

Audit Progress Report and Sector Update

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

January 2019



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Introduction



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

The paper also includes:

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

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

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

Progress at 7 January 2019

2017/18 Audit

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

We issued:

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

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

2018/19 Audit

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

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

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

Other areas

Meetings

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

Events

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

Audit Deliverables

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

Sector Update

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

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

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

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

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

HMICFRS News

HMICFRS Inspection – summary of First Tranche

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

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

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

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

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

HMICFRS Inspection - Findings

Effectiveness

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

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

Efficiency

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

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

People

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

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

HMICFRS News

NFCC responds to the new fire inspectorate report

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

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

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

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

Recommendations from the new fire inspectorate report

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

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

The full report can be accessed by clicking on the cover



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

How fire trading companies can combat austerity

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

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

The report found that the most successful FTCs are not just financially sustainable but are also providing social value and wider benefit to their local communities. They tend to be larger companies who understand the commercial market in which they operate, are able to capitalise on their specialist skills and are looking for ways to expand and widen their activities.

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

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

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

Setting up a fire trading company

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

Maintaining success

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

The full report can be accessed by clicking on the cover



Home Office news



Home Office

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

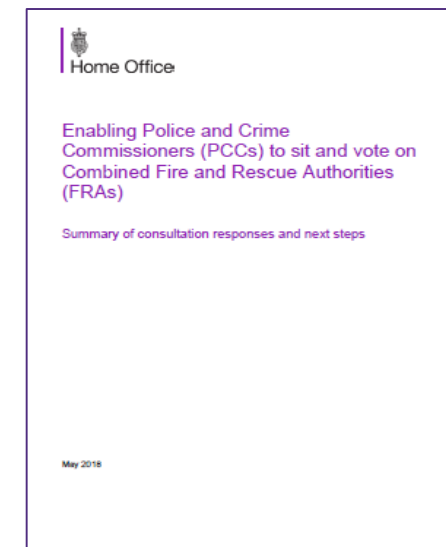
The Home Office has summarised the consultation responses and next steps in respect of the proposal to vary the combination schemes of Combined Fire and Rescue Authorities (FRAs).

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

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

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

The full report can be accessed by clicking on the cover



Independent Review of Building Regulations and Fire Safety: final report

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

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

- a) Ignorance** – regulations and guidance are not always read by those who need to, and when they do the guidance is misunderstood and misinterpreted.
- b) Indifference** – the primary motivation is to do things as quickly and cheaply as possible rather than to deliver quality homes which are safe for people to live in. When concerns are raised, by others involved in building work or by residents, they are often ignored. Some of those undertaking building work fail to prioritise safety, using the ambiguity of regulations and guidance to game the system.
- c) Lack of clarity on roles and responsibilities** – there is ambiguity over where responsibility lies, exacerbated by a level of fragmentation within the industry, and precluding robust ownership of accountability.
- d) Inadequate regulatory oversight and enforcement tools** – the size or complexity of a project does not seem to inform the way in which it is overseen by the regulator. Where enforcement is necessary, it is often not pursued. Where it is pursued, the penalties are so small as to be an ineffective deterrent.

Recommendations

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

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

Whilst the recommendations in each chapter are crucial, in isolation they will fail to achieve the systemic change sought. The framework operates as a mutually reinforcing package and requires the implementation of its interdependent components in order for this to be achieved. The report concludes that it is therefore important that government develops a joined-up implementation plan to provide a coherent approach to delivering the recommendations in this report.

The full report can be accessed by clicking on the cover





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