), such as cash and inventories.

Debtors

Amounts owed to the Authority for goods and services provided on or before 31 March.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation

The measure of the wearing out, consumption or other reduction in the economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technical or other changes.

Earmarked Reserves

Amounts set aside for a specific purpose, a particular service or a type of expenditure. Technically, they are part of the General Fund, but they are set out as a separate part of usable reserves.

GLOSSARY OF TERMS

Financial Instruments

Contracts which give rise to a financial asset or liability, such as loans and investments, trade payable (creditors) and receivables (debtors) and financial guarantees.

Heritage asset

An asset that is held primarily for its contribution to knowledge or culture.

International Financial Reporting Standards (IFRS)

The basis for reporting local authority accounts which came into effect on the 1st April 2010, replacing the standards on which the Statement of Recommended Practice (SORP) was based.

Inventories

Stock levels held by the Authority

Leasing

There are two main types of leasing arrangements:

Finance leases which transfer all the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.

Operating leases where the risks and rewards of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

Liabilities

Amounts owed by the Authority to lenders or suppliers.

Long-term borrowing

Loans raised to finance capital spending which have still to be repaid.

Minimum Revenue Provision

The minimum amount the Authority must charge to its revenue account to provide for the repayment of debt.

Movement in Reserves Statement

A Statement showing the movement in the year on the usable and unusable reserves held by the Authority.

National Non-Domestic Rates (NNDR)

A flat rate in the pound set by Government, sometimes known as "Business Rates", levied on businesses and paid into a National Pool. The Authority receives a share from the National Pool as part of its annual funding - the redistributed amount or 'NNDR Grant'.

Property, Plant and Equipment

The term for tangible fixed assets - i.e. Assets with physical substance that are held for use in the production or supply of goods and services or for administrative purposes, and are expected to be used during more than one accounting period.

Private Finance Initiative (PFI)

A credit arrangement which enables private sector financing of public sector facilities or services.

Provisions

Amounts set aside for any liability that is likely to be incurred but where the exact amount and the date on which it will arise are uncertain.

Projected Unit Method

An accrued benefit valuation method in which the Scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a method in which the scheme liabilities at the valuation date relate to:

- a) The benefits for pensioners and deferred pensioners (i.e. Individuals who have ceased to be active members but are entitled at a later date) and their dependants allowing where appropriate for future increases, and
- b) The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PWLB

The Public Works Loan Board - the principal source of long-term capital for local authorities.

Reserves

Sums of money set aside to meet general rather than specific future liabilities. The sums set aside are charged to General Funds and not to Reserve Accounts.

Revaluation

The fair value of assets recorded in the Balance Sheet at current value should be formally reviewed by a professional valuer at intervals of no more than five years, and the revised value should be included in the Balance Sheet.

Revaluation Reserve

A record of the accumulated gains on the fair value of property, plant and equipment arising from inflation or other factors, to the extent that these gains have not been consumed by subsequent reductions in value. The balance on this reserve is carried forward as part of the Unusable Reserves in the Balance Sheet.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Treasury Management

The management of cash flows, banking, lending and borrowing; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

CERTIFICATION OF ISSUE

The final audited accounts were approved by the Audit & Governance Committee on the 26th March 2024

Shayne Scott
Treasurer to the Authority

Simon Coles
Chair of the Audit & Governance Committee

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Agenda Item 4b

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Authority's Material Subsidiary is:**

Alison Kerr

Firm: Albert Goodman LLP

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Name: Barrie Morris
For Grant Thornton UK LLP

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Devon and Somerset Fire and Rescue Authority ('the Authority') and the preparation of the Group and Authority's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and the Narrative Report, are materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely during November 2023 to March 2024. Our findings are summarised on pages 6 to 23. We have not identified any adjustments to the financial statements that result in an adjustment to the Authority's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix G) or material changes to the financial statements, subject to the following outstanding matters:

- completion of our subsequent events review,
- receipt of management representation letter (see appendix F); and
- receipt and review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified. We have been able to satisfy ourselves that the Authority has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented at 22 January 2024. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Authority for their support in working with us. From initial flexibility around the audit commencement date, through to delivering prompt responses to audit queries. The Authority have been supportive of the process throughout and for this we would like to record our thanks.

National context – level of borrowing

All Authorities are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Authority budgets, there are concerns as Authorities look to alternative ways to generate income. We have seen an increasing number of Authorities look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by Authorities' existing resources, we have also seen some Authorities take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Authorities, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. For Devon and Somerset Fire and Rescue Authority this has been considered as part of our work on going concern and value for money.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the component of the group based on a measure of materiality considering this as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that for Red One Limited specified audit procedures for revenue and expenditure were required, which was completed by Albert Goodman LLP, and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 19 September 2023.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 26 March 2024, as detailed in Appendix G.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 19 September 2023.

We set out in the table our determination of materiality for Devon and Somerset Fire and Rescue Authority and group.

	Group Amount (£)	Authority Amount (£)
Materiality for the financial statements	2,300,000	2,200,000
Performance materiality	1,555,000	1,430,000
Trivial matters	115,000	110,000
Materiality for senior officer remuneration	20,000	20,000



2. Financial Statements: Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Authority and/or Group
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have completed the following work against this risk:</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; • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions; and • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. <p>We have identified no issues from our transactional risk based testing – more analysis on the focus of this work is set out on the following page.</p> <p>As already reported in our interim findings we identified in the prior year two control deficiencies that increase the risk of management override:</p> <ol style="list-style-type: none"> 1. 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 2. 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>Authority and group.</p>

2. Financial Statements - Key messages

Key messages arising from our financial statements work

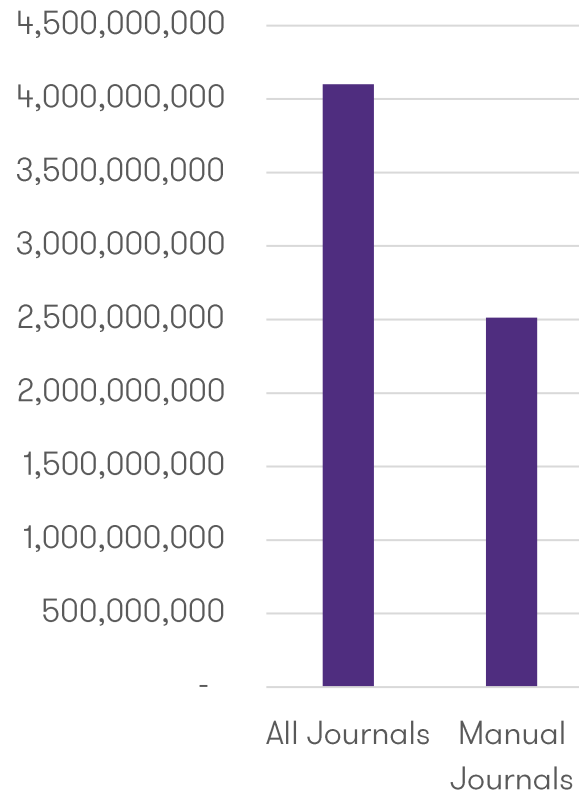
We have identified control weaknesses with regard to the posting of journals to the ledger and the approvals process. It is important to note that, as a result of our testing, we did not identify any inappropriate journals. However, we need to report areas where controls could be strengthened or efficiencies introduced to the process and have made a recommendation in regard to journals - see Appendix B.

In summary, we identified the following weaknesses:

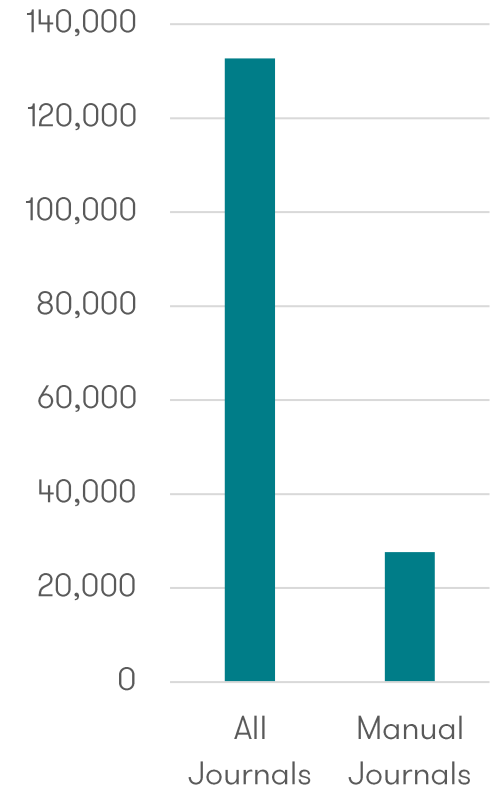
- The authority posted around 132,743 (312,147 in 2021/22) transaction lines with a value of over £4.1bn (£4.9bn in 2021/22) in the financial period is evidence of their regular use, compared to gross expenditure on services of around £111m (£107m in 2021/22). Manual journals can be created either by manually inputting debit and credit entries in the Integra 2 financial system, or by using a standardised excel template with macros embedded, namely Journal E-Form. In this template, finance assistant uses excel formulae to indicate whether the lines are debits or credits. There is no formal approval process for posting journals, or authorisation limit on posting journals. Although we recognise that a sequential check on journal numbers is in place to identify any missing journal templates or backing information; and a sample review is performed twice a year to check the nature of journals posted but it is done retrospectively rather than being a preventative control, and it has only been performed on fewer than ten journals each time;
- During the year, the authority posted a total of 6,725 credit lines (9,491 in 2021/22) and 20,893 (25,750 in 2021/22) debit lines as 'manual' type (identified by document type starting with 'JV'). The total value of these transactions was £2.5bn (£3.2bn in 2021/22) of the total £4.1bn posted and equates to 61%. With only about sixteen journals reviewed across the whole year, the unreviewed journals amounts to a great value.

We therefore continue to recommend that the authority should enhance the retrospective review performed on journals posted and seek to implement procedures that allow journals to be authorised before being posted to the ledger.

Analysis of Journals
(by £ value)



Analysis of Journals
(by transactions)



2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Authority and/or Group
Improper revenue recognition	<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 therefore 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 did not identify 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>	<p>Group only. Rebutted for the Authority.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Authority and/or Group
The expenditure cycle includes fraudulent transactions (rebutted)	<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 did 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 has not identified any significant issues, and Red One Limited's auditors did not identify any matters in relation to expenditure recognition.</p>	Authority and group.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Authority and/or Group
<p>Valuation of land and buildings and the key assumptions and judgements that underpin this significant estimate</p> <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>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. challenged 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 identified no significant issues. We have identified two 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 (VPFE) – useful economic life (UEL) assessed to range from 5-7 years." However depreciation is calculated on VPFE using UEL's ranging from 5-30 years. We are satisfied with the UELs used as these represent the diverse range of assets. We have therefore recommended that the accounting policy be updated to reflect the application. we also noted that note 11.1 was not fully Code compliant. This note should reflect the assets revalued over the past 5 years but in the draft financial statements it only disclosed those assets valued in year. We have requested that this table be fully populated. <p>Based on the work completed we are able to conclude that land and building balances and related disclosures are fairly stated.</p>	Authority.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Authority and/or Group
<p>Valuation of the pension fund net liability and the key assumptions that underpin this significant estimate</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 and 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>We have completed the following work against this risk:</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; undertaken 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 considered 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. <p>Our work has not identified any significant issues. We did identify a number of variances between the IAS19 disclosures and the IAS19 report from the actuary. The Authority have corrected these in the final set of financial statements.</p> <p>Based on the work completed we are able to conclude that the pension fund balance and related disclosures are fairly stated.</p>	<p>Authority</p>

2. Financial Statements: 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 Authority's 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> <p>Based on the work completed we are able to conclude that the group accounts, and notes, are fairly stated.</p>	Our work on the group is complete.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £115m	<p>Other land and buildings comprises £115m of assets, that are revalued at either depreciated replacement cost (DRC) at year end, (reflecting the cost of a modern equivalent asset necessary to deliver the same service provision) or at existing use value (EUUV) at year end. Other non-Land and Building assets totalling £17.1m are valued at historic cost in line with the Code. The Authority has engaged Norfolk Property Services to complete the valuation of properties as at 31 March 2023. All assets were revalued in 2022/23.</p> <p>The total year end valuation of land and buildings was £115m, a net increase of £5m from 2021/22 (£110m).</p> <p>We have concluded that the estimates are reasonable.</p>	<p>Our work on this estimate is complete. We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> assessed management's expert to ensure suitably qualified and independent, assessed the completeness and accuracy of the underlying information used to determine the estimate, confirmed there were no changes to valuation method, assessed the consistency of the estimate against near neighbours an indices report from Montague Evans, and assessed the adequacy of disclosure of the estimate in the financial statements. <p>We have concluded the estimate is reasonable.</p>	Light purple

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £604m	<p>The Authority's total net pension liability at 31 March 2022 is £604mm (PY £922m), which includes both the Devon Pension Fund Local Government funded defined benefit scheme and the Firefighters unfunded defined benefit pension scheme obligations. The Authority uses Barnett Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £343m net actuarial gain during 2022/23.</p>	<p>At the time of writing this report our work in this area remains in progress. We have however carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the actuary's roll forward approach taken, We have used PwC as auditor's expert to assess actuary and assumptions made by actuary. The table below summarises where Devon and Somerset Fire and Rescue Authority fall in the acceptable ranges set by PwC. This work has highlighted that for mortality assumptions the Authority are outside of the acceptable range. We are following up each of these differences with the Authority's Actuary. 	Light purple																								
		Local Government Pension Scheme																									
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.80%</td> <td>4.80% - 4.85%</td> <td>✓</td> </tr> <tr> <td>Pension increase rate</td> <td>2.85%</td> <td>2.65% - 2.95%</td> <td>✓</td> </tr> <tr> <td>Salary growth</td> <td>3.85%</td> <td>0.5% to 2.5% above CPI of 2.85%</td> <td>✓</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Current 21.8 Future 23.1</td> <td>Current 19.5 – 22.1 Future 20.9 – 23.4</td> <td>✓</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>Current 22.9 Future 24.4</td> <td>Current 22.9 – 24.5 Future 24.3 – 25.9</td> <td>✓</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.80%	4.80% - 4.85%	✓	Pension increase rate	2.85%	2.65% - 2.95%	✓	Salary growth	3.85%	0.5% to 2.5% above CPI of 2.85%	✓	Life expectancy – Males currently aged 45 / 65	Current 21.8 Future 23.1	Current 19.5 – 22.1 Future 20.9 – 23.4	✓	Life expectancy – Females currently aged 45 / 65	Current 22.9 Future 24.4	Current 22.9 – 24.5 Future 24.3 – 25.9	✓	
Assumption	Actuary Value	PwC range	Assessment																								
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Life expectancy – Females currently aged 45 / 65	Current 22.9 Future 24.4	Current 22.9 – 24.5 Future 24.3 – 25.9	✓																								

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Fire Fighters Pension Scheme

Light purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.80%	4.80% - 4.85%	✓
Pension increase rate	2.90%	2.65% - 2.95%	✓
Salary growth	3.90%	1% above CPI of 2.90%	✓
Life expectancy – Males currently aged 45 / 65	Current 20.6 Future 21.9	Current 20.5 – 21.1 Future 21.8 – 22.4	✓
Life expectancy – Females currently aged 45 / 65	Current 22.9 Future 24.4	Current 22.8 – 22.4 Future 24.3 – 24.9	✓









We have:

- gained assurance over the completeness and accuracy of the underlying information used to determine the estimate,
- gained assurance over the reasonableness of the Authority's share of LGPS pension assets, and
- reviewed the adequacy of disclosure of the estimate in the financial statements.





We have concluded the estimate is reasonable.

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	ITGC control area rating				Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
		Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Advanced ADVT (Core Finance Management System)	ITGC assessment (design and implementation effectiveness only)					Financial reporting	n/a
iTrent (Payroll)	ITGC assessment (design and implementation effectiveness only)					Payroll	n/a

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which is included in the Audit and Governance Committee papers, and appendix F of this report.
Confirmation requests from third parties	We requested from management permission to send balance confirmation requests in relation to the Authority's bank and investment balances. This permission was granted, and the requests were sent, these were returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	With the exception of the difficulties set out at the beginning of this report, all information and explanations requested from management, has been provided.

2. Financial Statements: other communication requirements



Our responsibility

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

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Authority recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Authority (and group) and the environment in which they operate the Authority's (and groups) financial reporting framework the Authority's (and groups) system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. <p>As part of our work reviewing the component auditors work we noted that sufficient work had been completed to concluded that Red One Limited remains a going concern.</p>

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work in this area is complete and no inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix G.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed work is not required for the Authority as it does not exceed the threshold. We have therefore completed the WGA assurance statement to this effect.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022/23 audit of Devon and Somerset Fire and Rescue Authority in the audit report, as detailed in Appendix G.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented at the January 2024 Audit and Governance Committee.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

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

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified which were charged from the beginning of the financial year to the date of signing the audit opinion and we are not aware of any that are planned.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Follow up of prior year recommendations
- C. Audit Adjustments
- D. Fees and non-audit services
- E. Auditing developments
- F. Management Letter of Representation
- G. Audit opinion

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Devon and Somerset Fire Authority's prior year audits. This resulted in 6 recommendations being reported in our 2021/22 Audit Findings report. Management have addressed 3 of the recommendations made in prior periods., 3 remain in progress.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Our work on journals identified that there is no formal approval process for posting journals, therefore the finance team members who have access to post journals are effectively approving their own entry. The Head of Finance and Senior Accountant complete a review of a sample of journal entries posted twice a year, however this is done retrospectively and is not a preventative control. We recommended that the Authority introduce preventative controls for the approval of journals.	The Authority continue to accept the risk in this area as with the size of team introducing preventative controls would be unworkable.
X	Our work on journals work noted that there is no authorisation limit on posting journals, therefore journal users are not restricted by the value they post. We recommended implementing a structure/policy on authorisation limits.	The Authority continue to accept the risk in this area as with the size of team introducing preventative controls would be unworkable.
✓	The code requires that where areas of estimation uncertainty are disclosed the note should set out the impact of changes to the key assumptions on the values within the financial statements. We recommended that the Authority enhance the note 4 disclosure, to meet the requirements of the code.	The note 4 disclosure in the 2022/23 financial statements has been enhanced and is now Code compliant.
X	We note that the Authority has made no assessment of the impact of the implementation of IFRS16. This is a significant change that will impact on how the Authority recognises its leases. There are a number of steps to be completed as part of the assessment that can be time consuming. We recommend that the Authority commence its assessment of the impact of IFRS16 implantation.	Management are aware of the requirement to implement the standard and will be ready for the date of introduction.
✓	Our testing of accruals identified three items that were not accrued for using correct treatment at year end. We recommended that the Authority review its accruals process as part of the 2022/23 closedown.	Our testing in 2022/23 has identified no issues around cut-off.
✓	There were a number IT related policies that are past their review date for update. A number are pre-covid. IT has changed significantly due to the pandemic with remote working etc which exposes the Authority to greater risk.	Management have reviewed IT policies and will continue to update them in accordance with their updated processes and timelines.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted and unadjusted misstatements

We did not identify any adjusted or unadjusted misstatements as part of our 2022/23 financial statements audit.

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements. These were both corrected during the 2022/23 financial year.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
<p>Our work on depreciation identified that the Authority had been using the incorrect useful economic life when calculating depreciation to be charged on building assets. We have assessed the overall impact of across the asset base to be an overstatement of depreciation of £727k. This is therefore an understatement of the Authority's asset on the balance sheet.</p> <p>This will be corrected on revaluation in the current year</p>	(727)	727	(727)
<p>Our work identified that for 3 senior officers the remuneration disclosed did not include car allowances. The total differences are £14k.</p>	-	-	-
Overall impact	(£727)	£727	(£727)

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements

Disclosure/issue/Omission	Adjusted?
An issue was noted as part of our debtors work where two prepayments totalling £2.2m were included within the 'other debtors' balance. The Code requires that where there are material prepayments they should be disclosed separately. The Authority identified further prepayments and the total amount of prepayments was £2.6m. The debtors note has been updated to disclose these amounts on a separate line item. The overall debtor balance remains unchanged.	✓
We noted as part of our work on the audit fee disclosure that the prior year audit fee did not agree to the to the actual fee billed. The actual fee for the 2021/22 audit was £57,280. The difference was £6k in relation to group work and the impact of remote working and £10k due audit overruns. All of these items have now been billed. The disclosure note has been updated to reflect this using a footnote.	✓
As part of our group work we identified a related parties disclosure issue relating to Red One Limited. The draft note stated that 'As at 31 March 2023 the Authority had a closing balance of £380k, which is an increase from last year where we reported a closing balance of £499k'. This narrative has been updated to show that there was actually a decrease in the balance. The amount disclosed was also updated from £380k to £436k.	✓
During our examination of the accounting policies, it was observed that the current Depreciation Policy states, "Vehicles, plant, and furniture and equipment – useful economic life assessed to range from 5-7 years". Upon examining the fixed asset register, we have identified a need for an update to this policy. This has now been amended to "Vehicles, plant and furniture and equipment – useful economic life assessed per individual asset, with a range of 5-30 years. Lives beyond 10 years will only affect a very few specialist assets." This adjustment aims to accurately represent the diverse useful economic lives of individual assets within the authority, providing a more precise framework for depreciation calculations.	✓
As part of our financial instruments note review we identified the following 4 discrepancies within note 12 of Financial Statements: 1) Debtors (Trade Receivables): Amortised costs in Note 12 is £8,162k, however it should have been £5,150k. 2) Financial Liabilities: PWLB Debt (Level 2) held at amortised cost in Note 12 is zero, however it should have been £24,358k as per Capital Valuation Summary. 3) Financial Assets: Financial Assets held at amortized cost in Note 12 is zero, however it should have been £29,050k as per Capital valuation summary. 4) Credit Losses: Balance brought forward for expected credit losses is zero, however it should have been £2k as per other disclosures in financial statement (and closing per PY financial statements).	✓

C. Audit Adjustments

Disclosure/issue/Omission

Adjusted?

As part of our work agreeing pensions disclosures to the IAS19 report, we noted the following 6 discrepancies:



- 1) 'Employers contributions payable to scheme' for LGPS was disclosed as £2388k but should have been -£2,456k per IAS19 report.
- 2) 'Actuarial gains and losses arising on changes in financial assumptions' for LG Unfunded currently was disclosed as £0k but should have been -£45k for CY and -7k for PY per IAS19 report.
- 3) 'Present value of liabilities for LGPS' was disclosed as -£122,610k but should have been -£122,913kk per IAS19 report.
- 4) 'Surplus/(deficit) in the scheme for Firefighters Pension schemes' was disclosed as £-551,560k but should have been £564,748k per IAS19 report.
- 5) 'Surplus/(deficit) in the scheme for Firefighters Compensation Regulations' was disclosed as -£-51,070k but should have been £-37,883k per IAS19 report.
- 6) Present value of liabilities for Firefighters Pension schemes' was disclosed as -£-551,560k but should have been £564,748k per IAS19 report.

D. Fees and non-audit services

We confirm below our final fees charged for the audit. We confirm that there are no fees for the provision of non audit services.

Audit fees	Proposed fee £	Final fee £
Scale fee per PSAA for 2022-23	31,980	31,980
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	500	500
Value for Money audit – new NAO requirements	8,000	8,000
ISA 540	1,800	1,800
ISA 315	3,000	3,000
Additional journals testing	2,100	2,100
Additional audit work on Group Accounts	5,000	5,000
Total audit fees (excluding VAT)	52,380	52,380

The fees reconcile to the financial statements for the 2022/23 financial year. There was however a difference to the prior year figures disclosed as these did not total the amount billed in relation to the 2021/22. The actual amount billed was £57,280, a £16,000 difference. The difference relates to addition charges relating to audit overruns, off site working and work on the group financial statements.

This difference has been explained by the Authority in the revised financial statements.

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard [ES 1.69])

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

F. Management Letter of Representation

Grant Thornton UK LLP

2 Glass Wharf

Temple Quay

Bristol

BS2 0EL

26 March 2024

Dear Grant Thornton UK LLP

Devon and Somerset Fire and Rescue Authority Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Devon and Somerset Fire and Rescue Authority and its subsidiary undertaking, Red One Limited for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of the group and Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

We have complied with the requirements of all statutory directions affecting the group and Authority and these matters have been appropriately reflected and disclosed in the financial statements.

The Authority has complied with all aspects of contractual agreements that could have a material effect on the group and Authority financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

F. Management Letter of Representation (continued)

Except as disclosed in the group and Authority financial statements:

- there are no unrecorded liabilities, actual or contingent
- none of the assets of the group and Authority has been assigned, pledged or mortgaged
- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We have updated our going concern assessment. We continue to believe that the group and Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- the nature of the group and Authority means that, notwithstanding any intention to cease the group and Authority operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- the group and Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Authority's ability to continue as a going concern need to be made in the financial statements

The group and Authority has complied with all aspects of ring-fenced grants that could have a material effect on the group and Authority's financial statements in the event of non-compliance.

i. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. We have considered equal pay claims and confirm that these have all been settled with no outstanding balances due as at 31 March 2023.

ii. We have considered the property portfolio of the Authority with regard to Reinforced Autoclaved Aerated Concrete (RAAC). Our assessment is that there is no material impact on the valuation of any affected buildings included in the financial statements as at 31 March 2023.

Information Provided

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the group and Authority's financial statements such as records, documentation and other matters;
- additional information that you have requested from us for the purpose of your audit; and
- access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

F. Management Letter of Representation (continued)

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Authority, and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the identity of the group and Authority 's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority 's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the group and Authority 's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit and Governance Committee at its meeting on 26 March 2023.

G. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report

Independent auditor's report to the members of Devon and Somerset Fire and Rescue Authority

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Devon and Somerset Fire and Rescue Authority (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2023, which comprise the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Movement in Reserves, the Notes to the Group Accounts, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Movement in Reserves and notes to the core financial statements, including a summary of significant accounting policies, and include the firefighters' pension fund financial statements comprising the Fire Fighters Pension Fund, and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

G. Audit opinion (continued)

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Annual Statement of Assurance and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Statement of Assurance does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Statement of Assurance addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts and the Annual Statement of Assurance for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

G. Audit opinion (continued)

Responsibilities of the Authority and the Treasurer

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23,

The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Fire and Rescue Act 2004. We also identified the following additional regulatory frameworks in respect of the firefighters pension fund: The Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.

We enquired of management and the Audit and Governance Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, accounting estimates and critical judgements made by management.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Treasurer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on management override of control;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, and defined benefit pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

G. Audit opinion (continued)

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, and defined benefit pensions liability valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team [and component auditors] included consideration of the engagement team's and component auditor's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

G. Audit opinion (continued)

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Devon and Somerset Fire and Rescue Authority for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie Morris, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

26 March 2024

Dear Grant Thornton UK LLP

DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

This representation letter is provided in connection with the audit of the financial statements of Devon and Somerset Fire and Rescue Authority and its subsidiary undertaking, Red One Limited for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the group and Authority financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Authority financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the group and Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the group and Authority means that, notwithstanding any intention to cease the group and Authority operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the group and Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Authority 's ability to continue as a going concern need to be made in the financial statements

- xv. The group and Authority has complied with all aspects of ring-fenced grants that could have a material effect on the group and Authority's financial statements in the event of non-compliance.
- xvi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. We have considered equal pay claims and confirm that these have all been settled with no outstanding balances due as at 31 March 2023.
- xvii. We have considered the property portfolio of the Authority with regard to Reinforced Autoclaved Aerated Concrete (RAAC). Our assessment is that there is no material impact on the valuation of any affected buildings included in the financial statements as at 31 March 2023.

Information Provided

- xviii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Authority, and involves:
 - a. management;

- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the group and Authority 's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Statement of Assurance

- xxvii. We are satisfied that the Annual Statement Of Assurance (ASA) fairly reflects the Authority 's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the ASA.

Narrative Report

- xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Authority 's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Authority’s Audit and Governance Committee at its meeting on 26 March 2023.

Yours faithfully

Name:

Position:

Date:

Name.....

Position.....

Date.....

Signed on behalf of the Authority

Agenda Item 5

REPORT REFERENCE NO.	AGC/24/5
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	26 MARCH 2024
SUBJECT OF REPORT	2022-23 ANNUAL STATEMENT OF ASSURANCE
LEAD OFFICER	DIRECTOR OF FINANCE & CORPORATE SERVICES
RECOMMENDATIONS	<i>That the final Annual Statement of Assurance appended to this report - required to accompany the 2022-23 final accounts – be approved and published on the Authority’s website.</i>
EXECUTIVE SUMMARY	<p>To comply with both the Accounts and Audit Regulations and the Fire & Rescue Service National Framework, the Authority is required to produce and publish an Annual Statement of Assurance on financial, governance and operational matters and show how the Authority has had regard to both its Integrated Risk Management Plan (now Community Risk Management Plan) and the expectations in the Fire & Rescue Service National Framework.</p> <p>The Audit and Governance Committee reviewed the draft Annual Statement of Assurance on 21 July 2023 and resolved that, subject to inclusion of the amendments as detailed in paragraph 1.3 of this report, the draft Annual Statement of Assurance 2022-23 as appended to report AGC/23/11 be approved in principle and submitted to the External Auditor alongside the draft financial statements for the same financial year.</p> <p>The Annual Statement of Assurance has been reviewed by the Authority’s external auditor, the outcome of which is that the auditors didn’t note any points this year. The report covered all the key areas that they would have expected and was compliant with the required guidance.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	The contents of this report are considered compatible with existing equalities and human rights legislation.
APPENDICES	A. 2022-23 Annual Statement of Assurance FINAL
BACKGROUND PAPERS	Nil.

1. INTRODUCTION

- 1.1. To comply with both the Accounts and Audit Regulations and the Fire & Rescue Service National Framework, the Authority is required to produce and publish an Annual Statement of Assurance on financial, governance and operational matters and show how the Authority has had regard to both its Integrated Risk Management Plan (now Community Risk Management Plan) and the expectations in the Fire & Rescue Service National Framework.
- 1.2. The Annual Statement of Assurance is primarily backward looking but also features an action plan to address, in the forthcoming financial year, any significant governance issues identified as part of the review process.

2. AMENDMENTS TO DRAFT ANNUAL STATEMENT OF ASSURANCE

- 2.1 The Audit and Governance Committee reviewed the draft Annual Statement of Assurance on 21 July 2023 and resolved that, subject to inclusion of the amendments as indicated below, the draft Annual Statement of Assurance 2022-23 be approved in principle and submitted to the Authority's external auditor alongside the draft financial statements for the same financial year:

1. That the Committee should see an overview of what the Service's insurance cover was in place so that any gaps could be identified and risk mitigated.

An overview of the insurance cover was provided to the Committee on 22 January 2024.

2. That the Committee should be apprised of any complaints made that involved financial impropriety or governance issues.

A total of seven potential incidences of fraud were reported and investigated in 2022-23. Four of these cases were found to be fraud. The total monetary value for three of these was £2,208.70 with £1,999.57 recovered. With regard to the final case, following advice from our Solicitors, the decision was made not to continue with the case as the individual is no longer in our employ. In addition, whilst an exact figure has not been determined, it has been deemed likely that the costs associated with any attempts at recovery would outweigh any funds recuperated and thus are not an appropriate use of funding. The Service's fraud report is published on the website annually.

The Monitoring Officer has confirmed that there have been no complaints on governance issues.

3. That the management actions should be annotated with the quarter and year in the status column in future.

The final Annual Statement of Assurance 2022-23 has been updated with this information as requested.

2.2 The Annual Statement of Assurance for 2022-23 has been submitted, along with the draft 2022-23 Statement of Accounts, to the Authority's external auditor for review. The outcome of this review is that the auditors didn't note any points this year. The report covered all the key areas that they would have expected and was compliant with the required guidance.

3. RECOMMENDATION

3.1 It is recommended that the final Annual Statement of Assurance appended to this report - required to accompany the 2022-23 final accounts – be approved and published on the Authority's website.

SHAYNE SCOTT

Director of Finance and Corporate Services (Treasurer)

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DEVON &
SOMERSET
FIRE & RESCUE SERVICE

Devon & Somerset Fire & Rescue Authority

2022-23 FINAL
Annual Statement of Assurance

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1 Introduction

1.1. The Devon and Somerset Fire and Rescue Authority (the Authority) functions within a clearly defined statutory and policy framework. The key documents setting this out are:

- Fire and Rescue Services Act 2004
- Civil Contingencies Act 2004
- Regulatory Reform (Fire Safety) Order 2005
- Fire Safety Act 2021
- Fire and Rescue Services (Emergencies) (England) Order 2007
- Localism Act 2011
- Accounts and Audit Regulations 2015
- Fire and Rescue National Framework for England 2018
- Health and Safety at Work etc Act 1974, and associated regulations

1.2 In addition, other key statutes include:

- Local Government Act 1972
- Local Government Finance Act 1988
- Local Government and Housing Act 1989
- Local Government Finance Act 1992
- Local Government Act 2003

1.3 Within this statutory framework, the Authority has three main responsibilities: to determine a strategic policy agenda for its area; set a budget to fund delivery of the policy agenda; and to undertake scrutiny to ensure that intended outcomes are being achieved efficiently, effectively and in accordance with statutory requirements. The Authority creates the organisational capacity to 'operationalise' these responsibilities through the Devon and Somerset Fire and Rescue Service (the Service), which is led by the Chief Fire Officer.

1.4 The Authority is required to:

- Ensure that there is a sound system of governance in place.
- Ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.
- Meet its duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- Prepare an annual governance statement in support of its Statement of Accounts in line with the Accounts and Audit (England) Regulations 2015. This sets out the measures taken to ensure appropriate business practice, high standards of conduct and sound governance.

- Publish an annual Statement of Assurance as required by The Fire and Rescue National Framework for England (May 2018). The statement should outline the way in which the Authority and its Fire and Rescue Service has had regard to the Framework for that period. Each Authority must also provide assurance to their community and to government on financial, governance and operational matters.
- 1.5 The Authority has agreed that the most appropriate way to meet both the National Framework and the Accounts and Audit (England) Regulations 2015 requirements is through the creation of one assurance report entitled 'Annual Statement of Assurance'. The Annual Statement of Assurance details the approach for how the Authority has developed and applied its governance framework in accordance with statutory responsibilities.

2 Identification and assessment of risk

- 2.1 The Authority has a statutory duty to produce a [Community Risk Management Plan](#) (CRMP). The CRMP covers the period 2022-2027 and sets out the key challenges and risks facing local communities and how the Authority intends to meet and reduce them. It demonstrates how protection, prevention and response activities have and will be used collectively to prevent and/or mitigate fires and other incidents. A full consultation process took place prior to development and publication of the CRMP.
- 2.2 The actions within this five-year strategic plan will be reviewed annually and the outcome published on the Service's website.
- 2.3 Since the launch of the Community Risk Management Plan in April 2022, the Service has developed Local Community Plans (LCPs) for each of the Service's fire stations. Each plan is unique to that station and incorporates information on community profiles which provides a comprehensive picture of a station's geographical area, risk, station availability and incident information that is informed by data.
- 2.4 The premise of the LCPs is to help stations to understand their local risk profile and to support planning and performance within the Service's key business areas, which will underpin the mitigation of risk and improve community safety. Further development of the plans is scheduled over the next 12 months, and the use of the interactive graphics and visualisation of data will assist management teams to obtain an insight into the effectiveness of the Service's core business activities, aiding informed decision making. The LCPs will be reviewed annually alongside the CRMP.
- 2.5 Understanding the risk of fire and other emergencies was rated as good by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in the 2022 report.

3 Prevention

- 3.1 The CRMP provides a high-level overview of the Service's prevention activities with the detail provided in the Prevention Plan 2021-2023.
- 3.2 Prevention activities include education in schools, interaction with children and young people through cadet schemes and through the Fire Setters team who work with young people who have a fascination with fire or have set fires.

- 3.3 The Road Safety team have delivered Learn to Live presentations in schools and colleges throughout Devon and Somerset, Biker Down presentations and attended events to promote road safety.
- 3.4 In addition to supporting the National Fire Chiefs Council's national prevention campaigns, the Service delivered campaigns focused on drowning prevention, wildfire awareness and 'Save Safely', working with partners to support our communities to reduce their fire risk during the Winter months of the cost-of-living crisis. Our 'How to use a throwline' YouTube video is now used by Devon and Cornwall Police for their in-house staff training. The Service also shared its first partnership newsletter with messages subsequently appearing in partner newsletters and social media channels which helped to get our safety messages to the most vulnerable audiences.
- 3.5 Home fire safety checks are provided for those identified to be in our higher risk groups providing advice and ensuring that smoke alarms and other equipment are available. The home safety team work with over 500 partners to obtain referrals for home safety visits targeting those with risk factors such as mobility, disability and mental health issues. During 2022-23 19,987 home fire safety checks were completed.
- 3.6 The Service also ensures that safeguarding is in place where appropriate. The Service's Safeguarding Board was established in September 2022 to ensure that the Service proactively meets the needs of its communities and to drive timely and specific action to provide a sustained improvement in all aspects of safeguarding within the organisation. The new Safeguarding Manager joined the Service in December 2022 and is in the process of assessing current practice versus expected standards. This analysis will inform an improvement plan for the team.
- 3.7 The Service was rated as good at preventing fires and other risks in the 2022 HMICFRS report.

4 Protection

- 4.1 The CRMP provides a strategic high-level overview of the Service's approach to protecting people within the built environment through regulation and protection activities. The Service is the Enforcing Authority for the Regulatory Reform (Fire Safety) Order 2005 and a statutory consultee as part of the Building Regulations process.
- 4.2 The Risk Based Inspection Programme supports the identification and targeting of the highest risk buildings most likely to have vulnerable occupants through unfamiliarity and / or their mobility. Operational Crews and Specialist Fire Safety Inspectors carry out over 4,000 inspections each year. A proportional approach is taken utilising fire safety checks at normal risk buildings and fire safety audits at higher risk buildings that have the potential to cause significant harm and / or loss of life in the event of a fire. This proportional but targeted approach is demonstrated through a high level of unsatisfactory / non-compliance outcomes which allows the Service to improve the safety of occupants. The Service uses its full powers as an Enforcing Authority issuing formal notices as appropriate, including prosecuting those that knowingly allow dangerous fire safety standards, including putting profit before safety. On average, the Service brings four cases per year for prosecution with a 100% success rate of holding individuals and companies to account. Formal Notices such as enforcements, alterations and prohibitions are available to view on a public register on the Service's [website](#).

- 4.3 A dedicated Fire Safety Helpdesk supports all members of the local community, provides compliance support for new and small businesses, provides technical advice and gives residents a voice to report fire safety concerns directly to a regulator. Any concerns or intelligence received are formally logged, assessed by a Fire Safety Inspector for appropriate action and when required, anonymity maintained. All fire safety concerns are assessed in conjunction with the Duty Fire Safety Manager and actioned as appropriate based on life risk.
- 4.4 The Protection teams work closely with partners such as the local authority housing team, NHS and the Care Quality Commission to ensure that residents are kept safe in residential flats, hospitals and care homes. They will also work closely with the Prevention Team undertaking joint work as appropriate, the most recent example being during the Building Risk Review, inspecting all High-rise residential blocks with Home Fire Safety Technicians also attending and offering Home Fire Safety Visits.
- 4.5 The Protection Team is trained and developed in line with the National Fire Chiefs Council Competence Framework for Fire Safety Regulators including additional qualifications for specialist roles such as fire engineering. In addition, and in line with the wider sector recommendations, senior inspecting officers and managers are also undertaking third party accreditation with the Institution of Fire Engineers and the Contextualized Auditors Register.
- 4.6 An effective fire and rescue service will identify and assess the full range of foreseeable fire and rescue risks its community faces. It should target its fire prevention and protection activities to those who are at greatest risk from fire and make sure fire safety legislation is being enforced. When the public calls for help, it should respond promptly with the right skills and equipment to deal with the incident effectively. The Service's overall effectiveness was assessed as good in the 2022 HMICFRS report with a rating of good for protecting the public through fire regulation. However, the report identified that the Service needs to be better at undertaking quality assurance and evaluation of Prevention and Protection activities. An action plan is in place to address this, and quality assurance and evaluation officers have been appointed to identify and support future improvements.

5 Response and Resilience

- 5.1 The CRMP provides a high-level overview of the Service's response arrangements.
- 5.2 The Service was rated as good at responding to fires and other emergencies and responding to major and multi-agency incidents in the 2022 HMICFRS report.
- 5.3 Response plans are in place for different incident types to ensure that the most effective response is provided to an emergency call. Fire Control can also apply 'Dynamic Mobilising' to revise the response plan by adding or removing resources depending upon the information that they receive. If the response is changed this is recorded on the incident along with the rationale for that decision.
- 5.4 Processes are in place to ensure that crews have access to the most up to date operational risk information on their mobile data terminals.
- 5.5 Through its Training Academy, the Service has enabled the delivery of quality assured training to its staff to improve safety and overall effectiveness. The quality of operational training is assured via a combination of Operational Assurance feedback from incidents and attended assurance visits from Flexi Duty Officers to on-call and wholetime station training sessions.

- 5.6 Development Firefighters training is assured via the Service's main provider, Bridgwater and Taunton College, and the associated OFSTED assessment. This will be supplemented in April 2023 with a training quality assurance framework, to include a sampling strategy focused around the 'Operational licence' skills which include Breathing Apparatus, Driving, Incident Command System, Maritime, Casualty Care, Safety at Height and Confined Spaces, Water Rescue and Fitness.
- 5.7 Training delivery continues to be aligned to National Operational Guidance via eLearning training packages and practical training sessions. Confirmation of learning is achieved via knowledge checks after each eLearning package and the Station Maintenance of Skills programme ensures that practical training covers the necessary training specifications via associated lesson plans.
- 5.8 The Service continues to explore new ways of delivering training. The successful roll out of locally delivered Incident Command Training is an example of improved efficiency in training delivery with less time spent travelling to location and training hours being utilised in more succinct delivery. This model of delivery reduces the impact on the environment by reducing the number of vehicles travelling to training events and also shortening these journeys.
- 5.9 The Service currently has 522 operational personnel qualified to command incidents at varying levels.
- 5.10 The Academy currently delivers localised Incident Command System (ICS) assessments to maintain skills and competence for Level 1 Commanders in addition to the ICS related content on the e-learning portal available to stations. The Service's Joint Emergency Services Interoperability programme (JESIP) 3rd Edition Awareness online learning package was launched in September 2022 as an annual requirement and by 23 May 2023 had been completed by 96.7% of eligible staff.
- 5.11 Level 2 and 3 Commanders are revalidated every 2 years with 95% of the scenarios used based on an area or risk in Devon or Somerset. All Level 2 and 3 Incident Command Acquisition courses are Skills for Justice Accredited and aligned to National Operational Guidance. Level 2 and 3 Commanders also attend a multi-agency JESIP course every 3 years.
- 5.12 As the Service continues to work to align to National Operational Guidance, the new Level 4 ICS Acquisition course will be implemented in May 2023.
- 5.13 The Service has a physical fitness policy and four dedicated fitness advisors in post to support firefighters to attain and maintain the fitness standards that are required. Firefighters are also supported by three fitness advocates who provide an additional fitness role and are qualified to a minimum of a Level 2 gym instructor. A data management system is used to provide assurance that fitness requirements are being met, reviewed, and evaluated. Compliance data is reported to Strategic Safety Committee.

Over the Border Mutual Aid Arrangements

- 5.14 Sections 13 and 16 of the Fire and Rescue Services Act 2004 allow mutual assistance arrangements to be agreed with neighbouring Services to improve resilience and capacity in border areas. The Authority has in place contractual agreements with neighbouring fire and rescue authorities for response to incidents requiring their support.
- 5.15 In addition to sections 13 and 16, there is a partnership agreement between the Authority and Dorset and Wiltshire and Hampshire and Isle of Wight Fire and Rescue Services to provide a common, networked mobilising system with the principle of ensuring that the response mobilised to an incident is always the nearest and most appropriate resource(s) based upon travel time and attributes (i.e. having the necessary skills or equipment) to deal with the incident. This Networked Fire Services Partnership (the Partnership) also has the benefit of providing business continuity so that in the event of one control room experiencing a high volume of calls or being unable to function, either of the other two control rooms can conduct all of their emergency business, including call handling, mobilising resources, and supporting incidents. The Service is currently working with the Partnership to review its mobilising system requirements.
- 5.16 An Information Governance Partnership Group meets regularly to review the governance procedures and monitor current and emerging risks to the information that the Partnership system holds. A risk remediation plan is in place to ensure that security risks are managed effectively and there is an annual IT health check for assurance. The external system supplier is responsible for remediating any high-risk vulnerabilities. This supports the Authority's compliance with the Airwave Code of Connection, and the upcoming Emergency Services Network which is due to replace the Airwave service.
- 5.17 The Partnership has committed to scoping further collaboration opportunities that will support all three Services in achieving increased effectiveness and efficiency as well as sharing and developing good practice. The Partnership is currently expanding the mobilising solution to include Kent Fire and Rescue Service formally including them as a fully functioning fourth partner fire and rescue service. The inclusion of Kent Fire and Rescue Service will expand the resilience of the current mobilising system and backups, as well as offer financial efficiencies.

Civil Contingencies

- 5.18 The Emergency Planning Team is the primary means through which the Service meets the Authority's obligations in the Civil Contingencies Act 2004 and elements of the Fire Services Act 2004.
- 5.19 Effective arrangements are in place to collaborate with partners through Local Resilience Forums and other national, regional and local networks dealing with resilience and emergency and contingency planning arrangements. This includes collaboration with the South-West Malicious Risk Working Group, Counter-Terrorism Police South-West, and other local and national constabularies (Devon & Cornwall Police, Avon and Somerset Police, British Transport Police and the Civil Nuclear Constabulary).

5.20 The Emergency Planning Team also works in close collaboration with the Service's National Interagency Liaison Officers (NILO) Team in respect of risk, response and contingency arrangements for key events or sites of sensitivity (local and critical national infrastructure, hazardous materials etc).

National Resilience

5.21 National Resilience comprises of several specialist capabilities, funded and assured by the Government via the Home Office. The Service hosts the following capabilities from a wide range of stations.

- Urban Search and Rescue (USAR).
- High Volume Pumping.
- Enhanced Logistics Support.
- Mass Decontamination.
- Marauding Terrorist Attack Specialist Response (MTA).
- Flood Rescue.

5.22 In line with the Joint Emergency Services Interoperability Principles, the NILO cadre supports collaborative working with key partner organisations. NILOs provide specialist advice about the Service's operational capability and capacity to partners and supports both the planning for intelligence led operations and the response to dynamic incidents.

5.23 Whilst the national planning assumption is for a 'lite' Marauding Terrorist Attack team to be in place in Devon and Somerset, the Service leadership supported by the Fire Authority have increased capability above this minimum provision and has trained additional responders in both Plymouth and Exeter to help improve attendance times and casualty outcomes.

5.24 This Marauding Terrorist Attack capability has been established to support specialist emergency service response alongside Police and Ambulance responders in response to a marauding terrorist attack incident within the Authority area or, under National Mutual Aid, to any other location within the UK as requested. The overall aim is to save life, and the two main strands of fire and rescue support during this type of incident are for casualty care and fire hazards management.

5.25 The Marauding Terrorist Attack capability is made up of two key groups, NILO qualified officers who would adopt the command role and Specialist Response Team Operatives. Both groups undergo specialist training for responding to the Marauding Terrorist Attack threat.

5.26 With strategic funding support from the Service, the Hazardous Materials capability has invested in a set of Raman (laser) and Infrared spectroscopy chemical identification equipment for the Service. This equipment will bridge the gap between the existing hazard classification field testing capability of hazmat advisers in the Service and the National Resilience Detection Identification and Monitoring capability that is hosted in the South-West Region by Avon Fire and Rescue Service. This will enable swifter resolution of incidents involving unknown chemical substances and reduced disruption to the community.

Collaborative and Partnership Working

- 5.27 The Service continues to strengthen its partnership working with other fire and rescue services, blue light services, local authorities, community groups and other organisations by working to common objectives at the local, regional and national level. The improvement of prevention and protection work is a major priority, and the Service also contributes to wider community objectives identified in Local Area Agreements where appropriate.
- 5.28 Collaborative working continues to grow through the South-West Emergency Services Collaboration (SWESC). The SWESC Forum meets every six months and has set three regional priorities that will drive improvement at local (organisational) level. The Authority Chair leads this meeting, supported by the Chief Fire Officer who manages the arrangements.
- 5.29 At a tactical level the Collaboration and On Call Support Team are key stakeholders at both the SWESC partnership and South-West Fire Sector working group. A dedicated police collaboration Sergeant is available to liaise with on joint initiatives with Devon & Cornwall Police.
- 5.30 The Service continues to share good practice and to scope areas of joint improvement. Community Responders (the dual role of a firefighter and special constable) are now permanent shared roles and are an example of innovative working where shared learning and comparison of benefits with other shared roles is undertaken.
- 5.31 The Authority has a formal partnership agreement in place with South Western Ambulance Service to provide a co-responder medical response (an initial medical provision to stabilise casualties in life-threatening emergencies prior to the arrival of the ambulance service). Work is continuing to review training, procedures, and equipment, with the goal of improving clinical governance as well as improving efficiency and effectiveness. This work is being done collaboratively with South Western Ambulance Service and other fire and rescue service colleagues across the South-West Fire Sector, for both clinical governance and the co responding memorandum of understanding.
- 5.32 Through an arrangement known as Operation Braidwood, the Service also continued to support South Western Ambulance Service until the end of March 2023 by providing Firefighters to drive ambulances and support medical intervention.

Fleet, Equipment and Water Supplies

- 5.33 A Fleet and Equipment Strategy is in place and being refreshed for 2023-2028. This incorporates adherence to relevant legislation and the National Fire Chiefs Council Best Practice Manual for the maintenance of Fire Service Vehicles.
- 5.34 Under the Fire and Rescue Services Act, the Service has a duty to secure water. Adopting the National Guidance Document for provision of water for fire-fighting purposes (2017), the Service operates a risk-based approach for the 66,000 hydrant management and maintenance requirements.

Service Improvement and Assurance

5.35 In accordance with the Authority's commitment to public and staff safety, the Operational Assurance team ensures that all learning submitted nationally is positively utilised to review current Service ways of working, implement Service improvements where necessary and to raise awareness across the Service. National and regional learning is fed in and out of the Service via several different pathways which include:

- National Operational Learning.
- Joint Organisational Learning.
- Coroner's Regulation 28 - Prevention of Future Death reports.
- Health and Safety Executive recommendations.
- Local Resilience Forum debriefing focus group.
- South-West Regional Operational Assurance Group.

5.36 The Operational Assurance team is a key stakeholder in a number of these groups which enables the Service to play a vital role in ensuring that all learning received drives positive organisational change in a timely manner. The team also strives to promote a culture where all internal learning and best practice, identified from a variety of activities linked to operational response, is shared, and communicated in a way that supports self-development and organisational improvement, including regular updates on internal social media, a dedicated intranet repository for employees to use, and via posters and printed media for stations.

5.37 A process has been developed to enable the effective management of identified learning and outcomes identified through:

- Operational monitoring and feedback.
- Debriefing incidents and training exercises.
- National and regional learning.
- Audit and engagement with all key stakeholders within the Service.

6. People and Culture

6.1 The Service's People Strategy was due for review and refresh in 2022. An updated Strategy will need to be developed.

6.2 Corporate commitments to equality, diversity and inclusion are set out in the Community Risk Management Plan. The Service has a process in place to ensure that potential equality impacts are identified and mitigated when preparing or reviewing policies and procedures. The process is called Equality Risks and Benefits Analysis and it helps the Service to deliver better services and working practices as well as ensuring compliance with the Public Sector Equality Duty. It sits within a broader assessment, the People Impact Assessment. Besides equality impacts, this assessment also includes impacts on people in relation to wellbeing, data protection, health & safety and safeguarding.

6.3 The Employers Network for Equality & Inclusion benchmarked the Service against Talent, Inclusion, Diversity & Equality and awarded the Service a Silver Award in September 2022.

6.4 In September - October 2021 HMICFRS conducted its second-round full inspection of the Service, with the final report published in July 2022. HMICFRS's assessment of the people pillar remained the same as at the previous inspection, Requires Improvement. HMICFRS was satisfied that the Service had made enough progress for the cause of concern related to fitness testing of staff to be discharged. However, a new cause of concern was raised related to culture and behaviour. Whilst the report recognised the commitment of the Executive Board and senior leaders to address this concern, more work needed to be done. An action plan to address this concern was developed and submitted to HMCFRS by 31 August 2022. Progress in delivering this action plan is monitored by the Service's HMI Governance Board, Executive Board and by the Fire Authority with updates published as part of the Fire Authority papers.

6.5 Since September 2022 the following progress has been made:

- An Equality, Diversity and Inclusion Commission has been established, which includes representation from representative bodies, staff support groups and service leaders.
- All inappropriate material has been removed from Service premises.
- An eLearning package on Diversity and Inclusion has been completed by 96% of the workforce and is now a required annual assessment.
- Values, behaviours and ethics have been the subject of facilitated discussion sessions for middle managers and above, and for all staff via training presentations delivered within departments. In addition to this, new optional performance and conflict training for managers has been made available via the eLearning portal.
- Mandatory questions on bullying, harassment and discrimination have been added to Personal, Performance, Development Reviews.
- Work is ongoing to raise awareness of psychological safety with the aim to improve safety and wellbeing in the workforce, ensuring that individuals feel safe to learn, contribute and challenge. The 'It's ok, it's not ok' campaign which outlines appropriate and inappropriate behaviour has been rolled out and work continues to build capability in challenging unethical and inappropriate behaviour.
- A confidential reporting line has been established.
- Questions on culture and ethics are now included in the recruitment and selection processes and all standard Service presentation templates have a slide on values, expected behaviours and ethics.
- The Executive Board approved the business case to implement Freedom to Speak Up Guardians.
- Level 3 investigations are now investigated by an external body.
- Learning from other services around positive culture has been identified and discussed with the senior management team. A specific piece of work has also been undertaken to review the recommendations from the London Fire Brigade Independent Culture Review, the Independent review into the standards of behaviour and internal culture of the Metropolitan Police Service and HMICFRS's Values and culture in fire and rescue services report to identify themes, triangulate to the Service's Cause of Concern action plan and identify new actions for implementation.

Commitment to Health & Safety

6.6 The Authority recognises and accepts its responsibility for the health, safety and welfare of its employees and others who may be affected by its activities.

- 6.7 Detailed health, safety and welfare arrangements are set out in Service policies developed to take account of relevant legislation and guidance, including the Health and Safety Executive's HSG65 methodology. The policies provide staff with relevant and comprehensive information on the risks they face, and the preventative, and protective measures required to control them. They also identify the roles and responsibilities of duty holders who have a responsibility to ensure that measures are implemented.
- 6.8 Procedures are in place to report all safety events, allocate an investigator and where required make recommendations for corrective action to be completed. The Health and Safety team operate a business partnering model with the Service Delivery Response Groups, liaising with Health and Safety Points of Contact. This approach supports proactive management of ongoing safety event investigations and wider safety management systems. In addition, raising awareness of positive safety culture is delivered during Watch Manager, Station Manager and Group Manager development sessions.
- 6.9 Significant improvements to the critical messaging process have been made with greater assurance now available that staff read and understand risk critical messages and apply the required changes.
- 6.10 Systems for monitoring the effectiveness of the Service's Health and Safety Management procedures are in place; this includes the following proactive and reactive monitoring:
- air sampling on station of diesel engine exhaust emissions;
 - legionella testing;
 - provision of accident and near miss incident data to the Strategic Safety Committee;
 - annual completion of premises Health, Safety and Welfare Assessment Report Forms;
 - annual review of fire risk assessments for Service premises; and
 - a means to fully audit the Service's Health and Safety management systems.
- 6.11 The Service has a Strategic Safety Committee which meets quarterly to monitor the health, safety and welfare of employees as per section 2(7) of the Health and Safety at Work Act 1974. All representative bodies (trades unions) recognised by the Authority, i.e. the Fire Brigades Union, the Fire and Rescue Services Association, the Fire Officers Association and UNISON, are invited to sit on this committee.
- 6.12 The Authority's People Committee receives regular reports on the Health, Safety and Wellbeing of the Service. These reports help the committee to monitor and scrutinise performance in these areas on behalf of the Authority.
- 6.13 The Health and Safety Manager attends the National Fire Chiefs Council Health & Safety meetings and chairs the regional National Fire Chiefs Council Health & Safety meetings.

- 6.14 An independent review of the Service's safety management system, compliance, safety culture, and health and safety resource and structure has been completed. Generally, the Service's Safety Management System was found to be broadly compliant to ISO45001 (an international standard for health and safety at work) and to Managing for Health and Safety (HSG65); recommendations were made to improve existing systems. The findings of the safety culture survey have been triangulated with the HMICFRS Cause of Concern action plan to identify additional actions required. The Health & Safety team structure is currently being reviewed. These recommendations and actions identified will be progressed through 2023-24.
- 6.15 Close monitoring of risk assessments has been established to ensure that the Service has relevant risk assessments that are suitable and sufficient. Work is underway to align the operational risk assessments with National Operational Guidance. This work will reduce the number of risk assessments by linking them to operational scenarios.
- 6.16 In June 2022, occupational exposure as a firefighter was classified as "carcinogenic to humans" (Lancet, 2022). This classification followed a 2020 report by the University of Central Lancashire (UCLan) which aimed to investigate rates of cancer and other diseases in UK firefighters; understand the long-term health effects of fire contaminants; and find ways to reduce exposure to contaminants in fire and rescue service work. In February 2023, the Service established a Contaminants working group, who are now working to develop and embed appropriate solutions to address the recommendations made by UCLan. Progress will be monitored by Portfolio Board and Strategic Safety Committee.

6 Governance

- 7.1 The Authority has approved and adopted a Code of Corporate Governance, consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives framework "Delivering Good Governance in Local Government". A copy of the Code is on the Authority's [website](#) or can be obtained from the Clerk to the Authority. This Annual Statement of Assurance explains how the Authority has complied with the Code.
- 7.2 The Authority's governance arrangements have the following key elements:
- (1) The Authority was constituted under the Devon and Somerset Fire and Rescue Authority (Combination Scheme) Order 2006. The Authority has strategic responsibility for discharging fire and rescue authority functions for the combined area with the day-to-day responsibility resting with the Chief Fire Officer and other Officers within the Executive Board.
 - (2) During the 2022-23 financial year, the Authority comprised 26 Members appointed by the constituent authorities (Devon County Council, Somerset County Council, Plymouth City Council and Torbay Council). In addition, the Authority has appointed two "independent persons" as part of its arrangements for dealing with standards issues in accordance with the requirements of the Localism Act 2011 and recommendations made by the Committee on Standards in Public Life following its review of local government ethical standards.

- (3) The following governance structure operated during this reporting period:
- Resources Committee (7 Members)
 - People Committee (7 Members)
 - Audit & Governance Committee (9 Members)
 - Community Safety Committee (7 Members)
 - Appointments and Disciplinary Committee (4 Members)
- (4) The Authority approves its Strategic Policy Objectives annually. The focus of the committees is to scrutinise and monitor Service performance in achieving the Strategic Policy Objectives in the areas for which the committees are responsible. [The full terms of reference for all Authority committees can be found here](#). The committee structure (including terms of reference) is subject to annual review but may also be amended in-year as required.
- (5) The Authority, committees, and the Executive Board are provided with high-level indicators and analytical reporting by exception, to ensure governance and oversight of service provision and performance.
- (6) The Audit & Governance Committee broadly operates in accordance with CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022. At its meeting on 26 September 2022, [the Authority approved the appointment of two independent co-opted members to the Committee](#) in accordance with the revised position statement on audit committees published by CIPFA in July 2022. The two independent co-opted members join the Committee in April 2023.
- (7) The Audit & Governance Committee provides an additional level of review and scrutiny of the Authority's internal and external audit arrangements, corporate governance and risk arrangements and financial statements. The Committee also has responsibility for discharging the Authority's member conduct arrangements as required by the Localism Act 2011 and monitors the operation of the Authority's strategy for the prevention and detection of fraud and corruption and policy and usage in relation to the Regulation of Investigatory Powers (RIPA) Act 2000.
- (8) The Authority has [a constitutional governance framework](#) which includes the following documents:
- Members and Officers Accountabilities, Roles and Responsibilities
 - Standing orders
 - Financial Regulations
 - Treasury Management Policy
 - Contract Standing Orders
 - Scheme of Delegations
 - Members Code of Conduct

- Protocol for Member / Officer Relations
 - Policy on Gifts and Hospitality
 - Scheme of Members Allowances
 - Corporate Governance Code
 - Confidential Reporting Policy (Whistleblowing” Code)
 - Strategy on the prevention and Detection of Fraud and Corruption
 - Code of Recommended Practice on Local Authority Publicity
- (9) These documents, except for the Code of Recommended Practice on Local Authority Publicity (which is a national document issued by the Government under Section 4 of the Local Government Act 1986), are subject to review at least annually and are updated as and when necessary to reflect legislative change, organisational change or best practice to ensure they remain up-to-date and fit for purpose.
- (10) Compliance with the seven principles of public life (the Nolan principles) form part of and underpin the Member Code of Conduct which the Authority is required to have by virtue of the Localism Act 2011. Service Officers are guided by the Service values and also the National Fire Chief Council’s Code of Ethics
- (11) The Treasurer is responsible for ensuring that effective financial stewardship is in place across the Service in conducting the business of the Authority. The Authority’s financial management arrangements conform to the governance requirements of the “CIPFA Statement on the Role of the Chief Financial Officer in Local Government”.
- (12) The statutory functions of the Proper Financial Officer (as per Section 112 of the Local Government Finance Act 1988) and Monitoring Officers (as per Section 5 of the Local Government and Housing Act 1989) provide a source of assurance that the Authority’s systems of governance and internal control are effective and being complied with.
- (13) To ensure that the Authority understands the potential risks regarding funding, a number of scenarios are published within the [Medium Term Financial Plan](#) demonstrating the possible funding position for the next 5 years. This is published alongside the underpinning: Reserves Strategy; [Capital Strategy](#); and the [Community Risk Management Plan](#). An administrative oversight meant that the draft Reserves Strategy for 2022-23 was not presented to Resources Committee or subsequently published.
- (14) It is a statutory requirement under the Accounts and Audit (England) Regulations 2015 for authorities to publish the financial results of their activities for the year. The ‘Statement of Accounts’, shows the annual costs of providing the Service and is determined by a Code of Practice published by CIPFA, which aims to give a “true and fair” view of the financial position and transactions of the Authority. The Treasurer is responsible for the approval of the Statement of Accounts prior to publication.

- (15) To meet the requirements of the regulations, the draft Statement of Accounts is published by the end of September with the final audited Statement of Accounts published once the audit process has been completed.
- (16) The 2022-23 External Audit provision was provided by Grant Thornton. The scope of the External Audit work includes the Accounting Statements, Whole of Government Accounts and a commentary on Value for Money arrangements. No significant issues have arisen to date from the External Audit work completed for the 2022-23 financial year.
- (17) The Service's overall efficiency rating was Good in the 2022 HMICFRS report. The Service was assessed as being Good at making best use of its resources and requires improvement at making the service affordable now and in the future.
- (18) On 23rd October 2020 the Authority supported the declaration of a Climate Emergency and agreed the Environmental Strategy. The Service has a green goal to be carbon net zero by 2030 and carbon positive by 2050. The Service's carbon footprint (scope 1 and 2 and an expanded scope 3) have been developed and are reported in the statement of accounts.
- (19) The Service's environmental action plan has been aligned to ISO14001 and commitment to the Emergency Services Environmental and Sustainability Charter. A Strategic Environmental Board has been established, an environmental policy and procedures have been published and the Service is maintaining and updating its environmental legislation and aspects register. An e-learning module on Environmental Matters has been launched for all staff.
- (20) The Corporate Procurement Manager is responsible for review of all third-party expenditure and ensuring that the Service processes conform to UK Regulations and that the placement of new contracts or the use of existing contracts, is in line with legal obligations, including but not limited to the Public Contracts Regulations 2015, the Public Services (Social Value) Act 2012, the Modern Slavery Act 2015 and transparency commitments. The Procurement Team reviews third party expenditure and manages contracts above £20,000 in value.
- (21) The Procurement Team is actively engaged in wider collaborative national and local procurement initiatives. On behalf of the National Fire Chiefs Council and the fire sector, the Procurement team have completed the procurement process for the National Fire Chiefs Council's Emergency Response Vehicles framework. The team is also responsible for ongoing contract management of the National Fire Chiefs Council's Respiratory Protective Framework.
- (22) The Authority has a range of policies and procedures in place that govern its commercial activities – specifically, its approach to purchasing decisions and income generating activities within the context of its corporate social responsibilities and risk management. These policies and procedures include Financial Regulations; Contract Standing Orders; a Treasury Management Policy; a Capital Strategy; a Scheme of Delegations to Officers and a Disposal policy.

- (23) Red One Ltd. was established in 2012 to allow the Authority to deliver commercial activities within the legislative framework that applies. This is a standalone company that manages its own affairs whilst reporting to the single shareholder, the Fire Authority. It is not managed by the Service.
- (24) The Authority has taken legal advice to ensure compliance with legislative requirements and to ensure effective governance arrangements for Red One Ltd., which were enhanced in January 2018 by the appointment of independent non-executive directors. Governance arrangements were further enhanced in July 2018 by the adoption of revised Articles of Association, which strengthened the composition of the Board to include a mix of: Authority Member non-executive directors; independent non-executive directors; Service officer non-executive directors and company appointed executive directors. In June 2022 the Authority commissioned a revised governance review which will assess the degree of conformity to CIPFA's best practice guide on Local Authority owned companies and make recommendations on weaknesses; this review is in progress.
- (25) The Authority's Audit & Governance Committee consider risks and, where necessary, audit concerns raised in relation to Red One Ltd., whilst the Resources Committee monitors financial performance on a quarterly basis.
- (26) Project and programme arrangements are in place to ensure robust decision making for change activity. These arrangements include use of the HM Treasury Five Case model and monthly programme and portfolio boards with associated highlight reports to commission, initiate and manage projects. The Service is also in the process of determining a high-level target state that it will actively work towards over the next five years. This will allow any changes to be viewed in line with the longer term vision and aspirations of the Service. The Service also recognises that some change activity remains outside of this process and is reviewing lessons learned to improve the alignment of the management within the programme and project governance and that within business as usual activity.
- (27) The effective management of risk is critical for the Service to ensure that it maintains services and continues to progress effectively towards achieving its strategic objectives. The risk management framework provides a structured way to deal with uncertainty which can help everyone in the Service to manage their area effectively.
- (28) The Service risk registers are populated and reviewed periodically. This process in turn informs the corporate risk register. Risks are only escalated to the corporate risk register if they cannot be managed or mitigated at department level. The Service risk management framework includes the risk escalation and de-escalation process that ensures that risks are considered at appropriate levels within the Service.
- (29) The corporate risk register is reviewed by Service management monthly (dependent on the level of risk) to ensure that risks to the Authority's strategic objectives and corporate plans are appropriately identified and managed, with cross reference to the national risk register where relevant. Horizon scanning supports deep dive risk identification and assessment. The corporate risk register is presented to the Audit & Governance committee every six months.

- (30) The introduction of the SharpCloud software solution has facilitated greatly enhanced risk visualisation which has led to greater engagement across the Service in the effective management of risk. The use of SharpCloud has also significantly reduced labour intensive processes allowing more effective use of time in meeting with risk owners quarterly.
- (31) The Authority maintains comprehensive insurance cover to support its management of organisational risk. The Authority is a member of the Fire and Rescue Indemnity Company (FRIC), the mutual protection provider that has 12 fire and rescue authority members and has completed its sixth year of operations culminating in surplus being achieved every year since it was formed. This is a significant result for FRIC and shows what can be achieved when fire authorities collaborate in an innovative and mutually beneficial manner. The surplus generated can be retained to support further improvements, drive better risk management and deliver lower costs for FRIC's members, or as is the case in 2022-23, returned to members.
- (32) The Authority has a statutory responsibility to conduct business continuity as mandated in The Civil Contingencies Act 2004. The strategic business continuity policy sets out the corporate business continuity management structure and goals for business continuity assessment, training and exercising. The business continuity framework details how the Service will respond to specific disruptions. 36 tactical business continuity plans ensure that the Service is prepared for a range of threats and challenges. The Service embraces the principles of 'Plan, Do, Check, and Act' and aligns with aspects of the ISO: 22301 (Societal Security – business continuity management systems and requirements). The Business Continuity Manager is responsible for providing specialist advice and guidance on business continuity management issues, including the co-ordination, development, implementation and review of business continuity plans, processes and procedures.
- (33) The Protective Security Group provides strategic oversight of the Service's approach to security of information, people and physical assets, aligned to the HMG Security Policy Framework.
- (34) The Information Assurance Team restructured into an Information Governance function in May 2022 and now oversees three specialist disciplines: Information Security, Information Compliance and Records Management.
- (35) Processes are in place to respond to Subject Access Requests and Freedom of Information requests. 85% of Subject Access Requests received were processed within the legislative timescale. Excluding the Freedom of Information requests that were withdrawn or declined, 93% were processed within the legislative timescale.
- (36) The Authority complies with the Government's 'Local Government Transparency Code 2015' for releasing public data. The following arrangements are in place:
- A Freedom of Information Publication Scheme
 - Publication of the annual statement of accounts
 - Publication of all expenditure over £500

- Publication of all Government Procurement Card transactions
- Publication of Procurement Information
- Publication of land ownership
- Publication of Trade Union facility time
- Publication of a Pay Policy Statement including all senior employee salaries and pay multiple comparators
- Publication of fraud investigations
- Publication of Members' allowances and expenses
- Publication of External Audit reports
- Publication of all committee reports and minutes (other than those where a statutory exemption for publication applies).

The Service demonstrates compliance with this and other information legislation on the Service's [website](#).

- (37) A robust governance framework has been implemented to manage oversight of delivery of the action plan to address the findings of the HMICFRS inspection report and Cause of Concern. This includes an HMI Governance Board which reports to Executive Board.
- (38) Complaints or concerns about the Service received from a member of the public are managed in accordance with the Complaints policy. Where appropriate, complaints will be resolved informally as a concern. If the complainant is either not happy with the local resolution or if the complaint needs further investigation, it will be processed as a formal complaint. During 2022-23 the Service received 49 complaints and concerns. Of these, 13 were handled under the complaint process, 25 were successfully resolved as concerns and 11 were out of scope (such as civil, HR process or a police matter). Of the 13 complaints, six were dismissed, three have been partially upheld, three were unable to progress and one has been upheld. Numbers, themes and outcomes of complaints are monitored on dashboards which are regularly shared with the senior management team.
- (39) The Service has received two Whistleblowing alerts during 2022-23, neither of which was upheld.
- (40) The Authority participates in the biennial National Fraud Initiative; a review of the 2022 data matches is underway.
- (41) The Authority has a process for internal auditing. The 2022-23 Internal Audit Plan set out the resource required for independent assurance activity to be completed by the Service's Audit and Review Manager and the Authority's shared service internal audit arrangements with Devon Audit Partnership. On 1 October 2022, the Authority became a member of Devon Audit Partnership as a full, voting partner meaning that they are now solely responsible for delivery of the internal audit plan. Devon Audit Partnership conforms to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in public service organisations.

- (42) The internal audit plan is subject to regular review to ensure that it is prioritised according to corporate risk. Delivery of the plan is reported to the Executive Board and to the Audit & Governance Committee at scheduled meetings throughout the year.
- (43) Agreed management actions designed to address the recommendations made by Internal Audit are monitored through the Service's assurance tracking process. The tracking process is in the process of being improved to pull actions from different sources into one point of access. The aim of this is to increase visibility of actions for lead managers and therefore efficiency and engagement in addressing them.
- (44) Based on the completed audit work, the Head of Internal Audit's opinion on the adequacy and effectiveness of the Authority's internal control framework in 2022-23 is one of 'Limited Assurance'. This means that significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved. The auditors noted that work is already underway to address issues identified and therefore has the potential to positively impact the Opinion in 2023-24.

8 Future Improvements

8.1 The following areas for improvement remain the Service's key areas of focus throughout 2023-24:

- Further improving the organisational culture; this is the subject of the separate HMICFRS Cause of Concern Action Plan.
- Implementation of an Information Governance Framework that incorporates records management principles.
- Implementation of a more effective approach to information governance.
- Implementation of effective policy management.
- Ensuring that the Service's planning processes integrate performance, projects and risk so that all activity is aligned to the strategic objectives, vision and purpose.
- Improving the integrity of data to support the effective implementation of the performance framework and the systems supporting this.
- Aligning resources to risk and prioritising prevention and protection activity.
- Improving the Service's processes and systems for the management of assets.
- Responding to the requirements of the Environmental Act 2021 and other environmental legislation and working to achieve plans to be carbon neutral by 2030 and carbon positive by 2050.

- Ensuring that the Service has the appropriate resource, capacity, structure, health and safety management framework and assurance systems to ensure compliance with its statutory health and safety duties and to ensure that all staff, both uniformed and non-uniformed, are able to be healthy and safe at work when undertaking their duties.
- Ensuring the financial sustainability of the Service.
- Development of a refreshed People Strategy.
- Determine the future direction for digital services in consultation with the Fire Authority.

9 Conclusion

- 9.1 The Authority is satisfied that the systems and processes that are in place across the organisation fulfil the requirements of the Fire and Rescue National Framework for England.
- 9.2 The Authority's assurance arrangements have identified some areas for improvement in its governance, finance, and operational arrangements. The Authority is satisfied that the issues identified are appropriate and that steps are already in place to address them. The Audit & Governance Committee will receive updates on the implementation of the improvement areas set out in this document annually, through the updated action plan attached in Appendix A to this report. Where limited assurance internal audit reports have been received, updates on progress in delivery of these recommendations will be made via an annual report in November 2023 to Audit & Governance Committee. Internal Audit will also be tasked with focused follow up work in these areas where appropriate.

CHIEF FIRE OFFICER

**CHAIR, AUDIT AND GOVERNANCE
COMMITTEE**

APPENDIX A TO REPORT – ACTION PLAN

Identified Issue	Action Needed	Lead Officer	Update	Status
<p>Information Governance Framework An Information Governance (IG) Framework that incorporates records management principles needs to be implemented across the Service.</p>	<ul style="list-style-type: none"> Develop new role profiles to ensure that the IG Team is structured to support delivery of the IG Framework. Undertake selection processes to appoint staff into new roles and develop individual development plans to achieve full competency in new roles. Develop and implement the IG Framework. 	Head of Data, Digital & Technology	<p>The IG Team restructured in May 2022. New roles are in place including Information Security Manager, Records Manager, Information Governance Officer and Information Governance Manager and Data Protection Officer. Informal development plans are in progress.</p> <p>The Information Governance Strategy and Framework remains to be developed.</p>	<p>Complete</p> <p>2023-24 Q4</p>
<p>Information governance The approach to information governance is driven at department level rather than taking an enterprise approach to how information is managed across the Service. This leads to difficulty for employees easily finding accurate and up to date information when required. This also impedes the ability to lead to smarter working practices.</p>	<ul style="list-style-type: none"> As part of the Microsoft 365 (MS365) project, an enterprise wide approach to information management will be developed which will form the basis of the new Intranet. 	Head of Data, Digital & Technology	<p>A structural and strategic review of how the Service has implemented MS365 to date is being commissioned. Whilst this review is completed, implementation of retention policies within SharePoint and Teams is on hold. A data classification pilot test is in place to consider the content and value of the information held in emails and documents and this aligns to the Government classification scheme.</p>	2024-25 Q3
<p>Service Policy Management Improvements are required to ensure that the Service has an effective policy framework, effective document lifecycle</p>	<p>As part of the Microsoft 365 rollout:</p> <ul style="list-style-type: none"> Deliver new policy template repository with automated document management 	Head of Data, Digital & Technology	<p>The Policy Management System was accepted into Service in April 2022. Work continues to transition policies onto the new templates.</p>	2024-25 Q3

Identified Issue	Action Needed	Lead Officer	Update	Status
<p>management and compliance with the latest accessibility standards.</p>	<p>information reporting on the policy lifecycle.</p> <ul style="list-style-type: none"> • Enable automatic publication of policies to the website to decrease the Freedom of Information (FOI) response burden. • Implement an improved mechanism to store documents to enable easier location by employees. 		<p>A performance dashboard of policies and procedures is in development.</p> <p>A review of which policies are open under the FOI is outstanding.</p>	<p>2023-24 Q2</p> <p>2024-25 Q1</p>
<p>Planning, Performance and Continuous Improvement</p> <p>In order to ensure that all activity is aligned to the strategic objectives, vision and purpose, the Service's planning processes need to integrate with performance, projects and risk.</p>	<p>The planning and performance management framework that is currently under development needs to be finalised and rolled out.</p>	<p>Area Manager Corporate Planning, Analysis and Strategic Business Change</p>	<p>Planning and performance framework currently being reviewed to identify an appropriate model to take forwards.</p>	<p>2024-25 Q1</p>
<p>Data integrity</p> <p>Work has commenced to redesign the performance framework and to implement a system to support this. To ensure successful implementation, work is required to improve the integrity of data and to ensure proportionate and robust controls on data to: promote valid data at the point of capture; maintain up to date,</p>	<ul style="list-style-type: none"> • Map the data requirements for the Service and where these are held. • Agree data owners. • Develop automated reporting. 	<p>Area Manager Corporate Planning, Analysis and Strategic Business Change / Head of Data, Digital & Technology</p>	<p>Data mapping has started and is ongoing.</p> <p>Data is being reviewed in terms of what is captured and how, and cleansed, as it is migrated from old to new systems.</p> <p>Key Performance Indicators (and the data underpinning them) aligned to the four service priorities are being developed.</p>	<p>2024-25 Q2</p>

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Identified Issue	Action Needed	Lead Officer	Update	Status
<p>accurate records; enable the exploitation of external data sources, particularly in relation to location and premises data; and ensure consistency in reporting information.</p>			<p>The internal HMI team, Strategic Analysis Team and Information and Data Exploitation Team have significantly improved the quality of data reported externally and worked to ensure that internal data reporting aligns to the data reported externally.</p>	
<p>Aligning resources to risk and prioritising prevention and protection activity. We need to ensure that we allocate our resources for response, prevention and protection in a way that best reflects the risks to our communities, prioritising our prevention and protection work to prevent fires and other emergencies from occurring, but being able to respond when emergencies do happen.</p>	<ul style="list-style-type: none"> Review the Community Safety Plan to ensure that the most vulnerable communities are being prioritised through our prevention work. Review the Service Delivery strategic plan to ensure that resources are deployed to support efficiency and effectiveness of all response, prevention and protection activity. 	<p>Area Manager Service Delivery - Community Safety / Ops Risk</p>	<p>The Community Safety Plan has been reviewed to ensure that we continue to target the most vulnerable members of society by using a triaged approach. The review has also confirmed that there are a number of data sources within the organisation that require analytical support to assure the Service that the triage approach is working.</p> <p>Based upon the recommendations of an external review, a revised approach is being adopted to improve the management of home fire safety visits until the Service is able to implement a new ICT system in 12-18 months' time. In addition, in order to allow the backlog of referrals for home fire safety checks to be addressed, the triage definitions are currently being reviewed and a proposal developed to more effectively manage the volume of referrals being received from external</p>	<p>2023-24 Q4</p>

Identified Issue	Action Needed	Lead Officer	Update	Status
			<p>partners. This will allow the Service to identify and focus its resource on the most vulnerable and high risk members of the community.</p> <p>The Service Delivery Strategic Plan is currently being reviewed.</p>	2023-24 Q4
<p>Integrated Service Asset Register (Fleet and Operational Equipment)</p> <p>An integrated fleet and operational service asset register needs to be developed and embedded to ensure that all assets are effectively recorded and managed to provide consistent data to inform replacement plans and ensure operational assets are fit for purpose.</p>	<ul style="list-style-type: none"> Implement Phase 2 of the asset management implementation project. 	Head of Fleet, Equipment and Procurement	Phase 2 (equipment) is complete and live. We are now progressing stage 3 which is introduction of app for station-based testing and equipment maintenance. End timescale for wider deployment will depend on extent of any feedback/bugs/fixes. Intended for the project to transfer to departments for end of the financial year 2023-24.	2023-24 Q4
<p>Further improving our Efficiency, Effectiveness and People arrangements.</p> <p>We need to deliver our statutory duties, add value through improved community outcomes and create a workplace where all employees are able to perform at their best.</p>	<ul style="list-style-type: none"> Effectiveness and Efficiency: Improve the performance management framework to ensure that all activities are aligned to corporate priorities to reduce duplication of effort and to performance manage the Service. 	Director of Finance & Corporate Services	<p>The planning and performance framework is currently being reviewed to identify an appropriate model to take forwards.</p> <p>The action to identify key priorities and implement an improvement plan is considered to be closed. Work continues to fully establish the HR</p>	2024-25 Q1 Complete.

Identified Issue	Action Needed	Lead Officer	Update	Status
	<ul style="list-style-type: none"> • People: Further to the external review of Human Resources and Organisational Development, identify key priorities and implement an improvement plan. • People: Implement the 'Safe To' intervention throughout the Service so that people feel included and feel safe to speak up, to learn, to contribute and to challenge 		<p>business partner model. Further work is required to address gaps in managers' knowledge and confidence which will feed into leadership development programmes.</p> <p>As part of the Safe To approach we have been embedding the principles of psychological safety and the link to personal safety through our Values, Ethics and Behaviours training package. This mandatory training is providing staff with the expectations of behaviour and encouraging discussions on this topic, supporting all staff to question and learn whilst creating a positive culture that is representative of the modern fire and rescue service. The Safe To concept and associated work is now considered to be part of business as usual. This will be ongoing work and will continue to be embedded. The broader programme to improve the Service's culture is captured within the HMICFRS Cause of Concern Action Plan.</p>	Complete.

<p>Environmental Strategy The UK has a legislative commitment to be net zero (carbon neutral) by 2050. The Service will need to respond to the requirements of the Environmental Act 2021 and environmental legislation. The Service response will need to mitigate against changing environmental threats.</p>	<p>The three main projects for carbon reductions are:</p> <ul style="list-style-type: none"> • Reducing electricity and gas consumption. • Introduction of vehicle telematics. • Alternatively fuelled vehicles and electric charging points. <p>The environmental action plan will need to identify the full scope of carbon emissions and work with our suppliers and departments to develop a comprehensive carbon neutral plan.</p>	<p>Head of Fleet, Equipment and Procurement.</p>	<p>Work continues to deliver the environmental action plan. Achievements to date include:</p> <ul style="list-style-type: none"> • Introduction of telematics for light/support vehicles. • Annual Reporting of Carbon footprint included in statement of accounts. • eLearning on environmental matters launched for staff. • Environmental policy and procedures published. • Environmental Strategic Board established. • Phase 1 of electric charging points complete with first 4 sites commissioned and introduction of first electric vehicles (EVs). • Energy efficiency feasibility study to be undertaken with Coreus April 23 across 10 sites and changes implemented to reduce energy use. • Planning for phase 2 electric vehicle charging infrastructure and EVs is in progress. Application for Low Carbon skills fund successful and heat decarbonisation plans due for completion at 13 sites by January 2024. Progressing plans for decarbonisation and energy efficiency at three sites using the Public Sector decarbonisation 	<p>2024-25 Q4</p>
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Identified Issue	Action Needed	Lead Officer	Update	Status
			scheme for commencing works March 2024 if successful.	
<p>Health and Safety The Service needs to ensure that it has the appropriate resource, capacity, structure, health and safety management framework and assurance systems to ensure compliance with its statutory Health and Safety duties and to ensure that all staff, both uniformed and non-uniformed, are able to be healthy and safe at work when undertaking their duties.</p>	Strategic health and safety improvement plan to be developed and implemented.	Head of Organisation Assurance	An independent (external) review of the Service's safety management system, compliance, safety culture, and health and safety resource and structure has been completed. The recommendations and action identified through this work will be progressed through 2023-24.	High priority actions to be completed 2024-25 Q2
<p>Improving diversity across the Service including operational management and senior roles. There is a need to further develop contracts and career paths to support inclusivity ensuring that the Service has a workforce that reflects the communities that it serves.</p>	Implement positive action such as direct entry (an NFCC project) supported by the 'Our Time' sponsorship programme.	Head of People Services	Direct Entry is still being developed through NFCC and the Service provides input/expertise in relation to that. Positive Action activities are always being considered and used wherever an opportunity is identified. The Service continues to facilitate a sponsorship programme for women called 'Our Time'. These activities are now considered to be business as usual.	Complete
<p>Ensuring the financial sustainability of the Service. There is a need to ensure that the Service designs and</p>	Implement the Target Operating Model and ensure that the underpinning plans meet the medium-term financial plan.	Chief Fire Officer		New action for completion 2024-25 Q1

Identified Issue	Action Needed	Lead Officer	Update	Status
implements a service delivery model and supporting infrastructure that is affordable and meets the needs of the communities that it serves.				
People Strategy There is a need to develop a refreshed People Strategy that is designed in collaboration with the workforce in line with the requirements of the Fire and Rescue National Framework for England 2018.	People Strategy to be developed.	Head of People Services		New action for completion 2024-25 Q2
Data, Digital & Technology The Service needs to determine the future direction for digital services in consultation with the Fire Authority.	Determine permanent leadership structure for the department. Develop the business case which will explore the possible delivery models for digital services for presentation to the Fire Authority.	Director of Finance & Corporate Services	The recommended way forward will go to the Fire Authority on 31 October 2023 which will be either to enter a partnership with DELT or reform internally.	New action for completion 2023-24 Q3

Agenda Item 6

REPORT REFERENCE NO.	ACG/24/6
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	26 MARCH 2024
SUBJECT OF REPORT	REVIEW OF JOURNALS POSTED DURING 2023-24 TO DATE
LEAD OFFICER	Director of Finance & Corporate Services (Treasurer)
RECOMMENDATION	<i>That the Committee notes the analysis of journal activity for 2023-24.</i>
EXECUTIVE SUMMARY	At the meeting of the Committee on 22 January 2024, the External Auditor made a recurring comment on the risk associated with the fact journals cannot be authorised via the ledger. It was requested, by Committee, that a short report be presented on the volume of the journals processed which were categorised into themes.
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Audit & Governance Committee papers for 18 th January 2023, the Audit Findings report for 2021-22 audit – Section 2 - Significant Risks plus previous auditor reports. (Public Pack)Supplementary Agenda for Audit & Governance Committee Agenda Supplement for Audit & Governance Committee, 18/01/2023 14:00 (dsfire.gov.uk)

1. **INTRODUCTION**

- 1.1. For a number of recent audits, the External Auditors have highlighted the risk associated with the fact there is no formal approval process when posting journals. Due to limitations with the current Finance system, it has not been possible to introduce system automated safeguards to ensure all journals are authorised before they are processed.
- 1.2. Manual safeguards and mitigation have been put in place, however, which include:
 - a. A random selection check of journals after they have been posted is completed by the Head of Finance and Deputy Head of Finance;
 - b. The Head of Finance and Deputy Head of Finance do not have system authority and access to input journals, thereby ensuring segregation of duties; and
 - c. Budget Holders review their devolved budget on a monthly basis to check expenditure is in-line with their expectations.
- 1.3. The Finance Team are in the process of replacing the current Finance system and will ensure this risk is addressed within the new system. Procurement is underway and the new system is expected to be in place within 2025-26 financial year.
- 1.4. A journal is used as a way of either; entering data into the ledger or to move costs that have been incorrectly coded. Examples of these being the monthly payroll for both active employees and pensioners, monthly stores recharges, recharges for utility costs. Other examples would include moving costs that have been incorrectly coded, perhaps against a wrong Department or Station or a wrong Expense Code has been used.
- 1.5. All journals are processed by the Finance Department where any necessary checks are completed before a journal is actioned.
- 1.6. During the first 9 Months of the 2023-24 financial year, the team have processed 350 journals, some of these (the payroll journal as an example) will have over 27,000 lines including Debits and Credits, others are just 2 lines moving a single item of expenditure.
- 1.7. As can be seen within Table 1 below, the percentage of journals that are payroll related equate to over 96% of the journal values processed (i.e. payroll, pensions and HMRC). There are no risks of manipulation associated with these transactions as they are generated from the payroll and pension systems (i.e. MHR and West Yorkshire) and are fully reconciled by the Finance Team before they are uploaded to the ledger.

1.8. Therefore, only 4% of the value of journals present a risk of manipulation which equates to £3.3m. A detailed analysis of these journals is provided in section 2 and Table 2 overleaf.

1.9. **Table 1**

Journal Type	Value(£)	% Value	Volume	% Volume
Payroll	59,448,216.97	64.36	16	4.57
Pensions	20,245,448.50	21.92	17	4.86
HMRC	9,358,234.15	10.13	7	2.00
Utility Recharges	921,406.45	1.00	33	9.43
Stores Recharges	562,010.49	0.61	61	17.43
Printing Recharges	344,327.50	0.37	12	3.43
Travel Recharges	27,997.75	0.03	39	11.14
Miscellaneous	1,454,401.76	1.57	165	47.14
	92,362,043.57		350	

2. DETAILED ANALYSIS OF NON-PAYROLL RELATED JOURNALS

2.1. **Utility recharges:** these are initially coded against a suspense account code and then moved to the relevant property as and when the management information arrives. This process covers Gas, Electricity and Water charges.

2.2. **Stores Recharges:** A monthly recharge is actioned relating to the issue from stores for items such as uniform, equipment carried on the fire appliance and cleaning equipment for the Stations.

2.3. **Travel recharges:** Similar to Utility recharges, the monthly fee for any travel and accommodation is charged to a suspense account. These are then recharged to the relevant Station/Department once the management information has been received.

2.4. **Printing recharges:** All printing and photocopying is identified by the user's ID – based on where the individual is located, the volume per month is recharged to their respective Department/Station.

2.5. **Miscellaneous:** A breakdown of the highest value journals can be found within Table 2 overleaf.

Table 2 - Detailed breakdown of Miscellaneous Journals

<u>Miscellaneous Journals</u>	<u>Reason for journal</u>	<u>Value (£)</u>
SAN Server Replacement miscoded	Incorrect ledger code used originally	311,181.36
Interest on an investment coded incorrectly	Incorrect ledger code used originally	149,700.00
Accrual for PWLB loan interest paid in April	Preparing for year-end	180,534.94
USAR income coded to wrong expense code	Incorrect income code used originally	78,699.48
CFRMIS Project recode	Move costs to Project Code	75,000.00
DDaT Server maintenance prepayment	Preparing for year-end	74,872.00
Closure of an Earmarked Reserve	Reserve no longer required	74,714.22
Asset management Project Costs	Move costs to correct project code	70,400.00
Recode Instructor Costs	Incorrect Cost Code used originally	32,408.08
Other smaller value journals (154 lines in total)	Incorrect ledger code used originally	406,891.68
		1,454,401.76

SHAYNE SCOTT
Director of Finance and Corporate Services (Treasurer)

REPORT REFERENCE NO.	AGC/24/7
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	26 MARCH 2024
SUBJECT OF REPORT	INTERNAL AUDIT 2023-24 ANNUAL REPORT
LEAD OFFICER	Head of Devon Audit Partnership
RECOMMENDATIONS	<i>That the Committee reviews and approves the 2023-24 Internal Audit Annual Report.</i>
EXECUTIVE SUMMARY	<p>The Internal Audit Service provides independent assurance to the Service's senior officers and Members that governance, risk management and controls are sufficient in ensuring delivery of the Service's objectives.</p> <p>The Internal Audit 2023-24 Annual Report sets out the internal audit work completed during 2023-24 and provides the Head of Internal Audit Opinion for 2023-24.</p>
RESOURCE IMPLICATIONS	N/A
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	The contents of this report are considered compatible with existing human rights and equalities legislation.
APPENDICES	A. Internal Audit 2023-24 Annual Report
BACKGROUND PAPERS	<p>Link to the previous Progress Report as of November 2023: Appendix A to Report AGC2321.pdf (dsfire.gov.uk)</p> <p>The Audit Plan for 2023-24 was agreed as link below: Appendix A to Report AGC237.pdf (dsfire.gov.uk)</p>

1. INTRODUCTION

- 1.1. The Internal Audit Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the internal control environment.
- 1.2. The aim of this report is to provide the Committee with progress in delivery against the 2023-24 plan, and as the work is complete for the year, the Head of Internal Audit's Opinion for 2023-24 on the adequacy and effectiveness of the Authority's internal control framework.

2. DELIVERY OF THE AUDIT PLAN

- 2.1. The Internal Audit 2023-24 Annual Report is detailed at Appendix A.

3. NEXT STEPS

- 3.1. Progress against the agreed 2023-24 and 2024-25 Audit Plans will be reported back to Audit & Governance Committee at regular intervals.

TONY ROSE
Head of Devon Audit Partnership

Internal Audit

Annual Audit Report
2023-24

**Devon and Somerset Fire and
Rescue Authority
Audit and Governance
Committee**

March 2024

Official

CUSTOMER
SERVICE
EXCELLENCE



Tony Rose
Head of Devon Audit Partnership

Lynda Sharp-Woods
Audit Manager

Auditing for achievement

Introduction

The Audit and Governance Committee, under its Terms of Reference is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 (Updated 2021) introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2023/24 was presented and approved by the Audit and Governance Committee in March 2023.

The following report and appendices set out the background to audit service provision; any updates to the agreed plan; a review of work undertaken in 2023/24 and provides our opinion on the overall adequacy and effectiveness of the Authority's Internal Control Environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

Expectations of the Audit and Governance Committee from this annual report

Audit and Governance Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- changes to the plan and the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- customer satisfaction

In review of the above the Audit and Governance Committee are required to consider the assurance provided alongside that of the Senior Leadership Team, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 4) and satisfy themselves from this assurance for signing the Annual Governance Statement.

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Overall Opinion Statement

Based on work performed during 2023-24 the Head of Internal Audit’s Opinion on the adequacy and effectiveness of the Authority’s internal control framework is one of “Reasonable Assurance”.

Our audit planning process is both risk based and agile, as such our resources, and consequently our annual report will inevitably focus upon higher risk areas.

This opinion statement provides Members with an indication of the direction of travel for their consideration for the Annual Governance Statement (see appendix 4).

The Authority’s internal audit plan for 2023-24 included specific assurance, risk, governance, and value-added reviews which, together with prior years audit work, provided a framework and background within which we assessed the Authority’s control environment.

The reviews in 2023-24 have informed the Head of Internal Audit’s Opinion. If significant weaknesses have been identified, these will need to be considered by the Authority in preparing its Annual Governance Statement as part of the 2023-24 Statement of Accounts. In carrying out reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans rests with management, and these are monitored by Organisational Assurance.

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the policies, procedures and operational systems and processes in place to establish and monitor the achievement of the Authority’s objectives; facilitate policy and decision making; ensure economical, effective, and efficient use of resources, compliance with established policy, procedure, law, and regulation; and safeguard the Authority’s assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by Internal Audit.

Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority’s affairs.

Risk Management

The work in relation to the Cyber Assessment Framework self-assessment, Counter Fraud Risk Management research project both provided the Authority with information to support associated aspects of their risk management processes.

The risk register is regularly reported to the Executive Board, allowing Members to assess the risk and to have awareness of current risk to inform decision making. The risk register is also provided, at intervals, to the Audit and Governance Committee.

Governance Arrangements

Our work this year included review of the Information Governance Framework and the organisational culture, with Reasonable Assurance opinions provided in both areas.

The Authority has an established Protective Security Group which both monitor compliance and provide strategic oversight.

We are providing a quality assurance role to the implementation of the new People system, thereby supporting associated governance arrangements.

Performance Management

Organisational Assurance monitor performance against Internal Audit recommendations made.

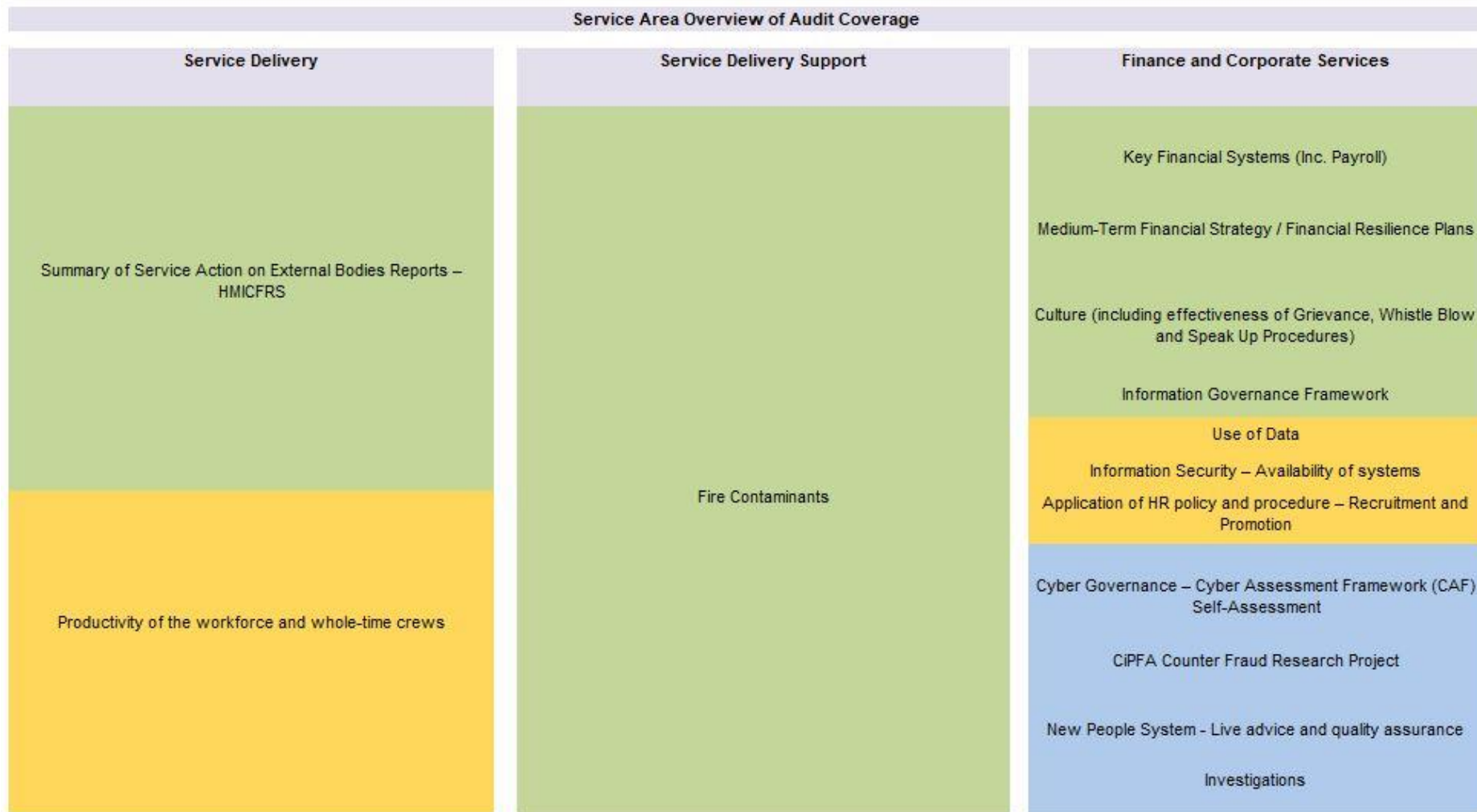
Risk Management performance is also reported to Executive Board and Audit and Governance Committee.

We reviewed Service Action on External Bodies Reports (HMICFRS), with a Reasonable assurance opinion provided.

Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved
Reasonable Assurance	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.	No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

Summary Assurance Opinions

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Key: **Green** = Substantial or Reasonable




Amber = Limited

Red = No Assurance

Blue = Opportunity or Value Added

Appendix 1


Summary of audit reports and findings for 2023 - 24

Direction of Travel Indicators	
Indicator	Definitions
	No Progress has been made. The action plan is not being progressed at this time; actions remain outstanding.
	Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled.
	Good Progress has/is being made. Good Progress has continued.



DEVON AND SOMERSET FIRE AND RESCUE SERVICE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance


The following prior years audits were completed to final report status.

Information Security – Availability of systems Page 159	Status: Final	<p>We acknowledge the significant work that the IT teams have undertaken in supporting the previous pandemic response requirements; migrating from a standard smaller scale home/remote working provision to a large-scale provision enabling the organisation to continue to operate, particularly given the ongoing development work and business as usual service delivery requirements. We noted several good practices, including development of technical solutions to support the infrastructure resilience and ability to recover, and manual processes that have been developed and embedded. We found several new practices being developed, which given the pace and scale of the increasing IT threat landscape, is expected.</p>	
	Limited Assurance	<p>Although we do recognise the service the IT teams are providing, along with the ongoing development requirements, there are several areas that present risks to the Service's IT resilience and recovery should a significant security incident occur. These are by no means limited to IT Services themselves, and in some cases relate to broader corporate practices that could be strengthened. We have made a number of recommendations which we feel would support the Service in increasing its IT resilience and recovery abilities, notably; increasing cyber threat knowledge at Senior and Member level to support and inform decision making; establishing an IT Security Board; ring fencing IT budget for specific IT security; testing cyber response plans; establishing knowledge management practices to minimise the risk of knowledge silos; greater integration between IT operational risk management practices and Corporate risk management; establishing a formal threat identification, management and response framework, including reporting to all relevant parties; evaluating requirements for disaster recovery provision; full data / system restores programme to provide assurance in relation to the effectiveness of the backup processes and ability to restore; and the need to review the Services cyber insurance provision.</p> <p>We were pleased to see that the Protective Security Group has now been reinstated and that a cyber briefing has been delivered to the Executive Board and Senior Leadership Team. In addition, the investment in a dedicated IT Security Officer, who continues to develop several practices to strengthen the Service's IT resilience and response to emerging threats.</p>	



DEVON AND SOMERSET FIRE AND RESCUE SERVICE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance
		<p>Management response:</p> <p>The Cyber Assessment Framework (CAF) is in the process of being mapped to the ISO27001 standards. This will enable the Service to review, prioritise and address gaps in compliance. There is a workshop booked with Executive Board to focus on key areas and to provide clear directive in terms of principles in this area. On 20 February 2024, the Service undertook a review of Cyber Risk Management Practice by conducting a cyber-breach response simulation to test the adequacy of the Incident Response Team and understand the practical process that would follow in the event of a real word cyber incident. The outcome identified a good level of effectiveness with current plans and areas of improvement identified.</p>	
<p>Use of Data</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 160</p>	<p>Status: Final</p> <p>Limited Assurance</p>	<p>The audit has confirmed that there is a need to improve the Use of Data across the service. This appears to have been a known issue and there are several ongoing projects, for instance within the IDEAS, SAT and HMI teams, that, given time and resources, may help to alleviate some of the issues.</p> <p>Officers within key service areas have expressed concern over the data that they use to deliver services and whilst these views are to some degree anecdotal, we found repeating themes being raised which clearly form a consensus regarding the need to improve the use of data for service delivery. These services can have a life-or-death impact within the wider community. Data systems are often impeded by a distinct lack of transparency, with service areas unable to extract relatively straightforward management information.</p> <p>There is a reliance on specialist teams and in house developed dashboards, to provide an element of reporting functionality. Root causes for the issues highlighted by key officers are often not straightforward but could consist of multiple elements which may be partly technical, cultural, internal, or external.</p> <p>Management response:</p> <p>In December 2023 the Executive Board approved the future plans for digital, data and technology (DDaT) provision. The corporate risk CR084 Digital capability at risk due to lack of clarity of the future digital direction was de-escalated to the DDaT risk register.</p>	
<p>Application of HR policy and procedure – Recruitment and Promotion</p>	<p>Status: Final</p> <p>Limited Assurance</p>	<p>The People Services Policy and Guidance framework is under review and has been for some time. Whilst several documents have been newly created or updated, there is still a reasonable amount of work remaining to ensure the overall framework is fully updated and fit for purpose. This work includes documents which are directly related to recruitment and promotion.</p> <p>Overall, we have found that the service appears genuinely committed to principles such as diversity and inclusion within the workplace, however more work is needed to develop and embed these principles throughout the service and to improve the ability to monitor and report on progress.</p>	


DEVON AND SOMERSET FIRE AND RESCUE SERVICE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance
Page 11 2023-24 Audit Plan		<p>We understand that significant work is currently underway that in the medium term should help to improve recruitment and promotion, including the introduction of a new Human Resources system, and the development of new and updated policies and procedures. To ensure the appropriate values and principles within the framework are embedded, improvements to manager training will also need to be introduced.</p> <p>Management response: The creation of a new Recruitment policy and procedure is still in development with an anticipated completion date of April 2024. Significant resourcing issues has meant that this work has been delayed. A review of the viability of the new recruitment module in the new HR system has been undertaken. Due to several significant work arounds, process compromises and reporting concerns, the decision was made in late February 2024 to cease the development of the recruitment module and to extend the current system for a further period to enable appropriate consideration. Strategic workforce planning is ongoing and there is a structured approach to review key data enabling key decisions around workforce planning to take place. The group meets every other month to discuss key data, key concerns and any areas of focus as required.</p>	
Summary of Service Action on External Bodies Reports – HMICFRS <i>Corporate Risk Register – N/A</i>	Status: Final Reasonable Assurance	<p>Our audit has considered two reports produced by the Inspectorate, namely: ‘Effectiveness, Efficiency, and People report - issued in July 2022’ and ‘Values and Culture - issued in March 2023’. Our results are based primarily on discussions with HMI Team members, with an independent analysis of data held in the SharpCloud system, and on copies of management reports provided by the HMI Team.</p> <p>Overall, our assessment is that the service has a good system in place and is using a well-suited software package to help with co-ordinating, recording, monitoring, and reporting of service actions. Having a distinct HMI Team ensures responsibilities are clearly established and that the officer can develop a degree of specialism in the work they undertake. We found updates on service actions are being reported to relevant senior management and committee with sufficient regularity.</p> <p>There are however some areas where improvements can be made in respect of the actions, these will no doubt be familiar to management already as they tend to be areas that are already reported within the management monitoring reports. Examples include significant use of time extensions, actions which are off track, and to some degree ensuring that SharpCloud is updated with adequate levels of supporting evidence.</p>	


DEVON AND SOMERSET FIRE AND RESCUE SERVICE

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance
		<p>Management Response: All actions have been completed. A lessons learned document has been produced, presented and shared with Service Leadership Team. Review of the process is ongoing and will continue ahead of the next inspection. The focus of HMICFRS Governance board continues to support driving closure of actions. The actions are all updated on the SharpCloud system.</p>	
<p>Medium-Term Financial Strategy / Financial Resilience Plans</p> <p><i>Corporate Risk Register - CR050 Failure to agree actions to set a balanced budget in 2025 and beyond, further exacerbated by reduced council tax and business rates and inflation.</i></p>	<p>Status: Final Reasonable Assurance</p>	<p>The Fire and Rescue Service along with the wider Public Sector face unprecedented financial challenges over the coming years. The Medium-Term Financial Plan (MTFP), along with associated documents such as the Reserves Strategy, Productivity and Efficiency Plan, and draft Target Operating Model, acknowledges these financial challenges. Together they provide a framework with which the Service aims to ensure the service is sustainable and efficient, whilst remaining effective in its core requirements to ensure prevention, protection, and response, within the community that it serves.</p> <p>Our review has confirmed that suitable processes are in place for developing and approving the MTFP, and that current plans and associated documents are in place. We confirmed that the Plan is aligned to many, but not all, of the requirements stipulated within the Fire & Rescue National Framework and CIPFA guidance.</p> <p>We understand that the Plan has been, and will be, subject to increased monitoring and reporting to senior management, which indicates awareness of the importance of the Plan and the need to tackle any future funding shortfalls as early as possible.</p> <p>Assumptions made within the Plan appear reasonable when compared with those of other FRS services.</p> <p>Management Response: MTFP progress is reported to both Resources Committee and the Fire Authority. The medium term financial forecast is indicating significant budget pressures over the next five year period and robust plans must be made to meet the challenge. The Service is progressing well with change plans and will need to identify further benefits within the next year to ensure longer term financial sustainability. In addition, ongoing work will be undertaken to reduce costs through budget management, procurement, collaboration and efficiency reviews.</p>	
<p>Culture – To also include effectiveness of Grievance, Whistle Blow and Speak Up Procedures</p> <p><i>Corporate Risk Register - CR080 Failure to create a</i></p>	<p>Status: Final Reasonable Assurance</p>	<p>Organisations culture within the wider Fire and Rescue service is an ongoing concern and has been brought into focus this year by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) report into Culture and Values.</p> <p>The current audit has confirmed that management at the most senior levels within Devon and Somerset Fire and Rescue Service have fully acknowledged that certain behaviours and actions are unacceptable and have demonstrated a desire for change, which has been communicated across and throughout the organisation.</p>	

DEVON AND SOMERSET FIRE AND RESCUE SERVICE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance
<i>diverse and inclusive workforce.</i>		<p>We have focussed primarily on reporting channels available to staff through which unacceptable behaviours and cultural issues can be reported. A suitable framework was found to be in place, and the number of options available to staff to report issues, including anonymously, have been increased.</p> <p>Further work is needed to embed and develop these processes further, and management need to ensure the momentum and commitment to change are maintained going forward.</p> <p>Management response: Some core actions have been completed whilst ongoing actions are in progress and on track.</p>	
Fire Contaminants <i>Corporate Risk Register - CR055 (SSC003) Failure to thoroughly investigate and learn from safety events and take corrective action to prevent foreseeable recurrences.</i>	Status: Final Reasonable Assurance	<p>From the evidence seen, our assurance level for Phase 1 of the project is 'Reasonable Assurance'. This is based on a review of governance arrangements, including available project documentation such as the Project Initiation Document, Full Business Case, Financial Appraisal, Highlight Reports, and a sample of Work Packages.</p> <p>Governance arrangements for the project appear robust and the project itself is following the standard project methodology employed by the service. A Project Board meets regularly and includes key stakeholders from across the service.</p> <p>At the time of testing, the project was passing through its approval stage and as such some of the documents reviewed changed during this time.</p> <p>The completion of the gap analysis document by the service provides them with a clear indication of where further work is needed to strengthen compliance with the UCLan recommendations, although it is noted that Phase 1 of the project is not intended to address longer term issues which may require changes to infrastructure or fleet. Recommendations relating to these longer term issues will form part of the output from Phase 2 of the current project.</p> <p>The Highlights Report taken to the Project Board meetings provides a good overview of the project and the 'Product Progress' section indicates, at a fairly high level, how well each activity is progressing. More detailed evidence of planned actions, in the form of Work Packages produced as a part of Phase 1, were seen at the end of the fieldwork. These show that SMART actions are being developed.</p> <p>We note that in the minutes available to us during testing, the Programme Board rejected the Project Board's proposals and Financial Appraisal and instead approved a fixed amount of £12,500 with which to deliver Phase 1. An area of contention discussed during this meeting related to Particulate Filtering Flash Hoods, and we understand that these will now be the subject of a separate exercise. The approved</p>	

DEVON AND SOMERSET FIRE AND RESCUE SERVICE



Audit Report			
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance
		<p>amount is likely to be sufficient for the Project Team to deliver much of what was originally planned as part of its 'budget' option, however as with any project there remains a level of uncertainty around both financial resources and the availability of officers in the wider service, who are likely to have competing priorities and so may struggle to provide adequate resources (hours) to take forward the relevant work streams.</p> <p>Management response:</p> <p>The project is on track to complete phase one by the end of March 2024. Scoping phase two is underway which runs until the end of December 2024. Monthly project highlight report updates are included in the Executive Board corporate risk report and reviewed quarterly by Strategic Safety Committee and updated on the Health and Safety Thematic risk register.</p>	
<p>Information Governance Framework Corporate Risk Register - CR062 Failure to operate an effective Information Governance framework.</p>	<p>Status: Final Reasonable Assurance</p>	<p>The audit has resulted in an overall assurance rating of 'Reasonable', although the areas of Information Security and Information Governance are 'Limited'. This conclusion follows discussions with key staff and analysis of a range of supporting evidence, relevant to the scope of the audit. There are several distinct strands to Information Governance, and our testing has covered all of these, to some degree.</p> <p>The IG Team includes staff and a manager with a good degree of knowledge and experience, with some team members specialising in areas such as Records Management and Information Security. The work of the team is largely process driven and these processes tend to be well established and documented.</p> <p>At the time of the audit, there was no overarching Information Governance Strategy which might pull together the various strands of IG and outline a clear direction for the service, ensuring it is aligned with the objectives of the Community Risk Management Plan (CRMP); this is due to be completed in the coming months.</p> <p>A draft retention policy is in place; however, the supporting framework is insufficient to ensure that all data is held in line with the policy.</p> <p>Whilst the roles and responsibilities relating to the Information Asset Register have been established, the Information Asset Register is not current and is therefore not a reliable document from which to manage information.</p> <p>Checks and balances are in place across the range of activities undertaken by the team, which help mitigate the risk of, for instance, releasing incorrect data, failing to meet statutory timescales, or failure to report and manage security incidents. We identified some areas for improvement and opportunities for efficiencies.</p>	

DEVON AND SOMERSET FIRE AND RESCUE SERVICE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance
		<p>The self-assessed Information Security management System maturity level indicates that the service is well below its longer-term maturity objective. We noted areas for improvement within the related Security Event Reporting framework, ISO27001 compliance, and Cyber Assessment Framework compliance, and have made related recommendations to support ongoing improvement.</p> <p>Management response: Information Governance Policies and procedures with a new overarching Information Governance Policy and strategy are currently in development. The Policy Management System and Policy Framework in place.</p>	
<p>Key financial systems (including Payroll) <i>Corporate Risk Register – N/A (although link to CR050 in terms of accurate financial reporting)</i></p>	<p>Status: Draft Reasonable Assurance</p>	<p>Many key processes and systems within the Finance and Payroll services remain largely the same this year, however, there have been recent changes to key positions within Payroll. Other changes which impact to some degree on day-to-day controls for Key Financial Systems are the ongoing development of the MHR system and introduction of additional modules, as well as changes in senior management at the Executive Board level. 2024-25 will present additional challenges with the departure of the current Director of Finance and Corporate Resources, and the ongoing procurement of a new financial systems suite to replace both Integra and FIMS. Support for Integra ends in March 2025, and the service hope to have the replacement system up and running a few months prior to this, to allow for a reasonable period of parallel running and testing.</p> <p>In following up on prior recommendations from last year, we note that many have been implemented, however in some instances these remain outstanding or only partially addressed. Where this is the case, we have included similar recommendations this year.</p> <p>For some areas of risk, management have indicated that they consider current controls to be within acceptable limits, for operational reasons. This includes for instance system administrators who also undertake day to day processes on the systems they administer. This weakens control to some degree due to the lack of separation of duties in particular, but is nonetheless a common occurrence across mid-size organisations and is seen as necessary due to team size.</p> <p>Other areas of potential weakness present opportunities for improvement or strengthening of controls. These include resolution of authorisation issues relating to Idhammar (stores) and the import of the data into Integra, authorisation of debtor credit notes, contract monitoring in relation to MHR, and payroll reconciliations.</p> <p>Management response: Management action plan is in the process of being agreed to address the recommendations made.</p>	N/A


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DEVON AND SOMERSET FIRE AND RESCUE SERVICE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance
<p>Productivity of the workforce and whole-time crews</p> <p><i>Corporate Risk Register – N/A</i></p>	<p>Status: Final</p> <p>Limited Assurance</p>	<p>At the time of the audit the area of productivity recording, monitoring, and reporting was undergoing substantial change. The service should be given credit for efforts taken to address the 2018-19 HMICFRS recommendation around productivity, although some actions such as the development and roll out of the template work patterns for day/night shifts do not appear to have had the intended impact or effect and were for the most part not utilised.</p> <p>Due to the state of change in relation to productivity recording and because historically the service has not had related robust data, there was limited relevant data that could be examined to support the audit. Instead, our work has involved discussions with officers to determine what productivity is understood to mean, and how it is recorded and measured. The findings and observations therefore are the result of opinions and views expressed by those included in our discussions.</p> <p>We found that the key issues which need to be addressed to produce data that has a high degree of confidence, are to ensure that accurate and reliable data is captured at source and used together with existing data sources to produce a full picture of wholetime crew activities, and then use this data for monitoring and reporting and to drive improvements in productivity. Efforts were already underway in this regard during the audit, and since the conclusion of our testing a new system has been introduced across all wholetime stations that should improve underlying data. As such, the issues reported here may already be addressed, but the report will still serve as a check to ensure that the issues identified at the outset of the implementation have been addressed by the new system.</p> <p>Management Response: Work on the Wholetime Duty System (WDS) continues and a roadmap has been produced for future development. The Home Office has provided a clear definition for what should be considered as 'productive time' and this will be captured in the second version of the PowerBI dashboard reporting. Briefings have been completed with all wholetime watches, Operational Readiness Managers and Group Commanders. The HMI team are attending meetings with watches when requested to provide further information and guidance. The data produced by the activities log provides understanding of the baseline against which to measure the 3% improvement in productivity. As a result of data captured, improvements to processes are already being identified and acted upon.</p>	
<p>Cyber Governance – Cyber Assessment Framework (CAF) Self-Assessment</p>	<p>Status: Final</p> <p>Value Added</p>	<p>DAP provided operational support to the DSFRS Cyber Assessment Framework self-assessment, for submission by 6th October 2023 deadline.</p> <p>We undertook the assessment against specific non-technical aspects, providing an assessed level against each principle, based upon information received through interviews with staff; questionnaire responses; and evidential documents provided. We also made suggested improvements where necessary. In addition, we undertook a top-level review of the principles self-assessed by DSFRS, providing comments for discussion and consideration.</p>	

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DEVON AND SOMERSET FIRE AND RESCUE SERVICE

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance
<p><i>Corporate Risk Register – CR044 Cyber-attack causes sustained business systems outage.</i></p>		<p>Our ‘recommendations’ were fed back on the technical self-assessment principles completed by the Service. These were provided to the Service and discussed with the IT Security Officer during the assessment and review process. As this is a ‘self-assessment’ our ‘recommendations’ were not in the usual audit report format and the decision to include these in the self-assessment submission sits with the Service.</p> <p>We provided the Service with an Advice Note summarising the outcomes of our work and the outcomes of the CAF Self-Assessment. At the November 2023 Audit and Governance Committee, Members asked that the CAF Self-Assessment and Internal Audit Advice Note be considered at a future meeting to be arranged by the Director of Finance and Corporate Services.</p> <p>Management Response: The HMG Security Policy Framework which the Service must comply with, directs the Service to embed a security standard. ISO27001 is the world leading standard and recognised for its holistic approach to Security (technical, information, physical and personnel). The CAF is in the process of being mapped to ISO27001. This will enable the Service to review, prioritise and address gaps in compliance. There is a workshop booked with Executive Board to focus on key areas and to provide clear directive in terms of principles in this area.</p>	
<p>DSFA Counter Fraud Research Project</p> <p><i>Corporate Risk Register – N/A (although link to CR050 in terms of accurate financial reporting if financial fraud risks not mitigated)</i></p>	<p>Status: Final Value Added</p>	<p>As part of a team member’s training, we undertook a critical analysis of the fraud risk management process and strategy, which included a guided ‘self-assessment’.</p> <p>We found that progress in relation to fraud management was evident. However, there are areas where a formal structure is not in place. A key weakness is the lack of formal recording of fraud risks on both departmental and corporate risk registers, the lack of which results in the potential that not all fraud risks will be identified and subsequently managed. The control environment appears reasonable and is subject to appropriate review from assurance services, however there is not a dedicated Counter Fraud team integrated into the organisation. We made several recommendations to strengthen the fraud risk management framework and strategy.</p> <p>Management Response: The outcomes of the research project have been reviewed and an action plan developed to improve the Service’s fraud management arrangements.</p>	
<p>Investigations</p> <p><i>Corporate Risk Register- N/A</i></p>	<p>Status: Complete Value Added</p>	<p>We were commissioned to support DSFRS in three human resources related investigations. This work is complete, and any relevant findings are being taking forward in accordance with relevant internal processes.</p> <p>This is for information only and are not included as notifiable items for the Audit and Governance Committee.</p>	N/A

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Audit Report			
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk / Audit Comment / Management Response	Direction of Travel Assurance
		<p>Management Response: Using the offered resources and expertise of the Devon Audit Partnership in supporting internal investigations has provided additional capacity when required.</p>	
<p>New People System - Live advice and quality assurance</p> <p><i>Corporate Risk Register- N/A</i></p>	<p>Status: Ongoing</p> <p>Time allowed within the 2024-25 to continue this work.</p> <p>Value Added</p>	<p>We have provided an interim project assurance opinion as of March 2024 within a draft report that will be discussed at the Programme Board on 21st March 2024.</p> <p>We are of the opinion that at this stage the People Services Systems Project is progressing well, risks and issues are being handled appropriately within the established Board. Governance arrangements include cross representation, expected project documentation, risk management, and appropriate frequency of board meetings within the governance framework.</p> <p>We have provided a ‘Reasonable Assurance’ level based on our involvement and information we have examined for the People Services Systems project. We have not made any recommendations within this report as any advice and guidance is provided in real time in line with the project / programme timelines.</p> <p>The Finance project is in its early stages. To date DSFRS have gone to the market with a Prior Information Notice and received supplier system demonstrations. Work is ongoing to evaluate the demonstrations prior to a decision by the Board on the next stage of the procurement.</p> <p>Internal Audit will continue in its role on the Programme Board in 2024-25, providing advice, support and assurance on both project management and internal controls where advice is requested relating to the systems being implemented.</p> <p>Management Response: The input into the People Service’s Programme Board has proven useful in terms of being a trusted advisor. In attendance at the meetings, DAP have provided insight into other implementations of a similar kind which has helped to steer various aspects of work.</p>	N/A
Health and Safety	Status: Cancelled	<p>This audit was cancelled at the request of the Service considering the previous recent audit activity in this area and given that the ‘Fire Contaminants and PPE’ audit is also in the 2023-24 audit plan. The days from this audit were transferred to the ‘Information Governance Framework’ audit to enable widening of the audit scope as also requested by the Service.</p>	N/A

Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

PSIAS Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Governance Committee in March 2023. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and have been undergoing review and revision. The proposed new standards will take effect in January 2025 and provide clarity and raise awareness of the audit committee's governance roles and responsibilities. [2024 Global Internal Audit Standards \(theiia.org\)](https://theiia.org)

Quality Assessment - the Head of Devon Audit Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

External Assessment - The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this was recently conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP **generally conforms*** with the Standards and the Code of Ethics”*. The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*. DAP is actively addressing these improvement areas.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

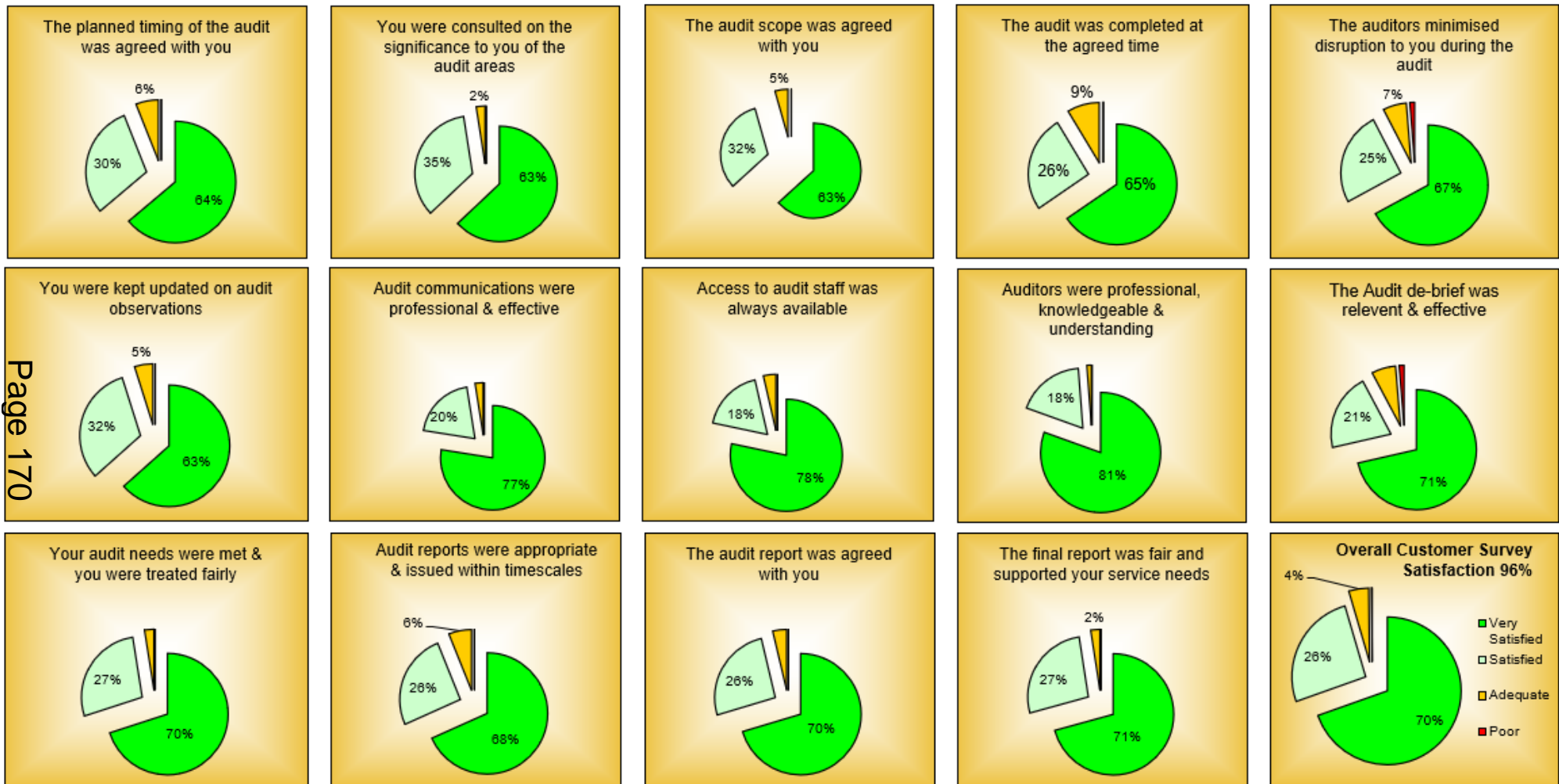
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance are included in this development plan which is ongoing. Our development plan is regularly updated and links to our overall strategy, both of which are reported to the DAP Management Board and DAP Committee.

Customer Service Excellence

DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during January 2023. This accreditation is a UK-wide quality mark which recognises organisations that prioritise customer service and are committed to continuous improvement.

During the year we have issued client survey forms for some of our reports, and the results of the surveys returned were very good / positive. The overall result is very pleasing, with near 96% being "satisfied" or better across our services (see page 14). It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Customer Survey Results April 2023 - March 2024



Appendix 3 – Audit Authority

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Appendix 4 - Annual Governance Framework Assurance

The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement (AGS) provides assurance that

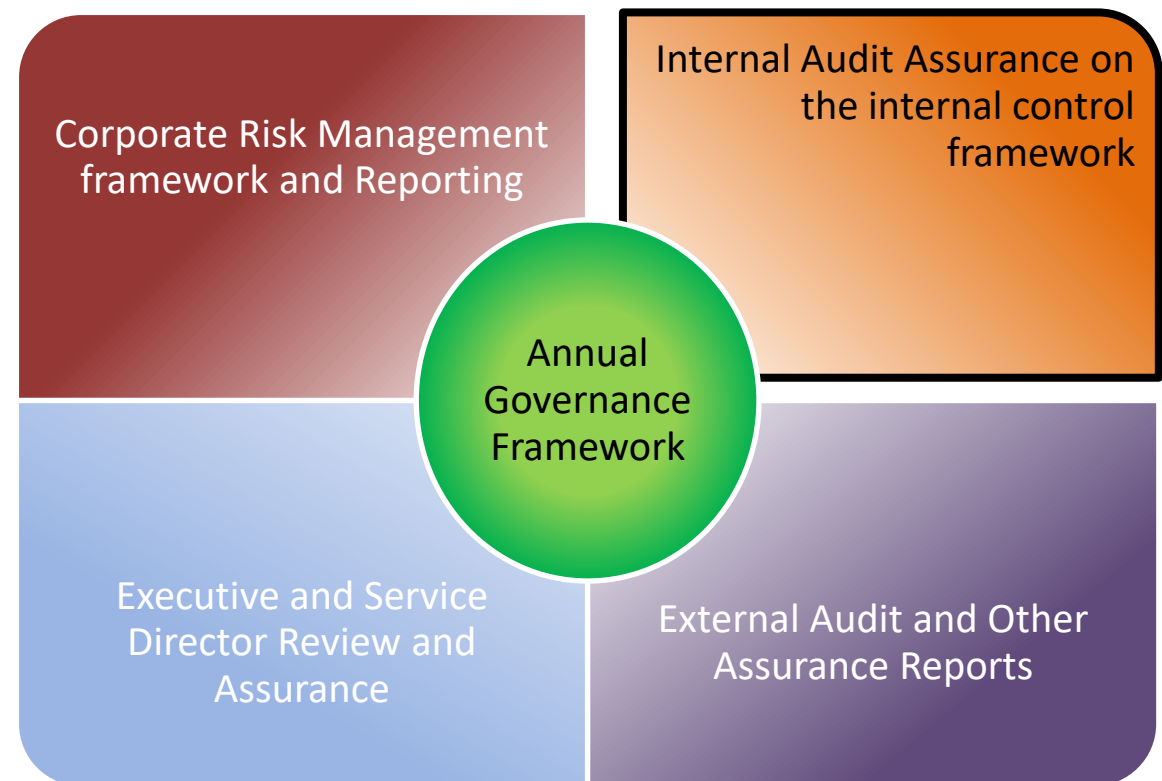
- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Fire Officer and Chair of the Audit and Governance Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective.

This will include comment upon;

- The Authority;
- Audit and Governance Committee;
- Risk Management;
- Internal Audit;
- Other reviews / assurance.



The AGS needs to be presented to, and approved by, the Audit and Governance Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by Organisational Assurance, Executive Board and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

Appendix 5 - Basis for Opinion

The Chief Internal Auditor is required to provide the Authority with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Authority.

In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Authority's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity.

The extent to which the work has been affected by changes to the audit plan are shown in Appendix 1.

The overall audit assurance will have to be considered in light of this position.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2023-24, including those audits carried forward from 2022-23;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Authority's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Authority;

any limitations that may have been placed on the scope of internal audit.

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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>The Devon Audit Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at Tony.d.Rose@devon.gov.uk</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Authority, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

Agenda Item 8

REPORT REFERENCE NO.	AGC/24/8
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	26 MARCH 2024
SUBJECT OF REPORT	INTERNAL AUDIT FOLLOW UP REPORT
LEAD OFFICER	Director of Finance & Corporate Services (Treasurer)
RECOMMENDATIONS	<p><i>(a). That the Committee reviews the updates on progress in addressing the findings of internal audits with a limited assurance opinion;</i></p> <p><i>(b). On implementing high and medium priority risk actions the Committee considers whether there is sufficient assurance that appropriate action has been taken; and</i></p> <p><i>(c). That, subject to (a). and (b). above, the r4eport be noted.</i></p>
EXECUTIVE SUMMARY	<p>The Internal Audit Service provides independent assurance to the Service's senior officers and Members that governance, risk management and controls are sufficient in ensuring delivery of the Service's objectives.</p> <p>This report sets out the action taken to address the findings of audits with a limited assurance opinion and provides a summary update on implementation of actions designed to address audit recommendations.</p>
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS	Not applicable.
APPENDICES	Nil.
BACKGROUND PAPERS	<u>INTERNAL AUDIT FOLLOW UP REPORT SEPTEMBER 2023.</u>

1. INTRODUCTION

- 1.1. The Internal Audit Plan is a significant source of assurance of the effectiveness of the internal control environment.
- 1.2. The outcomes of internal audits provide varying degrees of assurance, from significant and reasonable assurance to limited or no assurance. Where recommendations for improvements have been made within audit reports, action plans have been agreed with the management team.
- 1.3. The aim of this report is to update the Committee on progress in addressing these recommendations.

2. FOLLOW UP OF PROGRESS IN ADDRESSING INTERNAL AUDIT REPORTS WITH LIMITED ASSURANCE OPINIONS

- 2.1 This report provides a summary update on progress in addressing the internal audit reports that were issued with limited assurance opinions and reported to Audit & Governance Committee since July 2022.

Community Safety – Fire Prevention - March 2022

- 2.2 Key Findings: The team gained resource in 2019 with the introduction of ten additional home safety technicians. Whilst this supported the quantity of checks completed, there were continued management gaps highlighted in data quality review, risk-based escalation culture, action logs and process that limited the effectiveness of fire prevention.
- 2.3 The lack of accessibility of data and lack of skilled resource within the Prevention Team to analyse the Home Fire Safety data collected limited the ability of the team to be able to challenge and manage performance or to ensure that vulnerable people are re-visited. Linked to corporate red risk CR079 Inability to assure ourselves that the Home Fire Safety data created, held and reported on is correct.
- 2.4 Update: The Community Safety Committee continues to monitor performance. The challenges with use of the Home Fire Safety App will be resolved via introduction of the new system which commences implementation from April 2024. In the meantime, there have been some improvements to the App in terms of efficiency and effectiveness and this is subject to ongoing work. A data cleanse was also completed in December 2023.

Personal Protective Equipment (PPE) – May 2022

- 2.5 Key Findings: Firefighters within the Service are provided with fit for purpose, personal use, operational PPE. However, the Service could not fully assure itself that adequate training is provided in how to use, store, and maintain this PPE in accordance with the PPE at Work Regulations 1992.

- 2.6 Examples were identified of staff wearing incorrect PPE to an incident or using it in a way that increases the risk of injury. This suggests that if training is taking place, refresher sessions and management intervention are required to maintain a higher level of assurance of compliance.
- 2.7 Policies and procedures meet legislative requirements. However, there was a lack of assurance that they are read and understood by relevant members of staff.
- 2.8 The storage of PPE varies across stations with PPE either stored in the appliance bay or a designated area. A lack of segregation of clean / dirty PPE and storing PPE in the appliance bay does not comply with regulations.
- 2.9 Update: Structural PPE technical information for coat and trousers and Breathing Apparatus training manuals are in place. The Skills Dashboard includes the PPE helmet video and the Operational Assurance team monitor issues related to wearing of PPE at incidents.
- 2.10 Further eLearning training on the fit and use of structural and lightweight PPE has not yet been developed due to the need for the team to focus on development of HAZMAT training as a priority.

Flexi Duty Rota - May 2022

- 2.11 Key Findings: In accordance with the Grey Book requirements, a Flexible Duty System (FDS) is in operation for officers at the Station Manager rank and above. Those utilising the Flexible Duty System undertake duties which can be split into two key types: Managerial duties - referred to as 'positive' hours and Standby duties - where the officer is on call to carry out managerial duties as necessary. Standby duties require a set number of 'positive' hours to be worked, primarily used to provide support to stations within Commands, for instance attending a drill night at a station during an on-call shift.
- 2.12 The audit concluded that the FDS, as operated within the Service, may not always be in the spirit in which the system was intended. Contingencies which the Policy states should be exceptional, have in many cases become the norm. There are potential risks to officer welfare and to the effective delivery of incident response.
- 2.13 Update: The Flexi Duty Officer rota is currently being reviewed with a view to implementing a revised rota in January 2025. The policy has been reviewed.

Crewing Pool – October 2022

- 2.14 Key Findings: The Service's Crewing Pool had become an integrated part of improving operational capabilities. A group of staff intended for back up use were heavily relied upon and used a large amount of financial resources. There was lack of assurance that the Crewing Pool process was adequately managed with reported incidences of colleagues taking advantage of the crewing pool perks and taking pumps of the run to go to other stations.

2.15 Update: All actions completed. Prior to the audit, one year Crewing Pool costs for pre-arranged overtime were £238,000. At January 2024, nine month costs reduced to £65,000 generating savings of £173,000.

Application of Learning - October 2022

2.16 Key Findings: For the various sources of learning considered as part of this audit, designated resources and processes were in place that helped co-ordinate and monitor implementation of associated actions.

2.17 Resource levels were however cited as a potential issue for some teams, who were unable to provide as much input or time to these activities as they would otherwise like. In part this may be due to the sheer scale of the exercises involved, such as the National Operational Guidance Strategic Gap Analysis, which has over 2000 tactical actions across twenty areas against which Policy, Procedure and Guidance Team have to co-ordinate an assessment. In this instance the assessment period spread over a two-year period.

2.18 For most types of learning, a formal sign off process exists involving reports to management at the most senior levels. The exception is the Operational Assurance Team, who indicated they can close out any tactical learning activities without further escalation.

2.19 Each team demonstrated a process for tracking and reviewing learning points. The learning points themselves tended to be assigned to lead officers within service areas and progress updated periodically.

2.20 Overall, whilst learning was identified, coordinated, assigned, implemented, tracked, and monitored, there were several areas where further improvements could be made to processes to ensure that the application of learning is consistent and more effective.

2.21 Update: The new Operational Assurance system mitigates the associated risks identified in this audit. An updated and modernised process aligned to the NFCC Operational Learning: Good Practice Guide and the Fire Standard for Operational Learning has been implemented with the introduction of the new Operational Assurance system and updated guidance.

2.22 All actions relating to HMI have been completed. The HMI action plan is tracked through SharpCloud and updated monthly. The internal HMI process was reviewed as part of a separate audit 'Service Action on External Bodies Reports 2023-24'. The audit opinion was 'Reasonable Assurance' overall, with the processes on developing an action plan as part of the HMI process given a 'Substantial Assurance' opinion. All actions related to this audit have also been completed.

2.23 The majority of actions related to the Grenfell action plan have been completed with the remainder transferring to the strategic action tracker for oversight.

- 2.24 The two year review process of all strategic actions contained in National Operational Guidance (NOG) is now complete with actions assessed and given a rating of either compliant, partially compliant or non-compliant. The next phase is to move those partially compliant and non-compliant actions to compliant; this is scheduled for the next 12 months.
- 2.25 Quarterly training team meetings started by our neighbouring services to ensure that we can all work towards aligning our training packages to NOG have commenced and there is a collaborative approach across the partnership with contacts now regularly working together. All training packages being reviewed are assessed against NOG training specifications to ensure they align moving forward. This process has been established as business as usual reviewing packages and creating new ones as necessary.

Control of working hours - January 2023

- 2.26 Key Findings: This audit found that there are processes and software in place to facilitate a controlled way of working, where hours worked can be monitored. These processes are not always utilised or are not used in the intended way.
- 2.27 Issues were raised in the 2022 audit of the Flexible Duty System regarding staff incorrectly filling out their time sheets, signing off their own time sheets or not getting them signed off at all. This audit found that there was a lack of knowledge amongst Line Managers surrounding what to look for, and how to check time sheets. There were also still incidences of staff not submitting their time sheets on time, sometimes missing several months.
- 2.28 A common theme through this audit was staff feeling as if the workload was too large to fit in to a 37-hour working week. Support staff are finding their calendars full of Teams meetings, without scheduled 'focus' times, and are fitting their written work into their own time. This is resulting in too much time off in lieu to carry over into the next 4 weeks and a negative impact on staff wellbeing. The culture surrounding hours worked within the Service requires improvement as it is widely accepted that to meet productivity expectations, they must work overtime.
- 2.29 Update: The new Human Resources (HR) system introduced an improved mechanism for absence and leave recording in January 2024. This functionality enables managers to view and manage balances of any absences and time recording from February 2024.
- 2.30 Communication of the new time and absence recording process was issued to all staff via the Shout Out weekly communication to set expectations around time balance management and the policy around this. The flexitime policy is currently under review and is being updated to reflect the requirements in line with the new HR system. As the HR system gains more information, reporting will assist in undertaking a review of the effectiveness of the management of leave and absence.

Recruitment and promotion – March 2023

- 2.31 Key Findings: The People Services Policy and Guidance framework is under review and has been for some time. Whilst a number of documents have been newly created or updated, there is still a reasonable amount of work remaining to ensure the overall framework is fully updated and fit for purpose. This work includes documents which are directly related to recruitment and promotion.
- 2.32 Overall, the service appeared to be genuinely committed to principles such as diversity and inclusion within the workplace, however more work is needed to develop and embed these principles throughout the service and to improve the ability to monitor and report on progress.
- 2.33 It was recognised that significant work is currently underway that in the medium term should help to improve recruitment and promotion, including the introduction of a new Human Resources system, and the development of new and updated policies and procedures. To ensure the appropriate values and principles within the framework are embedded, improvements to manager training will also need to be introduced.
- 2.34 Update: There have been successful updates and changes to the on-call recruitment process and this process has continued to run in 2023 and in to 2024. The process is slicker with appropriate numbers of candidates being recruited.
- 2.35 The creation of a new Recruitment policy and procedure is still in development with an anticipated completion date of April 2024. Significant resourcing issues has meant that this work has been delayed.
- 2.36 A review of the viability of the new recruitment module in the new HR system has been undertaken. Due to several significant work arounds, process compromises and reporting concerns, the decision was made in late February 2024 to cease the development of the recruitment module and to extend the current system for a further period to enable appropriate consideration.
- 2.37 Strategic workforce planning is ongoing and there is a structured approach to review key data enabling key decisions around workforce planning to take place. The group meets every other month to discuss key data, key concerns and any areas of focus as required.

Organisational Safeguarding Assurance – completed May/June 2022, final report June 2023

- 2.38 Key Findings: Safer Recruitment is achieved through due diligence but the Service cannot currently assure itself that all areas are covered or be confident in organisational safeguarding as it is currently structured, due to changes in legislation and the requirement that enhanced Disclosure and Barring Service (DBS) checks are needed to cover more roles within the Service.

- 2.39 Significant improvement work is required to be undertaken in collaboration with People Services and supported by regular mandatory meetings for accountability and ownership.
- 2.40 To ensure that regulation is in place, the Service needs to review and maintain a record of concerns and follow safer recruitment procedures, including DBS checks. There is also a need to ensure that all staff are aware of their responsibilities by line managers updating and aligning job descriptions (some that have not been reviewed for years) to accommodate Safeguarding, and or, safeguarding tasks.
- 2.41 Update: Training package and competency framework developed and implemented December 2023. Over 80% of staff have successfully completed the training and provided feedback on levels of knowledge before and after the session. Next steps are to evaluate the feedback to inform the next phase of training. This will be an annual process.
- 2.42 A review of the future of the Strategic Safeguarding Board was undertaken by the Safeguarding Manager and stakeholder Service Leadership Team leads on 4 March 2024. The decision was made to refocus this forum into a Safeguarding Steering Group to focus attention on the work required to secure compliance. The Terms of Reference are now being reviewed and updated.
- 2.43 The Disclosure and Barring Service (DBS) has implemented operational changes based on new legislation that came into force in July 2023. This means that all fire service staff will be eligible for more rigorous standard DBS checks, where previously basic checks were completed. Basic checks provided information on unspent cautions and unspent convictions, whereas standard DBS checks also provide information on spent convictions, cautions, reprimands and final warnings. These checks will allow the Service to understand and mitigate the risk, to protect their colleagues and the public, and support high standards of integrity. In order to meet these requirements, the Service has:
- At the point of legislation changes in July 2023, HR implemented standard DBS checks for all new starters.
 - HR and Safeguarding team have identified roles that require enhanced DBS checks for staff who interact with people at risk or have access to critical information.
 - DBS check process review underway with timeline to undertake all staff standard DBS rechecks and to determine at what frequency the rechecks should be completed. The timeline to complete this is anticipated to be 18 months.

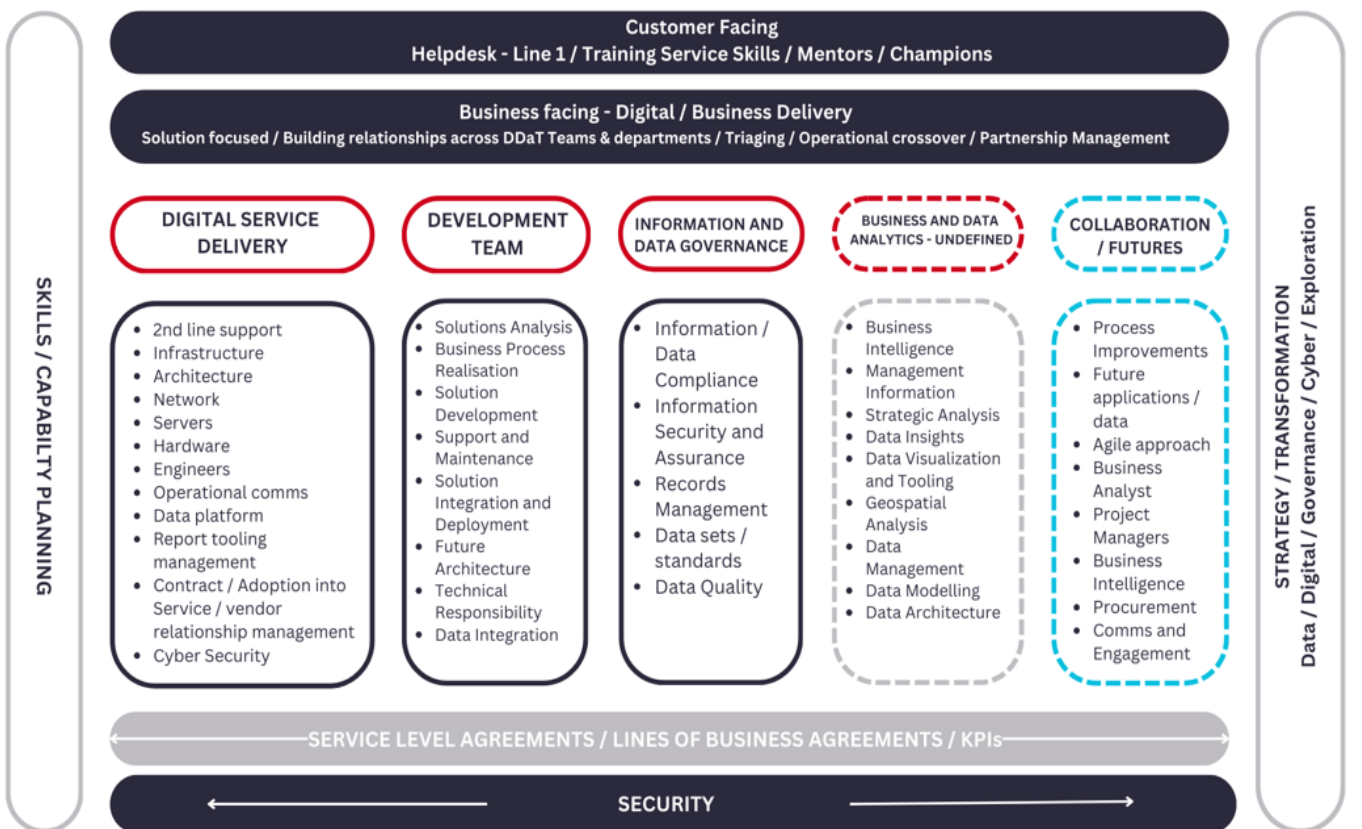
Information Security – Availability of Systems –completed May 2022, Final report September 2023

- 2.44 Key Findings: There are a number of areas that present risks to the Service's IT resilience and recovery should a significant security incident occur. These are by no means limited to IT Services themselves, and in some cases relate to broader corporate practices that could be strengthened. A number of recommendations were made to support the Service in increasing its IT resilience and recovery abilities, notably; increasing cyber threat knowledge at Senior and Member level to support and inform decision making; establishing an IT Security Board; ring fencing IT budget for specific IT security; testing cyber response plans; establishing knowledge management practices to minimise the risk of knowledge silos; greater integration between IT operational risk management practices and Corporate risk management; establishing a formal threat identification, management and response framework, including reporting to all relevant parties; evaluating requirements for disaster recovery provision; full data / system restores programme to provide assurance in relation to the effectiveness of the backup processes and ability to restore; and the need to review the Services cyber insurance provision.
- 2.45 Update: The IT Health Check is an annual test of the Service's technical security controls. The latest test was completed in October 2023 and identified internal and external vulnerabilities, rated by high, medium and low risk. The Digital and Data service delivery team have closed the majority of the internal high and medium risks, with seven of the fifteen remaining high risks dependant on action from suppliers. The remaining eight actions relating to Office 2013 migration have been completed.
- 2.46 The Cyber Assessment Framework (CAF) is in the process of being mapped to the ISO27001 standards. This will enable the Service to review, prioritise and address gaps in our compliance. High priority areas are being targeted first and actions are being put in place to mitigate these risks. Protective Security leads will now meet monthly to monitor and drive progress in these areas. There is a workshop booked with Executive Board to focus on key areas and to provide clear directive in terms of principles in this area.
- 2.47 The Home Office has set expectations for the fire sector, with a baseline to be achieved by 2025 and an enhanced baseline by 2028. The Service will be required to submit updates on progress to the Home Office. There will also be a requirement for a separate return for the Networked Fire Services Partnership and discussions are underway with partners to align the responses.
- 2.48 On 20 February 2024, the Service undertook a review of Cyber Risk Management Practice by conducting a cyber-breach response simulation to test the adequacy of the Incident Response Team and understand the practical process that would follow in the event of a real word cyber incident. Cyber incidents require teamwork and collaboration, it is not down to one person or one team to resolve the matter, but hard work and support from all to ensure the Service is protected and continues to operate effective cyber control framework. The outcome identified a good level of effectiveness with current plans and areas of improvement identified.

Use of Data Audit - completed June 2022, final report September 2023

- 2.49 Key Findings: The audit confirmed that there is a need to improve the use of data across the service. Officers within key service areas expressed concern over the data that they use to deliver services and whilst these views were to some degree anecdotal, repeating themes were being raised which clearly form a consensus regarding the need to improve the use of data for service delivery. Data systems are often impeded by a distinct lack of transparency, with service areas unable to extract relatively straightforward management information. There is a reliance on specialist teams and in house developed dashboards, to provide an element of reporting functionality. Root causes for the issues highlighted by key officers are often not straightforward but could consist of multiple elements which may be partly technical, cultural, internal or external.
- 2.50 Update: In December 2023, the Executive Board approved the future plans for digital, data and technology (DDaT) provision. The corporate risk CR084 Digital capability at risk due to lack of clarity of the future digital direction was de-escalated to the DDaT risk register. The plan is illustrated below;

DIGITAL, DATA AND TECHNOLOGY DEPARTMENT - FUNCTIONS



Productivity of the workforce and whole-time crews - November 2023

- 2.51 Key Findings: The key issues which need to be addressed to produce data that has a high degree of confidence, are to ensure that accurate and reliable data are captured at source and used together with existing data sources to produce a full picture of whole-time crew activities, and then use this data for monitoring and reporting and to drive improvements in productivity. Efforts were already underway in this regard during the audit, and since the conclusion of testing, a new system has been introduced across all whole-time stations that should improve underlying data.
- 2.52 Update: Work on the Whole-time Duty System (WDS) continues and a roadmap has been produced for future development. The Home Office has provided a clear definition for what should be considered as 'productive time' and this will be captured in the second version of the PowerBI dashboard reporting.
- 2.53 Briefings have been completed with all whole-time watches, Operational Readiness Managers (ORMs) and Group Commanders (GCs). The HMI team are attending meetings with watches when requested to provide further information and guidance.
- 2.54 The data produced by the activities log now provides understanding of the baseline against which to measure the 3% improvement in productivity. As a result of data captured, improvements to processes are already being identified and acted upon.

3. IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

Action Tracker

- 3.1 The Audit Tracker on SharpCloud records all recommendations and agreed actions arising from internal audit work.
- 3.2 Work continues to map the high priority actions to the corporate risk register.
- 3.3 Chart 1 presents the open high and medium risk priority actions. At 22 February 2024 there are 176 medium risk actions and 47 high risk priority actions.

Chart 1: Open actions timeline - High/Medium Risk Priority – February 2024

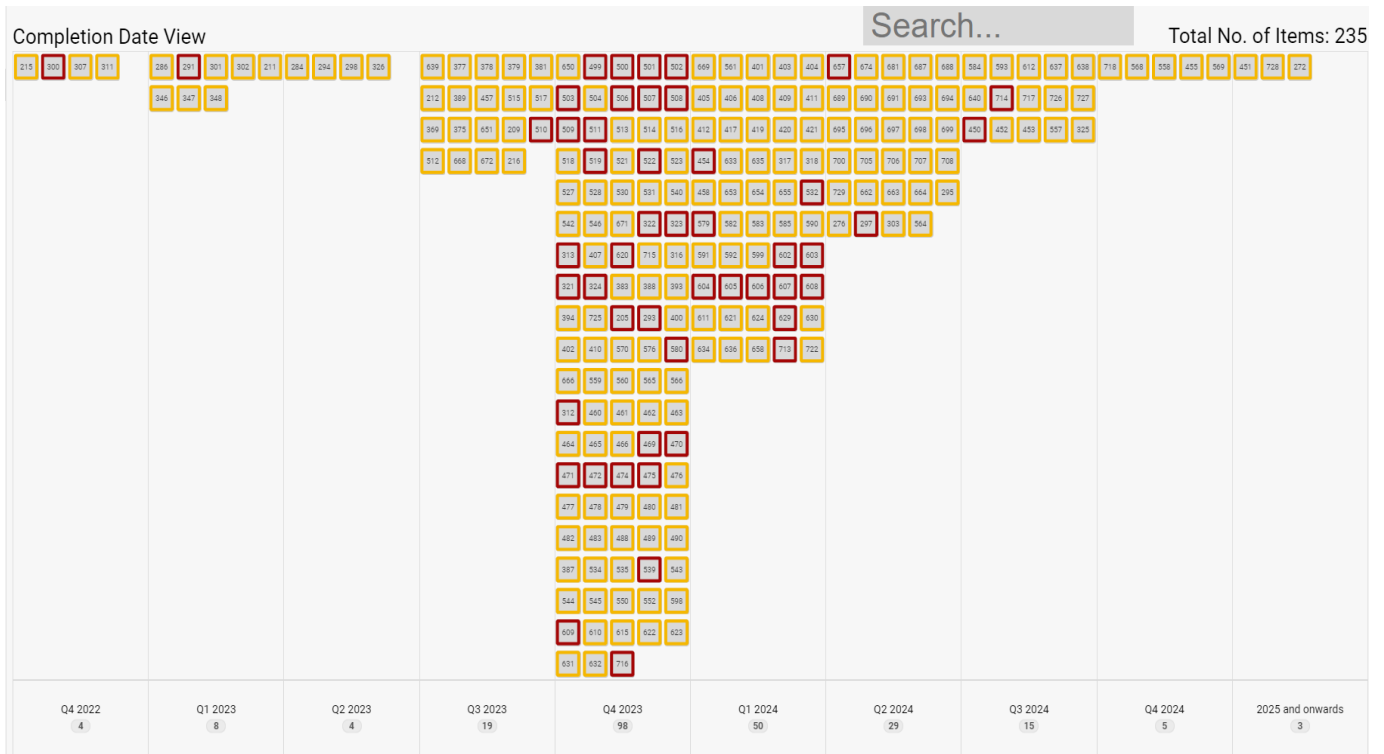
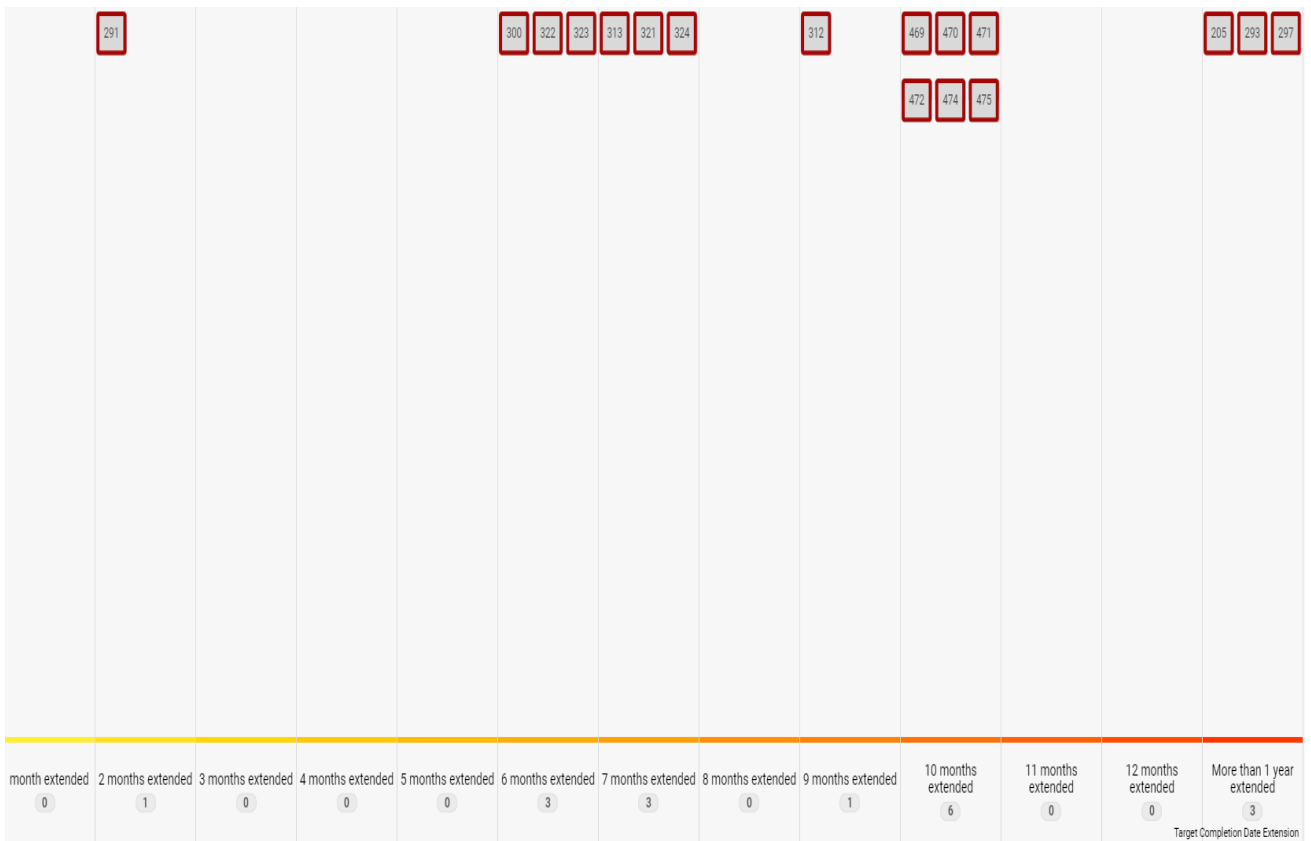


Chart 2: 13 actions that have had their initial planned implementation dates extended



- 3.4 The reasons for extension are detailed below.
- 3.5 The following high-risk actions have been extended by more than 7-9 months:
- 3.6 **312, 313, 321, 324 - Personal Protective Equipment (PPE) Compliance Audit 2021-22:** These actions relate to the need for updated PPE training and link to corporate amber risk CR056 Failure to ensure fleet and equipment is fit for purpose.
- 3.7 Reason for extension: Structural PPE technical information for coat and trousers and Breathing Apparatus training manuals are in place. The Skills Dashboard includes the PPE helmet video and the Operational Assurance team monitor issues related to wearing of PPE at incidents. Further eLearning training on the fit and use of structural and lightweight PPE has not yet been developed due to the need for the team to focus on development of HAZMAT training as a priority.
- 3.8 The following high-risk actions have been extended by more than 12 months:
- 3.9 **469, 470,471,472,474,475 - Flexible Duty System Audit 2022 –** Implementation of a flexi duty system with Governance arrangements that meet the National Joint Council for Local Authority Fire and Rescue Services Scheme of Conditions of Service also know as ‘Grey Book’.
- 3.10 Reason for extension: Addressing the audit recommendations relies upon the implementation of a revised Flexi Duty Officer rota. This is currently being reviewed with a view to implementing a revised rota in January 2025.

4. CONCLUSION AND RECOMMENDATIONS

- 4.1 Progress in addressing the findings of audits with a limited assurance opinion and on delivery of high and medium risk priority audit actions will be submitted to Committee until there is sufficient assurance that appropriate action has been taken.
- 4.2 It is recommended that the Committee reviews the updates on progress to consider whether there is sufficient assurance that appropriate action has been taken.

SHAYNE SCOTT
Director of Finance & Corporate Services (Treasurer)

Agenda Item 9

REPORT REFERENCE NO.	AGC/24/9
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	26 MARCH 2024
SUBJECT OF REPORT	INTERNAL AUDIT 2024-25 PLAN & INTERNAL AUDIT 2024-25 CHARTER AND STRATEGY
LEAD OFFICER	HEAD OF DEVON AUDIT PARTNERSHIP
RECOMMENDATIONS	<p><i>That the Committee:</i></p> <p><i>(a). reviews and approves the 2024-25 Internal Audit Plan as set out at Appendix A of this report; and</i></p> <p><i>(b). reviews and notes the Internal Audit Charter and Strategy.</i></p>
EXECUTIVE SUMMARY	<p>The Internal Audit Service provides independent assurance to the Service’s senior officers and Members that governance, risk management and controls are sufficient in ensuring delivery of the Service’s objectives.</p> <p>The Internal Audit 2024-25 Audit Plan report sets out the internal audit work for 2024-25 following consultation with Audit and Governance Committee in January 2024.</p> <p>The Internal Audit 2024-25 Charter and Strategy document is required by the Public Sector Internal Audit Standards (PSIAS).</p> <p>The Audit Charter formally describes the purpose, authority, and principal responsibilities of the Authority’s Internal Audit Service.</p> <p>The Audit Strategy sets out how Internal Audit deliver the Audit Charter. The Audit Strategy is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities.</p>
RESOURCE IMPLICATIONS	N/A
EQUALITY RISKS AND BENEFITS ASSESSMENT (ERBA)	The contents of this report are considered compatible with existing human rights and equalities legislation.
APPENDICES	<p>A. Internal Audit Plan Report 2024-25</p> <p>B. Internal Audit Charter and Strategy 2024-25</p>

BACKGROUND PAPERS

The 2024-25 Audit Plan proposals were discussed following closure of the formal Audit and Governance Committee meeting held in January 2024.

[Agenda for Audit & Governance Committee on Monday, 22nd January, 2024, 2.00 pm | Devon & Somerset Fire & Rescue \(dsfire.gov.uk\)](#)

1. INTRODUCTION

- 1.1. The Internal Audit Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the internal control environment.
- 1.2. This report provides the Committee with a proposed 2024-25 Internal Audit Plan as set out at Appendix A.
- 1.3. The report also provides an Internal Audit Charter and Strategy for 2024-25 as included at Appendix B.

2. NEXT STEPS

- 2.1. The progress made against the agreed Audit Plan will be reported back to Audit & Governance Committee at regular intervals.

TONY ROSE
Head of Devon Audit Partnership

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Internal Audit

Internal Audit Plan 2024-25

**Devon and Somerset Fire and
Rescue Service
Audit and Governance
Committee**

March 2024

Not Protectively Marked

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devon **audit** partnership

Lynda Sharp-Woods
Audit Manager

Tony Rose
Head of Devon Audit Partnership

**CUSTOMER
SERVICE
EXCELLENCE**



Auditing for Achievement

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid-Devon, South Hams & West Devon, Torridge and North Devon councils and Devon & Somerset Fire & Rescue. We aim to be recognised as a high-quality service provider.

We work with our partners by providing professional services that will assist them in meeting their challenges, managing their risks, and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Authority, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the Internal Audit activity within Devon and Somerset Fire and Rescue Service the role of the Board within the Standards is taken by the Authority's Audit and Governance Committee and senior management is the Authority's Executive Board.

This Authority's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Authority's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS refer to the role of "Chief Audit Executive". For the Authority this role is fulfilled by the Head of Devon Audit Partnership.

The Audit and Governance Committee, under its [Terms of Reference](#) contained in the Authority's Constitution, is required to review, and approve the Internal Audit Plan to provide assurance to support the governance framework (see Appendix 2).

The chief audit executive is responsible for developing a risk-based plan which considers the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed Internal Audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing Senior Management and members with assurance on the control framework to manage the risks identified. The plan will remain flexible, and any changes will be agreed formally with management and reported to Governance Committee

Expectations of the Audit Committee for this annual plan

Audit and Governance Committee members are requested to consider:

- the annual governance framework requirements,
- the basis of assessment of the audit work in the proposed plan,
- the resources allocated to meet the plan,
- proposed areas of Internal Audit coverage in 2024-25.

In review of the above the Audit and Governance Committee are required to approve the proposed audit plan.

Tony Rose
Head of Audit Partnership

High Level Audit Plan

This chart shows a summary of planned audit coverage for the year totalling 178 direct days.

It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate.

There has been a growing trend in the sector towards more flexible audit plans to enable Internal Audit to be more agile and responsive to changing risks.

As outlined in Appendix 3 to this report, the Audit Plan is drawn up considering various factors including global risk themes, risks to the Authority as outlined in the Authority's risk register, and the views of the Audit and Governance Committee and Senior Officers.

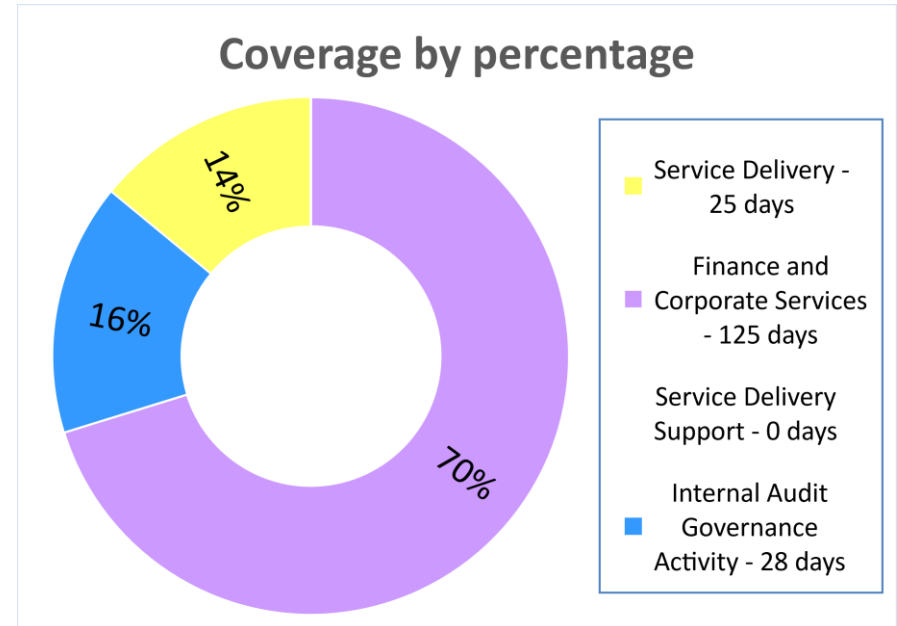
Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key and current risks to the operation or function are considered during our review. A brief overview of proposed audits is provided on the following pages.

As we progress through the year, any changes to the audit plan will be agreed via the Director of Finance and Corporate Services and are notified to the Audit and Governance Committee via our monitoring reports.

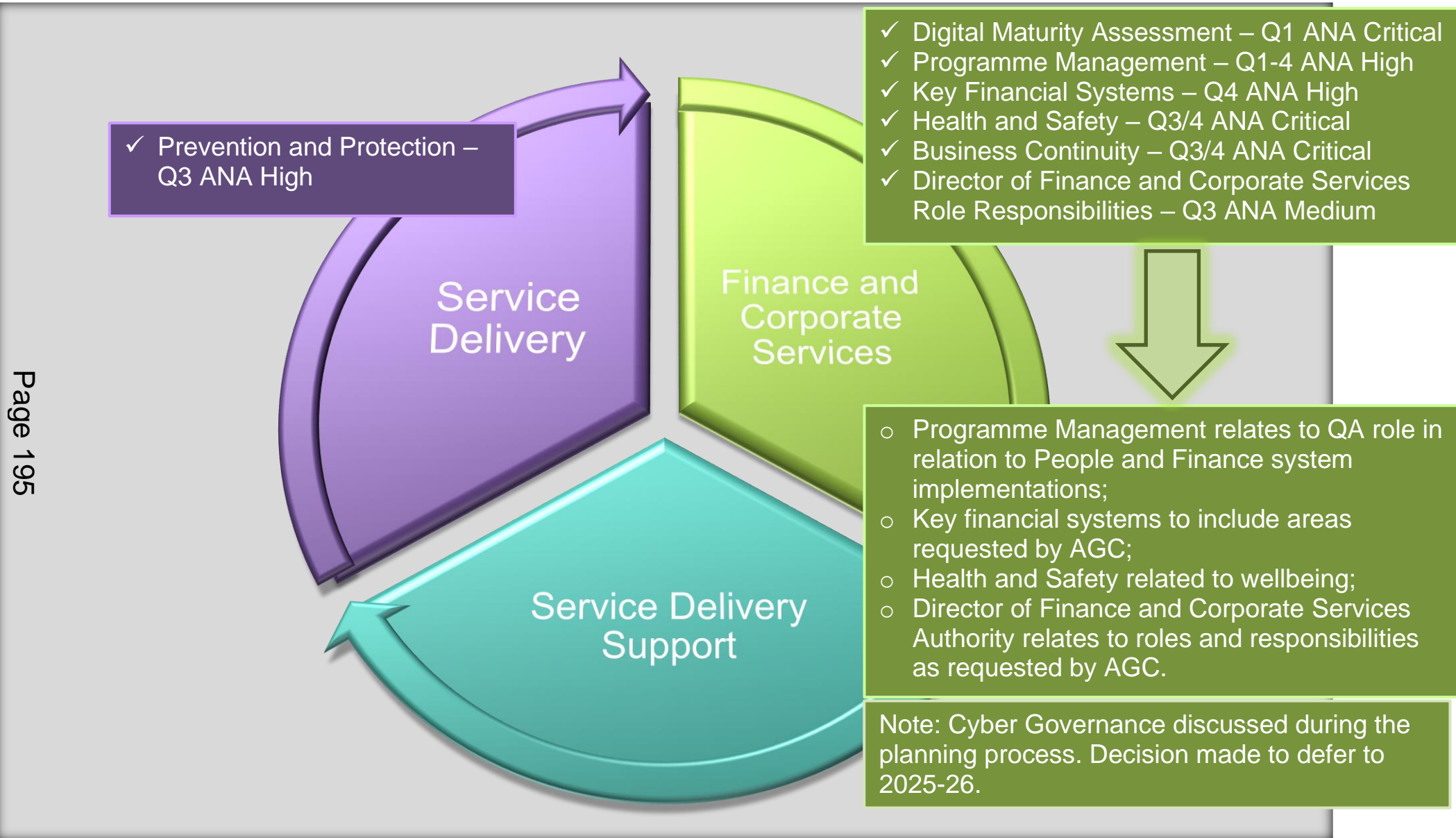
The Internal Audit Plan is intended to cover the period 1st April to 31st March. We know from our experience that our work does not start on the 1st April or finish on the 31st March. The delivery of the work commences in April with the bulk of the work delivered within each financial year, concluding with our reports usually being finalised after year end. This timeframe helps to ensure the Annual Head of Internal Audit Assurance Opinion is based on the fullest possible breath of work in line with each Internal Audit Plan

We regularly review wider risk information to help inform our Internal Audit Plans. The [Institute of Internal Auditors \(IIA\)](#), the [World Economic Forum](#) and the Institute of Risk Management (IRM) [IRM Global Risk Trends 2023 \(their.org\)](#) produced documents linked to global, national, and regional risks, many of which are relevant to the services delivered by the Public Sector. In addition, the Mazars undertake an annual review of emerging risks, the latest one being the [2023-24 version](#).

These documents provide a useful information source for Auditors, Senior Management and Audit and Governance Committee Members as they consider what items should be included in the Annual Internal Audit plan. These can be found using the links should you wish to view them.



Detailed Audit Plan



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Value Added and Other Activities – To be commissioned as required

Compliance Support

- ISO9001 Pre Assessment
- Grant Certification
- Control Framework Advice
- Consultancy Work

Governance Support

- Governance Advice
- Information Governance Advice
- Project Assurance
- Consultancy Work

Fraud Prevention and Investigation

- Criminal Investigations
- Fraud Training and Awareness / Information and Counter Fraud Updates
- Fraud Risk Assessment
- Data Matching
- Anti-Fraud, Bribery and Corruption Policy / Strategy and Response Plans

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- **Criminal Investigations** - All investigators are fully Accredited Counter Fraud Specialists (ACFS). The team have undertaken thousands of criminal fraud investigations and have successfully overseen the prosecution of many fraud cases.
- **Fraud Training and Awareness** - The team can provide awareness training and support for staff and managers to minimise its exposure to fraud risks.
- **Fraud Risk Assessment** - The DAP risk assessment allows an organisation to be confident that it understand and manage the fraud threats it faces.
- **Data Matching Initiatives** - The CFST can take a data set and match them against other internal data sets to look for red flags and/or indicators of fraud and error in accordance with the Data Protection Act.
- **Anti-Fraud, Bribery and Corruption Policy / Strategy and Response Plans** - The CFST created and continue to monitor Anti-Fraud, Bribery and Corruption Policy / Strategy and Response Plans for multiple partners.
- **Information and Counter Fraud Updates** - CFST provide information and Counter Fraud updates to keep pace with developments.

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Authority, as set out in the [Strategy on the Prevention and Detection of Fraud and Corruption](#) and assist in the protection of public funds and accountability. As per the [Fraud Reporting Webpage](#) 'No posts exist specifically for the undertaking of investigations and prosecutions of fraud, the responsibility is incorporated into a number of roles'. The strategy refers to the engagement of Internal Audit as appropriate.

The [National Fraud Initiative](#) (NFI) is a Biannual exercise in fraud and error prevention and detection, the exercise is run and reported on by the [Cabinet Office](#). The DSFRA has successfully completed the [2022-23 NFI National Exercise](#).

The 2023-24 NFI exercise relates to Council Tax Single Person Discounts and is therefore not applicable to the Authority. The NFI matches electronic data within and between public and some private sector bodies to minimise losses to the public purse. The NFI also supports an organisations duty under the Data Protection Act 2018.

The NFI programme has a cumulative savings figure of [£2.4 billion](#) since its creation in 1996. The outcomes exclude the non-financial benefits also experienced by participants, such as improvements in the accuracy of records, or a greater knowledge of the extent and types of risks their organisations might face.

Internal Audit Governance

An element of our work is classified as "internal audit governance" – this is work that ensures effective and efficient services are provided to the Authority and the Internal Audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e., an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include: -

- Preparing the Internal Audit Plan and monitoring implementation,
- Preparing and presenting Monitoring Reports to Senior Management and the Audit and Governance Committee,
- Liaison with other inspection bodies (e.g., External Audit)

Partnership working with other agencies.

We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit/review agencies where appropriate and beneficial. We participate in a range of Internal Audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of "re-inventing the wheel" in new areas of work which have been covered in other authorities.

The most significant partnership working arrangement that we have with other auditors is that with the Authority's external auditors.

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015 amended 2021, which state:
 “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”.

When completing these plans, the Chief Audit Executive should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning and best practice, helping each authority develop further to ensure that risk remains suitably managed.

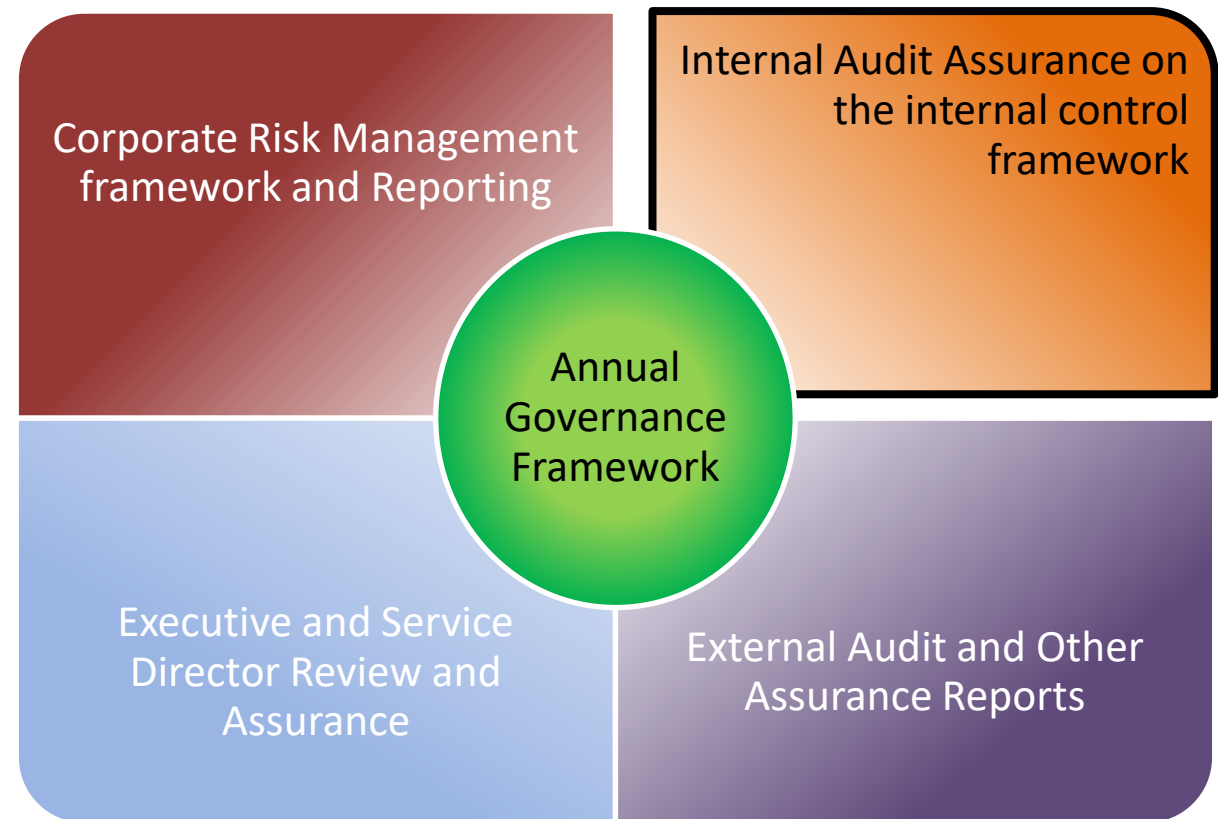
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice,
- high quality services are delivered efficiently and effectively,
- ethical standards are met,
- laws and regulations are complied with,
- processes are adhered to,
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should: -

- be prepared by senior management and signed by the Chief Fire Officer, Chair of the Fire Authority and Chair of the Audit and Governance Committee,
- highlight significant events or developments in the year,
- acknowledge the responsibility on management to ensure good governance,
- indicate the level of assurance that systems and processes can provide,
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon,
 - The Authority,
 - Audit and Governance Committee,
 - Risk Management,
 - Internal Audit,
 - Other reviews / assurance.
- Provide confirmation that the Authority complies with CIPFA's International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



The AGS needs to be presented to, and approved by, the Audit and Governance Committee, and then signed by the Chair.

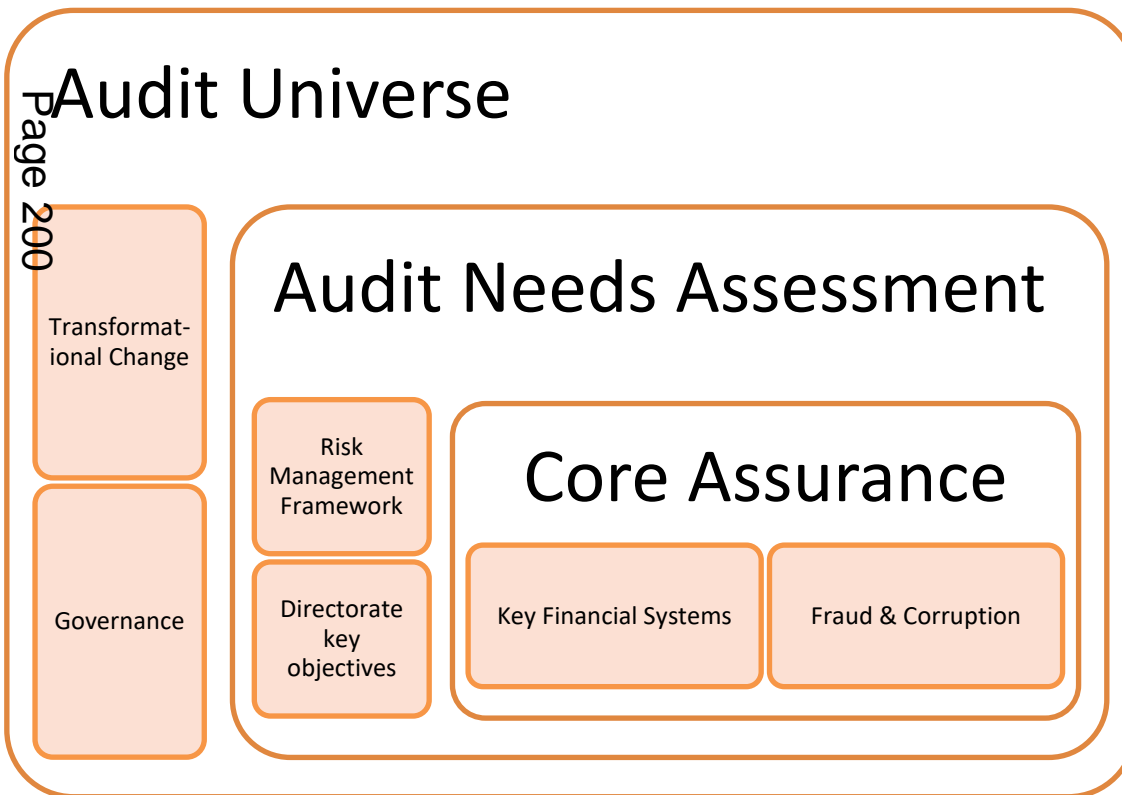
The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, the Executive Board, Internal Audit, and other assurance providers that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

We review global risk themes, the Authority’s risk register and work closely with the Executive Board and Members to identify those areas where audit resources can be most usefully targeted.

The result is the Internal Audit Plan set out earlier in this report.

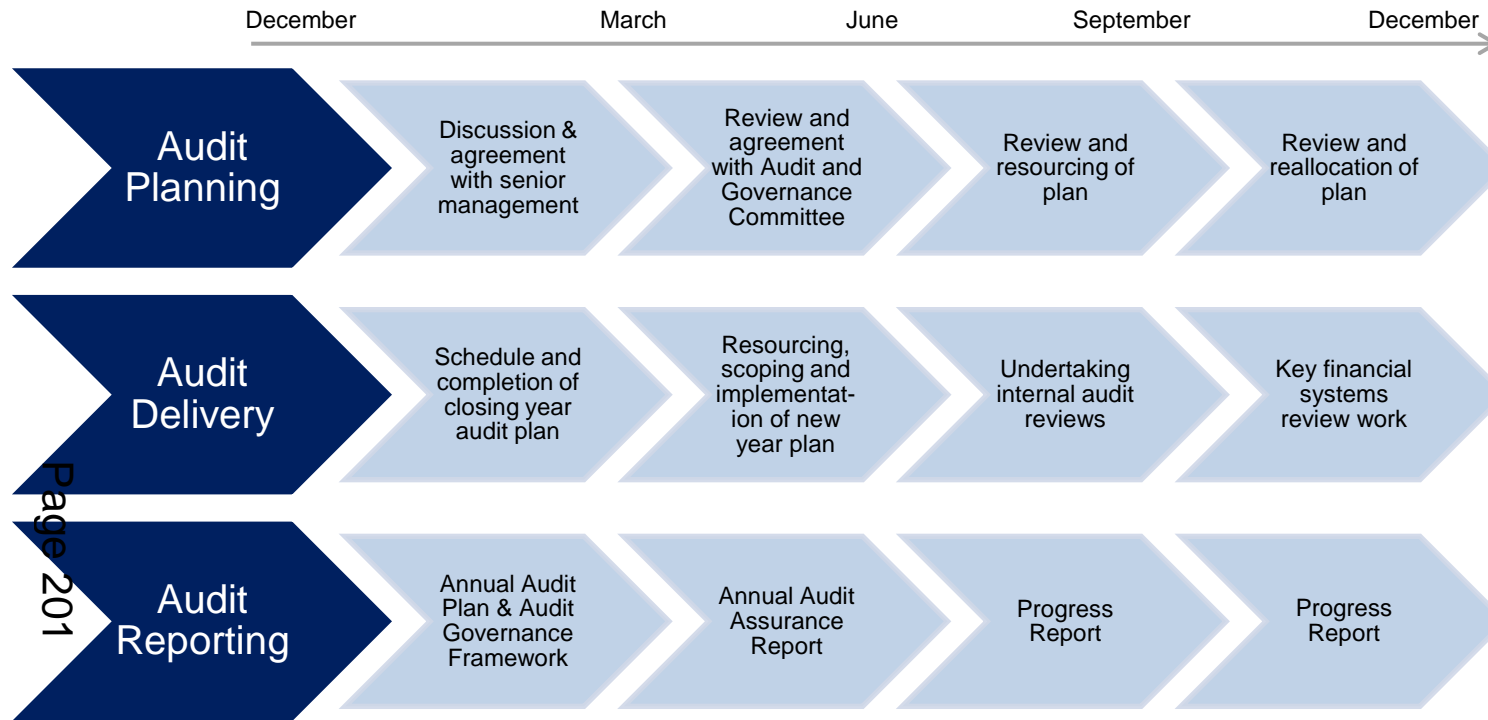
An example of the Risk Register as provide to the Audit and Governance Committee can be found published on the website [Risk Register Report January 2024](#)



The audit plan for the year plan has been created by:

- Consideration of risks identified in the Authority’s risk register
- Engagement with the Audit and Governance Committee
- Discussions and liaison with the Executive Board regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives
- Taking into account results of previous Internal Audit reviews
- Taking into account Internal Audit’s knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Authority’s delivery plans
- Requirements to provide a “collaborative audit” approach with the external auditors

Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec to March 2024	Audit Planning meetings
March 2024	Internal Audit Plan presented to Audit and Governance Committee
	Internal Audit Governance Arrangements reviewed by Audit and Governance Committee
	Year-end field work completed
May / June 2024	Annual Performance reports written
July 2024	Annual Internal Audit Report presented to Audit and Governance Committee
Nov 2024	Progress reports presented to Audit and Governance Committee
January 2024	2024/25 Internal Audit Plan preparation commences
	Audit Planning meeting with Audit & Governance Committee

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REFERRAL TO DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY AUDIT AND GOVERNANCE COMMITTEE MARCH 2024

This Internal Audit Charter and Strategy is referred to the Audit and Governance Committee to be noted.

MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE

This document details the **Internal Audit Charter** and **Internal Audit Strategy** for DSFRA as required by the Public Sector Internal Audit Standards (PSIAS). The Audit Charter formally describes the purpose, authority, and principal responsibilities of the Authority's Internal Audit Service, which is provided by the [Devon Audit Partnership \(DAP\)](#), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS set out the requirements of a ‘Board’ and of ‘Senior Management’. For the purposes of the internal audit activity within The Authority the role of the Board within the Standards is taken by the Authority’s Audit and Governance Committee (AGC) and Senior Management is the Authority’s Executive Board. They also make reference to the role of “Chief Audit Executive”. For The Authority, this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

INDEX TO SECTIONS OF THE CHARTER AND STRATEGY

Charter

1. Statutory Requirements and Purpose of Internal Audit
2. Professionalism, Ethics and Independence
3. Authority
4. Accountability
5. Responsibilities
6. Management
7. Internal Audit Plan and Resources
8. Internal Audit Reporting
9. Relationship with Audit and Governance Committee and Non-Conformance to the Charter
10. Quality Assurance and Improvement Programme

Strategy

- Audit Strategy - Purpose
- Annual Audit Opinion
- Audit Planning & Delivery
- Performance Management & Quality Assurance
- Resources and skills
- Staff Development and use of IDEAGEN AUDIT

CHARTER - STATUTORY REQUIREMENTS AND PURPOSE OF INTERNAL AUDIT

Statutory Requirements

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, revised 2021, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer responsible for the proper administration of its financial affairs. In The Authority, the Director of Finance and Corporate Services is the 'Section 151 Officer'. One way in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The Purpose and Aim of Internal Audit

The role of Internal Audit is to understand the key risks of the Authority, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- Support the Section 151 Officer to discharge their statutory duties
- Contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- Support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- Provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for the Authority is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members and service areas of the Authority, adding value whenever possible.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

Devon Audit Partnership will adhere to the relevant codes and guidance. We adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Authority's relevant policies and procedures and the internal audit manual. Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by IIA. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body, then they must also comply with the relevant requirements of that organisation. The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others and applies to both individuals and entities that provide internal auditing services. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE (Continued)

Being Independent

Internal Audit should be independent of the activities that it audits. The status of Internal Audit should enable it to function effectively. The support of the Authority is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in their own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit and Governance Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Fire Officer, the S.151 Officer and the Chair of the Audit and Governance Committee.

The Authority should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Authority.

Auditors should be mindful of being independent, and must:

- Have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Authority, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.



CHARTER - AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that: Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

(a) make available such documents and records; and

(b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

(3) in this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- The Chief Fire Officer
- Members
- Individual Directors
- Section 151 Officer
- Monitoring Officer
- All authority employees
- All authority premises.

CHARTER - ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each full partner. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. DAP operates within a framework that allows:

- Unrestricted access to senior management and members.
- Reporting in its own name.
- Separation from line operations.

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The HoDAP fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the internal audit activity. The Section 151 Officer will liaise with the HoDAP and is therefore responsible for monitoring performance and ensuring independence.

The HoDAP reports functionally to the Audit and Governance Committee on items such as:

- Approving the internal audit charter;
- Approving the risk based internal audit plan and resources;
- Receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- Approving the Head of Devon Audit Partnership's annual report'
- Approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Audit and Governance Committee, and has the opportunity to meet privately with Committee members if required.

CHARTER - RESPONSIBILITIES

The Chief Fire Officer, Directors and other senior officers are responsible for ensuring internal control arrangements are sufficient to address the risks facing their services. The HoDAP will provide assurance to the Section 151 Officer regarding the adequacy and effectiveness of the Authority's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Authority helping them meet their obligations under the Local Government and Housing Act 1989 and the Authority's Constitution. The HoDAP will also work with DSFRA to ensure the effective delivery of the Authority's Whistleblowing Policy.

Internal Audit responsibilities include:

- Examining and evaluating the soundness, adequacy and application of the Authority's systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect the Authority's interests;
- Advising on internal control implications of new systems;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation; and,
- Reporting significant risk exposures and control issues identified to Audit and Governance Committee and to senior management, including fraud risks, governance issues.

CHARTER - MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- Be appropriately qualified;
- Determine the priorities of, deliver and manage the Authority's internal audit service through a risk based annual audit plan;
- Regularly liaise with the Authority's external auditors to ensure that scarce audit resources are used effectively;
- Include in the plan the approach to using other sources of assurance if appropriate;
- Be accountable, report and build a relationship with the Authority's Audit and Governance Committee and S.151 Officer;
- Monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The HoDAP is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Fire Officer and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Authority's governance, risk and control framework and agree any action required.

CHARTER - INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the HoDAP will submit to the Audit and Governance Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- Develop the annual plan through discussions with senior management based on an understanding of the significant risks of the organisation;
- Submit the plan to the Audit and Governance Committee for review and agreement;
- Implement the agreed audit plan;
- Maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- Maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of internal audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit and Governance Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Authority's systems and processes. Any significant deviation from the Internal Audit plan will be communicated through the periodic activity reporting process.

A requirement of the Authority's Strategy on the Prevention and Detection of Fraud is that the HoDAP be notified of concerns raised related to the S.151 Officer or Monitoring Officer. The Strategy also sets out that the S.151 Officer and Monitoring will involve the HoDAP as appropriate in actions following reporting of any allegations of malpractice, fraud or corruption. Internal audit activities will be conducted in accordance with Authority strategic objectives and established policies / procedures.

Monitoring of internal audit's processes is carried out on a continuous basis by internal audit management. The Authority's members and management may rely on the professional expertise of the HoDAP to provide assurance. Periodically, independent review may be carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

CHARTER - INTERNAL AUDIT REPORTING

The primary purpose of Internal Audit reporting is to provide to management an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions. Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit and Governance Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be to:

- Give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- Recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report within 30 days, although this period can be extended by agreement.

The response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken, this must also be stated. The HoDAP is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The HoDAP will:

- Submit periodic reports to the Audit and Governance Committee summarising key findings of reviews and the results of follow-ups undertaken;
- Submit an Annual Internal Audit Report to the Audit and Governance Committee, incorporating an opinion on the Authority's control environment. This will also inform the Annual Governance Statement.

CHARTER - RELATIONSHIP WITH THE AUDIT AND GOVERNANCE COMMITTEE, AND NON-CONFORMANCE TO THE CHARTER

The Authority's Audit and Governance Committee will act as "the Board" as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit and Governance Committee are set out in the Authority's Constitution.

The HoDAP will assist the Audit and Governance Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP or suitable representative will:

- Attend meetings, and contribute to the agenda;
- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

Any instances of non-conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit and Governance Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit and Governance Committee on behalf of the Authority on the content of the Charter and the need for any subsequent amendment. The Charter should be regularly reviewed by the Audit Committee.

CHARTER - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor. For DAP this was conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP generally conforms* with the Standards and the Code of Ethics”*.

The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*.

DAP is actively addressing these improvement areas which includes *“Develop the use of data analytics; rotate staff across clients; consider how to support the development of audit committees; consider a range of cross partner audits and share best practice; review current arrangements for the delivery of IT audit to ensure maximum value; develop the role of Senior Auditors”*.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

AUDIT STRATEGY - PURPOSE

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- Should be noted, but not directed, by the Audit and Governance Committee.
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
 - Internal audit objectives and outcomes;
 - How the HoDAP will form and evidence their opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - How Internal Audit's work will identify and address significant local and national issues and risks;
 - How the service will be provided, and
 - The resources and skills required to deliver the Strategy.

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The Strategy should be kept up to date with the organisation and its changing priorities.

AUDIT STRATEGY - OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

A key objective of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks will be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings will be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit and Governance Committee.

The HoDAP will also provide a written annual report to the Audit and Governance Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Authority.

The Head of Devon Audit Partnership's annual report to the Audit and Governance Committee will:

- Provide an opinion on the overall adequacy and effectiveness of the Authority's governance, risk and control framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- Draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare audit work actually undertaken against the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- Comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

AUDIT STRATEGY - PLANNING & AUDIT DELIVERY

INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Authority’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment Planning & Delivery

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control and governance processes.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT & QUALITY ASSURANCE

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- A comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately.
- Seeking *user feedback* for each individual audit and periodically for the whole service.
- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the DAP Committee.
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment).
- An action plan to implement improvements.

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see the following pages).

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from: auditees; senior leadership; and executive management. The results from our feedback will be reported to Senior Management and the Audit and Governance Committee in the half year and annual reports.

The HoDAP is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT & QUALITY ASSURANCE (2)

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days from final debrief)	90%

Internal Audit
Performance
Monitoring
Targets

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Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Fire Officer, Executive Board and Audit and Governance Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	This meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration each June. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit Committee.	Presentation / update is clear and concise. Presenter was knowledgeable on the subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Other indicators measured as part of the audit process that may be captured and reported to senior management.

DAP Overall Performance is reported to the DAP Committee three times per year.

AUDIT STRATEGY - RESOURCES AND SKILLS

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

DAP currently has c.45 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams, West Devon Councils (Totnes). The Partnership employs specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 2 x Chartered Accountants
- 13 x qualified IIA (CMIIA, PIIA, IIA Cert)
- 3 x qualified computer audit (QICA, CISA, ITIL)
- 2 x risk management (IRM)
- 9 x AAT (qualified and part qualified)
- 4 x ACFS / ACFT (accredited counter fraud specialists)
- 1 x ACFM (accredited counter fraud manager)
- 3 x ILM (Institute of Leadership & Management) level 5 or above
- 10 x Apprentices/Students/Studying (Finance, Data Analyst, IIA, Business Admin)

AUDIT STRATEGY - STAFF DEVELOPMENT AND TRAINING AND USE OF IDEAGEN AUDIT

Staff Skills and Development

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Internal Audit Software System

Devon Audit Partnership uses Ideagen as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

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REPORT REFERENCE NO.	AGC/24/10
MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	26 MARCH 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 January 2024. The key highlights are that:</p> <ul style="list-style-type: none"> • 1 Area for Improvement, HMI-2.2-202207b (Response – Technology and Innovation), is currently recorded as 'In Progress – Off Track'. This area for improvement is dependent upon data from the new training recording system which is currently under development. The data will inform a risk-based approach to training utilising technology to realise efficiencies. The target completion date will be reviewed following implementation of the new system.
RESOURCE IMPLICATIONS	Considered within the Action Plan where appropriate.
EQUALITY RISKS AND BENEFITS ANALYSIS	Considered within the Action Plan where appropriate.
APPENDICES	None.
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

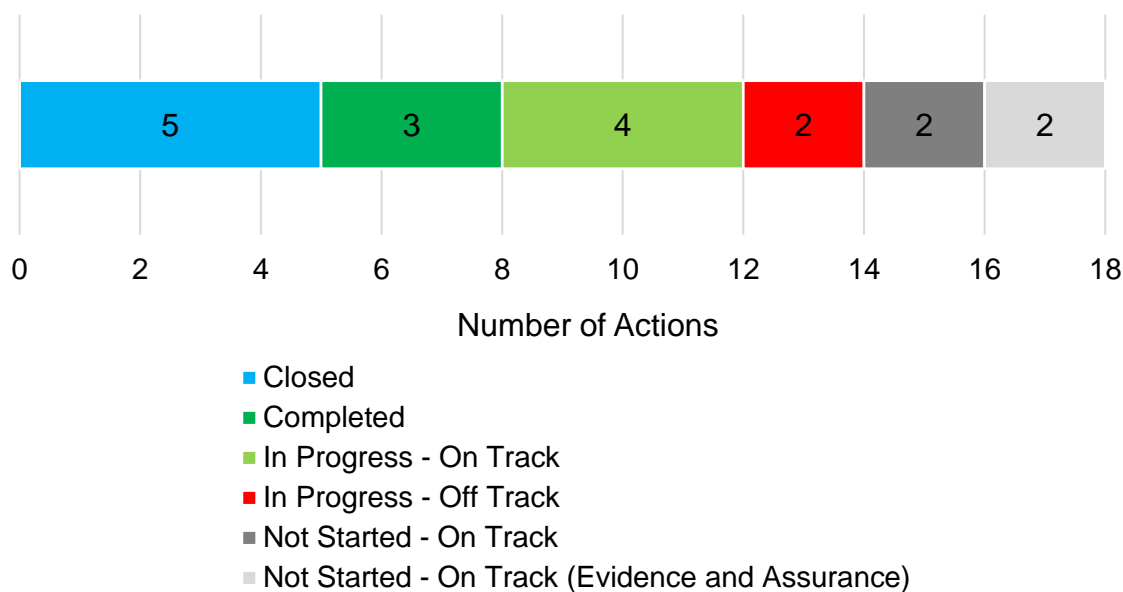
- 2.1 As a result of discussions at the previous Audit and Governance Committee meeting in January 2024, HMI-1.3-202205 (Quality Assurance of Audits and Fire Safety Checks) will be reported to the Community Safety Committee.
- 2.2 Table 1 lists the Areas For Improvement linked to the Audit and Governance 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	Closed
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 – Off Track

- 2.3 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 - March 2024



2.4 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
4	0	4	2	3	5

* Please note that two 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 WHICH ARE 'OFF-TRACK'**

3.1. Table 3 below outlines the areas for improvement which are currently marked as 'In Progress – Off Track'.

Table 3:

Improvement Area	Status
HMI-2.2-202207b – Response – Technology and Innovation	In Progress – Off Track
Factors impacting delivery	

This area for improvement is dependent upon data from the new training recording system which is currently under development. The data will inform a risk-based approach to training utilising technology to realise efficiencies. The target completion date will be reviewed following implementation of the new system.

4. AREAS FOR IMPROVEMENT DEADLINE EXTENSIONS

4.1. 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
Prevention and Protection – Technology and Future Innovation	0	0	30/04/2025
Response – Technology and Future Innovation	1	9	31/07/2024

4.2. There have been no additional deadline extensions since the last report to the committee in January 2024.

GAVN ELLIS
Chief Fire Officer