

# Devon & Somerset Fire and Rescue Authority Audit Progress and Sector Update Report

**July 2023**

11 July 2023



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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 Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

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

The paper also includes:

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

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

# Progress at July 2023

## Financial Statements Audit

Our planning work is in its early stages. We have not yet completed sufficient work to issue our Audit Plan. This will be drafted over the summer and circulated ahead of the September Audit and Governance Committee, at which it will be formally presented and discussed.

From our early planning together with previous knowledge and experience of working with the Authority, the risks and areas of focus are likely to remain the same as in the 2021/22 financial year. These risks were:

- management override of control,
- revenue recognition for the Authority's subsidiary company,
- valuation of Property, Plant and Equipment, and
- valuation of the Pension liability.

In 2021/22 the preparation of group accounts was reported as a significant risk. This was due to it being the first-year preparing group accounts.

This risk was, to an extent, borne out with a number of adjustments requiring to be made and delays in the provision of some evidence to support the financial statements. However, now the Authority has experience of preparing these financial statements we do not consider this to continue to be an area of significant risk. The group has remained stable year on year, and this further reduces the risk of errors occurring. This will be kept under review as the audit progresses.

As there were a number of errors identified in the 2021/22 financial statements this will impact on our level of performance materiality in 2022/23 and will increase the sample sizes for our substantive testing.

Our planning work to date has not identified any further issues that we are required to bring to your attention.

We will report the results of our work in the Audit Findings Report and aim to give our opinions on the Statements of Accounts by 29 February 2024.

We recognise that this is after the publication deadline and this is due to a number of complex inter-related factors within the public sector external audit market and extends beyond Grant Thornton UK LLP. However, we remain committed to deliver a high quality audit provided by experienced public sector audit specialists.

## Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We anticipate issuing our 2022/23 Auditor's Annual Report by 29 February 2024.

# Progress at July 2023 (cont.)

## Other areas

### Meetings

We continue to meet with members of your Finance team and Senior Officers as part of our regular liaison meetings and continue discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Audit Fees

During 2017, PSAA awarded contracts for audit for a five-year period beginning on 1 April 2018. 2022/23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2) rating means that additional audit work is required.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

The proposed fee for the 2022/23 Authority Audit is set out on pages 7 and 8 of this report.

For completeness the final fees for the 2020/21 and 2021/22 audit are also shown on page 8.

# Audit Deliverables

## 2022/23 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.

**Planned Date**

September 2023

**Status**

We will present the Authority Audit Plan at the September Audit and Governance Committee. This will allow sufficient time for planning work to be completed and will ensure that the risks are communicated to the Committee nearer to the commencement of the audit.

### Audit Findings Report

The Audit Findings Report will be reported to the January 2024 Audit and Governance Committee.

January 2024

Not yet due.

### Auditors' Report

This includes the opinion on your financial statements.

January 2024

Not yet due.

### Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.

January 2024

Not yet due.

# Audit fees

	Actual Fee 2020/21	Actual Fee 2021/22	Proposed fee 2022/23
Devon and Somerset Fire and Rescue Authority Audit	£41,291	£57,280	£57,380

## Assumptions

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \[revised 2019\]](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees

## Fee analysis

<b>Audit fees</b>	<b>Estimated fee</b>
Scale fee per PSAA for 2022-23	31,980
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing	500
Value for Money audit – new NAO requirements	8,000
ISA 540	1,800
ISA 315	3,000
Additional journals testing	2,100
Additional audit work on Group Accounts	5,000
Additional audit testing following triennial pensions review	5,000
<b>Estimated fee</b>	<b>57,380</b>



# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

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

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# HMICFRS: Government needs to urgently reform the fire service, says Chief Inspector

The Government needs to reform the fire sector as a matter of urgency, or else firefighters will not be able to provide the best possible service to the public, a new report has found.

In his first annual assessment of England's fire and rescue services since being appointed in 2022, Andy Cooke, His Majesty's Chief Inspector of Fire & Rescue Services, found that:

- only two of the inspectorate's previous six recommendations for reform of the fire service have been implemented, which he described as extremely disappointing;
- the Home Office, the Local Government Association, the National Fire Chiefs Council and trade unions should work together to consider reforming structures for negotiating pay, terms and conditions, which would reduce the risk of industrial action; and
- many services need to improve their culture, and there are still some unacceptable levels of bullying, harassment and discrimination.

The inspectorate's four remaining recommendations are:

- the Home Office should precisely determine the role of fire and rescue services, to remove any ambiguity;
- the sector should remove unjustifiable variation, including in how they define risk;

- the sector should review how effectively pay and conditions are determined; and
- the Home Office should invest chief fire officers with operational independence, whether through primary legislation or in some other manner.

The inspectorate confirmed earlier this week that it would produce a new report on values and culture in England's fire and rescue services, which will be published later this year.

## Get the report

[State of Fire and Rescue: The Annual Assessment of Fire and Rescue Services in England 2022](#)



Promoting improvements  
in policing and fire & rescue  
services to make everyone safer

# NFCC responds to the annual State of Fire report

Following the publication of the annual State of Fire report, the National Fire Chiefs Council responds to its findings.

Responding to the report, NFCC (National Fire Chiefs Council) Chair Mark Hardingham commented: “There is a lot to be proud of in this year’s annual report. To see the dedication of professional staff highlighted is no surprise, with 84 per cent of the public valuing the work carried out by fire and rescue services.

“I am also pleased to see the role of NFCC, and our national work highlighted. Our programmes provide all fire and rescue services with the tools to build on the excellent work taking place, while making improvements in areas we know need to be better.”

NFCC’s work on developing national fire and rescue policy - including in areas of Leadership and the Core Code of Ethics is highlighted; also, the partnership between NFCC and the National Employers and the Local Government Association on the Fit for the Future initiative which sets out the future role of the fire and rescue service; the continued development and publication of national Fire Standards, and improvements in the regulatory fire safety role of fire services.

Concerns about the culture and inclusion in some fire and rescue services stands out as an area which requires improvement, referencing unacceptable levels of bullying, harassment, and discrimination. HMICFRS will be producing a spotlight report on values and culture later this year, drawing from inspections already undertaken across every fire service in England.

Mr Hardingham added: “We know there is a lot to do in areas such as culture, diversity, and wider reform. As set out in the report, this is more than just having a representative workforce, it is about creating the right inclusive environment to ensure all staff feel valued, safe, and able to realise their full potential at work. Whilst there is much that every fire service can do, and some are, to maximise the potential benefits for staff and the public it needs all those working across the fire sector to continue to work together to address areas where there are clear issues.

## Link to the full report

[NFCC responds to the annual State of Fire report \[nationalfirechiefs.org.uk\]](https://nationalfirechiefs.org.uk)



# FBU: Pay deal agreed in Fire Service in win for collective bargaining

On 06 March 2023, Firefighters and Control Room staff across the UK have overwhelmingly accepted a new pay deal to end their months-long dispute over pay. 96% of Fire Brigades Union members voted to accept the pay offer on an 84% turnout.

The result makes the Fire and Rescue Service one of the only areas of the public sector to resolve its pay dispute without strike action. Collective bargaining was the key to this. Unlike workers in the NHS or teaching, pay is decided in direct negotiations rather than by a so-called “independent” pay review body.

The pay settlement is for 7% backdated to July 2022, plus an additional 5% from July 2023.

An overwhelming mandate for strike action was the crucial factor in moving Fire Service employers to make the revised offer.

## Link to the full report

[Pay deal agreed in Fire Service in win for collective bargaining | Fire Brigades Union \(fbu.org.uk\)](https://www.fbu.org.uk/news/pay-deal-agreed-in-fire-service-in-win-for-collective-bargaining)

