



KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Meeting of the Audit and Governance Committee

Thursday, 20 April 2023

10.30am

AGENDA

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Thursday, 20 April 2023 at 10.30am
held at Kent Fire and Rescue Service
HQ, The Godlands, Straw Mill Hill Tovil,
Maidstone, ME15 6XB

Ask for: Marie Curry
Telephone: (01622) 692121

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

A Routine Business

- A1. Chair's Announcements *(if any)*
- A2. Declarations of Interests in Items on this Agenda
- A3. Membership Changes and Apologies for Absence
- A4. Minutes of the Committee meeting held on 28 November 2022 *(for approval)*

B For Decision

- B1. Corporate Risk Register
- B2. External Auditors Draft Audit Plan for 2022/23
- B3. External Auditors Audit Risk Assessment for 2022/23
- B4. Internal Audit Plan for 2023/24 and Audit Charter
- B5. Treasury Management Update for 2022/23
- B6. Appointment of an Independent Member

C For Information

- C1. Internal Audit Progress Report 2022/23

D Urgent Business *(Other Items which the Chairman decides are Urgent)*

E Exempt Items *(At the time of preparing this agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public).*

Marie Curry
Clerk to the Authority

6 April 2023

Please note that any background papers referred to in the accompanying reports may be inspected by arrangement with the Lead/Contact Officer named on each report.

This page has been left blank

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

MINUTES of the Meeting of the Audit and Governance Committee held on Monday, 28 November 2022 at Kent Fire and Rescue Service Headquarters, The Godlands, Tovil, Maidstone, Kent, ME15 6XB.

PRESENT: - Mr P Cole, Mr N Collor, Ms S Hudson, Mr V Maple, Mr C Simkins, Mr M Sole and Mr S Tranter.

APOLOGIES: - Mr A Booth, Mr P Harman and Ms C Parfitt-Reid.

OFFICERS:- The Chief Executive, Miss A Millington QFSM; the Director, Finance and Corporate Services, Ms A Kilpatrick; Director Prevention, Protection, Customer Engagement and Safety, Mr J Quinn; Director Response and Resilience, Mr R Rist; Assistant Director, Operations, Mr M Deadman; Head of Finance, Treasury and Pensions, Mrs N Walker; Head of Finance, Treasury and Pensions, Mr B Fullbrook and the Clerk to the Authority, Mrs M Curry.

ALSO IN ATTENDANCE: - Mr P Cuttle, Grant Thornton and Ms F Smith, Kent County Council (KCC) Internal Audit.

UNRESTRICTED ITEMS

14. Chair's Announcements

(Item A1)

- (1) The Chair welcomed Paul Cuttle from Grant Thornton to the meeting
- (2) The Chair welcomed Frankie Smith from KCC Internal Audit to the meeting.

15. Membership

(Item A2)

- (1) The Chair welcomed Mike Sole to his first meeting of this Committee.
- (2) The Chair, on behalf of the Committee, gave thanks to Dan Daley for his hard work and dedication not only to this Committee but to the Authority following his recent announcement to stand down.

16. Minutes

(Item A3)

- (1) RESOLVED that:
 - (a) The minutes of the Audit and Governance Committee held on 22 September 2022 be signed as a true and correct record.

17. Update on Statement of Accounts and Letter of Representation for 2021/22

(Item B1 – Report by Director Finance and Corporate Services)

- (1) The Committee considered a report on the Financial Statements for 2021/22, the audit work that has been undertaken to date as well as the Letter of Representation for 2021/22.
- (2) The Committee requested that the wording within Recommendation 2 of the report be amended (shown in bold) to the following:

*'agree that if any material issues arise in the Financial Statement that **have a major financial impact** to the draft Financial Statements, then an urgent meeting of this Committee will be arranged'.*

- (3) RESOLVED that:
- (a) any minor changes to the draft Financial Statements can be agreed by the Director, Finance and Corporate Services, in consultation with the Chair of this Committee, be approved.
 - (b) any material issues that arise in the Financial Statements that have a major financial impact to the draft Financial Statements, then an urgent meeting of this Committee will be arranged.
 - (c) the draft Letter of Representation in relation to the 2021/22 accounts, as attached at Appendix 1 to the report, be approved.

18. External Auditors' Findings Report 2021/22

(Item B2 – Report by Director Finance and Corporate Services)

- (1) The Committee considered the External Auditors Audit Findings Report in relation to the 2021/22 financial year, in accordance with the requirements of the International Standard on Auditing (UK and Ireland). Mr Paul Cuttle from Grant Thornton, introduced the Audit Findings Report and advised Members that: -
- (a) At the time of drafting the report, there are still several areas that are yet to be concluded in their review, details of which are outlined in Appendix 1 to the report.
 - (b) the External Auditors, subject to completing the outstanding work, expect to issue an unmodified audit report in respect of the Authority's Financial Statements for 2021/22.
 - (c) the External Auditors are yet to complete all of the Value For Money (VFM) work so are not in a position to issue the Auditors' Annual Report. This is expected to be issued by 28 February 2023. This is in line with guidance issued by the National Audit Office, details of which are contained within Appendix 1 to the report.
 - (d) Following a discussion around the increased challenge of assessing valuations against specialised assets and the need for more detailed information to be provided to the Auditors to support their audit, Mr Maple asked whether there was any learning for this Authority in terms of being better prepared and armed with the correct information in advance. In response the Director Finance and Corporate Services agreed and said that now there is that understanding of what type of information is required to support valuations the team can ensure that this is obtained and supplied in advance.
 - (e) The Committee provided their thanks to Paul Cuttle and the External Auditors for the work they have undertaken whilst recognising the difficulties they have faced in doing so. In response Paul Cuttle thanked Members for their comments and also added his thanks to the Director Finance and Corporate Services and her Finance Team for the good quality of workings that were produced. He added that it was unusual for Authorities' Audit Adjustments to be just on one page with very few issues raised.
- (2) RESOLVED that:
- (a) the matters raised in the annual Audit Findings Report for 2021/22, be approved.
 - (b) the remaining contents of the report be noted.

19. Audit Committee Update

(Item B3 – Report by Director Finance and Corporate Services)

- (1) The Committee considered a report on the recent review that CIPFA has undertaken with regards to the documentation that supports Audit Committees within the Public Sector which included a new Position Statement, as attached at Appendix 1 to the report.
- (2) The Committee also considered an update on the progress made on the procurement exercise undertaken by the Public Sector Audit Appointments (PSAA) for the appointment of the Authority's External Auditor from 1 April 2023, details of which are attached at Appendix 2 and 3 to the report.
- (3) Mr Tranter said that he fully supports the recruitment of an Independent Member to join the Audit and Governance Committee to ensure that there is that separate voice to which Mr Maple supported.
- (4) RESOLVED that:
 - (a) the new Position Statement issued by CIPFA, as attached at Appendix 1 to the report, be noted.
 - (b) a recommendation be given to the Authority on the recruitment of an Independent Member to sit on the Audit and Governance Committee, be approved.
 - (c) the appointment of Grant Thornton as the Authority's External Auditors, be approved in principle.

20. Corporate Risk Register

(Item B4 – Report by Director Finance and Corporate Services)

- (1) The Committee considered the latest update on the Corporate Risk Register.
- (2) RESOLVED that:
 - (a) the amendment to the Risk Register as shown in Appendix 1 to the report, be approved.
 - (b) the addition of a new risk to the Register in relation to the heavy fleet and vehicle servicing maintenance function being brought in-house, be approved.
 - (c) The contents of the report be noted.

21. Treasury Management and Investment Strategy 2023/24 – 2026/27

(Item B5 – Report by Director Finance and Corporate Services)

- (1) The Committee received the draft Treasury Management Strategy for the 2023/24 financial year to considered prior to this being presented to the Authority meeting in February 2023.

(2) RESOLVED that:

- (a) the Treasury Management and Investment Strategy for the 2023/24 financial year, be approved in principle.

22. Internal Audit Mid-Year Update 2022/23

(Item C1 – Report by Director Finance and Corporate Services)

- (1) Ms F Smith from KCC Internal Audit, introduced for Members' consideration, the Internal Audit Mid-Year report. The report provided an update on the progress undertaken to date in relation to the 2022/23 Audit Plan which was agreed by Members back in April.
- (2) In response to a question raised by Mr Cole around fraud and security breaches resulting in the need to change passwords, Ms Smith responded by saying that if such situations arose, then Internal Audit, alongside Officers of the Authority would work closely with KCC's Counter Fraud Team on the best course of action needed to address the issue in question.
- (3) RESOLVED that:
 - (a) The contents of the report be noted.

By: Director Finance and Corporate Services
To: Audit and Governance Committee – 20 April 2023
Subject: CORPORATE RISK REGISTER
Classification: Unrestricted

FOR DECISION

SUMMARY

The Audit and Governance Committee last received an update on the Corporate Risk Register at its November 2022 meeting. This report now provides an update of progress made against action plans and any changes to risk likelihood or Impact on the Corporate Risk Register since that meeting.

Members can be assured that good progress continues to be made on a number of action plans, which will help mitigate or reduce respective potential risks.

RECOMMENDATIONS

Members are requested to:

1. Agree amendments to the Corporate Risk Register as shown in **Appendix 1** (paragraphs 4 to 18 refers).
2. Note the content of the report.

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions – Nicola Walker
TELEPHONE NUMBER: 01622 692121 ext.: 6122
EMAIL: Nicola.walker@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. Members last received an update on the Corporate Risk Register at the November 2022 Audit and Governance meeting. Since then, good progress has been made on a number of action plans, which will help mitigate or reduce the respective potential risks going forward. Corporate Management Board regularly monitor and review the Corporate Risk Register to ensure it is up to date and relevant.
2. A Corporate Risk Register update is presented to this Committee twice a year, usually to the April and the November/December meeting. However, the Corporate Risk Register is held under regular review and if new risks or significant changes are identified then an update will be provided to Members at the next meeting of this committee.
3. Detailed below in the following paragraphs are the changes that have occurred since this Committee last reviewed the Register, alongside where relevant, an update on the action plans to mitigate the highlighted risks. A full Risk Register is attached at **Appendix 1** for Members' information and approval.

Summary of Progress

4. **Risk 1** – The likelihood of industrial action has been adjusted down to 'fairly unlikely' following the latest pay offer made in the national pay negotiations. However, we continue to mitigate for any potential industrial action through our Industrial Action Business Continuity planning arrangements and degradation procedures. A walkthrough of those activities has been completed and the Plan continues to be regularly reviewed.
5. **Risk 2** – The annual audit took place in November 2022; regular supplier meetings and the monitoring of Government guidance continues. Procurement is continuously tracking our supply chains for any interruptions or impact because of COVID/Brexit recovery and the impact of the Ukraine conflict. This will be an ongoing action as part of our category management approach.
6. **Risk 3** – A no-notice evacuation exercise was carried out in January 2023. The key outcome was that the secondary mobilising systems were tested and found to be operationally resilient. A second no notice evacuation is scheduled to take place imminently which Kent Police are invited to attend. It is anticipated that the relocating of Control later this year will enable KFRS to carry out regular and scheduled

evacuation exercises in isolation which will provide further confidence in the resilience around secondary mobilising systems.

7. **Risk 4** – The Medium-Term Financial Plan (MTFP) was recently reviewed in line with the budget setting process and presented to the Authority in February for their agreement. The Fair Funding review is now not expected until at least 2025/26 and it is hoped that transitional arrangements would be made for any significant funding changes. At the time of writing, we are awaiting confirmation of the 2023/24 New Dimensions Grant allocations, which if the grant is reduced, in-year budget savings may need to be identified to cover any shortfall.
8. **Risk 5** – We are currently working through an Operational Information Note (OIN) which sets out guidance in relation to addressing a significant incident in relation to a serious injury or fatality to a KFRS colleague. This will align to existing KFRS plans including the Health & Safety Framework. Once the plan is finalised, we will be looking to undertake an exercise/walkthrough to test the plan.
9. **Risk 6** - This is considered and reviewed as part of the annual budget build and regular reviews of the MTFP. We have recently responded to the Provisional Local Government Finance settlement proposal and will continue to participate in responding to all government consultations. The Finance Settlement for 2023 resulted in another one-year settlement and not a multi-year settlement as had been hoped for, which inevitably would provide a greater level of stability. The ongoing economic environment continues with the uncertainty around the Authority's medium-term funding which is reflected in a likelihood of 'Fairly likely' on the risk register.
10. **Risk 7** –Current economic issues have seen the government prioritise the need to stabilise the economy and it appears that local government reforms have been put back to future years. The Authority continues to maintain earmarked reserves to cover the initial budgetary shortfall for unfunded losses or costs, although longer term savings would need to be identified in the MTFP if these losses/costs were ongoing. Due to the increasing rises in the utility price cap, the Property Team are in the process of procuring access to our utility provider's Bureau Management Solution to give intricate portfolio and site level reports from live data. This will improve Property Services ability to implement targeted strategies to reduce consumption, flag metering and usage issues early and feed data to the Climate Action plan.
11. **Risk 8** – The CRM/PRM project addresses this issue. The expected project completion date remains as December 2024, but mitigation of this risk is already evident as the system implementation progresses. The Risk Information Team, Building Safety Team, and Stations use the Dynamics System however the project is currently in a rework phase to improve the user experience and standardise environments. Work has started on the Customer Safety Team implementation, with a benefits workshop held in

January 2023. This will progress in parallel to targeting specific areas of Dynamics functionality that will support the Customer Safety implementation, further improve the user experience, support collaborative working and enable KFRS to maximise the use of Dynamics. Foundations have also been put in place for read only Dynamics on Companion Devices.

12. **Risk 9** – We continue to monitor delivery arrangements to ensure they are in line with contracts and that Partners and Stakeholders expectations are defined at the outset of a contractual arrangement.
13. **Risk 10** – An additional action has been added to review impacts of a National Power Outage (NPO) on KFRS. This will test our planning arrangements, current mitigation measures in place and identify what additional work is required to ensure continued delivery of our mission critical services.
14. **Risk 11** - The Fire Safety England Regulations 2022 came into effect in January 2023. We continue to work with the National Fire Chiefs Council and Health and Safety Executive on the implementation of the new legislation. This includes mapping out our processes, consulting with stakeholders and increasing training requirements to enable compliance to be achieved in line with the guidelines.
15. **Risk 12** – The economic environment continues to experience high inflation resulting from price increases for many goods and services. The Authority continues to review reserves and look for long term savings within the MTFP to fund the on-going costs.
16. **Risk 13** – Some tax guidance has been released, which will be effective from 1 April 2023. However final scheme guidance is still awaited and is not likely to be confirmed until September 2023. Regular presentations and workshops have taken place at stations and updates have been provided on the weekly internal communication emails and the One Team updates. We also continue to provide pension workshops to assist colleagues. Local Pension Partnership (LPP) are currently undertaking a data collection exercise and a listing of all ill health retirements since April 2015 has been submitted to the assessor for reassessment under McCloud. LPP will be providing KFRS with a more detailed McCloud project plan within the next couple of weeks detailing some important time frames to ensure the outcomes of the McCloud remedy can be delivered within the defined timescales.
17. **Risk 14** – Although the likelihood is still fairly likely, we have completed the following to reduce any potential impact: - Cyber Resilience Plan, IT Cyber recovery arrangements and prevention strategies review, IT security review, colleague training implemented and assurance on Cyber Resilience sought through KFRS Internal Audit. We are also working towards the NFCC Cyber Fire Standard 2023 to ensure this aligns with our

own Cyber Incident Response plan. The Home Office have obtained funding over the next 3 years, to assess FRS IT infrastructures.

18. **Risk 15** – The CTS Vehicle Services fleet maintenance function is being brought in-house from 1 April 2023. The following actions have been added to the Corporate Risk Register to address any potential risks:
- Workshops have been undertaken to clarify issues and create an action list to enable the streamline transfer of bringing the service in-house.
 - Resolve primary gaps in body repairs and fire pump repairs. This could include acquiring chassis servicing functions from chassis manufacturers.

IMPACT ASSESSMENT

19. Officers regularly review the action plans that underpin each corporate risk to ensure wherever possible the risk is either minimised or mitigated. The risks are regularly reviewed and overseen by Corporate Management Board and by the relevant Strategic Board. This report shows that the Authority considers the assessment of risk as a key part of the governance of the Authority.

RECOMMENDATIONS

20. Members are requested to:
- 20.1 Agree amendments to the Corporate Risk Register as shown in **Appendix 1** (paragraphs 4 to 18 refer).
- 20.2 Note the content of the report.

This page has been left blank

Summary Risk Register

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
1	IF the Authority is affected by prolonged industrial action THEN an effective emergency response wouldn't be maintained	Major Loss of life or property	AD Resilience	Highly Likely Fairly unlikely	Significant	Material	Increase in risk Significant Reduction	Review Industrial action BC plan and update	Completed
		Fines or claims against the Authority						Provide refresher training to officers in appliance equipment etc.	Completed
		Increased financial costs						Fortnightly Industrial Action Working Group meetings to ensure mission critical functions are protected	Completed
		Public and media condemnation of the Service						Industrial Action BC Plan scenario walk through	Completed
		Government intervention in the management of the Service							

2	<p>IF sufficient firefighting equipment PPE and vehicles of the required standard was unavailable as required THEN an effective emergency response could not be provided</p>	Major Loss of life or property	AD Response	Very Unlikely	Catastrophic	Severe	<p>Reduction in risk No change</p>	Review and test Disaster Recovery arrangements for current contract	Completed	
		Fines or claims against the Authority						Public and media condemnation of the Service	Annual Audit Held and regular meetings established with incumbent supplier, with regard to operational continuity of supply of good and services.	In Progress
		Increased financial costs								
		Government intervention in the management of the Service								

3	<p>IF the arrangements for mobilising emergency resources failed THEN an effective emergency response couldn't be maintained</p>	Major Loss of life or property	Dir Resp & Res	Fairly Unlikely	Critical	Material	No Change	Test system failure plans	Completed
		Fines or claims against the Authority						Identify key person weaknesses and address skill deficiency	Completed
		Increased financial costs						No notice evacuation exercise to include invite to Kent Police	In Progress
		Public and media condemnation of the Service						Carry out regular, scheduled evacuation exercises to provide further confidence in the resilience around secondary mobilising systems.	Not yet started
		Government intervention in the management of the Service							
4	<p>IF Finance for externally funded services is withdrawn THEN the Authority will have to absorb existing staff over a short period</p>	Public condemnation of the Service	AD Response, AD Resilience	Highly Likely	Significant	Material	<p>Increase in risk No change</p>	Consider possibility of utilising earmarked reserves in short term. In the longer term establishment levels will be considered against recruitment needs.	In Progress
		Criticism from Fire Service inspectorate							
		Adverse media comments						Review overhead costs and scale back accordingly	In Progress
		Legal action against the Authority							

5	<p>IF an employee is seriously injured/killed in any area of activity THEN a series of formal investigations will be instigated</p>	Disruption at senior management level	All Directors	Fairly Unlikely	Critical	Material	No Change	Review of service guidance on Serious Injury or Death in Service and how this links to our Health & Safety Framework	Ongoing
		Enforcement action against the Authority						Exercise a significant safety event/injury scenario	
		Claims against the Authority							
		Resignation or dismissal of senior staff							
6	<p>IF the government's funding plans (funding formula/Spending Review) disadvantage KFRS THEN its MTFP will be compromised</p>	Further savings would be required	Dir Finance & Corp Serv	Fairly Likely	Significant	Material	No Change Minor reduction	Regular reviews of the MTFP	In Progress
								Respond to any consultation document issued.	In Progress
7	<p>IF the Authority suffers a major unfunded loss/cost THEN additional in year savings would be required</p>	Delay in delivering projects and investments	Dir Finance & Corp Serv	Fairly Likely	Significant	Material	No Change	Explore the potential use or earmarked reserves in the short term. Establish if new in year savings could be generated.	In Progress
		A reduction in reserves							
		Further savings required						Explore the potential of utilising Smart Meter data to monitor utility usage across KFRS estate	In Progress

8	<p>IF customer and premises information cannot be made available to operational staff THEN there is an increased risk that an inappropriate response to an emergency might be delivered</p>	Increased health and safety risk to staff and customers	Dir Resp & Res	Fairly Unlikely	Significant	Material	No Change	CRM/PRM project in progress to address this	In Progress
		Adverse comments from public and media						MDT replacement project in progress	Completed
		Legal action against the authority							
		Intervention by HSE or other agencies							
9	<p>IF a Kent run major procurement arrangement fails to meet expectations THEN partners' trust and reliance of the Authority will be damaged</p>	Credibility affected, which may have an impact in future on leading other national collaborative procurement projects.	Dir Finance & Corp Serv	Fairly Unlikely	Significant	Material	No Change	Clarify expectations at the outset with partners/ stakeholders	In Progress
		Higher procurement costs						Establish clear mechanisms to monitor delivery of arrangements	Completed
		Legal action against the Authority						Review and improve standard terms and conditions	Completed

10	<p>IF the Authority is unable to maintain mission critical services following an external disruption THEN the Authority could fail to meet its statutory duties</p>	Loss of Staff - Short Term or Long Term	AD Resilience	Fairly Unlikely	Significant	Material	No Change	Transport disruption planning to be completed as part of EU exit preparation	Completed
		Loss of Premises - including access to site						Annual exercise completed and learning identified	Completed
		Loss of Information and Communication Technology (ICT) services						Review section business impact analysis	Completed
		Loss of Utilities							
		Loss of critical suppliers/contractors							
		Loss of vehicles and essential equipment							
		Transport disruption-including severe weather						Review impacts of National Power Outage (NPO) on KFRS	In Progress
		Shortage of fuel supply							

11	IF changes to the Fire Safety Order and the creation of the Building Safety Regulator require changes THEN the Authority will need to review working practices and staffing levels.	Increased financial costs	Dir Prev, Protec	Fairly Likely	Significant	Material	No Change	Monitor the progress of the Fire Safety Act 2022 and Building Safety Bill 2022	In Progress
		Public dissatisfaction with the Service						Work with the NFCC and HSE on the implementation of the new legislation	
12	IF costs increase as a result of legislative changes THEN the Authority's MTFP will be compromised.	Increased financial costs	Dir Finance & Corp Serv	Highly Likely	Significant	Material	Increase in Risk No Change	Consider possibility of utilising earmarked reserves in short term. In the longer term a higher level of savings will need to be identified.	In Progress
		Further savings required						Keep a watching brief for legislation changes	In Progress
		A reduction in reserves						Request a revised pension report to understand the increased pension liability	Completed

13	<p>IF there is a delay in the release of the technical guidance to support the recent legal ruling in relation to the McCloud pension case THEN the Authority could be subject to legal challenge.</p>	Public /union and staff dissatisfaction with the service.	<p>AD People & Learning Dir Finance & Corp Serv</p>	Fairly Likely	Minor	Material	<p>Reduction in risk No change</p>	Remain engaged and maintain awareness of progress by the Scheme Advisory Board	In Progress
		The exit of significant staff and loss of expertise						Engage with other FRS' to consider necessary approach	In Progress
		Legal action against the Authority						Ensure communication takes place to all those affected	In Progress
								Ensure we are fully prepared to deliver outcomes when the guidance is available	In Progress
14	<p>IF the Authority suffers a cyber-attack THEN it may not be able to perform its statutory duties and recovery may be protracted</p>	Major Loss of life or property	Dir Finance & Corp Serv	Fairly Likely	Significant	Material	<p>Reduction in risk No change</p>	Started at level 2 BC issue and small working team to monitor	Completed
								Implemented additional Cyber Protection measures	Completed
								Agree Cyber SPOC	Completed
		Loss of Information and Communication Technology (ICT) services						Communicate to all users about cyber security	Completed
								Draft a new cyber security incident response plan	Completed
								Review IT related mission critical activities	Completed
		Increased financial costs						Check we are in line with published KRF cyber-attack response plans	Completed

								Carry out a Cyber Attack Critical scenario walkthrough	Completed
		Public dissatisfaction with the Service						Identify a summary of actions and work to be completed	In Progress
								Future programme of data and cyber security reminders to be released periodically for 6 months commencing 1 March 2022	In Progress
								Complete Data Protection impact assessments where necessary	In Progress
								Work to NFCC Cyber fire Standard 2023	In Progress
15	IF the contracted fleet workshop provision is not available THEN it may not be possible to maintain frontline heavy fleet (fire engines) to a working and legally compliant standard.	Major Loss of life or property	AD Response, Operational Response	Fairly unlikely	Critical	Material	New Risk	Consider options to outsource the capability to another supplier/ suppliers	Completed
		Unable to attend incidents with appropriate vehicles						Bring the capability in house	In Progress
		Failure to meet legal obligations						Identify workshop issues and action list as a result of transfer in house	In Progress

		Public dissatisfaction with the Service						Resolve primary gaps in body repairs and fire pump repairs	In Progress
--	--	---	--	--	--	--	--	--	-------------

By: Director of Finance and Corporate Services
To: Audit and Governance Committee - 20 April 2023
Subject: EXTERNAL AUDITORS DRAFT AUDIT PLAN FOR 2022/23
Classification: Unrestricted

FOR DECISION

SUMMARY

In preparation for the External Auditor's review of the 2022/23 accounts, members are presented at this meeting, with the External Auditors Draft Audit Plan for the 2022/23 financial year and a summary of the key areas which the Auditors are required to review, to ensure compliance with auditing standards.

The scope of the audit is set in accordance with the Code of Audit Practice and the International Standards on Auditing (ISAs) (UK), and the Auditors will be expressing, at the end of their review, an opinion on the Financial Statements for 2022/23 and will comment on the Value for Money arrangements that are in place in their Annual Audit Report to the Authority. A representative of Grant Thornton will be attending this meeting to present their plan for the year.

RECOMMENDATIONS

Members are requested to:

1. Consider and approve the External Auditor's Draft Audit Plan for 2022/23 (paragraphs 2 to 4 and **Appendix 1** refer).

LEAD/CONTACT OFFICER: Director Finance and Corporate Services - Alison Hartley

TELEPHONE NUMBER: 01622 692121 ext. 8262

EMAIL: alison.hartley@kent.fire-uk.org

BACKGROUND PAPERS: None

COMMENTS

Background

1. Usually at this time of year, Members will be aware that the External Auditors present those charged with governance, their plan of work to address and review the final accounts for the year just ended. This year is no different in that respect, and as such details on the plan are set out in the paragraphs that follow.

Audit Plan for 2022/23

2. At this time of year, the External Auditors prepare their Draft Audit Plan for the year ended 31 March 2023. The Plan outlines their strategy in delivering the audit, ensuring that it reflects recommended practice. The Plan therefore covers the following areas: -
 - (a) **Key matters** - Sets out the external factors that need to be taken into account when undertaking the Audit;
 - (b) **Introduction and headlines** - This section sets out the Audit risk based approach from an understanding of the Authority's business. It identifies the Auditing standards under which the Audit will take place and the information that Grant Thornton will be expressing an opinion on;
 - (c) **Significant Risks** - This section considers significant potential risks with some of the areas of focus being nationally prescribed. The Auditors will examine any that may be significant in nature and those that have a potential to be mis-stated in the final accounts;
 - (d) **Materiality levels** - Here the Auditors set out what they consider to be the value of materiality variances, as well as setting the level for those adjustments that are considered to be trivial in nature, for the purposes of the audit;
 - (e) **IT Audit Strategy** – Here the auditors are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement.
 - (f) **Value for Money (VFM) arrangements** - Here the Auditors explain the approach on which they will assess their value for money work for 2022/23, as defined by the National Audit Office Code;

- (g) **Audit Fees** – This section sets out the proposed external auditors fee for the work they propose to undertake in reviewing the 2022/23 financial statements and their value for money assessment.
- 3. The Draft Audit Plan for 2022/23 is attached at **Appendix 1** for Members' consideration and approval.
- 4. Once the External Auditors have concluded their review of the Financial Statements and discussed it with officers, they will present their Audit Findings Report to the Audit and Governance meeting in September. This will reflect any issues arising from the audit and their anticipated opinion on the accounts for 2022/23. As part of the new regulations implemented last year the value for money conclusion will form part of the Auditor's Annual report that will be presented to members at a future Authority meeting.

IMPACT ASSESSMENT

- 5. This audit update provides further assurance for Members that the Authority is complying with all the necessary statutory reporting requirements. The assessments of both the Financial Statements and the Value for Money conclusion will involve close scrutiny of processes and documented evidence.

RECOMMENDATIONS

- 6. Members are requested to:
 - 6.1 Consider and approve the draft External Audit Plan for 2022/23 (paragraphs 2 to 4 and **Appendix 1** refer).

This page has been left blank

Kent and Medway Fire and Rescue Authority audit plan

Year ending 31 March 2023

April 2023



Contents



Your key Grant Thornton team members are:

Paul Cuttle

Director

T 020 7728 2450

E paul.cuttle@uk.gt.com

Trevor Greenlee

Audit Manager

T 01293 554 071

E trevor.Greenlee@uk.gt.com

Ebenezer Awudi

In-charge

T 020 7184 4525

E Ebenezer.YT.Awudi@uk.gt.com

Section	Page	
Key matters	3	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.
Introduction and headlines	4	
Significant risks identified	6	
Other matters	9	
Our approach to materiality	10	
IT Audit Strategy	12	
Value for Money Arrangements	13	
Audit logistics and team	14	
Audit fees	15	
Independence and non-audit services	17	
Communication of audit matters with those charged with governance	18	

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Key matters



National context

Funding for public sector bodies continues to be stretched. This includes the impact of significant recent inflationary pressures including higher energy costs, increased pay demands, higher agency costs and increases in the costs of supplies and services. Nationally our recent value for money work has highlighted a number of governance and financial stability issues indicating the pressures faced by organisations in continuing to deliver services whilst also making savings and managing transformation.

Financial management

The Authority continues to have a good record for financial management. In 2021/22 the final outturn on the revenue budget was a net underspend of £1.707m against a net budget of £71.573m. However, it faces increasing financial pressures in 2022/23. The most recently reported forecast (to month 9) is for a net overspend of £0.424m against a budget of £77.429m. This reflects cost pressures on both pay and non-pay budgets, with pay settlements for some categories of staff still to be agreed.

The Authority continues to have a robust medium term financial planning framework (MTFP). The MTFP covers a four year period and was most recently updated in February 2023. There is a balanced plan for 2023/24 and 2024/25 with base budget savings of £907k required across the two remaining years of the plan period. The Authority is forecasting total general and earmarked reserve balances of £34.550m at 31.3.23 and £18.367m at 31.3.27.

The Authority continues to have a significant capital programme, with forecast capital expenditure of £5.349m in 2022/23 and £40.224m across the lifetime of the MTFP.

Our Responses

As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, reflects this commitment.

We will consider your arrangements for managing and reporting your financial resources, for governance and for improving economy, efficiency and effectiveness when completing our Value for Money work.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Kent and Medway Fire and Rescue Authority ('the Authority') for those charged with governance.

Respective responsibilities

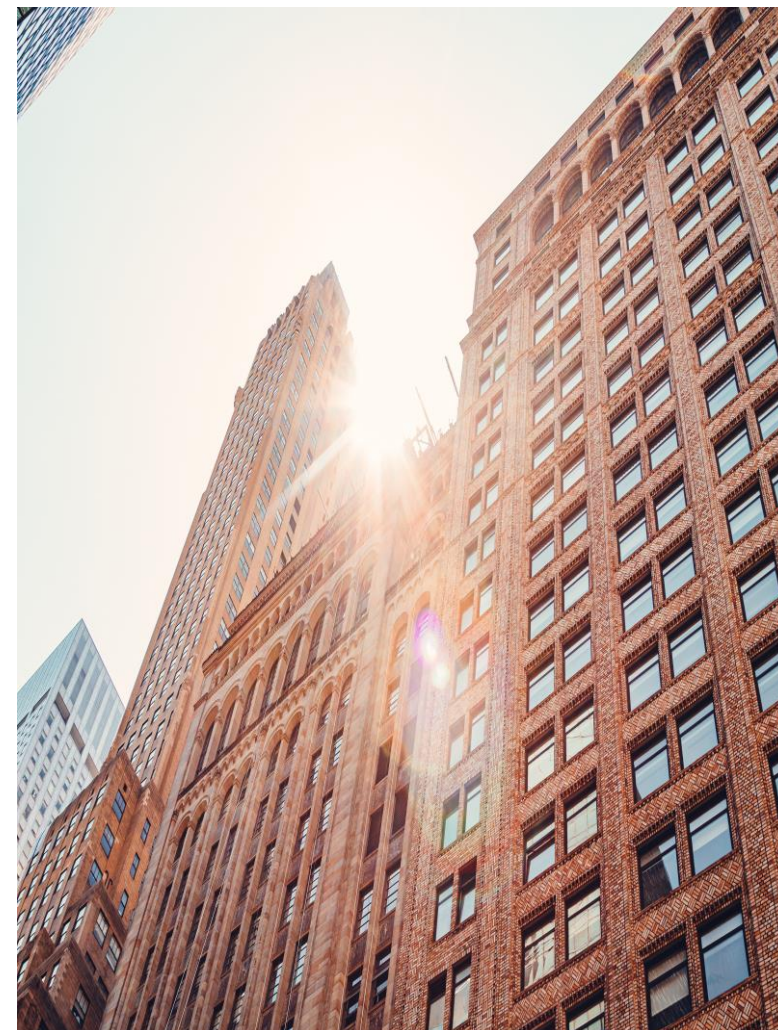
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Authority. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee), and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Fraud in expenditure recognition
- Valuation of net pension liability
- Valuation of land and buildings

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality for the Authority to be £1.95m (prior year £1.9m), which equates to approximately 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £97.5k (prior year £95k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning visit will take place in March 2023 and our final visit will take place in July-August 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £47,669 (PY: £44,168) subject to the Authority delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue recognition	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical framework for the Kent and Medway Fire and Rescue Authority mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<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 have therefore identified management override of control, in particular in relation to journals, management estimates and transactions outside the course of business, as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>Property valuations represents a significant estimate by management in the financial statements due to the values involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified the valuation of land and buildings as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge 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 • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liabilities (Local Government Pension Scheme and Firefighters' Pension Schemes) represent a significant estimate in the financial statements.</p> <p>Due to the values involved and the sensitivity of the estimates to changes in key assumptions we have identified valuation of the Authority's pension fund net liabilities as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liabilities are not materially misstated, and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • test 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 • for assets and liabilities relating to the Local Government Pension Scheme, obtain assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership, contributions and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. Materiality at the planning stage of our audit is £1.95m, which equates to approximately 2% of your gross expenditure for the prior period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>

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.

Matter	Description	Planned audit procedures
3	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Authority we propose that an individual difference could normally be considered to be clearly trivial if it is less than £97.5k (PY £95k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.</p>

IT audit strategy

In accordance with ISA (UK) 315 Revised we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment.

Additional work may also be required on external supplier systems which generate data used by the Authority in calculating pension fund liabilities.

IT system	Audit area	Planned level IT audit assessment
Business World Agresso	Financial reporting	<ul style="list-style-type: none"> Testing of the design and implementation of the ITGCs
iTrent	Payroll and pension contributions	<ul style="list-style-type: none"> Testing of the design and implementation of the ITGCs

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Audit logistics and team



Paul Cuttle, Engagement Lead

Responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Authority.

Trevor Greenlee, Audit Manager

Responsible for overall audit management, quality assurance of audit work and output and liaison with the Authority.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

Our audit fee reflects developments in relation to the Code and ISAs which are relevant to our audit. For details of the changes which have impacted on our audit fee in previous years please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Authority's IT Infrastructure and IT environment, and identifying risks arising from the use of IT. We are required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of these controls.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the related ITGCs as part of obtaining an understanding of relevant controls.

These are changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes and your IT controls.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit if we will be required to undertake any additional work in this area which will impact on your fee.

The firm's methodology relating to payroll testing has also been revised to take account of guidance from the Financial Reporting Council.

Taking the above into account our proposed fee for 2022/23 is as detailed overleaf.

Audit fees

	Total Fee 2021/22	Proposed fee 2022/23
Statutory audit for Kent and Medway Fire and Rescue Authority	£	£
Scale fee published by PSAA	29,818	33,669
Fee variation relating to PPE, pensions and FRC challenge	3,850	-
Fee variation relating to journals and ISA540 first approved in 2020/21 (£1,900 and £3,100)	5,000	5,000
Fee variation for 2022/23 in respect of ISA 315 revised and additional payroll testing (£3,000 and £500)	-	3,500
Value for Money work	5,500	5,500
Total audit fees (excluding VAT)*	44,168	47,669

All variations to the scale fee will need to be approved by PSAA.

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.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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. We have complied with 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

Other services

No other services provided by Grant Thornton were identified

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		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.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
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 matters in relation to going concern	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	<p>Respective responsibilities</p> <p>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.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
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(deliberate manipulation) 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		•	

This page has been left blank

By: Director of Finance and Corporate Services
To: Audit and Governance Committee - 20 April 2023
Subject: EXTERNAL AUDITORS AUDIT RISK ASSESSMENT FOR
2022/23
Classification: Unrestricted

FOR DECISION

SUMMARY

Under International Standards on Auditing (UK) Auditors have specific responsibilities to communicate with “Those Charged with Governance,” which for this Authority is the Audit and Governance Committee. They are required to gain an understanding of the management processes and the Fire and Rescue Authority’s oversight of key areas that support the development of the Financial Statements.

The document provided at **Appendix 1** sets out the management response to questions raised by the Auditors and for the first time the Audit and Governance Committee are required to formulate their own response to three questions within the document.

RECOMMENDATIONS

Members are requested to:

1. Consider and approve the Audit Risk Assessment (paragraphs 3 to 4 and **Appendix 1** refer);
2. Consider and approve the draft response for questions raised directly to the Audit and Governance Committee (paragraphs 5 to 6 and **Appendix 1** refer).

LEAD/CONTACT OFFICER: Director Finance and Corporate Services - Alison Hartley
TELEPHONE NUMBER: 01622 692121 ext. 8262
EMAIL: alison.hartley@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. Expectations placed on External Auditors, by the Financial Reporting Council (FRC) are increasing considerably each year. There is an increased focus on the accounting estimates applied by management in the accounts as well as the risk of misstatement arising from fraud. Therefore, we are required by our External Auditors to provide far more evidence of our approach and controls in these areas and as such we have been asked to complete the template, attached at **Appendix 1**. The completion of this template aids the Auditors in their risk assessment and as such the template makes it clear that it is the responsibility of the Members of this Committee to ensure that the responses set out to the questions in the template are consistent with their understanding of the issue. As such Members need to review and agree these responses and consider whether there is anything additional that needs to be added.
2. For the first time Members of the Audit and Governance Committee are required to formulate their own response to three questions within the document at **Appendix 1**. As such we have liaised with the Chair of the Audit and Governance Committee with regards to his suggested proposed response to these questions, and as such they are set out below for Members consideration and review.

Informing the Audit Risk Assessment 2022/22

3. The International Standards on Auditing (UK) sets out the Auditors responsibilities in assessing the risk of misstatement in the Financial Statements arising from fraud, error, and the risk of misstatement due to the accounting estimates applied by management.
4. These areas require the Auditors to obtain an understanding of management processes and to gain a view on the Authority's oversight of these areas. The key areas set out in **Appendix 1** are detailed below.
 - (a) **General enquiries of management** – Ascertains that management have given consideration to events during the year that may impact on the Financial Statements.
 - (b) **Fraud risk assessment** – Seeks assurance that Management and the Authority have an understanding of key areas at risk of fraud and have adequate controls in place to detect and reduce the risk of fraud.
 - (c) **Law and regulations** – Seek assurance that the Authority has operated in accordance with the law and regulation.

- (d) **Related parties** - Ascertains the procedures in place to identify related party transactions.
- (e) **Going concern** – Seeks assurance on the continuation of provision of the services provided by KFRS and that funding of statutory services will continue.
- (f) **Accounting Estimates** - Revised International Standards on Auditing (ISA) 540 require Auditors to understand and assess the Authority’s internal controls over accounting estimates and these have been set out in the latter part of **Appendix 1**.

Audit and Governance Committee Response for 2022/23

5. Members will notice that there are three new questions which require their direct response. The Chair of this Committee has considered the questions and has proposed a draft response to each question. As such, Members of this Committee are requested to consider and review the proposed responses, in order that they can then be incorporated within the Authority’s response to this risk assessment. The questions and the response are set out below:

- What knowledge do Those Charged with Governance have of any actual, suspected, or alleged fraud affecting the Authority?

The Audit and Governance Committee are not aware of any actual, suspected, or alleged fraud affecting the Authority.

- What do Those Charged with Governance consider are the risks of fraud in the Authority, including those that are specific to the Authority’s business?

The Committee has recently received fraud awareness training from the Counter Fraud Manager at KCC and consider that areas such as overtime and expenses, the misuse of assets including theft and the misuse or cloning of procurement cards are potentially higher risk areas where fraud could occur. We are also aware that the Authority is targeted like other similar organisations with fraudulent emails that try to encourage the changing of bank details on payments to suppliers or try to mislead staff members that the Senior Management Team have authorised random urgent payments.

- Do Those Charge with Governance have any knowledge of potential litigation or claims affecting the entity?

We are not aware of any potential litigation claims affecting the entity other than the regular updates we have received as members of the Authority on the progress of the McCloud Pensions legislation and the annual update we receive on insurance claims during the year.

6. Members of the Audit and Governance Committee are requested to review and consider the proposed draft response to the External Auditors.

IMPACT ASSESSMENT

7. This audit update provides further assurance for Members that the Authority is complying with all the necessary statutory reporting requirements.

RECOMMENDATIONS

8. Members are requested to:
 - 8.1 Consider and approve Informing the Audit Risk Assessment (paragraphs 3 to 4 and **Appendix 1** refer);
 - 8.2 Consider and approve the draft response for questions raised directly to the Audit and Governance Committee (paragraphs 5 to 6 and **Appendix 1** refer).

Informing the audit risk assessment for Kent and Medway Fire and Rescue Authority 2022/23

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 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 your business or any 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.

Table of Contents

Section	Page
Purpose	X
General Enquiries of Management	X
Fraud	X
Fraud Risk Assessment	X
Laws and Regulations	X
Impact of Laws and Regulations	X
Related Parties	X
Going Concern	X
Accounting Estimates	X
Accounting Estimates - General Enquiries of Management	X
Appendix A – Accounting Estimates	X

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Kent and Medway Fire and Rescue Authority's external auditors and Kent and Medway Fire and Rescue Authority's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Committee and supports the Audit and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Fire and Rescue Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Kent and Medway Fire and Rescue Authority's management. The Audit and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>High inflation, a significant increase in the cost of utilities and, higher than budgeted pay awards mean that additional funding will need to be drawn down from Earmarked Reserves in 2022/23.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Kent and Medway Fire and Rescue Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>A review of accounting policies is undertaken each year to ensure they are still relevant.</p> <p>There have been no events or transactions that have caused us to change or adopt new accounting policies. We have been reviewing our accounting policy for leases ready for 2024/25 implementation of the IFRS16 leasing accounting changes but this will impact 2024/25 financial statements and a draft copy of the proposed policy has been shared with Grant Thornton.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>In line with the approved Treasury Strategy the Authority makes use of Treasury Bills, and has placed funds in the Government's Debt Management Office account, bank and building society deposit accounts and bank call and notice accounts, money market funds and Local Authority lending.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>We are not aware of any significant transactions outside the normal course of business</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Currently we are not aware of any impairments.
6. Are you aware of any guarantee contracts? If so, please provide further details	<p>As far as we are aware the Authority is not party to any guarantee contracts. However, you may wish to note that when a public sector body (e.g. KMTFA) creates framework agreement(s) against which it and other FRs can enter into contracts, there is a law that could mean in the event of a failure or legal challenge the named Authority could be liable.</p> <p>Kent is named as lead authority on the following national framework agreements –</p> <ul style="list-style-type: none"> • PPE • Training • Workwear • Specialist PPE • Ladders Framework • COVID-19 Framework
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	<p>The Authority continues to be a member of the Fire and Rescue Indemnity Company (FRIC), one of eleven FRA's that are part of the insurance mutual for cover.</p> <p>At the end of each financial year a review of the insurance reserve and outstanding claims is undertaken and where appropriate a provision is made within the accounts.</p>
8. Other than in house solicitors, can you provide details of those solicitors utilised by appropriateness of the accounting policies adopted by Kent and Medway Fire and Rescue Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>We have no in-house solicitors. External legal advice is sought from the following:</p> <p>DLA Piper UK LLP– Procurement and Contract Advice Invicta Law – Property & HR Stotesbury/Red Lion Chambers – Technical Fire Safety</p>

General Enquiries of Management

Question	Management response
<p>9. Have any of Kent and Medway Fire and Rescue Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>No reports have been made</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The Authority's insurers provide estimates of outstanding liabilities (reserves) in respect of insurance claims pending against the Authority which are used to calculate any insurance provisions necessary in the accounts. Avison Young advise on property valuations for accounting purposes and Barnet Waddingham LLP provide the information in relation to IAS 19 disclosures. Link Asset Services provide the Authority with Treasury and Leasing advice and daily updates. Faithful and Gould have been used to provide initial advice on the Ashford new build project, with regard to options and costings, planning and surveys. ISG Construction have provided pre-construction services for Ashford. Arthur J Gallagher have been used to provide independent advice with regard to insurance requirements in the Ashford pre-construction services early works and the build phases. Bevan Brittain (via the LGA) have be consulted in relation to the McCloud pension case. PSTax have provided specific tax advice in relation to flexible working arrangements, lease implications on partial exemption and have set up a consortium of Fire Authorities to discuss specific issues in relation to Immediate Detriment pension cases. DLA Piper have provided specific advice in relation to the transition in-house of the vehicle maintenance workshop including TUPE and leases, they have also provided various contract advice in other areas such as data protection, contract novation etc and legal support for Building Safety enforcement activity. BDO have provided support in reviewing the financial strength horizon scanning on critical suppliers. Aguadulce Ltd were used as a consultant for a review of Kent Resilience Fire. iESE were consulted with regard to Customer Experience and Gartner Research Services were used for HR consultancy. Laser were consulted on carbon footprint modelling and consultancy.</p> <p>Within the NFCC Procurement hub DSTL have provided a research commission into the future firefighter (PPE), VicLab Pty Ltd – an independent test house for structural PPE testing</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>We have considered those assets for which an expected credit loss provision may be required under IFRS 9. The debtors and loans of the authority are low in number and the credit loss provision is below triviality and materiality levels.</p>

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Committee and management. Management, with the oversight of the Audit and Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Kent and Medway Fire and Rescue Authority's external auditor we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Kent and Medway Fire and Rescue Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Has Kent and Medway Fire and Rescue Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>The Authority has assessed the risk of material misstatement in the financial statements due to fraud, through the approved Code of Governance Framework which identifies the systems and processes by which the Authority ensures it delivers its aim and objectives and complies with the principle of good governance. Members are required to approve the annual Statement of Accounts". The Authority has a suitably qualified and experienced S.151 Officer who is responsible for ensuring that there are robust systems and processes in place to ensure that the Authority's accounting transactions are captured promptly and recorded accurately in order to report on progress against budgets and to facilitate the production of the financial statements. We receive regular updates on the Authority's financial position during the year and details of any variances from the approved budget and the extent to which this may impact on reserves. The Accounts include a reconciliation of the revenue budget outturn and the statutory financial statements and any significant variances are explained in the accompanying report and appendices.</p> <p>Internal Audit establish a plan with Corporate Management Board each year, which is subsequently agreed by the Audit and Governance Committee, to review specific areas of the organisation. These can be to test that policies, procedures, service orders and controls that are in place are applied in the appropriate manner. The outcome of every Internal Audit report is reported to the Audit and Governance committee alongside a relevant action plan. Annual Fraud awareness training is provided with reminders of the Speak up policy and avenues available to report suspected fraud. Members of Audit and Governance received Fraud Awareness training from the Counter Fraud Manager at KCC prior to the commencement of the November 2022 meeting.</p> <p>It is through the Governance Framework that the Authority has assessed the risk of material misstatement in the financial statements due to fraud as very low risk.</p>

Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The risk of fraud can be either internal or external with the internal attempts potentially being through claiming for pay/overtime or expenses or in the misuse of assets and thus we would expect robust controls to be in place to mitigate this risk. Regular training takes place to ensure teams are aware of potential issues. However, the attempted risk of theft / fraud still remains a threat from external sources. Vigilance and strong controls in the team help identify erroneous / fraudulent emails purporting to be from any one of our suppliers.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Kent and Medway Fire and Rescue Authority as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>We are not aware of any instances of actual, suspected or alleged fraud, errors or other irregularities.</p>
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Responsibility for Governance arrangements and for agreeing and receiving reports on Internal and External Audit plans rests with the Audit and Governance committee. Members of the Committee periodically receive training, as part of the committee process, in order to support them in their role in overseeing this process. The Annual Governance Assurance Report is produced setting out any changes, identifies weaknesses or planned amendments to the governance framework. The KCC Audit Manager assigned to the Authority's contract fulfils the role of Head of Internal Audit for the Authority and provides Members with an annual report on the outcomes of the audit plan, including any fraud investigations undertaken.</p>

Fraud risk assessment

Question	Management response
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Kent and Medway Fire and Rescue Authority where fraud is more likely to occur?</p>	<p>The risk of fraud can be either internal or external with the internal attempts potentially being through claiming for pay/overtime or expenses or in the misuse of assets and thus we would expect robust controls to be in place to mitigate this risk. Regular training takes place to ensure teams are aware of potential issues. However, the attempted risk of theft / fraud still remains a threat from external sources. Vigilance and strong controls in the team help identify erroneous / fraudulent emails purporting to be from any one of our suppliers and have identified early attempts to clone a procurement card.</p>
<p>6. What processes do Kent and Medway Fire and Rescue Authority have in place to identify and respond to risks of fraud?</p>	<p>The Authority has policies underpinned by regulations and procedures that set out arrangements for financial planning, financial management and financial systems and procedures as well as the management of risk. The Anti-fraud and Corruption procedure contains within its guidance any action that should be taken should an employee suspect a fraud or irregularity. All such policies are considered and approved by Corporate Management Board and where significant updates are required, these are reviewed by the Audit and Governance committee and reported to the Authority for approval.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Kent and Medway Fire and Rescue Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The Authority operates an effective control environment, policies set out the controls and delegations for the operation of the organisations. The Authority has a Service Level Agreement in place with Kent County Council, for the provision of an Internal Audit Service to Kent Fire and Rescue. They provide an independent and objective assurance on the effectiveness on the controls that are in place. Their reports are reviewed by the responsible Corporate Management Board (CMB) Member and where improvements have been identified an action plan is agreed and monitored for implementation. The CMB (at KFRS) receive regular quarterly internal reports and monitor the progress against action plans. The Head of Internal Audit provides independent reports to the Audit and Governance meeting on the outcomes of the reviews undertaken and progress made on identified actions. The Head of Internal Audit has independent access to the Chief Executive, and should they so wish, to any Member of Audit and Governance Committee.</p> <p>Discussions are usually undertaken with Internal Audit on proposed system control changes. The Authority operates a range of controls to prevent and detect fraud, theft and misuse of funds. This includes arrangements to ensure that employees and stakeholders can raise any concerns or complaints about the way finance is utilised, including where necessary independent access to the Authority's auditors. A fraud register has now been established to record all reported or suspected cases, regardless of whether fraud is eventually proven to have occurred. The Authority has an Anti-Fraud and Corruption Framework which was updated and presented to the April 2022 Audit and Governance Committee to reflect the updated policies which underpin that Framework. Within the Framework is an action plan which details the provision for a regular fraud risk assessment with support from the anti-fraud specialist at KCC Counter Fraud team.</p> <p>We are not aware of any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>

Fraud risk assessment

Question	Management response
8. Are there any areas where there is potential for misreporting? If so, please provide details	No not as far as we are aware.
<p>9. How does Kent and Medway Fire and Rescue Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Authority has policies underpinned by regulations and procedures that set out arrangements for financial planning, financial management and financial systems and procedures as well as the management of risk. The Anti-fraud and Corruption procedure contains within its guidance any action that should be taken should an employee suspect a fraud or irregularity. All such policies are considered and approved by Corporate Management Board and where significant updates are required, these are reported to the Authority for approval. Regular staff seminars, staff focus groups, an internal intranet and a monthly Chief's update (One Team) are a selection of the number of ways in which we communicate and discuss key issues with staff. Towards the end of 2021 we developed a Code of Ethical Conduct, which every single employee in the organisation signed up to. We continually encourage all employees to engage in discussion about doing the right thing and about types of ethical behaviour. Dialogue amongst employees is actively encouraged.</p> <p>In relation to Contracts there is a specific reference to the inclusion of EDI and modern slavery in all contracts. We expect all of our suppliers to sign up to the Government portal and be transparent in their approach. We also specify a requirement of suppliers to ensure free movement of employees and ensure they have equal rights. All of which is referenced in our Supplier Code of Conduct.</p> <p>Staff are expected to report any activity where deception is used for personal gain to cause a loss to another. There are a number of ways that employees can report suspected fraud, they can raise it with their Line Manger, direct to the Director, Finance and Corporate Services, through the Speak Up Policy.</p> <p>No significant issues have been reported this Financial year.</p>

Fraud risk assessment

Question	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk posts are determined as those that have authorisation access to the Authority's bank accounts and financial systems, and those posts that have authority to sign off large items of expenditure, expenses, overtime claims and with authority to enter into large contractual commitments.</p> <p>Risks in relation to those posts are determined through their job description and job role and the access available to them. Senior Finance staff with banking access are expected to undertake a DBS check to ensure there is no prior history of fraudulent activity. Roles and processes are set up to ensure a separation of duties in that no one person can process a transaction from start to finish.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any to date.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Head of Internal Audit provides independent reports to the Audit and Governance meeting on the outcomes of the reviews undertaken and progress made on identified actions. The Head of Internal Audit has independent access to the Chief Executive, and should they so wish, to any Member of the Fire Authority and the Chair of the Audit and Governance Committee.</p> <p>The Audit and Governance Committee reviewed the Anti-Fraud Framework and supporting policies including the "Fighting Fraud Corruption Locally" checklist in line with best practice to give further clarity of the controls and measures in place within the Authority at its meeting in April 2022 and received recent training from the Counter Fraud Manager at KCC prior to the November meeting. This discussed the latest current issues in relation to fraud and sources of documentation available to them externally. This will help to broaden awareness of the key risks and areas of concerns emerging to enable them to increase their knowledge of emerging issues independently.</p> <p>The Audit and Governance Committee was formed in November 2021 to provide an extra level of independent review of the Governance and Risk arrangements for the Authority, it is Chaired by a member of the opposition party (Labour) and is new in its formation. The first report from the Chair of Audit and Governance Committee was submitted to the Authority at the October 2022 meeting (kmfra_auth_2022-10-13_agenda-and-reports.pdf (fire-uk.org)). The Audit and Governance Committee will receive the Authority's Annual Governance Statement for review and the Head of Internal Audit's opinion at its September 2023 Committee.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>To date the Authority has not had any reported whistle blowing tips or complaints.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>To date the Authority has not had any reports made under the Bribery Act</p>

Fraud risk assessment

Question	Response from Those Charged with Governance
12. What knowledge do Those Charged with Governance have of any actual, suspected, or alleged fraud affecting the entity?	
13. What do Those Charged with Governance consider are the risks of fraud in the entity, including those that are specific to the entity's business sector?	

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Governance Committee, is responsible for ensuring that Kent and Medway Fire and Rescue Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Kent and Medway Fire and Rescue Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Fire and Rescue Authority's regulatory environment that may have a significant impact on the Fire and Rescue Authority's financial statements?</p>	<p>The Authority has an appointed Monitoring Officer and as such a contract is in place with Medway Council to provide this service. As has always been the case, the Monitoring Officer continues to receive all draft reports so that they are able to advise the Chief Executive should a potential breach of law or regulation be suspected. Officers of the Authority would of course seek legal advice where there was any uncertainty surrounding a particular course of action or question of interpretation of law or regulation and include any issues relevant to the decision in reports to the Authority / Audit and Governance committee.</p> <p>As part of the annual governance assurance self-assessment, senior managers assess the compliance with internal controls, including those designed to ensure compliance with the law. These assessments are validated independently. A system for identifying and considering changes in the law is in place to ensure any implications are picked up and complied with. Policies list relevant legislation applicable to the subject matter.</p> <p>The Audit and Governance Committee also receives annual reports on the level of assurance around the Authority's governance controls, supported by assessments from Internal and External Audit, which includes compliance with relevant legislation.</p> <p>Changes to the Fire Safety Regulations took place during 2022, with recommendations coming into force from 23 January 2023. We are not aware that this will have a significant impact on the Fire and Rescue Authority's financial statement</p>

Impact of laws and regulations

Question	Management response
<p>2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Audit and Governance Committee receives the Annual Governance Statement annually for consideration, which includes compliance with internal controls, including those designed to ensure compliance with the law. The Authority's Monitoring Officer receives a copy of all draft reports to ensure compliance with the law. The Committee also receive annual reports on the level of assurance around the Authority's governance controls, supported by assessments from Internal and External Audit which includes compliance with relevant legislation.</p> <p>The Clerk to the Authority oversees all Committee meetings and would have a role in advising Members and Officers of any potential breach of law or regulation particularly in relation to committee procedures.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>To date we are not aware of any such instances</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>The Authority continues to be a member of the Fire and Rescue Indemnity Company (FRIC), one of eleven FRA's that are in the insurance mutual for cover.</p> <p>At the end of each financial year a review of the insurance reserve and outstanding claims is undertaken and where appropriate a provision is made within the accounts.</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Fire and Rescue Authority have in place to identify, evaluate and account for litigation or claims?</p>	<p>Legal expenses have their own account code so they can be easily identified at the end of the financial year. Enquiries are made at financial year end to the Monitoring Officer and those legal organisations that have provided legal advice to KFRS, to determine if they are aware of any litigation or claims that may be made. The Director of Finance and Corporate services is made aware of any potential litigation or claims that could have a financial impact.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>To date we are not aware of any such instances</p>

Impact of laws and regulations

Question	Response from Those Charged with Governance
5. Do Those Charged With Governance have any knowledge of potential litigation or claims affecting the entity?	

Related Parties

Matters in relation to Related Parties

Kent and Medway Fire and Rescue Authority are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Kent and Medway Fire and Rescue Authority ;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Fire and Rescue Authority ;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Fire and Rescue Authority, or of any body that is a related party of the Fire and Rescue Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Fire and Rescue Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Kent and Medway Fire and Rescue Authority's 2021/22 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Kent and Medway Fire and Rescue Authority. whether Kent and Medway Fire and Rescue Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>The provision of the Authority's Monitoring Officer function is now provided by Medway Council (Bhupinder Gill) rather than by Kent County Council. This changed on the 1 April 2021.</p> <p>The Police and Crime Commissioner for Kent is a voting member of the Fire Authority and is Chair of the BlueLight Commercial Board. Membership is open to any organisation with a purpose or interest in the delivery of efficient and effective commercial services in support of blue light services. The Authority is named as a Participating Organisation on a BlueLight Commercial Contract and has placed an order for 66 response vehicles of which 32 have been delivered during 2022/23 and paid for. An order for the following vehicles has been placed with delivery expected later in the year for 2 Hydrant Technician vans, Workshop van, USAR small van and mobile workshop van, delivery is anticipated around September 2024.</p>
<p>2. What controls does Kent and Medway Fire and Rescue Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Authority has a register of Member interests and all staff are required to declare if they have any secondary employment. Members, Senior Officers, Budget Managers and all those involved in procurement are required to complete an annual return providing details of any possible related party transactions.</p> <p>Enquiries are made to the Committee Clerk for details of changes in Members appointed to the Authority from the previous year and during the year.</p>

Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Authority has a number of policies in place to ensure separation of duties and related disclosure when procuring, ordering and purchasing services and or goods. Budgets Managers have designated cost centres and budgetary limits within which they can authorise.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Significant transactions outside of the normal course of business are limited to a number of key individuals as designated by the Director of Finance and Corporate Services within the existing policies that ensure separation of duties.

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for Fire Authority bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Kent and Medway Fire and Rescue Authority will no longer continue?</p>	<p>The Authority has an effective risk management reporting process. Appropriate Strategic Boards are in place and they maintain and discuss a service risk register which identifies any risks or events that could impact on the mission critical services of KMFR. The Chair of the Strategic Board who is a CMB member will escalate these risks if necessary to CMB to review controls and actions and if the risk is severe enough for inclusion on the Corporate Risk Register for monitoring.</p>
<p>2. Are management aware of any factors which may mean for Kent and Medway Fire and Rescue Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>There has been no actual or proposed change to legislation that would indicate that the Authority is not going to continue as a going concern. The Authority is financially stable and has an appropriate level of reserves ready to meet the financial challenges ahead. The assessment of going concern is included in the Accounting policy note in the annual Statement of Accounts approved each year by Members.</p>
<p>3. With regard to the statutory services currently provided by Kent and Medway Fire and Rescue Authority, does Kent and Medway Fire and Rescue Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Kent and Medway Fire and Rescue Authority to cease to exist?</p>	<p>Statutory Services will continue to be provided by KMFR</p>

Going Concern

Question	Management response
<p>4. Are management satisfied that the financial reporting framework permits Kent and Medway Fire and Rescue Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Whilst the Government Grant settlement has been on a rolling basis, the Authority endeavours to ensure that it remains in a healthy financial position. The Authority approved a Customer Safety Plan, under pinned by key strategies which is supported by the 4 year Medium Term Financial Plan. In order to mitigate a potential risk associated with reductions in public spending the Authority has set aside a healthy level of reserves to help resource any short term cost impact.</p> <p>As part of the new Capital Strategy the Authority has modelled a 10 year Capital plan that is prudent, affordable and sustainable.</p> <p>The above processes have not cast any significant doubt on the Authority's ability to continue as a going concern.</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The McCloud court case in relation to Firefighter pensions has resulted in the need to revise THE national pension regulations. Final confirmation of the new regulations is still some months off, and it will be October 2023 at the earliest before we have clarity on the final position. The majority of additional costs arising from the application of the proposed remedy will likely fall on the Pension Fund, with the financial impact in the main likely to be reflected in the next actuarial valuations. It is still unknown at this stage to what extent if any, costs will be borne solely by the respective FRA.
2. How does the Authority's risk management process identify and address risks relating to accounting estimates?	The Authority's financial management team review current risks to the accounting estimates by keeping abreast of emerging issues through regular meetings with other Chief Financial Officers, Fire Finance Network, regular CIPFA briefings and workshops, regular financial news alerts. Regular dialogue is undertaken with the Authority's property valuers, pension actuaries and Treasury advisors.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Authority obtains advice for specialist areas of valuation, for Property we appoint Avison Young, for pensions we engage the advice of Barnet Waddingham LLP and for Treasury we engage Link Asset Group. The CIPFA code of accounting practice is used to ascertain the correct accounting treatment.
4. How do management review the outcomes of previous accounting estimates?	The new financial year accounting estimates are compared to the previous year's accounting estimates to determine if there are any large variances. Reasonableness checks and where necessary explanations are sought from the Authority's specialist advisors.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	We are not aware of any changes to the estimation processes at present

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Where the Authority does not have the in-house skill set to undertake estimates in specialised areas then experts outside the Authority are engaged, for example property valuations require them to be undertaken as per Royal Institute of Chartered Surveyors.</p>
<p>7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Inevitably accounting estimates are required at year end where final information is not available. Estimations are invariably made based on a combination of past experience and costs incurred in the respective year. Reasonableness checks are undertaken when the estimate is determined. Any estimates provided by service providers for the year end process will be supported by the necessary evidence and narrative around the basis of their calculation, so this can be considered by officers.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Inevitably accounting estimates are required at year end where final information is not available. Estimations are invariably made based on a combination of past experience and costs incurred in the respective year. Reasonableness checks are undertaken when the estimate is determined. Any estimates provided by service providers for the year end process will be supported by the necessary evidence and narrative around the basis of their calculation, so this can be considered by officers.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The calculation of all estimates are clearly documented. The methodology used for each type of significant estimate is documented in the accounts. There is a review process established within the team for independent reviews of the calculations performed.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>See Question 1 Accounting Estimates</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Estimates are compared to previous years figures and a variance analysis is undertaken to ascertain consistency. Where there are large variances a review is undertaken as to the reason and where required further discussions are undertaken with any specialist advice that has been sought for clarity and as part of a common sense check.</p>
<p>12. How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The Financial statements clearly state the principles used in determining the value of any estimates needed in the accounts. The Audit and Governance Committee review and scrutinise the accounts and there is the opportunity for any Member to ask any question of detail on the estimates or any figures in the accounts.</p>

Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation uncertainty - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Land and buildings valuations	<p>Previous years have relied on historic measurements of buildings.</p> <p>For 22/23 accounts. All material stations have been re-measured with new drawings of measurements provided.</p>	<p>Full year valuation every 5 years on the whole portfolio. Properties material in value are subject to a full valuation each year and have had a full re-measurement and new plans. The remaining properties are subject to a 25% of portfolio rolling full valuation with the other 75% subject to a desktop valuation.</p>	<p>A review of the information provided by experts is undertaken. Comparisons to the previous year's valuation is made and the percentage increase reviewed. Large increases in values are reviewed and further clarification from the expert is requested to understand increases over and above those expected.</p>	Yes	<p>The following measurement basis are applied:-</p> <ul style="list-style-type: none"> - Fire Stations and specialised buildings – Current Value using a depreciated replacement cost methodology - Houses and non specialised buildings – Current Value based on existing use - Assets under construction- Actual Cost - Surplus and Held for Sale Assets – Fair Value based on the price that would be received on the sale. 	No

Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation uncertainty - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Depreciation	The useful lives of assets used are an estimate. They are reviewed each year by our valuers and the Fleet Manager.	Straight Line Method	The methodology as per CIPFA Code of Practice is applied. The calculation is performed on a pre-populated spread sheet and values are compared to previous years and similar properties for reasonableness	For useful life review only	<ul style="list-style-type: none"> - Estimation of Useful Life reviewed annually - A sensitivity analysis is undertaken and reported within the financial statements. 	No

Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation uncertainty - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Provisions	No	<p>Insurance and General Provisions - An estimate is made of the excess that could be payable for claims notified but not yet settled.</p> <p>Non-domestic Rate Appeals – Shows the Authority's share of the amounts provided for by the Kent billing authorities.</p>	<p>Estimates for the settlement figures are provided by REGIS (FRIC claims management company). The Authority then reviews its financial exposure to those claims and sets funds asides.</p> <p>The information is provided by the District Councils and is subject to External Audit</p>	Yes	<ul style="list-style-type: none"> - Insurance settlement estimates are based on the latest information available at that time. - Non domestic rate appeals are taken from the billing authorities NNDR3 returns from central government and subject to external audit later in year. Figures may be subject change following Audit sign off. 	No

Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation uncertainty - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Valuation of defined benefit net pension fund liabilities	<p>LGPS - The Fund asset statement (or investment return information) <u>as at the accounting date</u> is used in calculations.</p> <p>LGPS – The remeasurement approach is applied to remeasure past service costs <u>for all</u> special 'events'.</p>	A full actuarial valuation is carried out by the appointed actuary every three years with a roll forward approach taken in other years. Membership data is reviewed annually and updated when necessary.	CIPFA Code of practice IAS 19	Yes	<ul style="list-style-type: none"> -Continuous Mortality Investigation's model -Discount rate set using Single Equivalent Discount Rate approach -RPI set using a Single Equivalent Inflation Rate approach -CPI based on adjustment to RPI 	No

Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation uncertainty - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Investments	No	<p>Investments are categorised into those that have an active market with quoted prices (Level1) and those that have some directly observable market information (Level2)</p> <p>Source data used is the based on year end bank, MMF, T-Bill balances held at year end and verified against statements.</p>	CIPFA Code of Practice	Yes	Calculations are based on market information as at 31 March 2023	No

Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Fair value estimates	No	<p>Fair Value estimates for PWLB loans are based on new borrowing discount rates.</p> <p>Fair Value estimates for Treasury Bills are based on the mid price value.</p>	CIPFA Code of Practice	<p>Yes</p> <p>Yes</p>	<ul style="list-style-type: none"> - Calculations will be based on new borrowing discount rates as at 31 March 2023 - The Debt Management Office provides details of the exit costs for PWLB loans, the Authority uses this for disclosure comparison only. - Calculations will be based on the mid price value as at 31 March 2023 	<p>No</p> <p>No</p>

Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation uncertainty - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Accruals	No	Actual information is used where it is available. System activity reports are provided to make estimates in relation to payroll accruals and the annual leave accrual.	CIPFA Code of Practice	No	A Goods Received Not Invoiced (GRNI) system report forms the basis of most non-payroll accruals. This is reviewed by Finance and Budget Managers for accuracy before a final journal is posted. Manual accruals require backup paperwork confirming the amount to be accrued (such as a late invoice). Overtime and activity payments are paid two months (recently moved to one month) in arrears so system activity reports confirming approved activity are used to estimate the accrual. System reports confirming actual days/hours are also provided to produce the annual leave accrual.	No

Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation uncertainty - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Credit loss and impairment allowances	No	Expected losses are calculated annually for significant credit risk using a provision matrix based on historic write off of debt, whilst expected credit losses for investments are calculated based on the historic risk of default for each counterparty provided by the Authority's Treasury advisors. Debtors in the balance sheet are reduced by the impairment allowance	CIPFA Code of Practice	Yes	Expected losses are based on historic default information.	No



By: Director Finance and Corporate Services
To: Audit and Governance Committee – 20 April 2023
Subject: INTERNAL AUDIT PLAN FOR 2023/24 AND THE AUDIT CHARTER
Classification: Unrestricted

FOR DECISION

SUMMARY

The Accounts and Audit Regulations 2015 require the Authority to maintain an adequate and effective Internal Audit process and as such this is provided by Kent County Council under a Service Level Agreement.

Attached to this report is the proposed Internal Audit Plan for 2023/24, Audit Charter and Key Performance Indicators for Members to consideration and agree. The Head of Internal Audit will be in attendance at this meeting to present the report.

RECOMMENDATIONS

Members are requested to:

1. Agree the Internal Audit Plan for 2023/24 (paragraph 2 and 3 and **Annex 1 of Appendix 1** refers);
2. Agree the Internal Audit Charter 2023/24 (paragraph 4 and **Annex 2 of Appendix 1** refers);
3. Agree the Key Performance Indicators (paragraph 6 and **Annex 3 of Appendix 1** refers).

LEAD/CONTACT OFFICER: Director, Finance and Corporate Services – Alison Hartley
TELEPHONE NUMBER: 01622 692121 ext 8262
EMAIL: alison.hartley@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. Under the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to develop a risk-based internal audit plan. It is intended that the audit work will be completed within the year in order to inform the overall annual assurance opinion. The Internal Audit Plan is produced prior to the start of each financial year but remains under review throughout the year to ensure continued relevance and alignment with corporate risks and objectives.
2. **The Internal Audit Plan 2023/2024 - (Annex 1 of Appendix 1)** has been created through consultation with Senior Management and key officers, where significant risk areas and priorities have been identified alongside the Corporate Risk Register, review of strategies and horizon scanning. Each audit engagement will incorporate the Authority's Fraud and Bribery risk assessments as a matter of course.
3. There are seven assurance audits currently planned for 2023/24 focusing on Health and Safety, Operational Response Competency Training, Operational Response Welfare, Project Management, Compliance with Code of Ethics, Climate Change (Carbon Neutral) and Prevention- Anti-Social Behaviour / Fire Setters. A further consultation audit is also planned to review the Authority's preparedness against the outcomes from the Kerslake report. Members are asked to review and agree the Internal Audit Plan for 2023/24.
4. **The Internal Audit Charter** - formally defines the nature and scope of Internal Audit activity in line with the Public Sector Internal Audit Standards (PSIAS) and is required to be reviewed annually to ensure it is up-to-date and reflects the PSIAS. The Charter for 2023/24 is attached at **Annex 2 of Appendix 1** for Members review and agreement.
5. **Self-assessment against Public Sector Internal Audit Standards** - Internal Audit are required to maintain a Quality Assurance and Improvement Programme which includes an External Quality Assessment (EQA) of their compliance. The Head of Internal Audit will provide members with a full progress report on the EQA actions at the September 2023 meeting of this committee.
6. **Key Performance Indicators (KPI's)** - In order to facilitate the Authority's responsibility to monitor the performance and effectiveness of Internal Audit within the organisation, a suite of Key Performance Indicators (KPIs) has been created as a measurement of performance. **Annex 3 of Appendix 1** sets out the proposed KPI's for 2023/24, and as such Members are asked to agree the KPIs.

IMPACT ASSESSMENT

7. There are no budgetary issues arising from this report, which cannot be contained within the existing budget provision.

RECOMMENDATIONS

8. Members are requested to:
 - 8.1 Agree the Internal Audit Plan for 2023/24 (paragraph 2 and 3 and **Annex 1 of Appendix 1** refers);
 - 8.2 Agree the Internal Audit Charter (paragraph 4 and **Annex 2 of Appendix 1** refers);
 - 8.3 Agree the Key Performance Indicators (paragraph 6 and **Annex 3 of Appendix 1** refers).

This page has been left blank

Kent and Medway Fire and Rescue Authority
2023/24 Internal Audit Annual Plan
+ Audit Charter



Introduction

1. This report details the 2023/24 Internal Audit Plan, Audit Charter and Key Performance Indicators for approval.

Internal Audit Plan

2. Under the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to develop a risk-based Internal Audit Plan of all work to be completed to inform the annual overall assurance opinion. To enable an annual assurance opinion to be provided, the Internal Audit Plan is produced prior to the start of each financial year. It is, however, kept under review throughout the year to ensure continued relevance and alignment with corporate risks and objectives.
3. The draft Internal Audit Plan for 2023/24 (**Annex 1**) has been drawn up in consultation with Corporate Management Board following a risk-based audit planning process. Significant risk areas and priorities have been identified by interviewing key officers, reviewing Strategies and the Corporate Risk Register, external horizon scanning and considering our own organisational knowledge. There are no areas that Internal Audit were prevented from including in the Plan. **Annex 1** also sets out how the proposed audits link to the Corporate Risk Register.
4. When completed, the outcomes of all the proposed audits will contribute towards the overall Annual Audit Opinion for 2023/24.
5. The Plan is designed to fulfil the remit of Internal Audit, as set out in the Charter, and to:
 - enable the Head of Internal Audit to provide an assurance opinion at the end of the year on the overall effectiveness of systems of governance, risk management and internal control
 - be focused on key risks, and provide assurance on the Authority's management of these risks
 - provide assurance on core systems & management controls
 - support the Authority to embed a strong counter-fraud culture
 - provide advice and information based on management requests, usually in relation to new and developing systems and processes.
6. When audit planning for each engagement, the Authority's Corporate Risk Register and Fraud and Bribery risk assessments will be considered.
7. During 2023/24, the Internal Audit Plan will be kept under regular review to ensure the coverage is reactive to any emergent findings from the inspection, and the Authority's key priorities and risks. Any amendments to the Internal Audit Plan will be reported to Members at the earliest possible opportunity.

Resourcing

8. Internal Audit services are provided and resourced by Kent County Council under a Service Level Agreement which commits a total of 95 days audit delivery per year. This is divided as follows:

Category	Days
Audit projects	80
Counter Fraud support	5
Follow ups	4
Consultancy / advice	1
Audit management	4
Contingency	1
TOTAL	95

9. Internal Audit considers that the total days are sufficient to provide the required assurances. Should this change and additional assurance or consultancy work be required, the SLA does allow for extra days to be purchased.
10. The resources available have been reviewed to ensure that the appropriate mix of knowledge and skills can be provided and that there is sufficient resource to deliver the Internal Audit Plan.

Internal Audit Charter

11. Under the Public Sector Internal Audit Standards (PSIAS) which are mandatory for internal audit practice in the public sector, the nature of Internal Audit activity must be formally defined in an Audit Charter (Charter). The Charter sets out the purpose and scope of internal audit within KFRS; it also confirms the independence of the service, defines reporting arrangements and authorises Internal Audit access to all systems, records, personnel and assets that are deemed necessary in order to undertake Internal Audit and Counter Fraud work. The Charter was last approved by the Authority in April 2022.
12. For 2023/24, the Charter has been reviewed with no amendments made. The Audit and Governance Committee is asked to review and approve the updated Charter attached at **Annex 2**.

Performance of Internal Audit

13. To facilitate the Audit and Governance Committee's responsibility to monitor the performance and effectiveness of Internal Audit within the organisation, there is a suite of Key Performance Indicators (KPIs) which will be reported to the Audit and Governance Committee alongside the Annual Report and any progress updates. The proposed KPIs are set out in **Annex 3**; the Audit and Governance Committee are asked to approve these as the measurements of performance to be reported.

Public Sector Internal Audit Standards – External Quality Assessment

14. A full progress report against the Public Sector Internal Audit Standards External Quality Assessment action plan will be presented to Members in September 2023, as part of the Annual Report and Head of Audit Opinion.

Conclusion

15. The Internal Audit Plan and Charter will enable the provision of assurance on the controls in place to manage the key risks facing the Authority. The outcomes of individual audits and the resultant overall opinion on systems of risk management, governance and control will be reported to Members as part of the Head of Internal Audit's Annual Report in 2024.

Contact Details:

Frankie.smith@kent.gov.uk
03000 419434

Annex 1

DRAFT 2023/24 INTERNAL AUDIT PLAN							
Audit	Audit Owner	Key Contact(s)	Link to Corporate Risk Register	Scope	Nature of Work	Days	Timing
Health & Safety	Mark Rist	Chris Else	5. Injury or fatality	To identify and evaluate the whether the risk assessments are up to date and under taken in a timely manner, in relation to Health and Safety and Accident Reporting .	Assurance	10	Q1
Operational Response - Competency Training Programme	Chris Else	Charlie Smith	N/A	To review the adequacy and effectiveness of the Authority's Competency Training programme, including training records for all front-line Fire Officers to enable a high quality response to incident	Assurance	10	Q1
Operational Response – Welfare	Mark Rist	Paul Ramsden	3. Mobilising emergency resources	To assess the adequacy and effectiveness of arrangements, facilities available to manage and maintain the Operational Response Crews welfare / needs during incident response and post incident	Assurance	10	Q1
Project Management	Alison Kilpatrick	Scott Smith	N/A	To determine whether the intended outcomes / benefits identified in project plans are realised	Assurance	10	Q2

DRAFT 2023/24 INTERNAL AUDIT PLAN							
Audit	Audit Owner	Key Contact(s)	Link to Corporate Risk Register	Scope	Nature of Work	Days	Timing
Compliance with Code of Ethics	Karen Irvine	Paul Neal	Fire Standards	To assess the adequacy and effectiveness of arrangements to track, measure and monitor compliance (including benefits realisation) with the new Code of Ethics	Assurance	10	Q3
Climate Change (Carbon Neutral)	Mark Rist	Kirstie Loft	N/A	To identify and evaluate the adequacy and effectiveness of controls in place to assess, evaluate, monitor and report progress against the KFRS Carbon Neutral 2030 strategy / action plan	Assurance	10	Q3
KFRS Response to Manchester Arena Outcomes	Mark Rist	Matt Deadman	N/A	To determine the adequacy and effectiveness of the Authority's response to the findings and recommendations arising from the Kerslake (Manchester Arena Bombings) Independent Review	Consultancy	10	Q4
Prevention – Anti-Social Behaviour	Jon Quinn	Mark Woodward	Fire Standards	To evaluate the adequacy and effectiveness of the Authority's collaboration arrangements with local Community Safety Units to identify, manage and prevent anti-social behaviour such as deliberate / nuisance fires	Assurance	10	Q4
SUB TOTAL						80	

DRAFT 2023/24 INTERNAL AUDIT PLAN					
Audit	Audit Owner	Key Contact(s)	Link to Corporate Risk Register	Days	Timing
Counter Fraud Support To provide adhoc advice / support as needed	Alison Kilpatrick	Nicola Walker	IACF Fraud & Bribery Risk Assessment	5	Ongoing
Follow-ups To complete follow ups to issues raised with audit reports.	NA	NA	N/A	4	Ongoing
Audit Management Attendance at Audit and Governance Committee meetings Preparation of the Annual Internal Audit Plan Review / update of Audit Charter Preparation of the Interim Progress reports Preparation of Annual Report & Audit Opinion Periodic liaison with client lead Periodic liaison with External Audit	NA	NA	N/A	4	Ongoing
Consultancy				1	
Contingency				1	
Total				95	

Annex 2 – Audit Charter



KENT COUNTY COUNCIL

Internal Audit Charter – Kent and Medway Fire and Rescue Authority

INTRODUCTION

This Internal Audit Charter formally defines the purpose, authority and responsibility of the Internal Audit service within Kent and Medway Fire and Rescue Authority. It is consistent with the mandatory requirements of the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Authority Guidance Note (LGAN) produced by the Chartered Institute of Public Finance and Accountancy (and the Chartered Institute of Internal Auditors (IIA)). The Charter will be reviewed at least annually to ensure it is up-to-date and reflects the PSIAS.

PURPOSE AND MISSION

The definition of Internal Audit is a mandatory part of the PSIAS and is as follows:

'Internal auditing is 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'. Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Kent County Council's Internal Audit mission statement is, 'To support service delivery by providing an independent and objective evaluation of our clients' ability to accomplish their business objectives, manage their risks effectively and, where relevant, provide advice and insight'.

AUTHORITY

The requirement for the Authority to 'maintain an adequate and effective system of internal audit of its accounting record and its systems of internal control' is contained in the Accounts and Audit Regulations 2015. This supplements the requirements of Section 151 of the Local Government Act 1972 for the Authority to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. The Authority has delegated this responsibility to Director – Finance & Corporate Services.

STATUS OF INTERNAL AUDIT WITHIN THE ORGANISATION

The Head of Internal Audit reports functionally to Audit and Governance Committee three times a year, with the option to meet with the Chair as and when required. The Head of Internal Audit will also report to Corporate Management Board, Monitoring Officer and Members when necessary. The Head of Internal Audit reports administratively to the Director of Finance and Corporate Services with regard to delivery of the Service Level Agreement (SLA).

The Audit and Governance Committee is responsible for ensuring Internal Audit are independent of the activities

it audits, is effective, has sufficient experience and expertise and the scope of the work to be carried out is appropriate. The Audit and Governance Committee will approve the Charter every year within the Internal Annual Audit (the Plan).

The Head of Internal Audit has direct access to the Chair and has the opportunity to meet separately where appropriate.

The Audit and Governance Committee currently is responsible for the following activities:

- Ensuring Internal Audit is independent of the activities it audits, is effective, has sufficient experience and expertise and the scope of the work to be carried out is appropriate.
- Approving the Internal Audit activity's Charter every year.
- Approving the risk-based Internal Audit Plan.
- Approving the Internal Audit activity's budget and resource plan.
- Receiving communications from the Head of Internal Audit on the Internal Audit activity's performance relative to its plan and other matters.
- Making appropriate enquires of management and Head of Internal Audit to determine whether there are inappropriate scope or resources limitations.

The Head of Internal Audit for the Authority is a senior officer in KCC's Internal Audit team holding relevant qualifications and experience; as such the appointment and termination of the individual to fulfil the role is agreed with KCC senior management and reported to Authority via the Service Level Agreement.

RESPONSIBILITY

It is the responsibility of Management to establish and maintain systems of corporate governance, risk management and internal control to provide assurance that the Authority's objectives are being achieved and to minimise the risk of fraud or irregularity.

Internal Audit will contribute to the corporate governance process by providing an assurance on the effectiveness of these systems of risk management and internal control, making practical recommendations for enhancements where considered necessary. Management has responsibility to implement agreed actions in relation to issues raised by audit or to accept the risks resulting from not acting. However, Internal Audit will consider taking matters to higher levels of management or to the Audit and Governance Committee, if it is felt that the risk should not (or need not) be borne, or management fails to implement agreed actions timely.

PROFESSIONAL STANDARDS

The Internal Audit activity will conform to standards and guidance contained in the Public Sector Internal Audit Standards. The PSIAS encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework which include:

- the Definition of Internal Auditing;
- the Core Principles;
- the Code of Ethics; and
- the International Standards for the Professional Practice of Internal Auditing.

Compliance, by all those involved in the delivery of Internal Audit services with the Code of Ethics laid down in the PSIAS enhances the environment of trust between Internal Audit and senior management. Fundamentally, the

following ethical standards are observed:

- Integrity – performing work with honesty, diligence and responsibility;
- Objectivity – making a balanced assessment of relevant circumstances not unduly influenced by personal interests or by others in forming judgements;
- Confidentiality – respecting the value and ownership of information obtained and not disclosing without appropriate authority, unless there is a legal or professional obligation to do so;
- Competence and Due Professional Care – applying the knowledge, skills and experience needed in the performance of work.

Additional requirements and interpretations for the UK public sector have been incorporated.

The Authority's Internal Audit activity will also have regard to the Committee on Standards in Public Life, and to the Seven Principles of Public Life.

Our professional standards make specific reference to Senior Management and the Board. Within the Authority, Senior Management is defined as Corporate Management Board (CMB) and the Board is defined as Audit and Governance Committee.

The Head of Internal Audit will report annually to CMB and the Audit and Governance Committee regarding the Internal Audit Activity's conformance to the Code of Ethics and the Standards.

INDEPENDENCE AND OBJECTIVITY

Internal Audit will be sufficiently independent of the activities it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations.

The Head of Internal Audit will have free and unrestricted access and freedom to report in his/her own name to the Director of Finance and Corporate Services, the Chief Executive and the Chair of the Audit and Governance Committee, as well as to Corporate Management Board and the Authority.

In addition, Internal Audit will be responsible for determining its priorities based on an evaluation of risk. Auditable areas which are deemed to represent the most significant controls that are operating in order that the Authority delivers its business objectives are identified from strategies, risk registers, business plans, consultation with managers and Internal Audit's experience of the organisation. These are used to determine the annual audit plans. The audit plan will be flexible enough to accommodate the needs of senior management and Members depending on the relative significance of emerging risks and the potential for consultancy engagements. The Audit and Governance Committee will approve the plan and mid-year will receive a report summarising significant findings of audit work undertaken.

The Head of Internal Audit will also report to Audit and Governance Committee, as part of the Annual Report, progress on the implementation of actions plans drawn up in response to issues raised by Internal Audit.

Objectivity will be preserved by ensuring that all members of staff are free from any conflicts of interest and do not undertake any duties that they could later be called upon to audit. The Head of Internal Audit has no operational responsibilities and individual auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not be responsible for implementing internal controls, developing procedures, installing systems and preparing records. This will not prevent internal audit from carrying out consultancy work, particularly in relation to the development and design of systems or processes; the Head of Internal Audit will manage any potential threats to objectivity through, for example, rotation of staff. Internal auditors will not engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the organisation or its affiliates.
- Initiating or approving transactions external to the Internal Audit activity.
- Directing the activities of the organisations employees not employed by the Internal Audit activity, except to

the extent that such employees have been appropriately assigned to auditing team or to otherwise assist Internal Auditors.

Should the independence or objectivity of the Internal Audit service be impaired in fact or appearance, the Head of Internal Audit will disclose details of the impairment to the Director of Finance and Corporate Services and / or Chair, depending upon the nature of the impairment.

When requested to undertake any additional roles or responsibilities outside of Internal Auditing, the Head of Internal Audit must highlight to the Authority any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics. The Audit and Governance Committee must approve and periodically review any safeguards put in place to limit impairments to independence and objectivity.

SCOPE & NATURE OF INTERNAL AUDIT

Internal Audit activity will be undertaken to provide assurance to senior management (Corporate Management Board) and the Authority as to the adequacy and effectiveness of the Authority's systems for corporate governance, risk management and internal control. Our remit covers the whole organisation and will include:

- Evaluating whether risks relating to the achievement of strategic objectives are appropriately identified and managed;
- Evaluating whether the results of operations or programmes are consistent with established goals and objectives;
- Evaluating whether operations or programmes are being carried out effectively and efficiently;
- Evaluating whether established processes and systems enable compliance with policies, procedures, legislation and regulations that could significantly impact the organisation;
- Reviewing the soundness, adequacy and application of financial and other management controls;
- Considering potential efficiency gains in all work that is undertaken;
- Reviewing the extent to which the organisation's assets and interests are accounted for and safeguarded from losses arising from:
 - Fraud and other offences
 - Waste, extravagance and inefficient administration, poor value for money and other causes;
- Reviewing the suitability and reliability of financial and other management data developed within the organisation;
- Reviewing awareness of risk and its control and providing advice to management on risk mitigation and internal control in financial or operational areas where new systems are being developed or where improvements are sought in the efficiency of existing systems;
- Promoting and raising awareness of fraud and corruption;
- Investigating allegations of fraud and corruption (if commissioned to do so);
- Providing advice (consultancy) to the organisation for a variety of issues, such as project assurance, controls advisory requests, areas of concern and lessons learnt reviews.

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement. Internal auditors will address controls consistent with the engagement's objectives and be alert to significant control

issues.

Internal Audit's activities extend to any remote establishments, subsidiary companies, trading activities and partnerships.

Internal Audit is not relieved of its responsibilities in areas of the Authority's business that are subject to review by others but will assess the extent to which it can rely upon the work of others and co-ordinate its audit planning with the plans of such review agencies.

The Head of Internal Audit will provide an annual audit opinion as to the adequacy of the Authority's systems of governance, risk management and internal controls. This will be used to support the Annual Governance Statement.

ADDITIONAL ROLES / RESPONSIBILITIES

When requested to undertake any additional roles or responsibilities outside of Internal Auditing, the Head of Internal Audit must highlight to the Authority any potential or perceived impairment to independence and objectivity having regard to the principles contained within the Code of Ethics. Any subsequent internal audit reviews within these additional areas of responsibility should be completed by an independent person. The Authority must approve and periodically review any safeguards put in place to limit impairments to independence and objectivity.

PROVISION OF ASSURANCE TO THIRD PARTIES

The Internal Audit service is sometimes requested to undertake Internal Audit and assurance activity for third parties. The same principles detailed in this Charter will be applied to these engagements.

FRAUD AND IRREGULARITY

All cases of fraud and irregularity must be reported to the Head of Internal Audit. Responsibility for investigation of cases of fraud and irregularity lies with the Service; Internal Audit does not routinely set aside days in the Plan for these investigations. However, Internal Audit will carry out investigations into fraud / irregularity using counter-fraud expertise available in the section if separately commissioned to do so. Internal Audit may report these cases to the Authority, and they may inform the Annual Opinion provided on systems of internal control. Internal Audit also operates a Whistleblowing Helpline to which all staff and Members have access.

RIGHT OF ACCESS

To fulfil its objectives, Internal Audit will be granted unrestricted access to all staff, Members, records (documentary and electronic), assets and premises, deemed necessary in the course of its duties. Internal Audit will ensure that all information received as part of their work is treated confidentially at all times.

INTERNAL AUDIT RESOURCES

The Internal Audit Plan is developed annually which takes into account the work that is needed to enable the Head of Internal Audit to provide an assurance opinion on risk management, governance and control across the Authority. Internal Audit is currently commissioned to provide 95 days of service delivery per annum. In order to ensure this is sufficient to provide a robust opinion, the Head of Internal Audit draws up a risk-based Plan each year and assesses the likely days required against the priority areas. The Head of Internal Audit will request

additional days if this is considered necessary. The Head of Internal Audit will also identify the knowledge and experience of staff, and the level of supervision required, to ensure that the right skills mix is available to deliver the plan. The Head of Internal Audit may use a combination of in-house, partner or third parties to deliver aspects of the plan to the best expertise and value for money. When engaging a partner, the Head of Internal Audit will ensure the partner has the appropriate knowledge and experience to deliver the engagement, applies the quality assurance standards of the section and has access to all information and explanation required to undertake the engagement.

REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

In accordance with the Accounts and Audit Regulations (2015) and the PSIAS, there is a requirement for an annual review of the effectiveness of the system of internal audit. This is also part of the wider annual review of the effectiveness of the system of internal control. The Head of Internal Audit will carry out an annual review of the Internal Audit function, in accordance with the Quality Assurance and Improvement Programme (QAIP) outlined below, and will report the results to Authority as part of the Annual Opinion to enable it to consider the findings of the review. In addition, the Head of Internal Audit will arrange for an independent review to be carried out, at least every five years which will be reported to the Authority. The Head of Internal Audit will review the Charter annually and report to Members accordingly.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The Head of Internal Audit will maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the International Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Head of Internal Audit will communicate to the Director of Finance and Corporate Resources and the Audit and Governance Committee on the internal audit activity's QAIP, including results of ongoing internal assessments and external assessments conducted at least every five years.

Annex 3 – 2023/24 Key Performance Indicators

Internal Audit		
	Key Performance Indicator	Target
1.	Engagement Plan issued 2 weeks prior to commencement of fieldwork start date	90%
2.	Verbal feedback to be provided within one week of completion of audit fieldwork	100%
3.	Draft Reports to be issued by the date specified in the Engagement Plan	90%
4.	Final Report to be issued within 5 working days of receiving the management response	90%
5.	Client Satisfaction Questionnaires to be issued for all audits / investigations completed with the final report	100%
6.	% Positive Client feedback	90%
7.	% Completion of Annual Internal Audit Plan @ 31 March 2024	90%

KMFRA		
	Key Performance Indicator	Target
1.	Agreement of Engagement Plan to be provided prior to fieldwork start date	100%
2.	Response to Draft Report and Action Plan to be provided within 10 working days of issue	90%
3.	Client Satisfaction Questionnaires to be completed and returned within 10 working days of Final Report	100%
4.	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%

By: Director Finance and Corporate Services
To: Audit and Governance Committee - 20 April 2023
Subject: TREASURY MANAGEMENT UPDATE FOR 2022/23
Classification: Unrestricted

FOR DECISION

SUMMARY

The Authority is required by the Local Government Act 2003 to produce an annual review of treasury management activities and the estimated and actual prudential and treasury indicators for the year. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

This report provides the indicative outturn position to date and once all the year-end movements have been finalised a final treasury outturn report will be provided as part of the suite of documents to support the approval of the 2022/23 Financial Statements at the September meeting of this Committee. The Authority continued to prioritise security and liquidity over potential yield in line with CIPFA guidance. Interest rates on deposits continued to rise throughout the year, in line with the Bank of England's base rate increases, with the Authority forecasting a total investment income of £1,135k on an average cash balance of £53.3m.

RECOMMENDATION

Members are requested to:

1. Approve this year-end report on Treasury Management activity for 2022/23.

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions - Nicola Walker
TELEPHONE NUMBER: 01622 692121 ext. 6122
EMAIL: Nicola.walker@kent.fire-uk.org
BACKGROUND PAPERS:

COMMENTS

Introduction

1. The Authority approved the Annual Treasury Management and Investment Strategy for 2022/23 at its meeting on 21 February 2022 (Minute 38) and received a mid-year update at its meeting on 13 October 2022 (Minute 24). The report reviewed the main aspects of the Authority's Treasury Management up to the end of July 2022 (mid-year), as required by the Local Government Act 2003 and the CIPFA Code on Treasury Management and Capital Finance.
2. The regulatory environment places a responsibility on Members for the review and scrutiny of the Treasury Management Policy and related activities. This report, is therefore, important in providing details of the 2022/23 provisional outturn position for treasury activities during the year and highlights compliance with the Authority's policies previously approved by Members.

Annual Treasury Management Review 2022/23

3. **Economy and Interest rates** – The Bank of England's Monetary Policy Committee increased interest rates at every meeting this year, starting with a 0.25% increase to 1% in May, and the most recent coming in March 2023 at 4.25%. This meant that opportunities for investment returns were greater than previous years, seeing significant movement in both shorter and longer-term deposit rates.
4. **Inflation** - The Bank of England has for some time had an inflation target of 2%. However, due to rising energy and food prices, inflation has remained above 9% since April 2022. Crude oil prices have been falling since the end of May; however, this is not expected to reduce household utility spending until later into 2023, and the continuation of the War in Ukraine continues to affect the inflation of food prices. The constant elevated level of inflation has triggered a wave of pay demands to compensate workers for the loss of spending power.
5. **Credit Suisse AG and UBS** – Treasury notifications alerted the Authority to the difficulties of Credit Suisse and a review of investments was undertaken to ascertain if the Authority had any exposure. The Authority has no investments held in Credit Suisse. A recent announcement on the UBS takeover of Credit Suisse has led to some of the ratings agencies reviewing the ratings of UBS as the proposed merger is between a strong bank and a weaker bank, over time it is expected that if the merger proceeds that the ratings of the combined entity will be reviewed depending on the underlying factors that agencies take into account in their ratings. At the time of writing the Authority had exposure of £60k with UBS within a £2.5m deposit held within the

Blackrock Money Market Fund. The performance of UBS continues to be monitored and regular updates are received directly from our Treasury Advisors.

6. **Treasury Position as at 31 March 2023** - The Capital Financing Requirement (CFR) at 31 March 2023 is the net amount of capital expenditure not yet fully funded. The difference between the CFR and the amount of outstanding loans is the element of capital expenditure being temporarily funded from internal cash balances (under-borrowing). **Table 1** shows this comparison to the previous year.

Table 1 – Treasury Position Compared to Previous Year

	31-Mar-22	31-Mar-23
	£'000	£'000
Capital Financing Requirement (CFR)	1,829	1,654
External PWLB Borrowing	-1,001	-701
Internal Borrowing (Under-borrowing)	828	953
Total Deposits	49,621	45,535
Less PWLB Borrowing	-1,001	-701
Net Deposits	48,620	44,834

7. **Strategy for 2022/23** - The Investment Strategy for 2022/23, agreed at the February 2022 Authority meeting, saw no changes from the 2021/22 Strategy.
8. The Authority deposits cash balances in a number of different bank deposit and call accounts, money market funds and makes use of the Debt Management Office Treasury Bills. This provides a spread of risk across the accounts and enables the Authority to make the best use of the available rates whilst still prioritising Security and Liquidity over Yield. Treasury Bills started off the year with an average interest rate of 0.68% and is forecast to have an average of 3.78% for the end of the year. During the year, the Authority began using the Agency Treasury Service provided by the Authority's Treasury Advisor Link Asset Services Group, this facility gives access to a number of fixed term and notice accounts that we currently do not have access too due to the minimum deposit requirements set by some banks or are able to access a higher deposit rate than we can access directly. The Treasury team continue to meet with our Bank Relationship Managers to identify new products and available rates.
9. **Borrowing in 2022/23** - The 2022/23 Treasury Management Strategy showed that no new borrowing was planned, however some expenditure has been incurred in this financial year in relation to the Ashford Live Fire development and it was agreed this project will be funded from internal borrowing. During 2022/23, the Authority maintained an under-borrowed position. This meant that the capital borrowing need

(the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority's reserves, balances and cashflow was used as an interim measure.

10. Borrowing outturn for 2022/23 - During 2022/23 the Authority repaid one loan totalling £300k, which had an interest rate of 4.82%. The balance of outstanding loans at 31 March 2023 is £701k. **Table 2** below details the maturity structure of the remaining loans held by the Authority as at 31 March 2023, all of which are provided by the PWLB at a fixed rate interest.

Table 2 – Maturity Structure of Remaining Loan Portfolio

	31-Mar-23
	£'000
Less than one year	301
Between one and two years	400
Total	701

11. **Ratio of Financing Costs to Net Revenue Stream** - This indicator shows the impact of the capital plans on the Authority's overall finances (borrowing costs net of investment income), as shown in **Table 3**. **Table 4** details how the net borrowing figure is calculated.

Table 3 – Borrowing Costs net of Investment Income

	2022/23
	Outturn
	£'000
Net Revenue Forecast Outturn	77,853
Net Borrowing *see Table 4 below for calculation	-262
Ratio	-0.34%

Table 4 – Calculation of Net Borrowing Figure

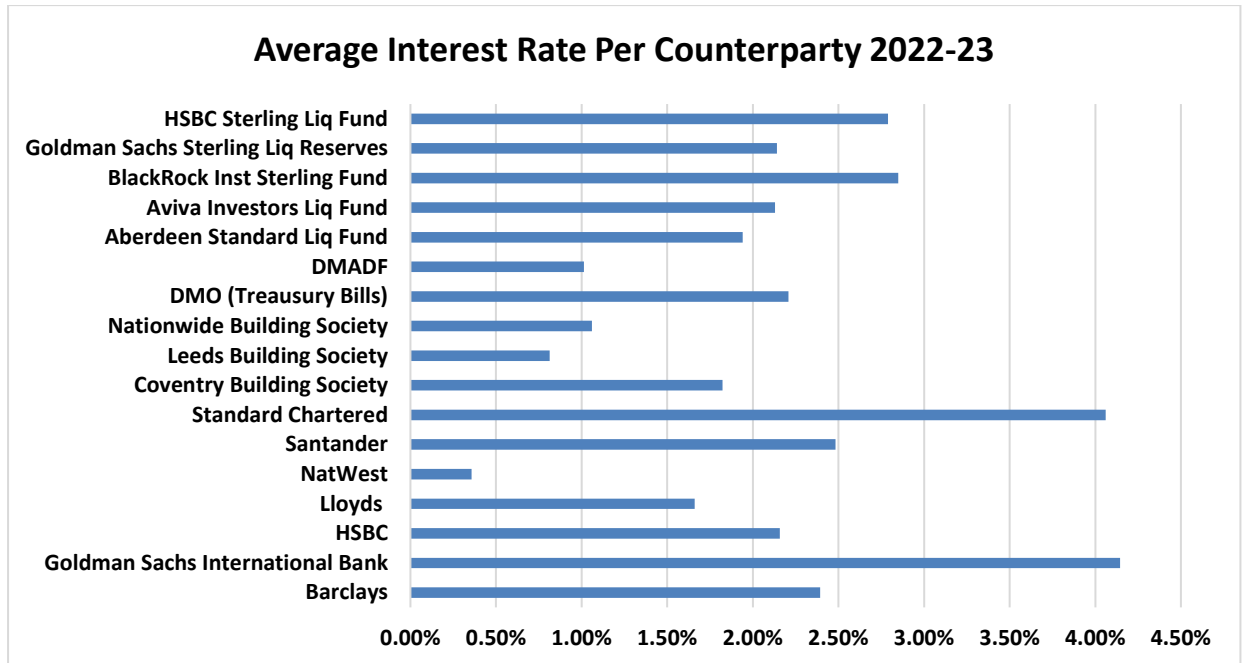
	2022/23
	Outturn
	£'000
Minimum Revenue Provision and Voluntary Revenue Provision*	828
Interest paid for borrowing	45
Interest and Investment Income	-1,135
Net Borrowing	-262

* The provision made by the Authority to finance its CFR.

12. **Investment Rates in 2022/23** - The Authority maintained an average cash balance of £53.3m which when deposited earned an average annual rate of return of 2.13%.

Graph 1 below shows the average annual rate of interest earned per counterparty on deposits placed over the year.

Graph 1



13. **Prudential and Treasury Indicators** - The Table in **Appendix 1** shows the original Prudential and Treasury indicators for 2022/23 together with the actuals for 2021/22 and provisional outturn for 2022/23. There were no breaches of limits in 2022/23.
14. **MIFID II Regulations** - These regulations govern the relationship that financial institutions conducting lending and borrowing transactions have with local authorities from 2018. Members will recall that the Authority 'opted up' to become a professional client to ensure that it continued to receive the same level of advice on investments and borrowing, and access to the same instruments. As agreed in the mid-year update the Treasury function has been brought in-house and the financial institutions have been notified through updated authorisations.
15. **Treasury Management Training** - The Treasury Code of Practice states that authorities should ensure that the appropriate level of training is delivered to both Members and staff who participate in the delivery and scrutiny of the treasury management function. Audit and Governance members received two presentations from Link Asset Group, the Authority's Treasury Advisor before the April 2022 Audit and Governance meeting with a subsequent training session on the latest economic forecast and changes to the Prudential Code and Treasury Management practices scheduled prior to the September 2022 meeting, again provided by Link Asset Group.

Officers within the Finance team with direct responsibility, regularly attend seminars and conferences to ensure specialist Treasury and Investment knowledge is kept up to date and a number of them have also completed their CIPFA Treasury e-learning modules.

IMPACT ASSESSMENT

16. All financial implications associated with servicing the Treasury Management functions can be contained within the overall budget.

RECOMMENDATION

17. Members are requested to:
 - 17.1 Approve the year-end report on Treasury Management activity for 2022/23.

Prudential and Treasury Management Indicators

	2021/22	2022/23	2022/23
	Outturn	Original Forecast	Outturn
Prudential Indicators for affordability, prudence and capital expenditure			
	£'000	£'000	£'000
Revenue Expenditure	69,866	77,429	77,853
Revenue Provision for debt repayment	969	828	828
Capital expenditure	1,989	13,191	4,589
CFR as at 31 March	1,829	1,001	1,654
Total loans outstanding as at 31 March	1,001	701	701
Ratio of Financing Costs to Net Revenue Stream	1.36%	0.88%	-0.34%
Treasury Indicators			
Assumed Operational Boundary for external debt	18,000	18,000	18,000
Assumed Authorised Limit for external debt	22,000	22,000	22,000
Interest rate exposure for borrowing at fixed rates	100%	100%	100%
Interest rate exposure for borrowing at variable rates	20%	20%	20%
Interest rate exposure for investing at fixed rates	100%	100%	100%
Interest rate exposure for investing at variable rates	100%	75%	75%

This page has been left blank

By: Director Finance and Corporate Services
To: Audit and Governance Committee – 20 April 2023
Subject: APPOINTMENT OF AN INDEPENDENT MEMBER
Classification: Unrestricted

FOR DECISION

SUMMARY

Following approval from the Authority at its meeting on 21 February 2023, this report now seeks Members agreement to the job advertisement, job description and person specification as well as the recruitment process for the appointment of an Independent Member to join the Audit and Governance Committee.

RECOMMENDATIONS

Members are requested to:

1. Approve the advertisement for the recruitment of an Independent Member (**Appendix 1** and paragraph 5 refers).
2. Approve the Job Description and Person Specification for the recruitment of an Independent Member (**Appendix 2** and paragraph 5 refers).
3. Agree that shortlisting and interviewing be undertaken by a panel comprising the Chair of the Authority, Chair and Vice-Chair of the Audit and Governance Committee plus one member from the opposition group (paragraph 6 refers).
4. Agree that recommendations made by this Committee on any potential appointment are ratified by the Authority as its next meeting on 29 June 2023.

LEAD/CONTACT OFFICER: Clerk to Authority – Marie Curry
TELEPHONE NUMBER: 01622 692121 ext 8291
EMAIL: marie.curry@kent.fire-uk.org
BACKGROUND PAPERS: None

RECOMMENDATIONS

8. Members are requested to:
 - 8.1 Approve the advertisement for the recruitment of an Independent Member (**Appendix 1** and paragraph 5 refers).
 - 8.2 Approve the Job Description and Person Specification for the recruitment of an Independent Member (**Appendix 2** and paragraph 5 refers).
 - 8.3 Agree that shortlisting and interviewing be undertaken by a panel comprising the Chair of the Authority, Chair and Vice-Chair of the Audit and Governance Committee plus one member from the opposition group (paragraph 6 refers).
 - 8.4 Agree that recommendations made by this Committee on any potential appointment is ratified by the Authority as its next meeting on 29 June 2023.

Kent and Medway Fire and Rescue Authority

Role of Independent Member Audit and Governance Committee

Kent and Medway Fire and Rescue Authority is looking for an Independent Member to sit on its Audit and Governance Committee.

The Audit and Governance Committee provides independent assurances on the adequacy of the Authority's risk management, internal control, financial reporting and governance. The expectation is that the Committee will meet three times a year and the meetings will be held during the day.

Attached is the Job Description and Person Specification for the role as well as the Terms of Reference for the Audit and Governance Committee.

If successfully shortlisted, you will be invited for a short interview with a panel of Members from the Authority at a mutually convenient date.

If you are interested in this position, please send a CV to recruitment.hr@kent.fire-uk.org

Remuneration:

An allowance and remuneration for expenses will be paid.

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY'S AUDIT AND GOVERNANCE COMMITTEE INDEPENDENT MEMBER

Kent and Medway Fire and Rescue Authority has an Audit and Governance Committee whose role is to:

Provide the Authority with:

- Assurance on the arrangements that underpin good governance and financial standards;
- An independent and high level focus on audit, assurance, reporting arrangements, risk management, treasury management and control frameworks.

Oversee:

- The financial reporting (final statement of accounts) and annual governance processes;
- Internal audit and external audit, helping to ensure effective relationships exist and efficient and effective assurance arrangements are in place;
- Internal controls;
- Risk Management;
- Treasury Management.

The Audit and Governance Committee operates in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) good practice guidance and Position Statements 2018.

Job Purpose:

As an Independent Member on the Audit and Governance Committee you will bring a wide range of knowledge, experience and expertise in areas such as corporate governance, finance, risk management and audit. You must also demonstrate an ability to establish good working relationships with Elected Members and Officers but remain objective and politically independent with the ability to analyse information.

Key Responsibilities

As an Independent Member you are required to

- consider the Authority's corporate governance arrangements against recognised best practice.
- demonstrate independence, integrity, objectivity and impartiality in decision-making according to legal, constitutional and policy requirements.

- be an independent source of support to the Committee providing external challenge and scrutiny in response to reports presented to it.
- attend and actively participate in meetings of the Committee.
- Prepare for each meeting by reading the agenda papers and additional information to familiarise yourself with the issues under discussion.

Knowledge and Skills

The Candidate for this position will ideally have

- experience of attending public meetings.
- knowledge and understanding of public sector finances, risk management, corporate governance and the roles of internal and external audit.
- good analytical skills with the ability to scrutinise complex information and processes to challenge appropriately.
- a good understanding of governance, risk management and control.
- integrity, objectivity, discretion and the ability to make decisions.
- good interpersonal and communication skills and ability to contribute to discussions.
- an understanding of the political environment that the Kent and Medway Fire and Rescue Authority operates within.

What level of Commitment is required

The successful applicant will be appointed for a four year period. The Audit and Governance Committee meets three times a year in April, September and December and each meeting duration is approximately three hours, this is also inclusive of any training for the Committee that you will be required to attend. Meeting and training sessions are held at Kent Fire and Rescue Service Headquarters unless otherwise indicated. You will be required to read the agenda papers in advance of the meetings and prepare accordingly.

You should not:

- Have been a member or employee of the Authority at any time during the last 2 years
- Be a relative or close friend of a Member or Officer of the Authority
- Be engaged in any party political activity
- Have any criminal convictions or have been bankrupt

Remuneration: £150 per Audit and Governance meeting attendance (including preparation time e.g. reading of papers) plus travel expenses paid at the current rate.

This page has been left blank

By: Director Finance and Corporate Services
To: Audit and Governance Committee – 20 April 2023
Subject: INTERNAL AUDIT PROGRESS REPORT 2022/23
Classification: Unrestricted

FOR INFORMATION

SUMMARY

The work undertaken by the Internal Audit Service provides management and those charged with Governance, with assurance that the Authority's corporate governance, risk management and internal control arrangements are effective, as required by the Accounts and Audit Regulations (England) 2015.

This report provides an update by Internal Audit of the progress undertaken to date in relation to the 2022/23 Audit Plan agreed by Members in April 2022. The Head of Internal Audit will present this report at the meeting.

CONCLUSION

Members are requested to:

1. Consider and note the content of the report.

Lead/ Contact Officer: Head of Finance, Treasury and Pensions – Nicola Walker
Telephone Number: 01622 692121 ext. 6122
Email: nicola.walker@kent.fire-uk.org
Background papers: None

COMMENTS

Background

1. There were nine internal audits agreed at the Audit and Governance meeting (28 April 2022) which are set out in the Internal Audit Plan 2022/23. In order to allow appropriate resources to be directed to the Authority's inspection undertaken by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) over the summer, it was agreed that the majority of the audits would take place in the second half of the financial year. At the time of writing six audits have been completed.

Internal Audit Progress Update

2. To date one advisory and five assurance audits have been completed which are Grenfell Tower Enquiry (Advisory), Purchasing Cards, Business Continuity, Use of Mobile Data Terminals, Safeguarding and On Call Duty System Management. Those assurance audits completed have resulted in three audit opinions of high and two of substantial opinions with all audits identified as good or very good prospects for improvement. The Grenfell Tower Inquiry Recommendations Audit was reported to members at the November 2022 meeting. A summary report for completed audits is attached in **Appendix 1 at Annex A** for Members information.
3. The Clinical Governance Audit (which was postponed until quarter 4) and Safe and Well Audit are near to completion whilst the People Plan Audit is in fieldwork stage. Despite the back loading of internal audit reviews this year, the Head of Internal Audit has provided assurance that all audits will be undertaken in the current financial year. The final report will be presented to this committee in September 2023 and will include the outcomes of all nine audits that were undertaken during 2022/23.

Outstanding Management Actions from Previous years Audit Reviews

4. Attached at **Appendix 1**, Table 2, is a summary of previous years audits which had outstanding actions. All actions have been completed except for two (Contract Management Audit and Equalities, Diversity and Inclusion) which are not yet due. Once the outstanding actions have been completed, Members will be updated at the next appropriate Committee meeting.

Counter Fraud

5. The potential risk of fraudulent activity still remains a very real risk across the Authority. As such regular reviews of our processes are carried out to ensure adequate controls remain in place to mitigate as many potential risks as possible. Fraud workshops are regularly provided to teams to increase awareness of the risks and a fraud awareness presentation was also provided to members at the November 2022 Audit and Governance Committee. The KCC

Fraud Team are producing a number of Fraud Awareness videos that will be made available to all colleagues in the near future.

IMPACT ASSESSMENT

6. The audit update provides assurance to Members that the Authority is undertaking annual reviews across a broad range of areas to ensure adequate controls and procedures are in place. Sufficient funding resources are set aside in the budget each year to resource the cost of this audit service.

CONCLUSION

7. Members are requested to:
 - 7.1 Consider and note the content of the report.

This page has been left blank



PROGRESS REPORT
Kent and Medway Fire and Rescue Authority

Internal Audit Progress Report

20 April 2023

Author	Frankie Smith KMFRS Head of Internal Audit frankie.smith@kent.gov.uk Telephone: 03000 419434
QA	Jonathan Idle – KCC Head of Internal Audit & Counter Fraud

INTERNAL AUDIT PROGRESS REPORT – 20 April 2023

1. Purpose of Report

1.1 This report provides an update on the work that the Kent County Council (KCC) Internal Audit service has undertaken on behalf of the Kent and Medway Fire and Rescue Authority (KMFRA) since 01 April 2022, against the 2022/23 Internal Audit Plan.

1.2 The report also provides a summary of our recent follow up work.

2. Progress Against 2022/23 Audit Plan

2.1 **Table 1** below provides an update on our progress against the 2022/23 Audit Plan:

Table 1 – 2022/23 Audit Plan						
Audit	Quarter	Status	Assurance Opinion	Prospects for Improvement	Reported to Members	
FS01	KFRS Response to Grenfell Tower Inquiry Recommendations	Q1	Complete	N/A	N/A	November 2022
FS02	Purchasing Cards	Q2	Complete	Substantial	Very Good	April 2023
FS03	Clinical Governance	Q2-Q4	Draft Report			
FS04	Business Continuity Planning	Q2 Q3	Complete	High	Very Good	April 2023
FS05	Prevention – Safe & Well Visits	Q3	Draft Report			
FS06	Use of Mobile Data Terminals, Companion Devices and Risk Data	Q3	Complete	High	Very Good	April 2023
FS07	Safeguarding	Q4	Complete	High	Very Good	April 2023
FS08	People Plan	Q4	Fieldwork			
FS09	(On Call) Duty System Management	Q4	Complete	Substantial	Good	April 2023

2.2 The audit summaries for all completed reviews are included at **ANNEX A**.

2.3 It is anticipated that all audits will be completed, or at draft report stage by 31 March 2023.

2.4 **ANNEX B** provides the definitions for the risk ratings, audit opinions and prospects for improvements.

3. Implementation of Agreed Management Actions

3.1 All High and Medium priority issues raised within Internal Audit reviews are the subject of a formal follow-up process and all 'Limited' and 'No Assurance' rated audits are the subject of a full re-audit. The Head of Internal Audit (HoIA) is responsible for co-ordinating and overseeing this follow-up process, which is completed as a joint exercise between KFRS and Internal Audit.

3.2 **Table 2** below provides an overview of the follow up work completed on the implementation of agreed management actions since April 2022:

Audit	Audit Date	Assurance Opinion	Summary of Agreed Actions	Status	
FS05-2020	Property Statutory Compliance	March 2020	Limited	(3) High (4) Medium	Closed
FS03-2021	Contract Management	September 2021	Substantial	(2) Medium	Not yet due
FS05-2021	Customer	May 2021	Substantial	(1) Medium	Closed
FS06-2021	Sickness	May 2021	Adequate	(3) Medium	Closed
FS01-2022	Operational Response Training	November 2021	Adequate	(1) High (2) Medium	Closed
FS02-2022	Treasury Management	September 2021	Adequate	(2) High (3) Medium	Closed
FS05-2022	Equalities, Diversity & Inclusion	December 2021	Substantial	(1) Medium	Not yet due
FS06-2022	IT Help Desk	January 2022	Substantial	(1) Medium	Closed
FS02-2023	Purchasing Cards	December 2022	Substantial	(2) Medium	Closed

3.3 Based on the follow up work completed to-date, Internal Audit is satisfied that good progress has been made to implement all agreed issues and outstanding issues are being appropriately managed and mitigated.

4. Counter Fraud

4.1 There have been no reported frauds or irregularities since the previous Internal Audit Progress report in November 2022.

4.2 A fraud awareness session was delivered to Members of the Audit & Governance Committee in November 2022.

5. Resources

5.1 The Internal Audit Team is currently fully resourced, and all of the 2022/23 Audit Plan allocated to specific Auditors.

6. Performance Indicators

6.1 As part of the Service Level Agreement between KCC and KFRS, Performance Indicators are in place to measure both the performance of Internal Audit and the timeliness of officers' responses to audit plans and reports. Current performance in relation to the performance indicators is given in **ANNEX C**. Two performance indicators (% completion of Annual Plan and % completion of actions due) are reported at year end only. There are no significant concerns arising from the performance indicators to date.

6.2 **ANNEX D** provides a year-on-year comparison of the performance indicators.

7. Conclusion

7.1 Audit Plan delivery is on track to be delivered by 31 March 2023. As an indication, the overall opinion on systems of risk management, governance and control at this stage continues to be '**Substantial**' in line with the assurance provided in the 2021/22 Annual Report. This is, however, subject to change as further audits are completed.

ANNEX A – AUDIT SUMMARIES

FS02-2023 Purchasing Cards															
ENGAGEMENT OBJECTIVE	OPINION & NUMBER OF ISSUES RAISED														
<p>As part of the 2022-23 Audit Plan, it was agreed that Internal Audit would undertake a review of Purchasing Cards.</p> <p>The aim of the audit was to provide assurance that the service has adequate procedures in place to ensure appropriate use of purchasing cards. The audit focused on the compliance with the Purchasing Card Policy and relevant procedures.</p> <p>The audit also reviewed officer awareness of the Purchasing Card Policy through a survey; a comparison review of card limits with other public sector organisations and data analytics of recent purchasing card transactions to identify trends and potential areas for further testing.</p>	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr> <th style="background-color: #003366; color: white; padding: 5px;">Assurance Opinion</th> <th style="background-color: #003366; color: white; padding: 5px;">Prospect for Improvement</th> <th style="background-color: #ff0000; color: white; padding: 5px;">High</th> <th style="background-color: #ffcc00; color: white; padding: 5px;">Medium</th> <th style="background-color: #008000; color: white; padding: 5px;">Low</th> </tr> <tr> <td style="background-color: #008000; color: white; text-align: center; padding: 5px;">Substantial</td> <td style="background-color: #008000; color: white; text-align: center; padding: 5px;">Very Good</td> <td style="text-align: center; padding: 5px;">0</td> <td style="text-align: center; padding: 5px;">2</td> <td style="text-align: center; padding: 5px;">0</td> </tr> </table>	Assurance Opinion	Prospect for Improvement	High	Medium	Low	Substantial	Very Good	0	2	0	<p>The findings from this review have demonstrated that all purchasing card transactions tested were compliant with the Policy.</p> <p>The survey responses from 29 officers, indicated most cardholders have a good understanding of the Purchasing Card Policy. The survey results indicate a refresher exercise on the terms and conditions of use on purchasing cards would be beneficial.</p> <p>Purchasing card agreement documents are not reviewed and re-signed periodically by cardholders. Hard copy purchasing card agreements are destroyed after 7 years and electronic agreement documents are not held centrally.</p>			
Assurance Opinion	Prospect for Improvement	High	Medium	Low											
Substantial	Very Good	0	2	0											
KEY STRENGTHS	AREAS FOR DEVELOPMENT														
<ul style="list-style-type: none"> The purchasing card register is up-to-date and complete. All transactions tested during the audit were compliant with the Purchasing Card Policy and supported by the required documentation / information. All transactions tested were authorised appropriately. All transactions were reconciled against the account. Officers are aware when transaction information should be updated onto the SmartData system. Data analytics on purchasing card transactions indicated no fraudulent card use during the during the period tested. The card holder transaction limits and monthly limits are in-line with other organisations limits. 	<ul style="list-style-type: none"> Survey results evidenced some lack of awareness of the Purchasing Card Policy (MEDIUM) The use of purchasing cards by cardholders does not always comply with the Purchasing Card policy (MEDIUM) The Purchasing Card Agreement documents for 8 of 10 card holders selected for testing had been destroyed (MEDIUM) 														

ANNEX A – AUDIT SUMMARIES

FS04-2023 Business Continuity Planning

ENGAGEMENT OBJECTIVE

The aim of this audit was to provide assurance on the adequacy and effectiveness of the Authority’s business continuity planning arrangements, in-line with the Civil Contingencies Act and the effectiveness of the arrangements when responding to recent incidents.

In forming our conclusions for this review, Internal Audit assessed the Authority’s business continuity planning arrangements against policies, procedures and the Civil Contingencies Act.

KEY STRENGTHS

- Business Continuity Plans tested during the review were in-line with the Civil Contingencies Act (2004) and had been subject to relevant approval.
- The Authority has effective Business Continuity Plans in place, which are accessible to all officers, stored appropriately and the subject of regular review and update.
- There is good awareness across all services of the requirements set out in the Business Continuity Plans.
- The Business Continuity Plans were initiated and followed during all business continuity incidents.
- A debrief occurs after each major incident and lessons learnt from these incidents are reported to Corporate Management Board for decision on whether Business Continuity Plans need to be revised.
- There is regular testing and horizon scanning of the Business Continuity Plans, including co-ordinated test incidents with other partner agencies, which is co-ordinated by the Resilience Manager.

OPINION & NUMBER OF ISSUES RAISED

Assurance Opinion	Prospect for Improvement	High	Medium	Low
High	Very Good	0	0	0

This audit has been allocated a “High” assurance audit opinion on the basis that no areas for development were identified and audit testing identified areas of best practice, whereby KFRS is proactively leading on Business Continuity Planning initiatives with other partner agencies.

AREAS FOR DEVELOPMENT

- None

ANNEX A – AUDIT SUMMARIES

FS06-2023 Use of Mobile Data Terminals (MDT), Companion Devices and Risk Data															
ENGAGEMENT OBJECTIVE	OPINION & NUMBER OF ISSUES RAISED														
<p>As part of the 2022/23 Audit Plan, it has been agreed that Internal Audit would undertake a review of Use of Mobile Data Terminals (MDT), Companion Devices and Risk Data.</p> <p>The aim of the audit was to determine the adequacy and effectiveness of controls over the use of Mobile Data Terminals (MDT), Companion Devices and risk data to enable safe and effective command decisions.</p> <p>In forming conclusions, the Fire Standards and internal policies and procedures were considered.</p>	<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #008000; color: white;">Assurance Opinion</th> <th style="background-color: #008000; color: white;">Prospect for Improvement</th> <th style="background-color: #ff0000; color: white;">High</th> <th style="background-color: #ffcc00; color: white;">Medium</th> <th style="background-color: #008000; color: white;">Low</th> </tr> </thead> <tbody> <tr> <td style="background-color: #008000; color: white; text-align: center;">High</td> <td style="background-color: #008000; color: white; text-align: center;">Very Good</td> <td style="background-color: #ff0000; color: white; text-align: center;">0</td> <td style="background-color: #ffcc00; color: white; text-align: center;">0</td> <td style="background-color: #008000; color: white; text-align: center;">0</td> </tr> </tbody> </table> <p>The findings from this review have demonstrated that there are robust controls over the use of MDTs, Companion Devices and risk data that facilitates effective incident management and decisions.</p>					Assurance Opinion	Prospect for Improvement	High	Medium	Low	High	Very Good	0	0	0
Assurance Opinion	Prospect for Improvement	High	Medium	Low											
High	Very Good	0	0	0											
KEY STRENGTHS	AREAS FOR DEVELOPMENT														
<ul style="list-style-type: none"> There is a comprehensive range of process documentation, including MDT and Companion Device manuals, Site-Specific Risk Information (SSRI), Site Safety Checklists and Response Assessment Visit (RAV) Intelligence. There is appropriate training for the Dynamics (Risk Management Platform), MDTs and Companion Devices. There are processes in place, including Quality Assurance, which ensures Information on MDTs and Companion Devices is up-to-date, accessible and usable during incidents. There are robust business continuity arrangements should MDTs and Companion Devices fail, including: Grab packs, Remote support via the Resilience Direct system, SharePoint, the use of tablets and laptops remotely and phoning officers. There are effective maintenance arrangements in place. Post-incident debriefs are undertaken and best practice, lessons learned and areas for improvement are recorded on an Action Tracker. There is a monthly Evaluation Board at the Response and Resilience meeting where actions are allocated, risk rated and put on the Action Tracker. The various ongoing related projects, including the MDT and Risk Management Platform, continue forward in line with Project Management Methodology, in order to yield optimal benefits. 	<ul style="list-style-type: none"> None 														

ANNEX A – AUDIT SUMMARIES

ANNEX A – AUDIT SUMMARIES

FS07-2023 Safeguarding

ENGAGEMENT OBJECTIVE

As part of the 2022/23 Audit Plan, Internal Audit has undertaken a review of the Authority’s Safeguarding arrangements, with focus on awareness / training, and the internal process of raising and responding to safeguarding concerns. In forming our conclusions, we considered (where relevant) the requirements of the: KFRS’ safeguarding policy; Safeguarding Fire Standards; and the National Fire Chiefs Council (NFCC) good practice safeguarding guidance.

KEY STRENGTHS

- Up to date policies, procedure and guidance for raising and managing safeguarding concerns are in place.
- Key roles and responsibilities regarding safeguarding have been identified and assigned.
- A Corporate Director has been assigned as the responsible person for safeguarding.
- Mandatory safeguarding training is in place to help improve officers’ awareness and the uptake of the course is high (96% of officers have completed the mandatory course).
- Members have also completed safeguarding training.
- There is a dedicated intranet page for safeguarding information; there is in-year officers messaging and communications. In addition, KFRS run an annual safeguarding awareness week.
- Members and Corporate Management Board receive quarterly updates and on safeguarding matters for oversight, challenge, and scrutiny.
- KFRS is a member of the local safeguarding board (Kent and Medway Safeguarding Adults Board), and an Assistant Director represents KFRS at KMSAB meetings on a regular basis.
- A Designated Safeguarding Officer (DSO) is assigned to every safeguarding concern raised. This helps to ensure that KFRS accurately assess each concern and take the most appropriate action(s).
- There is a quality assurance process that is consistently adhered to whereby every safeguarding case is independently reviewed by a separate DSO to help ensure that KFRS took the most appropriate action(s).
- All open safeguarding cases are subject of the quality assurance process at least every 28 days to help ensure that KFRS is taking most appropriate action(s).
- Sample testing of 25 cases found that KFRS acted on all safeguarding concerns in accordance with the policy.
- DSOs consistently consults with other agencies (e.g. Social Services, Mental Health Services, the Police, Housing Providers etc) to establish who is the lead agency and makes referrals where appropriate.
- Officers take reasonable steps to comply with data protection regulations and NFCC guidance when making referrals and sharing personal information with other agencies.

AREAS FOR DEVELOPMENT

- Increase the uptake of Safeguarding levels 2 and 3 training for the officers that are eligible. **(LOW)**

OPINION & ISSUES RAISED

Internal Audit’s overall Audit Opinion of **High** is based on the fact that the majority of the key controls and processes tested were found to be operating in accordance with good practice guidance, and no significant issues have been raised as a result of this audit.




Assurance Opinion	Prospect for Improvement	High	Medium	Low
High	Very Good	0	0	1






ANNEX A – AUDIT SUMMARIES

FS09-2023 (On-Call) Duty System Management

ENGAGEMENT OBJECTIVE	OPINION & NUMBER OF ISSUES RAISED											
<p>As part of the 2022-23 Audit Plan, it was agreed that Internal Audit would undertake a review of (On-Call) Duty Management System.</p> <p>The aim of the audit was to check compliance against the KFRS Human Resource and Learning On-Call Duty System Policy.</p>	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr style="background-color: #1a3d54; color: white;"> <th style="width: 15%;">Assurance Opinion</th> <th style="width: 15%;">Prospect for Improvement</th> <th style="width: 10%;">High</th> <th style="width: 10%;">Medium</th> <th style="width: 10%;">Low</th> </tr> </thead> <tbody> <tr style="background-color: #90ee90;"> <td style="text-align: center;">Substantial</td> <td style="text-align: center;">Good</td> <td style="text-align: center;">0</td> <td style="text-align: center;">2</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>	Assurance Opinion	Prospect for Improvement	High	Medium	Low	Substantial	Good	0	2	0	<p>The findings from this review have highlighted that there are On-Call Policy compliance arrangements in place. However, there is no annual review of the Policy and there is no monitoring of Policy compliance at both Authority wide and station level.</p> <p>Management have started the Fire Watch Project, to review the On-Call arrangements to ensure systems are aligned, robust data capture, compliance and reporting is improved.</p>
Assurance Opinion	Prospect for Improvement	High	Medium	Low								
Substantial	Good	0	2	0								
KEY STRENGTHS	AREAS FOR DEVELOPMENT											
<ul style="list-style-type: none"> The On-Call Duty System Policy is clear, comprehensive, well-structured and is linked to relevant policies. All On-Call personnel have access to a dedicated On-Call intranet page, which has extensive resources, including the Policy and webinars. There are a range of system generated live reports, including Current Appliance Overview and the On-Call Establishment Dashboard, which facilitate the management and monitoring of On-Call resources. There is day-to-day monitoring of key measures, such as activity, availability and unmatched hours by the Station Manager who is responsible for support of individual stations. Management address breaches of the Policy on an ad-hoc basis. The Fire Watch Project is in progress and aims to align the On-Call systems, ensure more robust data is captured and to improve compliance and reporting. This is scheduled to go live in January 2024. 	<ul style="list-style-type: none"> The On-Call Duty System Policy is not annually reviewed and changes that have been made to the Policy since it was launched have not been updated in the Data Audit Information section of the Policy. (MEDIUM) There is a lack of structured monitoring of compliance with the Policy at Authority wide and station level. (MEDIUM) 											

ANNEX B – DEFINITIONS

Risk Ratings	
 High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
 Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
 Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.

Audit Opinions	
 High	Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively. Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives. There are examples of best practice. No significant weaknesses have been identified.
 Substantial	Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively. Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.
 Adequate	Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk. There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.
 Limited	Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied. Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.
 No Assurance	Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation. Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved.

ANNEX B - DEFINITIONS

Prospects for Improvement	
Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives.
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.

ANNEX C – PERFORMANCE INDICATORS

INTERNAL AUDIT PERFORMANCE INDICATORS (2022/23)			
	Indicator	Target Performance	Performance to date
1.	Engagement Plan to be issued 2 weeks prior to commencement of audit fieldwork	90%	100%
2.	Verbal feedback to be provided within one week of completion of audit fieldwork	100%	100%
3.	Draft Reports to be issued by the date specified in the Engagement Plan	90%	50%
4.	Final Report to be issued within 5 working days of receiving management response	90%	100%
5.	Client Satisfaction Questionnaires to be issued for all audits/investigations completed with the final report	100%	100%
6.	% Positive Client feedback	90%	100%
7.	% Completion of Annual Internal Audit Plan @ 31 March 2023	90%	N/A

KFRS			
	Indicator	Target Performance	Performance to date
1.	Agreement of Engagement Plan to be provided prior to fieldwork start date	100%	100%
2.	Response to Draft Report and Action Plan to be provided within 10 working days of issue	90%	100%
3.	Client Satisfaction Questionnaires to be completed and returned within 10 working days of Final Report	100%	25%
4.	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%	N/A

ANNEX D – COMPARISON OF PERFORMANCE INDICATORS

IACF PERFORMANCE INDICATOR	TARGET	2021/22	2022/23 (To-date)
1. Engagement Plan issued 2 weeks prior to commencement of fieldwork start date	90%	100%	100%
2. Verbal feedback to be provided within one week of completion of audit fieldwork	100%	89%	100%
3. Draft Reports to be issued by the date specified in the Engagement Plan	90%	67%	50%
4. Final Report to be issued within 5 working days of receiving management response	90%	89%	100%
5. Client Satisfaction Questionnaires to be issued for all audits / investigations completed with the final report	100%	100%	100%
6. % Positive Client feedback	90%	100%	100%
7. % Completion of Annual Internal Audit Plan @ 31 March	90%	90%	N/A

KFRS PERFORMANCE INDICATOR	TARGET	2021/22	2022/23 (To-date)
1. Agreement of Engagement Plan to be provided prior to fieldwork start date	100%	100%	100%
2. Response to Draft Report and Action Plan to be provided within 10 working days of issue	90%	100%	100%
3. Client Satisfaction Questionnaires to be completed and returned within 10 working days of Final Report	100%	100%	25%
4. Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%	100%	N/A

