

Auditor's Annual Report Devon and Somerset Fire Authority

For the year ended 31 March 2024



Ref:
Date: 10th January 2025

PRIVATE & CONFIDENTIAL

Members of the Audit and Governance Committee
Devon and Somerset Fire Authority
Clyst St George
Exeter
EX3 0NW

Dear Sirs and Madams

Devon and Somerset Fire Authority – Auditor’s Annual Report 2023-24

We are pleased to attach our draft Auditor’s Annual Report. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of the Directors and those charged with governance of the Authority and should not be shared with anyone beyond the Authority without our prior approval.

We would like to take this opportunity to thank the Authority’s officers for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP." The signature is written in a cursive, flowing style.

BISHOP FLEMING LLP

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1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Devon and Somerset Fire Authority for the year ended 31 March 2024.

The Authority is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Authority is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Authority is also responsible putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Authority at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Authority by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; 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.

In addition we are also responsible for reviewing the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report on the Authority's 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 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 carried out our work in accordance with our External Audit Plan that we issued to the Authority in July 2024.

2. Executive summary

Results from the audit of the financial statements

We completed our audit of the financial statements and anticipate issuing an unmodified audit opinion on conclusion of our final completion procedures. See section 3 for more details.

On finalisation of the external audit, we will also complete the component auditor procedures, in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return. We will have no matters to report from this work.




Results on our work on other matters

We completed our review of other matters reported in the statement of accounts as part of our audit approach. There were no issues to report.




Results from our work on 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 for the year ended 31 March 2024.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability		We did not identify any significant weaknesses in the Authority's financial sustainability arrangements. We have identified one recommendation for improvement. See section 8 for further details.
Governance		We did not identify any significant weaknesses in the Authority's governance arrangements. We did not identify any recommendations for improvement.
Improving economy, efficiency and effectiveness		We did not identify any significant weaknesses in the Authority's arrangements for improving efficiency, economy and effectiveness. We did not identify any recommendations for improvement.

Key:

	No significant weaknesses in arrangements identified and no recommendations made
	No significant weaknesses in arrangements identified but recommendations made
	Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Authority at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We anticipate issuing an unqualified opinion on the Authority's financial statements.

Key issues arising from the accounts audit

We identified one material issue where management elected not to progress with processing revaluations as they considered that the revised land and building valuation was not materially different to the current carrying values. Whilst the percentage difference in the valuation was fairly small, the change in valuation was over our audit materiality thresholds set for the audit. Management have adjusted the statement of accounts accordingly.

Other matters

We are required to report to the Authority by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; 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 concluded that there were no matters to bring to the Authority's attention in respect of these matters.

More detailed findings can be found in our Audit Completion Report which was reported to the Audit & Governance Committee on 20 January 2025.

4. Value for Money

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 for the year ended 31 March 2024.

The Code requires us to report our commentary on the Authority's 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 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.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criteria for the auditor to assess those arrangements.

Our risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Authority's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there are any significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Authority's arrangements in each of these three areas is set out in sections 5, 6 and 7 of the report. Our recommendations for improvement are included in section 8.

5. Financial sustainability

We considered how the Authority plans and manages its resources to ensure it can continue to deliver its services, including how it:

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

Overview and 2023/24 outturn

The Authority as demonstrated strong financial performance in 2023/24 and delivered a £5m underspend to budget. This was achieved primarily through increased treasury investment returns and lower staff costs through holding back whole-time firefighter recruitment until planned changes in the duty system are implemented. In addition, there was less overall activity than in 2023, which was exceptionally high due to the summer wildfires.

Although there has been a net underspend, the Authority has faced inflationary challenges, particularly with regards to wage rises, as the budgeted pay award of 2% for firefighters and control room staff was significantly lower than the final agreed 5% pay rise. Energy and vehicle fuel costs have also increased.

Financial planning and monitoring

The Authority keep their budget position under review throughout the year, and quarterly Financial Performance Reports are scrutinised by the Resources Committee. A full year Financial Outturn report is also scrutinised by the committee on a timely basis in May, two months after the year-end.

The Authority's MTFP and annual budget support the Community Risk Management Plan, which outlines the key priorities for the organisation.

The capital programme also reflects the goals of the plan. For example, the output of a data analysis exercise on location and type of specialist vehicles has been used to inform the future fleet replacement programme.

The Authority appropriately produces a cash flow forecast for the next 12-months during the budgeting period which is updated for actuals throughout the year. However, the forecast horizon is not extended throughout the year. This means that in the latter months of the year, there is no cash flow beyond the end of the financial year until next year's forecast is produced for the budget in February. This could have the impact of not providing a cash planning horizon far enough ahead to react to unexpected cash flow challenges. While we acknowledge that regular financial monitoring and risk management partly mitigate this risk, we have included a recommendation that management perform cash flow forecasts on a rolling 12-month basis.

Achieving efficiency savings

The Authority has been working to deliver efficiency savings primarily through effective workforce management. Key ongoing projects include:

- Proposed changes to wholetime firefighters shift patterns
- On-call firefighter pay for availability
- Specialist rescue capability

Pay costs typically put the most pressure on the Authority's budget, and therefore we consider that it is right that most savings are generated from this area.

As mentioned above, the underspend of around £5 million in 2023/24 provides assurance that arrangements in place have been effective in generating efficiency savings.

2024/25 financial planning

The Authority discussed the 2024-25 budget book and MTFP at the Authority's budget meeting in March 2024. Two options were proposed. Option A was for no increase in council tax precepts, and Option B was for the maximum increase of 2.99%. Both were supported by earmarked reserves transfers, with Option B being for a lower amount. Option B was approved.

The Medium Term Financial Plan was updated and shows base, worst and best case funding scenarios. This indicates a potential funding gap of between £2.3m and £14.3m by 2028/29 depending on the level of Council Tax increases. A number of risks and assumptions have been built into the modelling, as well as a risk and assumptions glossary which highlights that key areas such as inflation and pay awards are significant assumptions. We consider that the assumptions included in the MTFP are reasonable and not overly optimistic.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Authority's financial sustainability arrangements. We have identified one recommendation which is further detailed in section 8.

6. Governance

We considered how the Authority ensures that it makes informed decisions and properly manages its risks, including how it:

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

Risk management

The Authority have a Corporate Risk Report which is presented to the Audit and Governance Committee every six months, and presented to the Executive team at each meeting. The Risk Report is a summary of the granular information included within their visualisation platform which enables the dynamic mapping of risks and actions.

For each risk, the grading is shown as red, amber, or green, depending on the severity of the risk and the mitigating actions required. The Authority track the actions and these are not signed off as completed until it can be evidenced by the risk owner.

The risk management system records the direction of travel for risks since the last reporting date. This is not directly reported to members of the Audit and Governance Committee, who are instead shown a de-escalation timeline for each risk. Members stated that they were happy that this was being captured within the narrative of the reporting.

The Authority have implemented an annual cycle of risk management training for Audit and Governance Committee members, along with their leadership teams and the wider organisation. This training is conducted in collaboration with the Devon Assurance Partnership to enhance awareness and discussions around risk and how it relates to individual job roles across the Authority.

The Authority's Governance structure is made up of the overall Fire Authority and seven sub-committees, each of which is chaired by a member of the Fire Authority. This allows for direct channels of communication between sub-committees and reporting which is accountable to the full Fire Authority meetings.

Internal control

Internal Audit is provided by the Devon Audit Partnership, who have a representative at each of the Audit and Governance Committee meetings to present any findings. The Audit and Governance Committee approves the annual Internal Audit Plan and is provided with updates on progress at each meeting.

The Head of Internal Audit's Opinion for 2023/24 was presented to the Audit and Governance Committee in March 2024 and provided the Devon and Somerset Fire Authority with a reasonable assurance opinion on the adequacy and effectiveness of the internal control framework.

Through our review of the Internal Audit reports, along with review the Audit and Governance Committee minutes and supporting documents, we have not identified any significant gaps in the assurance the Devon and Somerset Fire Authority receives over matters in the work programme.

The Local Counter Fraud Service (LCFS) is also provided by Devon Audit Partnership. There is a named Counter-Fraud Manager for the Devon and Somerset Fire Authority who is the main contact for all reporting of concerns relating to fraud, bribery and corruption.

During 2023-24, the Authority appointed two new Independent Members to the Audit and Governance Committee. This is in line with the CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022 which identified that all audit committees of local authorities should include co-opted independent members.

The Audit Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to both internal and external audit findings.

Budget setting and budgetary control

When undertaking budget setting, the Authority considers individual budget areas and their future needs. These plans are drawn together to form a full draft budget which is compared with expected income to assess the affordability of the budget. The Authority considers a wide range of scenarios for increases to Council Tax and the UK Government grant as part of the budget planning process.

Budget holders are regularly engaged with the Finance team and receive monitoring reports to review their financial performance.

Executive team meetings review monthly revenue and capital budget monitoring reports which provide detail on the budget variances which are occurring throughout the year. The reporting includes detail as to why the variances have arisen and how any assumptions have been made. The reporting also informs discussion points for items to be included in the Medium-Term Financial Plan process.

Our review of the Revenue and Capital Monitoring reports received at the Executive team meetings confirms that there is relevant non-financial information included, which helps to support the variances that are reported. The reporting to the Executive team includes appropriate detail which aids in effective decision making.

For further information on the budget setting cycle for 2024-25, please refer to our work on Financial Sustainability in section 5 of this report.

Decision making

From review of the information made available to us and the information displayed publicly, we are satisfied that appropriate arrangements are in place for relevant information to be accessed by decision makers before major decisions are made. Our review of meeting minutes evidences that there is sufficient challenge of information before decisions are made.

The Authority has implemented an internal 'Speak Up Guardians' scheme within 2023-24 to encourage a positive culture, whereby employees are trained to give confidential support and advice to members of staff who may get in touch with concerns when they feel unable to report through other means. The team then report quarterly to the Executive team to share common themes and areas for improvement. This is supplemented by an external reporting line, 'SafeCall', which is also available for staff to report concerns. The reporting from this line is directly issued to the Chief Fire Officer to be actioned.

Where the Authority is carrying out complex activities, we have reviewed the arrangements in place to confirm that they seek expert advice to aid their decision making.

Attendance at Audit Committee has confirmed that the Audit Committee holds officers and the Board to account and provides effective challenge.

Ensuring appropriate standards

We have been informed that there have been no instances of significant non-compliance within the year. Throughout our review, we have not identified anything that has contradicted this.

There has been no evidence identified to us which shows non-compliance with legislation and regulatory standards. The Authority have a Members Code of Conduct in place which sets out the principles of member conduct and specific obligations on members.

There is reporting to the Audit and Governance Committee on any data breaches which occur at the Authority. Our review of reporting has not identified any serious data breaches during the year.

The Authority's Strategy on the Prevention of Fraud and Corruption includes the requirements for the disclosure of gifts and hospitality. A record is kept of all gifts given and the type of gift and hospitality. Declarations of interest are held on the Authority's website for review by members of the public.

Prior year external audit recommendations

The predecessor auditor made recommendations for improvement in the Authority's governance arrangements in their 2022/23 Auditor's Annual Report. We have seen evidence that they have been actioned subsequent to the year end, and have therefore concluded them resolved in section 8.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Authority's governance arrangements.

7. Improving efficiency, economy and effectiveness

We considered how the Authority uses information about its costs and performance to improve the way it manages and delivers its services, including:

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

Assessing performance and evaluating service delivery

The Authority reports on its Key Performance Indicators quarterly at Fire Authority meetings, with a detailed assessment provided for all KPIs which require improvement alongside summary reporting of the status of all indicators which are near or on target.

Through the reporting of Key Performance Indicators to sub-committees, the reporting considers the strategic priorities and the actions required to deliver against them.

The Authority uses reporting from His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) to learn from best practice in other areas and to identify service improvements required which are monitored through action plans and subsequent implementation reviews.

The Authority undertakes annual benchmarking with the UK Fire Finance Network, involving data collection returns from each opted-in Authority to see a national picture and any ongoing trends. This allows the Authority to learn from other Fire Authorities and utilise the metrics alongside other relevant reporting from regulators such as His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

There is evidence that the Authority continues to review their service delivery and evaluate whether alternative, lower cost options exist. This can also result in the review of existing contracts to ensure value for money is achieved.

Internal Audit recommendations are provided to the Audit and Governance Committee meetings by Devon Audit Partnership. This reporting includes tracking of the recommendations made by Internal Audit and updates on prior year recommendations.

The Authority undertakes consultation on the proposed Council Tax Precept with key stakeholders and engages with the public on whether they feel the service provides value for money and is satisfied with the performance of the service.

Partnership working

The Authority works with the South Western Ambulance Service NHS Foundation Trust to co-respond to certain incidents with trained first responders. There are also several instances where the Blue Light services share premises which provides cost savings and efficiencies across the public sector. These arrangements are monitored through agreed contracts between the entities, which provide a clear basis for the services to be provided and costs incurred.

Commissioning and procuring services

The Authority has a Procurement Strategy in place which was published in March 2023 for the period 2023-2028. The strategy outlines the aims to meet procurement needs whilst implementing the Environmental Strategy and social governance responsibilities.

The service works alongside the National Fire Chiefs Council Commercial Function, the Network Fire Service Partnership, Bluelight Commercial and Crown Commercial Services to ensure efficient procurement.

There is no evidence that suggests the Authority is failing to operate a fair procurement exercise for significant contracts.

The Authority monitors the performance of service providers and takes action to resolve issue when they arise.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness.

8. Recommendations

KEY:




Recommendations that refer to issues that have resulted in a significant weakness in the Authority's arrangements.



Recommendations that should improve the arrangements in place at the Authority but are not as a result of identifying a significant weakness.


Current Year Issues


Cash flow forecast horizon	
	
<p>The Authority performs a 12-month cashflow forecast during the budgeting cycle, this is appropriately updated for actuals during the year. However, the horizon of this forecast is not extended during the year, meaning that at times during the year, the authority is not formally forecasting its cash flow beyond 2-3 months.</p>	<p><u>Recommendation</u></p> <p>We recommend that cash flow forecast horizons are updated monthly so that the authority always has 12-months sight of cash requirement.</p> <p><u>Management comment</u></p> <p>The Service forecast cash for a minimum of 6 months. The longer you extend this, the less certain the forecast becomes. The Treasurer is comfortable with this position.</p>

Prior Year Issues reported by the predecessor auditor

The below issues for follow-up were raised by the Authority's predecessor auditor (Grant Thornton) in the Auditor's Annual Report for 2022-23.

Resolved:

Governance and Informed Decision Making	
	
<p>Previous finding:</p> <p>The Authority's decision-making process is supported through delegated responsibility to the Audit and Governance Committee, the People Committee and its Resources Committee. The Authority relies on the reporting of minutes from these meetings to gain assurance that issues are being considered.</p> <p>We recommend that a summary performance report, similar to the one taken to the Executive Board arising from the business of its Senior Leadership Team (SLT), is taken to each Authority meeting so the Authority has full oversight of key performance and financial issues.</p>	<p><u>2022-23 Management comment</u></p> <p>Recommendation accepted in full and will be implemented as soon as possible once visualisation solution has been finalised. Expected no later than April 2024.</p> <p><u>2023-24 Management comment</u></p> <p>The KPI's are now reported to the Fire Authority as well.</p> <p><u>Bishop Fleming conclusion 2023/24</u></p> <p>Summary performance reports are now provided to the main Authority. We consider the matter to be resolved.</p>

Standards of Behaviour	
	
<p>Previous finding:</p> <p>We could not evidence from the Authority's website that some of its key policies had been reviewed or updated recently – for example Anti-Fraud and Whistleblowing policies.</p> <p>The Authority should ensure that its key governance policies are reviewed and updated on at least a biennial basis.</p>	<p><u>2022-23 Management comment</u></p> <p>Recommendation accepted in full and will be implemented as soon as possible. Expected no later than April 2024.</p> <p><u>2023-24 Management comment</u></p> <p>The policies were reviewed and amended where necessary.</p> <p><u>Bishop Fleming conclusion 2023/24</u></p> <p>We have reviewed policies on the Authority's website and noted that many have been reviewed and updated including the specific examples identified by the previous auditors. We are therefore satisfied that this recommendation is resolved.</p>



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