



KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Meeting of the Audit and Governance Committee

Thursday, 24 April 2025

10:30am

AGENDA

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Thursday 24th April 2025 at 10.30am

Ask for: Kirsty Driver

Kent Fire and Rescue Service Headquarters,
The Godlands, Straw Mill Hill
Tovil, Maidstone, ME15 6XB

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. Membership Changes and Apologies for Absence
- A3. Declarations of Interest in Items on this Agenda
- A4. Minutes of the Audit and Governance Meeting held on 29th January 2025 *(for approval)*

B For Decision

- B1. External Auditors Indicative Audit Plan for 2024/25
- B2. Accounting Policies and Accounting Estimates to be Applied by Management for 2024/25
- B3. Treasury Management Indicative Outturn for 2024/25
- B4. Internal Audit Annual Plan for 2025/26 and the Audit Charter

C For Information

- C1. Internal Audit Progress Update for 2024/25

D Urgent Business *(Other Items which the Chair 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).*

Kirsty Driver
Clerk to the Authority
1st April 2025

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.

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

MINUTES of the Meeting of the Audit and Governance Committee held on Wednesday, 29 January 2025 at Kent Fire and Rescue Service Headquarters, The Godlands, Tovil, Maidstone, Kent, ME15 6XB.

PRESENT: - Mr P Cole, Mr D Crow-Brown, Mr B Kemp, Mr M Hood, Mr V Maple, Mr J McInroy, and Mrs J Waterman (Independent Member).

APOLOGIES: - Mr A Booth, Mr N Collor, Ms J Meade and Mr C Simkins.

OFFICERS:- The Chief Executive, Miss A Millington; the Director, Finance and Corporate Services, Mrs A Hartley; Director Prevention, Protection and Customer Engagement, Mr J Quinn; Assistant Director, Operations, Mr M Deadman; Head of Finance, Treasury and Pensions, Mrs N Walker; Head of Finance, Treasury and Pensions, Mr B Fullbrook; Head of Policy, Dr O Thompson and the Clerk to the Authority, Mrs M Curry.

ALSO IN ATTENDANCE: - Ms H Ward, Deputy Monitoring Officer and Mr R Smith, Kent County Council (KCC) Internal Audit.

UNRESTRICTED ITEMS

14. Chair's Announcements

(Item A1)

- (1) The Chair thanked Richard Bason for the Member briefing on Treasury Management prior to the meeting.
- (2) The Chair welcomed Russell Smith from KCC Internal Audit to the meeting.
- (3) The Chair welcomed Helen Ward, the Authority's Deputy Monitoring Officer to the meeting.
- (4) The Chair, on behalf of Members, gave thanks and best wishes to Alison Hartley who was attending her last Committee before her retirement from Kent Fire and Rescue Service.
- (5) The Chair, on behalf of Members, congratulated and welcomed Barrie Fullbrook as the new Director of Finance and Section 151 Officer.

15. Membership

(Item A2)

- (1) There have been no membership changes to the Committee since the last meeting.

16. Minutes

(Item A4)

- (1) RESOLVED that:
 - (a) The minutes of the Audit and Governance Committee held on 6 November 2024 be signed as a true and correct record.

17. Treasury Management and Investment Strategy 2025/26 – 2028/29

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

- (1) The Committee received the draft Treasury Management Strategy for the 2025/26 financial year, prior to it being presented to the Authority in February 2025.

.....

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- (2) The capital and reserve figures detailed within the draft Strategy provide a current estimate of forecast spend but may be subject to refinement prior to the Authority's budget meeting as projects progress or slip and as more detailed work in costing and profiling are undertaken to ensure affordability.
- (3) In answer to questions raised by Mr Cole around the flexibility of investments and duration periods, the Head of Finance, Pensions and Treasury responded by saying that the Treasury team regularly review the investment market, they meet with Banks and work closely with the Authority's Treasury Advisor to ensure that the Authority's money is invested in line with the Treasury strategy, ensuring security, liquidity and yield are all considered appropriately.
- (4) Mr Cole also asked how the team maintains an ethical balance in investments. The Head of Finance, Pensions and Treasury said that the team gets visibility of a whole variety of information, through the portal they access. This provides detail on the make-up of any money market fund, setting out ethical investments for example and country base.
- (5) The Director of Response and Resilience gave a brief update on the future plans for a site for a Fleet workshop and the proposal to bring back in-house light fleet support.
- (6) RESOLVED that:
 - (a) the Treasury Management and Investment Strategy for the 2025/26 financial year, be approved in principle.

18. Annual Review of the Code of Corporate Governance

(Item B2 – Director of Finance and Corporate Services)

- (1) The Committee received the annual Code of Corporate Governance for review. The Code is published in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and sets out the seven key principles of good governance and how these are followed by the Authority.
- (2) RESOLVED that: -
 - (a) The updated Code of Governance attached at Appendix 1 to this report, be approved.

19. Consultation on Local Audit Reform

(Item B3 – Director of Finance and Corporate Services)

- (1) The Committee received the proposed response to the Government's open consultation on the review of the local audit system for consideration.
- (2) RESOLVED that: -
 - (a) The proposed response to the Government's consultation on Local Audit Reform as attached at Appendix 1 to the report, be approved.

20. Corporate and Strategic Risk Register

(Item C1 – Presentation by Strategy and Risk Manager)

- (1) The Committee considered the latest update on the Corporate and Strategic Risk Register.
- (2) The Strategy and Risk Manager outlined the risks for the Authority as well as the work being undertaken to mitigate these.

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(3) RESOLVED that: -

(a) The presentation on the Corporate and Strategic Risk Register was noted.

21. Internal Audit Progress Report

(C2 – Report by Director Finance and Corporate Services)

(1) The Committee was provided with an update on the progress of the audits undertaken to date in relation to the 2024/25 Audit Plan as well as a summary of the recent Internal Audit follow up work.

(2) Mr R Smith from KCC Internal Audit was in attendance to answer questions posed by Members.

(3) The Chair thanked Mr Smith for the work undertaken on the Audit.

(4) RESOLVED that:

(a) the contents of the report be noted.

By: Director of Finance

To: Audit and Governance Committee - 24 April 2025

Subject: EXTERNAL AUDITORS' INDICATIVE AUDIT PLAN FOR
2024/25

Classification: Unrestricted

FOR DECISION

SUMMARY

In preparation for the external audit of the Authority's Financial Statements for 2024/25, this report presents to Members the External Auditors' Indicative Audit Plan for the year ending 31 March 2025 and provides a summary of the key areas that the Auditors are required to assess 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). At the end of their review, the Auditors will provide an opinion on the Financial Statements for 2024/25 in their Audit Findings Report and will also comment on the Value for Money arrangements that are in place in their Annual Report. A representative of Grant Thornton will be attending this meeting to present their Plan for the audit.

RECOMMENDATION

Members are requested to:

1. Consider and approve the External Auditors' Indicative Audit Plan for the year ending 31 March 2025 (paragraphs 2 to 3 and **Appendix 1** refers).

LEAD/CONTACT OFFICER: Director of Finance – Barrie Fullbrook

TELEPHONE NUMBER: 01622 692121 ext. 8264

EMAIL: barrie.fullbrook@kent.fire-uk.org

BACKGROUND PAPERS: None

COMMENTS

Background

1. Members will be aware that, at this time of the year, the External Auditors present those charged with governance, their Plan to review the Authority's Financial Statements for the financial year just ended. As such, details of the areas covered in the External Auditors' Indicative Audit Plan for the year ending 31 March 2025 are set out in the paragraphs that follow.

Audit Plan for 2024/25

2. Attached as **Appendix 1**, for Members' consideration and approval, is the External Auditors' Indicative Audit Plan for the year ending 31 March 2025. The Plan reflects recommended audit practice and outlines the Auditors' strategy in delivering the audit. The Plan therefore covers the following areas:-
 - (a) **Key Developments Impacting the Audit Approach** - Highlights the external factors that need to be considered when undertaking the audit.
 - (b) **Introduction and Headlines** - Sets out the risk-based audit approach from an understanding of the Authority's business and identifies the auditing standards under which the audit will take place and the information that Grant Thornton will be expressing an opinion on.
 - (c) **Identified Risks** - Considers the significant potential risks with some of the areas of focus being prescribed. The Auditors will examine areas that may be significant in nature and those that have a potential to be misstated in the Authority's Financial Statements.
 - (d) **Approach to Materiality Levels** - Details the monetary threshold that the Auditors consider to be material for misstatement purposes and for disclosure requirements, as well as the monetary threshold for differences that are considered trivial in nature, for the purposes of the audit.
 - (e) **Information Technology Audit Strategy** - 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** - The Auditors explain the approach on which they will assess their Value for Money work for 2024/25, as defined by the National Audit Office Code.

(g) **Audit Fees** - This section sets out the proposed fee for the work the Auditors intend to undertake in reviewing the Financial Statements for 2024/25 and their Value for Money assessment.

3. Once the External Auditors have finished their review of the Financial Statements for 2024/25 and discussed this with officers, they will present their Audit Findings Report to the Audit and Governance Committee. This report will detail any issues arising from the audit and provide their anticipated opinion on the Financial Statements for 2024/25. The Audit Findings Report will usually be reported to the Audit and Governance Committee at its September meeting; however, the external audit will not be completed by this date so the Audit Findings Report will be presented to the Audit and Governance Committee at its meeting in January 2026, alongside the External Auditors' Annual Report which will include their Value for Money conclusion. The Annual Report will then be presented to the full Authority meeting in February 2026.

IMPACT ASSESSMENT

4. This paper provides further assurance to Members that the Authority is complying with all the necessary statutory reporting requirements. The external assessment of the Financial Statements and the Value for Money conclusion will involve scrutiny of processes and documented evidence.

RECOMMENDATION

5. Members are requested to:
 - 5.1 Consider and approve the External Auditors' Indicative Audit Plan for the year ending 31 March 2025 (paragraphs 2 to 3 and **Appendix 1** refers).

The Indicative Audit Plan for Kent and Medway Fire and Rescue Authority

Year ending 31 March 2025

24 April 2025



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01 Key developments impacting our audit approach

Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world, this paper sets out to change that. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authority's and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government will facilitate a programme of Local Government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution Government wants to reset its relationship with Local Governments, end micro-management and enable Local Governments through multi-year settlements.

At this stage we are not aware of the potential impact on blue light services given there are differing approaches currently in place across the country where existing devolution arrangements are in place. We will monitor developments closely and ensure we are liaising with you in a timely manner once further information is available.

Local Government Reorganisation (continued)

External factors

English Devolution White Paper

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We are expecting an interim plan by 21 March 2025 and a full proposal by 28 November 2025.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Local Audit Reform (continued)

External factors

Proposals for an overhaul of the local audit system

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Key developments impacting our audit approach (continued)

National Position

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Key developments impacting our audit approach

Local Context

The Authority, like all other local authorities, continues to operate within a challenging and uncertain financial environment. Despite the pressures, the Authority continues to have a good record for financial management, with recent budget reports noting healthy cash and reserve positions.

Our Response

- We will continue to review the position of the Authority within our VFM and year end financial accounts audit procedures.

New accounting standards and reporting developments

- Authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next slide.

- Detailed review of the authority's implementation of IFRS 16. More information can be found on the next slides.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director of Finance.
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
 - We would like to offer a formal meeting with the Chief Executive twice a year, and with the Director of Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
 - At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Governance Committee, to brief them on the status and progress of the audit work to date.
 - Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
 - We will continue to provide you and your Audit and Governance Committee with sector updates providing our insight on issues from a range of sources via our Audit and Governance Committee updates.
 - We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
-



IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures, we will be discussing with management to gain an understanding of the accounting policies and application of the judgements and estimations. We will then use these conversations to inform our year end procedures.

02 Introduction and Headlines

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 the 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 agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA). We draw your attention to 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 arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

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 (continued)



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 control
- Valuation of land and buildings
- Valuation of net pension fund liability

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 to be **£2.3 million** (PY £2.0 million) for the Authority, which equates to 2.5% 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. As part of our risk assessment, we have considered the impact of unadjusted prior period errors.

Clearly trivial has been set at **£115,000** (PY £100,000).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant weakness areas or related risks, requiring separate attention. We will continue to monitor and update our risk assessment and responses until we issue our Auditor’s Annual Report.

Audit logistics

Our interim visit will take place in March - April and our final visit will take place in September – December 25. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor’s Report and Auditor’s Annual Report.

Our proposed fee for the audit is **£114,405** (PY: £103,585) for the Authority, subject to the Authority delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

03 Identified risks

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.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	<ul style="list-style-type: none"> 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; and Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings	Potential for misstatement in the financial statements due to errors, fraud, or misinterpretation of the valuation of these assets.	The authority revalues high value fixed assets on an annual basis and the remainder of assets on a rolling four yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.	<ul style="list-style-type: none"> Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to 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 valuation was carried out; Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; Test revaluations made during the year to see if they had been input correctly into your asset register; and Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net liability/asset - assumptions applied by the professional actuary in their calculation	The Authority's pension fund net liability (Local Government Pension Scheme and Firefighters' Pension Schemes), represents a significant estimate in the financial statements.	<p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£642.9 million in the Authority's balance sheet for 23/24) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net asset/liability as a significant risk. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net asset/liability.</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 liability is 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 who carried out the Authority's pension fund valuation; • 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; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and 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. 	We therefore do not consider this to be a significant risk for Kent and Medway Fire and Rescue Authority.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	<p>We have considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We were satisfied that this does not present a significant risk of material misstatement as:</p> <ul style="list-style-type: none"> - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not found significant issues, errors or fraud in expenditure recognition in the prior years audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. 	We do not consider this to be a significant risk for Kent and Medway Fire and Rescue Authority.

Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Going Concern	Due to financial pressures placed upon the sector there is a risk of financial sustainability that we will consider within our work on Going Concern.	We will review managements assessments and disclosures within the 24/25 statements.



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.”

(ISA (UK) 315)

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 and any other information published alongside your financial statements 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.
- Where required, 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 financial statements, consider and decide upon any objections received in relation to the 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.

04 Our approach to materiality

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

01

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements

- We determine planning materiality in order to:
 - 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

02

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

- An item may be considered to be material by nature when it relates to:
 - instances where greater precision is required

03

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

- 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

Our approach to materiality (continued)

Matter Description

04

Matters we will report to the Audit and Governance Committee

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 and Governance 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.

Planned audit procedures

- 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.
- 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 **£115,000** (PY £100,000).
- 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 Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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.

	Amount (£)	Qualitative factors considered
Materiality for the entity financial statements	2,300,000	This benchmark is determined as a percentage of the Authorities Gross Cost of Services Expenditure in 2023/24, which has been set at approximately 2.5%.
Materiality for specific transactions, balances or disclosures: Senior officer remuneration	100,000 per officer (non-cumulative)	Due to the importance of this disclosure to stakeholders we have determined a reduced materiality threshold as appropriate.



05 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Business World	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only).
iTrent	Payroll and pension contributions	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only).

06 Value for Money Arrangements

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. 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:



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.



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.

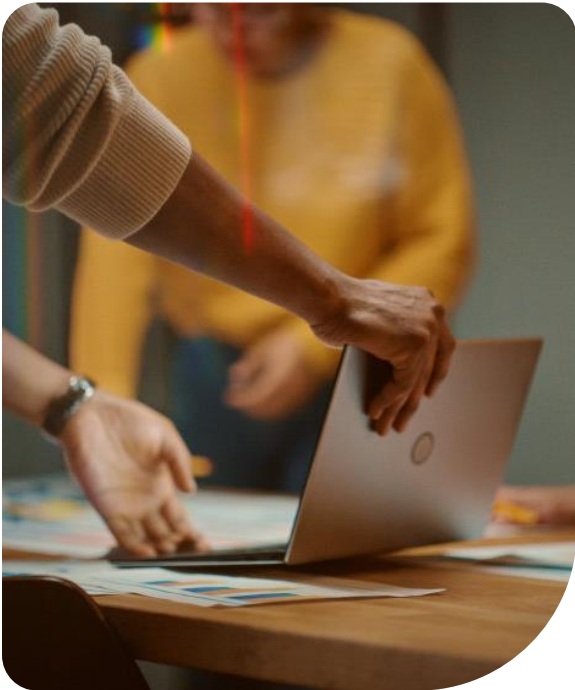


Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. To date no risks of significant weakness have been identified from our initial review of arrangements. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Authority's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	Amber No significant weaknesses in arrangements identified, but one prior year improvement recommendation in respect of reporting savings delivery carried forward.	At this stage of our VFM planning, we have not identified any risks of significant weaknesses from our initial review work.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up the improvement recommendations made in 2023/24.
Governance	Green Our work did not identify any areas where we considered that key or improvement recommendations were required.	At this stage of our VFM planning, we have not identified any risks of significant weaknesses from our initial review work.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.

Risks of significant weakness in VFM arrangements (continued)

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Improving economy, efficiency and effectiveness	Amber No risks of significant weakness reported; three improvement recommendations made that will be followed up.	At this stage of our VFM planning, we have not identified any risks of significant weaknesses from our initial review work.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.

- Green** No significant weaknesses in arrangements identified or improvement recommendation made.
- Amber** No significant weaknesses in arrangements identified, but improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendations made.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

07 Logistics

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Matt Dean

Engagement Lead

Matt is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit and Governance Committee, the Chief Executive and the S151 Chief Finance Officer. Matt will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Matt will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Matt will sign your audit opinion.

George Ellis

Audit Manager

George is responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit and Governance Committee, S151, Chief Finance Officer and finance team. George will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable. George will be responsible for the delivery of our work on your arrangements in place to secure value for money.

Xavier Thomas

In-charge

Xavier will support George in his work to ensure the early delivery of audit testing and lead on a number of complex accounting issues. Xavier will perform first reviews of the team's work. In addition, Xavier will also liaise with key members of the finance team to ensure audit testing and reviews are conducted on a timely basis.

Our team and communications (continued)

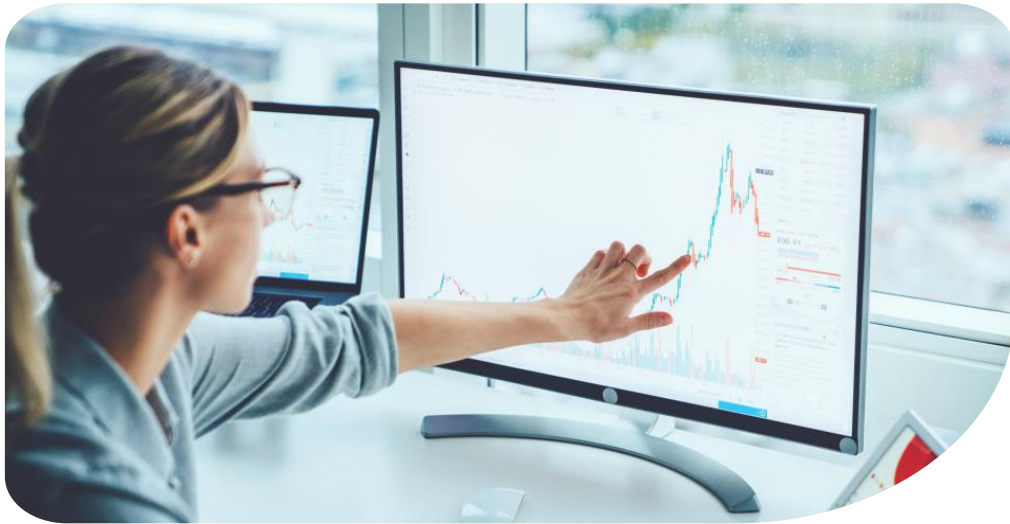
	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> Annual client service review 	<ul style="list-style-type: none"> The Audit Plan Audit Progress and Sector Update Reports The Audit Findings Report Auditor's Annual Report 	<ul style="list-style-type: none"> Audit planning meetings Audit clearance meetings Communication of issues log 	<ul style="list-style-type: none"> Technical updates
Informal communications	<ul style="list-style-type: none"> Open channel for discussion 		<ul style="list-style-type: none"> Communication of audit issues as they arise 	<ul style="list-style-type: none"> Notification of up-coming issues that may impact the Authority

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the In-Charge Accountant and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

08 Fees and related matters

Our fee estimate

Our estimate of the audit fees is set out in the next slide, along with the fees billed in the prior year



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 \(revised 2024\)](#) 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.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017 PSAA awarded a contract of audit for Kent and Medway Fire Authority to begin with effect from 2018/19. The scale fee set out in the PSAA contract for the 2024/25 audit is £114,415,.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Our fee estimate (continued)

Our estimate of the audit fees, along with the fees billed in the prior year:

Company	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Authority Audit	103,585	114,405
ISA 315	7,058	Included in Scale Fee above
IFRS16	0	7,500
Total (Exc. VAT)	110,643	121,905

Previous year

In 2023/24 the scale fee set by PSAA was £103,585. The actual fee charged for the audit was £110,643.

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit 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
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

09 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose there are no matters that we are required to report.

Independence considerations (continued)

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

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

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

10 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●

Our communication plan	Audit Plan	Audit Findings Report
Views about the qualitative aspects of the Authority’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

Communication of audit matters with those charged with governance (continued)

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

This document, the Audit 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.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

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

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

11 Delivering audit quality

Delivering audit quality (continued)

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:



Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.



Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.



Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Delivering audit quality

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

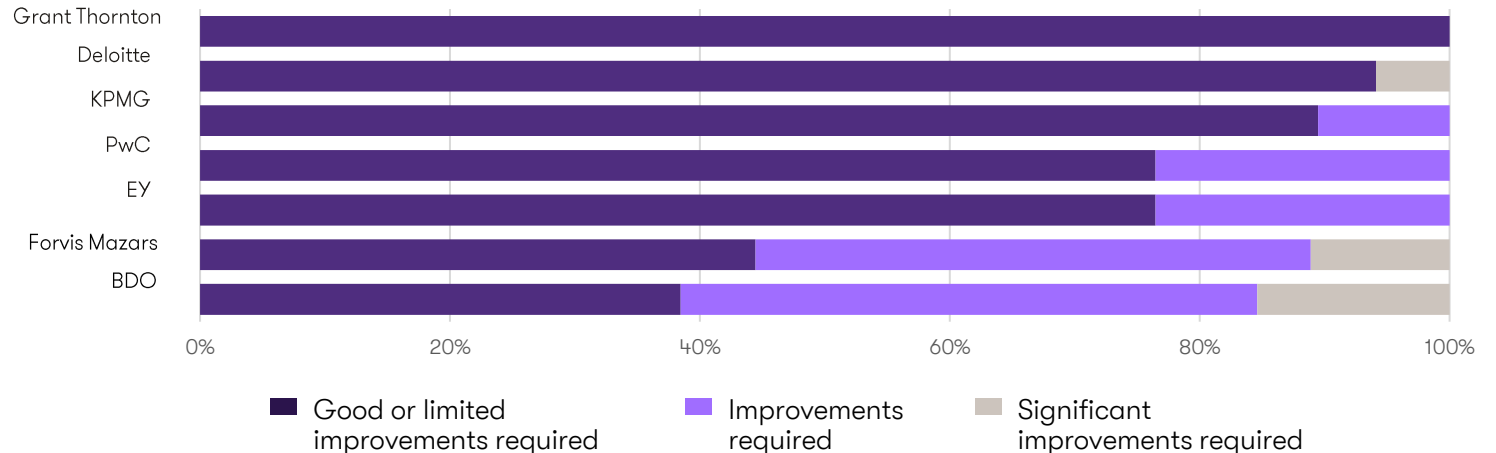
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



12 Appendices

Escalation Policy



The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Audit and Governance Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7 Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

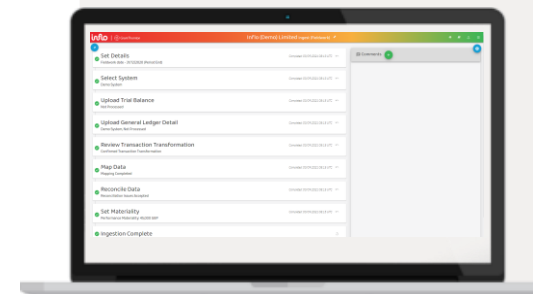


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



The Grant Thornton Digital Audit – Inflo (continued)

A suite of tools utilised throughout the audit process

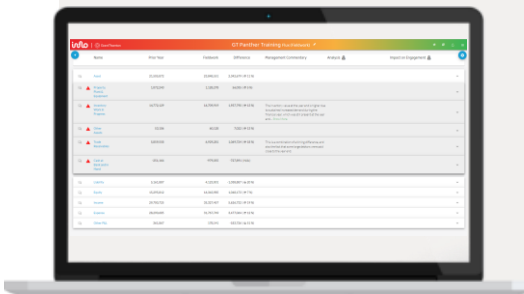
03

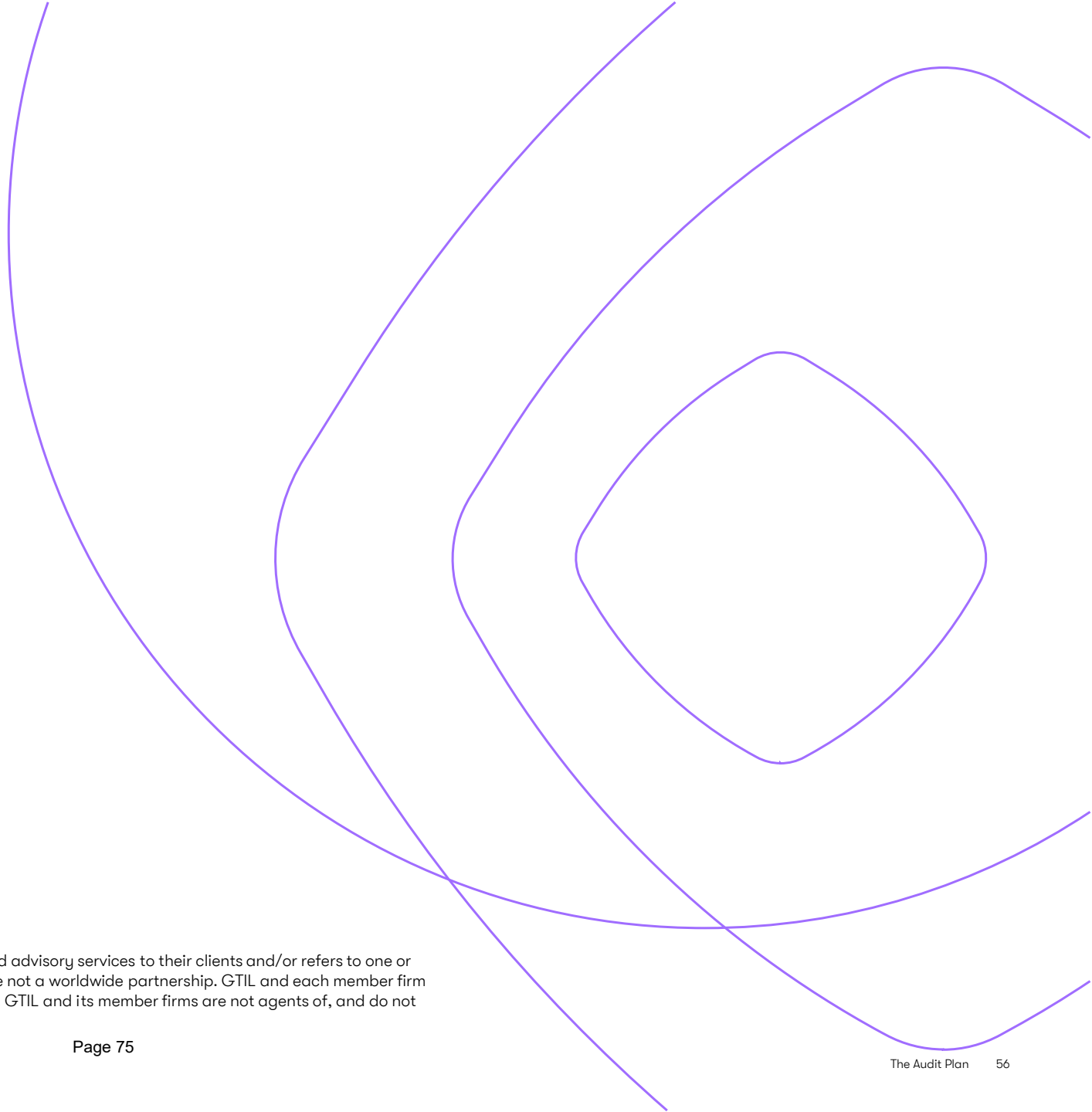
Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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By: Director of Finance

To: Audit and Governance Committee - 24 April 2025

Subject: EXTERNAL AUDITORS' AUDIT RISK ASSESSMENT, AND
ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
TO BE APPLIED BY MANAGEMENT FOR 2024/25

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. The External Auditor is required to gain an understanding of the management processes and the Fire and Rescue Authority's oversight of key areas that support the production of the Financial Statements. The document provided at **Appendix 1** sets out the management responses to the questions raised by the External Auditors. Members are asked to review and consider the draft responses and if consistent with their understanding are requested to agree the responses.

To enhance transparency and comparability in financial reporting the way that the Authority must account for leases ('right of use' over assets) has changed for the 2024/25 financial year. A new accounting policy for the 2024/25 Financial Statements, regarding leases, is therefore presented in this paper for Members consideration and approval.

RECOMMENDATIONS

Members are requested to:

1. Consider and approve the External Auditors' Audit Risk Assessment (paragraphs 3 to 4 and **Appendix 1** refers);
2. Consider and approve the proposed accounting treatment in relation to leases ('right of use' over assets) (paragraphs 5 to 8 refer).

LEAD/CONTACT OFFICER: Director of Finance – Barrie Fullbrook

TELEPHONE NUMBER: 01622 692121 ext. 8264

EMAIL: barrie.fullbrook@kent.fire-uk.org

BACKGROUND PAPERS: None

COMMENTS

Background

1. Expectations placed on External Auditors, by the Financial Reporting Council (FRC) are increasing 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, the External Auditors ask the Authority to provide detailed explanations of the approach taken and the controls in place in these areas. Attached at **Appendix 1** are the Authority's draft responses to the questions asked by the External Auditor. The responses provided aid the Auditors in their risk assessment, and it is the responsibility of the Members of the Audit and Governance Committee to ensure that the responses set out to the questions asked are consistent with their understanding. As such, Members are requested to review and agree the proposed responses and consider whether there is anything additional that needs to be added.

Informing the Audit Risk Assessment 2024/25

2. 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.
3. 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. A summary of the key areas set out in **Appendix 1** is provided below:-
 - (a) **General Enquiries of Management** - Ascertains that management have considered events during the year that may impact on the Financial Statements.
 - (b) **Fraud Risk Assessment** - Seeks assurance that management and the Authority understand key areas at risk of fraud and have adequate controls in place to detect and reduce the risk of fraud.
 - (c) **Law and Regulations** - Seeks assurance that the Authority has operated in accordance with the law and regulations.
 - (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 Kent Fire and Rescue Service 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**.

4. Members of the Audit and Governance Committee are requested to review and consider the proposed draft responses to the questions raised by the External Auditors and to highlight any further comments they may wish to add.

New Accounting Policy for 2024/25 - Leases

5. From 1 April 2024 the CIPFA Code of Practice accounting regulations changed the accounting treatment for leases ('right of use' over assets). Previously there were two types of leases:-
- a) **Operating Lease** – Like renting a car, you pay to use it, but the rental company deals with the ownership issues. The rental cost is charged to the revenue budget. No asset is recognised on the balance sheet.
 - b) **Finance Lease** – Like buying a car on a payment plan, you deal with the ownership issues. The cost is charged to the capital budget. An asset is recognised on the balance sheet.

The main change to the accounting treatment of leases for 2024/25 is that all leases or contracts that determine the 'right of use' over an asset must now be accounted for like a Finance Lease, except for:

- Leases of 12 months or less (short-term leases)
- Leases of low value assets

6. In determining the accounting treatment, the Authority has some key considerations, with the recommended approach to each of these considerations detailed below:

Low Value Assets - The new accounting regulations do not set a predetermined amount for a low value asset. Therefore, it is proposed to set this value in line with the Authority's capital accounting policy for equipment and set a £10k de-minimis limit per asset – meaning individual assets below this threshold will not be brought onto the balance sheet.

Incremental Borrowing Rate - To ascertain the present value of lease payments they will need to be discounted using an incremental borrowing rate. Where a rate is detailed in the lease this will be used. If a rate is not identified in the lease, the Public Works Loan Board (PWL) borrowing rate at the time of the start of lease and for the duration of the lease will be used.

Peppercorn leases/substantially less than market value leases - As these lease payments are low in value the market value of the lease would need to be determined. It is proposed that the Authority's External Valuers will be consulted to determine a market value.

7. The application of the above criteria has resulted in the identification of two leases that will now need to be accounted for on the balance sheet in the Authority's Financial Statements for 2024/25:
 - Vehicle Maintenance Workshop
 - Control Room - Coldharbour

8. Members are asked to agree the recommended approach as set out in paragraph 6. The change in accounting policy is required under the CIPFA Code of accounting practice to ensure public bodies are more transparent in their financial reporting. Setting a £10k de-minimis limit allows for small value leases such as water coolers, lone worker devices and portable toilets to be accounted for in the revenue budgets with minimum financial administration and minimal impact on the Authority's financial statements.

IMPACT ASSESSMENT

9. This paper provides further assurance to Members that the Authority is complying with all the necessary statutory reporting and accounting requirements.

RECOMMENDATION

10. Members are requested to:
 - 10.1 Consider and approve the External Auditors' Audit Risk Assessment (paragraphs 3 to 4 and **Appendix 1** refers);
 - 10.2 Consider and approve the proposed accounting treatment in relation to leases ('right of use' over assets (paragraphs 5 to 8 refer).

External Auditors' Audit Risk Assessment

Inquiries of management and others

ISA 315 (Revised 2019). 14 requires risk assessment procedures to include inquiries of management and other within the entity. The purpose of this is to support an appropriate basis for the identification and assessment of risks, and design of further audit procedures. Inquiries of management and those responsible for financial reporting and of other appropriate individuals within the entity and other employees with different levels of authority may offer the auditor varying perspectives when identifying and assessing risks of material misstatement. [ISA 315 (Revised 2019). 14 A22-A24].

General Inquiries	Management responses 24/25
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2024/25?	<p>Government grant funding provided to cover pension costs in relation to the Matthews pension case has resulted in additional surplus cash balances being available for investment where the associated costs have not yet been incurred – contributing to the underspend on the Revenue Budget.</p> <p>Pay awards for all pay groups were higher than budgeted for 24/25 but these costs have been contained due to an underspend on the on-call station pay budget due to ongoing national issues with recruitment and retention of on-call firefighters.</p> <p>Additionally, land valuations have had an impairment adjustment to reflect the impact of contamination issues identified through an independent review.</p> <p>Termination of the Channel Tunnel Contract in February 2025.</p>
2. Have you considered the appropriateness of the accounting policies adopted by KMFRA? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	<p>A review of accounting policies is undertaken each year to ensure they are still relevant.</p> <p>We have been reviewing our accounting policy for leases ready for 2024/25 implementation of the IFRS16 leasing accounting changes. As such, a new accounting policy for the 2024/25 Financial Statements is recommended to the Audit and Governance committee for consideration and approval.</p>
3. Is there any use of financial instruments, including derivatives? If so, please explain	<p>In line with the approved Treasury Management and Investment 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>
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	<p>We are not aware of any significant transactions outside the normal course of business.</p>

5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Ground contamination was identified as part of the preparation for groundworks at the Ashford site. After this finding, a report was commissioned to review several sites for potential land contamination. The impact of the review resulted in asking our Valuers to reassess land values, based on the risk analysis review, which has resulted in a downward revaluation of land values to the accounts for 21/22, 22/23 and 23/24. Grant Thornton are aware of the impact of this issue.
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 FRSs 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 - WAN Network Provision for the NFSP Control – via CCS/G-Cloud
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 KMFRA 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</p> <p>Invicta Law – Property & HR</p> <p>Stotesbury/Red Lion Chambers – Technical Fire Safety</p>
9. Have any of KMFRA'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	No reports have been made.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	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.

	<p>Cluttons advise on property valuations for accounting purposes.</p> <p>Barnet Waddingham LLP provide the information in relation to IAS 19 disclosures.</p> <p>MUFG (previously Link Asset Services) provide the Authority with Treasury and Leasing advice and daily updates.</p> <p>PS Tax have provided specific tax advice in relation to IR35 off payroll suppliers, Benefit in Kind, tax implications for KFRS vehicles, VAT treatment when acting as an agent for national grant funding, VAT treatment for hydrant installation and they continue to be engaged as our general tax advisors.</p> <p>DLA Piper have also provided contract advice in other areas such as Control Tender, Channel Tunnel exit, contract novation and legal support for Building Safety enforcement activity.</p> <p>BDO have provided support in reviewing the financial strength horizon scanning on critical suppliers.</p> <p>Invicta Law and Gartner Research Services were used for HR advice and consultancy.</p> <p>For the Ashford Live Fire Project (ALP) Faithful & Gould who are now Atkins Realis and have provided advice to KFRS in several respects of the ALP project. Further to this we have also contracted with Morgan Sindall for the ground re-mediation and build process.</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 Inquiries

Management responses 24/25

<p>1. Has KMFRA assessed the risk of material misstatement in the financial statements due to fraud?</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/Treasurer 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 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>
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<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 KMFRA's risk management processes link to financial reporting?</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 Committee received Fraud Awareness training from the Counter Fraud Manager at KCC prior to the commencement of the November 2024 meeting. All fraud policies have been reviewed and are fit for purpose. The recommended best practice of undertaking the Fighting Fraud and Corruption Checklist has completed and reported to members of the Audit and Governance Committee at the November 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>
<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 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 KMFRA as a whole, or within specific departments since 1 April 2024? 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, 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> <p>The Corporate Risk register is maintained and regularly reported to members of the A&G Committee. Emerging risks are discussed with Those Charged with Governance.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details.</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</p>

<p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within KMFRA where fraud is more likely to occur?</p>	<p>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 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 externally to clone a procurement card.</p>
<p>6. What processes do KMFRA 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>
<p>7. How do you assess the overall control environment for KMFRA, 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</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 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 November 2024 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>

	<p>prior to the commencement of each Authority meeting. We ensure separation of duties within the organisation so no one individual can progress a transaction from start to finish. The Authority has issued a procurement policy and guidance for Colleagues when purchasing items which sets out the process in the event of conflict of interest and bribery and corruption.</p>
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit 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 November 2024 and received training from the Counter Fraud Manager at KCC prior to the November 2024 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, and it is Chaired by a member of the opposition party (Labour). A report from the Chair of Audit and Governance Committee was submitted to the Authority at the February 2025 meeting (Kent and Medway Fire and Rescue Authority Electronic Agenda Pack - 18 February 2025.pdf).</p> <p>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 2025 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>

Laws and Regulations	Management responses 24/25
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does KMFRA 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 Mid Kent Services from April 24. 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>We are aware of the government's devolution white paper; at this stage we understand our District Councils are currently in the process of taking reports to the Cabinet/Full Council to outline proposals and options. At this stage there is no significant impact on the FRA financial statements. We continue to monitor the emerging situation, and the Chief Executive meets regularly with other Kent Leaders and the Director of Finance meets regularly with other Kent Directors of Finance in the District and County Councils.</p>
<p>2. How is the Audit 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</p>	<p>To date we are not aware of any such instances</p>

2024 with an on-going impact on the 2024/25 financial statements? If so, please provide details	
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	<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. We also write to our legal advisors to ascertain if there are any legal cases outstanding at the end of financial year and an assessment is made on their impact in the financial statements is undertaken.</p>
5. What arrangements does KMFRA have in place to identify, evaluate and account for litigation or claims?	<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>
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>To date we are not aware of any such instances.</p>

Related Parties	Management responses 24/25
<p>1. Have there been any changes in the related parties including those disclosed in KMFRA's 2024/25 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 KMFRA • whether KMFRA has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<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 no further orders have been placed by KFRS under that contract in 2024/25. The contract expired between July 24- Sept 24, depending on the Lot.</p> <p>The Director of Prevention, Protection became a member of the FRIC board, this year. FRIC are the Insurance Mutual of which we are a member. We pay over to them our insurance renewal premiums.</p> <p>The Director of Response and Resilliance is a Trustee with Kent Search and Rescue, in the past we have made donations of surplus equipment to them. They are also an appointee Governor for SECamb. Our partnership with SECamb is documented in the related party financial statements and there is no change to these arrangements.</p>
<p>2. What controls does KMFRA 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>

	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.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Authority has several 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 several key individuals as designated by the Director of Finance within the existing policies that ensure separation of duties.

Going concern	Management responses 24/25
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 KMFRA will no longer continue?	The Authority had undertaken a full overhaul of its Risk Management processes and register. The Risk Manager meets with all risk owners to identify emerging risks, risk mitigation and actions arising.
2. Are management aware of any factors which may mean for KMFRA that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	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.
3. With regard to the statutory services currently provided by KMFRA, does KMFRA 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 KMFRA to cease to exist?	Statutory Services will continue to be provided by KMFRA
4. Are management satisfied that the financial reporting framework permits KMFRA 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?	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 Community Risk Management Plan and associated areas of focus, underpinned by enabling plans which is supported by the 4-year Medium Term Financial Plan. 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. As part of the Capital Strategy the Authority has modelled a 10-year Capital plan that is prudent, affordable and sustainable. The above processes have not cast any significant doubt on the Authority's ability to continue as a going concern.

Accounting Estimates	Management responses 24/25
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?	New pension regulations in relation to the McCloud and separately the Matthews court case, became effective in October 2023. Most additional costs arising from the application of the revised legislation, in both cases, will likely fall on the Firefighters' Pension Fund, with the financial impact in the main likely to be reflected in the actuarial valuations. Only relatively small elements of the costs are likely to fall to the respective FRA directly.
2. How does KMFRA'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 Cluttons, for pensions we engage the advice of Barnet Waddingham LLP and for Treasury we engage MUFG (previously 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 2024/25 and, if so, what was the reason for these?	We are not aware of any changes to the estimation processes at present
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	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.
7. How does the Fire and Rescue Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Inevitably accounting estimates are required at the year end when final information is not available. Estimations are invariably made based on a combination of 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.
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?	See above.

<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 <p>The resultant accounting estimates included in the financial statements.</p>	<p>The calculation of all estimates is 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>
<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 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>

Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Full year valuation every 5 years on the whole portfolio. Properties material in value are subject to a full valuation each year and had a full	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	Yes, the Authority’s appointed valuer is Cluttons	The following measurement basis are applied: - <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 	No

	re-measurement and new plans during 2022/23. The remaining properties are subject to a 25% of portfolio rolling full valuation with the other 75% subject to a desktop valuation.	increases in values are reviewed and further clarification from the expert is requested to understand increases over and above those expected.		<ul style="list-style-type: none"> Assets under construction- Actual Cost Surplus and Held for Sale Assets – Fair Value based on the price that would be received on the sale. 	
Depreciation	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
Provisions	<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>The Authority reviews its financial exposure to outstanding 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 in relation to each individual claim. 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
Valuation of defined benefit net pension fund liabilities	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	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

	and updated when necessary.				
Investments	<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 based on year-end bank, MMF, T-Bill balances held at year end and verified against statements.</p>	CIPFA Code of Practice	Yes	<ul style="list-style-type: none"> Calculations are based on market information as at 31 March 2025 	No
Fair value estimate	<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	Yes	<ul style="list-style-type: none"> Calculations will be based on new borrowing discount rates as at 31 March 20245 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 20245 	No
Credit loss and impairment allowances	Expected losses are calculated annually for significant credit risk using a provision matrix based on historic write-off of debt, whilst expected	CIPFA Code of Practice	Yes	<ul style="list-style-type: none"> Expected losses are based on historic default information. 	No

	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				
Accruals	Actual information is used where it is available. System activity reports are provided to support estimates in relation to payroll accruals and the annual leave accrual.	CIPFA Code of Practice	Yes	<ul style="list-style-type: none"> 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

By: Director of Finance
To: Audit and Governance Committee - 24 April 2025
Subject: TREASURY MANAGEMENT INDICATIVE OUTTURN 2024/25
Classification: Unrestricted

FOR DECISION

SUMMARY

The Authority is required by the Local Government Act 2003 to review treasury management activities and the estimated / 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 for the year, but further year-end adjustments will be required as part of the year-end closure process. As such the final report will be presented as part of the suite of documents to support the approval of the draft Financial Statements for 2024/25 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 have gradually fallen throughout the year, with the Bank of England Monetary Policy Committee voting to reduce the Bank Rate by 0.25%, to 4.5% in February 2025. The Authority is forecasting investment income of £2.973m on an average cash balance of £61m compared to budgeted investment income of £1.694m. The additional income is primarily due to the Authority receiving a government grant for the Matthews pension case but as the pension costs have not yet been incurred the amount received has been available for deposit. The average rate of interest on balances for the year was 4.87%, which is above the Bank of England base rate and is above the 12-month SONIA (Sterling Overnight Index Average Term rate) rate of 4.55% (March 2025).

RECOMMENDATION

Members are requested to:

1. Approve the indicative outturn on Treasury Management activity for 2024/25.

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions - Nicola Walker

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EMAIL: Nicola.walker@kent.fire-uk.org

BACKGROUND PAPERS: Annual Treasury Management and Investment Strategy 2024/25

COMMENTS

Introduction

1. The Authority approved the Annual Treasury Management and Investment Strategy for 2024/25 at its meeting on 20 February 2024 and the Audit and Governance Committee received a mid-year update at its meeting on 6 November 2024. The report reviewed the main aspects of the Authority's Treasury Management activities up to the end of August 2024 (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 2024/25 indicative outturn position (as at the 31 March 2025) for treasury activities undertaken during the year and highlights compliance with the Authority's policies previously approved by Members.

Annual Treasury Management Review 2024/25

3. **Economy and Interest Rates** - The Bank of England's Monetary Policy Committee cut interest rates at three meetings this financial year, starting with a 0.25% cut to the base rate in August, bringing it down to 5%, a 0.25% cut in November and the most recent coming in February 2025, resulting in a base rate of 4.50%. This meant that although returns on investments have remained high, the Authority has seen the interest rates available on deposits gradually falling throughout the year and they are currently forecast to continue to fall throughout 2025/26.
4. **Inflation** - Inflation remains above the Bank of England target rate of 2%, sitting at 3% for January 2025, up from 2.5% in December 2024. The Bank of England expects inflation to spike at 3.7% between July and September 2025 due to higher energy prices, water bills and bus fares.
5. **Treasury Position as at 31 March 2025** - The Capital Financing Requirement (CFR) at 31 March 2025 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-24	31-Mar-25
	£'000	£'000
Capital Financing Requirement (CFR)	1,879	5,549
External PWLB Borrowing	-400	0
Internal Borrowing (Under-borrowing)	1,479	5,549
Total Deposits	43,189	61,388
Less PWLB Borrowing	-400	0
Net Deposits	42,789	61,388

6. **Strategy for 2024/25** - The Annual Treasury Management and Investment Strategy for 2024/25 , agreed at the February 2024 Authority meeting, saw no changes from the 2023/24 Strategy.
7. The Authority deposits cash balances in several 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 5.28% and ended the year with an average of 4.60%. The Authority has continued to make use of the Agency Treasury Service provided by the Authority’s Treasury Advisor MUFG Pension & Market Services. This gives access to several fixed term and notice accounts that the Authority would otherwise not have access to due to the minimum deposit requirements set by some banks and in some cases provides access to a higher deposit rate than can be accessed by the Authority directly. The Treasury team continue to meet with Bank Relationship Managers to identify new products and available rates.
8. **Borrowing in 2024/25** - The Annual Treasury Management and Investment Strategy for 2024/25 identified that some borrowing may be required from 2025. 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 whilst interest rates remained high. During 2024/25, 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.
9. **Borrowing outturn for 2024/25** - During 2024/25 the Authority repaid one loan totalling £400k, which had an interest rate of 4.63%. There are no outstanding loans as at 31 March 2025.

10. **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 2. Table 3 details how the net borrowing figure is calculated.

Table 2 – Borrowing Costs net of Investment Income

	2024/25 Outturn
	£'000
Net Revenue Forecast Outturn	94,244
Net Borrowing *see Table 4 below for calculation	1,322
Ratio	1.40%

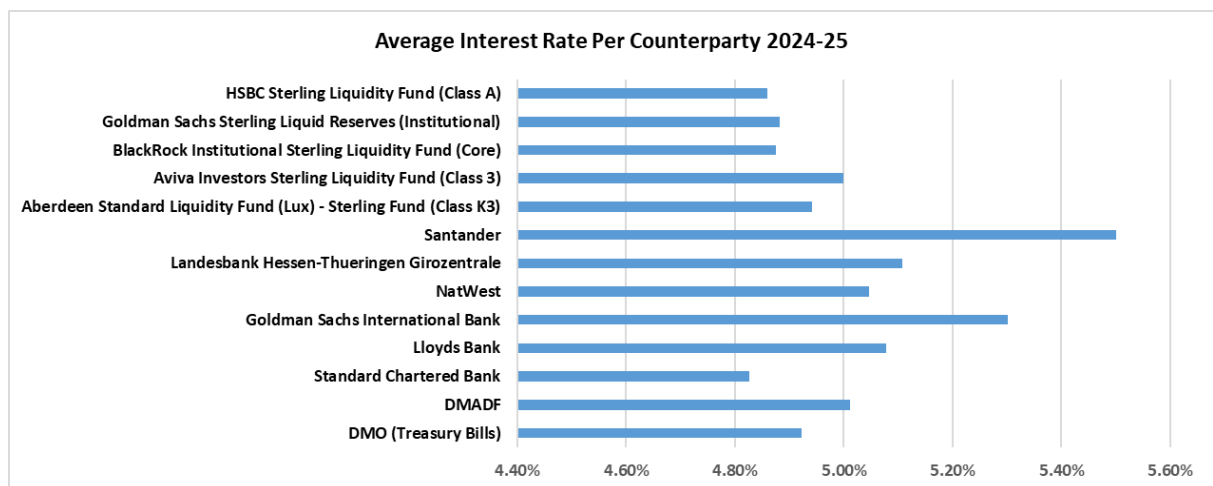
Table 3 – Calculation of Net Borrowing Figure

	2024/25 Outturn
	£'000
Minimum Revenue Provision and Voluntary Revenue Provision*	1,295
Interest paid for borrowing	27
Net Borrowing	1,322

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

11. **Investment Rates in 2024/25** - The Authority maintained an average cash balance of £61m which when deposited earned an average annual rate of return of 4.87%.

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



12. **Prudential and Treasury Indicators** - The Table in **Appendix 1** shows the original Prudential and Treasury indicators for 2024/25 together with the actuals for 2023/24 and provisional outturn for 2024/25. There were no breaches of limits in 2024/25.

13. **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. All institutions have been notified of the change of Director of Finance as part of the compliance requirements.
14. **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 colleagues who participate in the delivery and scrutiny of the Treasury Management function. A training session on the latest economic forecast and Treasury Management practices was provided by MUFG Pension & Market Services to Audit and Governance Committee members at the January 2025 meeting. The Finance team with direct responsibility, regularly attend seminars and conferences to ensure specialist Treasury and Investment knowledge is kept up to date and some team members have also completed the CIPFA Treasury e-learning modules. One team member is currently studying towards the Association of Corporate Treasurers qualification and Finance colleagues that oversee treasury activity are CIPFA qualified accountants.
15. All financial implications associated with servicing the Treasury Management functions can be contained within the overall budget.

RECOMMENDATION

16. Members are requested to:
 - 16.1 Approve the indicative outturn on Treasury Management activity for 2024/25.

Prudential and Treasury Management Indicators

	2023/24	2024/25	2024/25
	Outturn	Original Forecast	Forecast Outturn
Prudential Indicators for affordability, prudence and capital expenditure			
	£'000	£'000	£'000
Revenue Expenditure	82,370	94,730	94,244
Revenue Provision for debt repayment	573	1,295	1,295
Capital expenditure	4,719	12,752	7,712
Capital Financing Requirement (CFR) as at 31 March	1,878	12,034	5,549
Total loans outstanding as at 31 March	400	0	0
Ratio of Financing Costs to Net Revenue Stream	0.72%	1.38%	1.40%
Treasury Indicators			
Assumed Operational Boundary for external debt	13,000	23,500	23,500
Assumed Authorised Limit for external debt	17,000	27,500	27,500
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%	100%	100%

By: Director of Finance

To: Audit and Governance Committee – 24 April 2025

Subject: INTERNAL AUDIT PLAN, AUDIT STRATEGY, AUDIT CHARTER, KEY PERFORMANCE INDICATORS FOR 2025/26

Classification: Unrestricted

FOR DECISION

SUMMARY

The Accounts and Audit Regulations (England) 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, Audit Strategy, Audit Charter and Key Performance Indicators for 2025/26 for Members consideration and agreement. The Chief Audit Executive will be attending this meeting to present the report.

RECOMMENDATIONS

Members are requested to:

1. Agree the Internal Audit Plan for 2025/26 (paragraph 2 to 4 and **Annex A of Appendix 1** refers);
2. Agree the Internal Audit Strategy for 2025/26 (paragraph 5 and **Annex B of Appendix 1** refers);
3. Agree the Internal Audit Charter for 2025/26 (paragraph 6 and **Annex C of Appendix 1** refers);
4. Agree the Key Performance Indicators for 2025/26 (paragraph 7 and **Annex D of Appendix 1** refers);
5. Agree to delegate any changes to the proposed Internal Audit Plan for 2025/26 to the Chief Executive in consultation with the Director of Finance and the Chair of the Audit and Governance Committee should the outcomes from inspection and/or emerging priorities identify a change in assurance needs (paragraph 8 refers).

COMMENTS

Background

1. Under the Professional Internal Audit Standards (PIAS) the Chief Audit Executive is required to develop a risk-based Internal Audit Plan. It is intended that the audit work will be completed within the year 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 for 2025/26** - The Plan 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. The Internal Audit Plan for 2025/26 is attached at **Annex A of Appendix 1** for members review and agreement.
3. There are eight assurance audits currently planned for 2025/26 focusing on Procurement, Ethical Standards, Targeted Educational Programme, ICT - Supply Chain Security, Recruitment, Grant Income, Resource Management at Stations and Channel Tunnel. Four of the audits selected have been recorded as potentially high risk within the Corporate Risk Register with a further two identified as medium risk.
4. A reserve list of a further twenty-three audits has also been compiled to identify future audit direction. Fourteen of those listed link to risks identified within the Corporate Risk Register.
5. **The Internal Audit Strategy for 2025/26** – Under the Global Internal Audit Standards (GIAS) there is now a mandatory requirement to implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation. The Internal Audit Strategy for 2025/26 is attached at **Annex B of Appendix 1** for members review and agreement.
6. **The Internal Audit Charter for 2025/26** - formally defines the purpose and scope of Internal Audit activity in line with Global Internal Audit Standards (GIAS) and the Public Sector Application Note. This is required to be reviewed annually to ensure alignment to the standards. The Internal Audit Charter for 2025/26 is attached at **Annex C of Appendix 1** for Members review and agreement.
7. **Key Performance Indicators (KPI's) for 2025/26** - 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) have been created as a

measurement of performance. The proposed KPI's for 2025/26 are set out at **Annex D of Appendix 1** for Members review and agreement.

8. New priorities may materialise throughout 2025/26, as such Members are asked to agree to delegate any changes to the proposed Internal Audit Plan for 2025/26 to the Chief Executive in consultation with the Director of Finance and the Chair of the Audit and Governance Committee should there be a change in assurance needs during the year.

IMPACT ASSESSMENT

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

RECOMMENDATIONS

10. Members are requested to:
 - 10.1 Agree the Internal Audit Plan for 2025/26 (paragraph 2 to 4 and **Annex A of Appendix 1** refers);
 - 10.2 Agree the Internal Audit Strategy for 2025/26 (paragraph 5 and **Annex B of Appendix 1** refers);
 - 10.3 Agree the Internal Audit Charter for 2025/26 (paragraph 6 and **Annex C of Appendix 1** refers);
 - 10.4 Agree the Key Performance Indicators for 2025/26 (paragraph 7 and **Annex D of Appendix 1** refers);
 - 10.5 Agree to delegate any changes to the proposed Internal Audit Plan for 2025/26 to the Chief Executive in consultation with the Director of Finance and the Chair of the Audit and Governance Committee should the outcomes from inspection and/or emerging priorities identify a change in assurance needs (paragraph 8 refers).



Kent & Medway Fire & Rescue Authority

Internal Audit Plan

Audit and Governance Committee

24 April 2025

Author: Russell Smith, KMFRA Chief Audit Executive

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QA: Jonathan Idle, KCC Head of Internal Audit &
Counter Fraud

1. INTRODUCTION

1) This report details the 2025-26 Internal Audit Plan, Audit Charter, Audit Strategy and Key Performance Indicators for approval.

2. RECOMENDATIONS

2) Members are requested to:

- Agree the Internal Audit Plan for 2025-26 (Section 3 of the report and Annex A);
- Agree the Internal Audit Strategy (Section 5 and Annex B);
- Agree the Internal Audit Charter (Section 6 and Annex C);
- Agree the Key Performance Indicators (Section 7 and Annex D).
- Agree to delegate any changes to the proposed Internal Audit Plan for 2025-26 to the Chief Executive in consultation with the Director of Finance and the Chair of the Audit and Governance Committee should the outcomes from inspection and/or emerging priorities identify a change in assurance needs.

3. 2025-26 INTERNAL AUDIT PLAN

- 3) Under the Professional Internal Audit Standards, the Chief Audit Executive 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.
- 4) The draft Internal Audit Plan for 2025-26 (Annex A) has been drawn up in consultation with the Corporate Management Board following a risk-based audit planning process. Significant 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 A also sets out how the proposed audits link to the Corporate Risk Register.
- 5) When completed, the outcomes of all the proposed audits will contribute towards the overall Annual Audit Opinion for 2025-26.
- 6) The Plan is designed to fulfil the remit of Internal Audit, as set out in the Charter, and to:
 - enable the Chief Audit Executive to provide an assurance opinion at the end of the year on the overall effectiveness of systems of governance, 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 assessments will be considered.
- 7) During 2025-26, 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 agreed with the Chair of the Audit and Governance Committee and reported to Members at the earliest possible opportunity..
- 8) A potential list of reserve audits have been documented in Annex A.

4. 2025-26 AUDIT RESOURCES

- 9) 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.
- 10) 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.
- 11) 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.
- 12) Internal Audit have sufficient technology available to support the plan through its Audit Management Software and analytical software such as Microsoft PowerBi.

Category	Days
Audit Projects	80
Counter Fraud Support	5
Follow-ups	4
Consultancy / Advice	1
Audit Management	4
Contingency	1
Total	95

5. INTERNAL AUDIT STRATEGY

13)The Global Internal Audit Standards (GIAS) includes a mandatory requirement (Standard 9.2) for the Chief Audit Executive to:

“...develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation.” The Standard further specifies that the strategy “include a vision, strategic objectives, and supporting initiatives for the internal audit function.” This is considered within the profession as the most significant change of the revised Standards.

14)Annex B sets out the Internal Audit Strategy. Analysis will be undertaken and an Action Plan, which will be incorporated into team performance objectives. Delivery of the Internal Audit Strategy will be reported to the Audit and Governance Committee.

6. INTERNAL AUDIT CHARTER

15)Under the [Global Internal Audit Standards](#) (GIAS) and the Public Sector Application note 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 KMFRA; 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 Audit and Governance Committee in April 2024.

16)For 2025-26, the Charter has been reviewed with amendments made to align to the new [Global Internal Audit Standards](#). The Audit and Governance Committee is asked to review and approve the updated Charter attached at Annex C.

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Resources

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Performance & Conclusion

Annex A – 2025-26 Internal Audit Plan

Annex B – Internal Audit Strategy

Annex C – Internal Audit Charter

Annex D – Key Performance Indicators

7. PERFORMANCE

17) 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 D; the Audit and Governance Committee are asked to approve these as the measurements of performance to be reported.

8. CONCLUSION

18) The Internal Audit Plan, Strategy 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 management, governance and control will be reported to Members as part of the Chief Audit Executive's Annual Report in 2026.

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Ref	Audit Title	Audit Owner	Key Contact(s)	Link to Corporate Register	Scope	Nature of Work	Days	Timing
FS01	Procurement	Chief Executive	Head of Procurement	22 - High	To provide assurance on the adequacy and effectiveness of procurement controls and that it aligns to the new legislation.	Assurance	10	Q1
FS02	Ethical Standards	Chief Executive		97 - High	To provide assurance on the adequacy and effectiveness of governance arrangements aligned to ethical standards.	Assurance	10	Q1
FS03	Targeted Education Programme	Director Protection, Prevention and Customer Engagement	Assistant Director – Customer and Building Safety	None identified	To assess the adequacy of the Targeted Education Programme and whether outcomes are being achieved.	Assurance	10	Q2
FS04	ICT - Supply Chain Security	Chief Executive	Head of IT	36 – High 40 – High	To provide assurance that there are adequate controls in place in relation to IT Supply Chain including mitigation of the risks of Supplier Failure.	Assurance	10	Q2
FS05	Recruitment	Director HR and Culture		32 - Medium	To review: <ul style="list-style-type: none"> Compliance with KFRS Recruitment policy + procedures Focus on technical skills / hard to recruit roles e.g. IT , on-call To include Equality, diversity and inclusion in recruitment process. 	Assurance	10	Q3
FS06	Grant Income	Director – Finance	Head of Finance, Treasury and Pensions	27 - Medium	To provide assurance on the adequacy of grant funding and whether the financial implications after the funding ends are analysed adequately and that funding is spent in line with agreements.	Assurance	10	Q3
FS07	Resource Management at Stations (Crew and Resource Allocation)	Director – Response and Resilience	Assistant Director Response	4 - High 86 – High	To review the adequacy and efficiency of resource management on stations. The review should: <ul style="list-style-type: none"> Review efficiency of processes. Review the governance arrangements and the checks and balances at stations. 	Assurance	10	Q3
FS08	Channel Tunnel	Director – Response and Resilience	Assistant Director Response	None identified	To review the adequacy and effectiveness of the arrangements in place for the channel tunnel which will focus on whether KFRS have maintained sufficient capabilities, policies procedures and training.	Assurance	10	Q4

Audit Title	Audit Owner	Key Contact(s)	Link to Corporate Register	Days	Timing
Counter Fraud Support To provide adhoc advice / support as needed	Director – Finance and Corporate Services	Head of Finance, Treasury and Pensions	IACF Fraud & Bribery Assessment	5	Ongoing
Follow-ups To complete follow ups to issues raised with audit reports	N/A	N/A	N/A	4	Ongoing
Audit Management <ul style="list-style-type: none"> 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 	N/A	N/A	N/A	5	Ongoing
Contingency	N/A	N/A	N/A	1	
Total				95	

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Policies	Chief Executive		None identified	To provide advice on the changed approach of policy design across KFRS	Assurance	10
Black Box Thinking	Chief Executive		None identified	To provide assurance that black box thinking has embedded within KFRS.	Advisory	10
Decision Making Process	Chief Executive Director – Finance		23 - Medium	To Provide assurance that there is an adequate decision-making process in place and that decisions have been considered as part of the annual planning process.	Assurance	10
Information Governance	Chief Executive Director – Finance		21 - Medium 36 - High	To provide assurance that adequate and effective controls are in place for Information Governance which safeguards the organisations information.	Assurance	10
Data Quality	Chief Executive		25 - High	To provide assurance that recommendations made by external consultants have these been implemented to address any issues with data quality within KFRS.	Assurance	10
Cyber Security	Chief Executive		38 - Medium 40 - High	To align to the Institute of Internal Audits Topical requirements	Assurance	10
ICT - Cyber Assessment Framework Cyber Security	Chief Executive		38 - Medium 40 - High	To provide assurance that KFRS are compliant with the Cyber Assessment Framework.	Assurance	10

Audit Title	Audit Owner	Key Contact(s)	Link to Corporate Register	Scope	Nature of Work	Days
ICT - Cyber Incident Response Plan	Chief Executive		38 - Medium 40 - High	To provide assurance that on the adequacy and effectiveness of the Cyber Incident Response Plan.	Assurance	10
ICT - New DR Solution	Chief Executive		38 - Medium 40 - High	To provide assurance that on the adequacy and effectiveness of the new DR solution.	Assurance	10
Support Plans	Director HR and Culture		82 - High	To provide assurance on the adequacy and effectiveness of support plans put in place for Officers post incident.	Assurance	10
Talent Management	Director HR and Culture		None identified	To Provide assurance on the adequacy and effectiveness of Talent Management.	Assurance	10
Succession Planning	Director HR and Culture		33 - Medium	To provide assurance that there are effective measures in place to plan for succession planning.	Assurance	10
Health and Wellbeing	Director HR and Culture		82 - High	To assess the adequacy and effectiveness of arrangements / facilities available to manage and maintain the Operational Response Crews wellbeing / needs when responding to an incident. To also include mental health support available to officer's post incident?	Assurance	10
On-Call	Director Response and Resilience		None identified	To provide assurance on the adequacy and effectiveness of on-call arrangements.	Assurance	10
Fire setters	Director Protection, Prevention and Customer Engagement		None identified	The adequacy and effectiveness of the Authority's collaboration arrangements with local Community Safety Units to identify and prevent (through education / enforcement) anti-social behaviour such as deliberate / nuisance fires.	Assurance	10
Multiple Fire Alarm Activation	Director Protection, Prevention and Customer Engagement		None identified	To provide assurance that adequate and effective measures are undertaken to address multiple fire alarm activations.	Assurance	10
KFRS Consultation Response on change of use	Director Protection, Prevention and Customer Engagement		17 - High	Adequacy and effectiveness of KFRS response to planning consultations.	Assurance	10
KFRS Property Statutory Compliance (H&S)	Director Protection, Prevention and Customer Engagement		None identified	Compliance with statutory H&S policies relating to KFRS property estate.	Assurance	10

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Lone working	Director Protection, Prevention and Customer Engagement		92 - High	To assess the adequacy and effectiveness of controls in place over lone working	Assurance	10
Facilities Management	Chief Executive		44 - High 45 - Medium 47 - Medium	To provide assurance that there are effective Facilities Management Controls in place and that KFRS are maintained.	Assurance	10
Accident Reporting	Director – Response and Resilience		None identified	Review to include: <ul style="list-style-type: none"> H&S training. Are all assessments completed and up-to-date. Accident reporting. 	Assurance	10
Integration of Policy and Training Response	Director – Response and Resilience		None identified	To review links between policy, training and delivery on the front line, assessing the effectiveness of policy and training changes and they are being applied on the front line.	Assurance	10
Water Provision	Director – Response and Resilience		19 – High 60 – Medium 90 - High	To assess whether KFRS are taking the steps necessary to mitigate water provision s that are within their control.	Assurance	10

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Annex B - INTERNAL AUDIT STRATEGY

Vision

The Vision of the Internal Audit service is “to be recognised as a proactive and trusted advisor, contributing towards organisational resilience, adding value to service delivery through assurance and advisory services aligned to strategic objectives and risks.”

By 2028, Internal Audit aim to enhance the value we add and the offer to the organisations we deliver to by a consistent focus and adaptive approach in the following areas:

- Aligning our coverage to strategic objectives and key risks
- Innovative approaches to auditing
- Workforce Planning and Talent Management
- Creating financial value to the organisation
- Culture of Continuous Improvement

Aligning our Coverage to Strategic Objectives and Key Risks

Internal Audit will provide improved insights and outcomes via ensuring that we have a strong understanding of the organisation objectives and needs and providing assurance on the associated risks and promotion of good governance. By understanding clients’ risks and needs, we can update our risk-based rolling audit plans, accordingly, ensuring a role in advising on strategic changes that benefits the organisation. This approach leads to insightful audits that effectively address issues and enhance value.

Internal Audit will ensure there is extensive engagement with stakeholders across the organisation and regular client meetings foster trust whilst maintaining the critical independence and objectivity needed to add value and we believe this approach will elevate our impact across the Authority and to our clients.

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Innovative Approaches to Auditing

Internal Audit will embrace, develop and adopt the latest technologies and audit approaches across all our work. This innovation will drive more efficient ways of working and be utilised as part of improving the impact of the advice and insights we provide to continuously increase quality and outcomes for the Authority and clients we deliver to.

Our innovative approach will embrace new technology and will include:

- Maximising the benefits of artificial intelligence tools in the planning, testing and reporting of audits to further increase our productivity.
- Transforming approaches to include automated testing, semi-automating the follow up process and continuous auditing. Developing real-time assurance will enable the function to deliver to concentrate on key risks and enable auditors to have more capacity to review more audits which create additional value and insights for the Authority and our clients.
- Increasing the leverage of advanced Data Analytics to provide deeper insights, expanding coverage and provide greater assurance including continuous auditing.

Maximising technological opportunities provides another significant opportunity for more efficient report writing, providing prompt and concise reporting with less manual time and effort, by using graphics to be as user friendly to our clients as possible.

Innovation opportunities also include expanding the use of the agile audit approach to provide enhanced service to stakeholders and management, facilitating regular feedback loops during an audit and increased engagement with stakeholders throughout the audit process, which will increase reporting productivity and quality.

Workforce Planning and Talent Management

Internal Audit will continue, in accordance with organisation Strategies and Policies, to undertake ongoing Workforce Planning and Talent Management, reviews to regularly:

- Review skills, capability, capacity, workforce profile and development requirements.
- Ensure team members have development opportunities.
- Take actions, wherever possible, on staff retention risks.
- Ensure recruitment approaches to attract and secure quality staff.

Internal Audit will remain committed to promoting health and wellbeing for the team so that it creates a culture whereby everybody within the team collectively cares and supports each other

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Creating Financial Value to the Authority

The success in both obtaining new external clients and maintaining existing clients will, subject to agreement with our host organisation, be continued with the aim of maximising the income earned from the delivery of services to both ensure the long-term financial sustainability of the service and yield income for the service and to promote the maintenance of expertise and skills within the team. This is in addition to core audit and counter fraud work which, in relevant areas of coverage, seeks to promote areas of financial improvement for the organisation.

Internal Audit will continue to maximise financial efficiency for the organisation by effective budget management and implementation of cost efficiency.

Culture of Continuous Improvement

The culture and mindset of the Internal Audit team is one of continual learning, improvement and development and this will be the underlying basis within the Strategy for maintaining quality and success.

Forward thinking, adaptability and being receptive to change will be at the core of how the Internal Audit service develops and will involve being vigilant, recognising when change is on the horizon and being prepared to change, as necessary. This agility will allow the service to seize opportunities, mitigate risks and continue a path of growth and success. Adaptability requires a mindset that values continuous learning, improvement and innovation over any false comfort of the status quo.

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Annex C - INTERNAL AUDIT CHARTER

Internal Audit Charter

Purpose

The purpose of the Internal Audit function is to strengthen Kent and Medway Fire and Rescue Authority's ability to create, protect, and sustain value by providing the Audit and Governance Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The Internal Audit function aims to enhance Kent and Medway Fire and Rescue Authority:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The Internal Audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards, which are set in the public interest.
- The Internal Audit function is independently positioned with direct accountability to the Audit and Governance Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The Internal Audit service will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Executive will report at least annually to the Audit and Governance Committee and senior management regarding the Internal Audit function's conformance with the Standards, for example in relation to the Internal Audit Strategy.

Mandate

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 the Director of Finance.

The Internal Audit service's authority is created by its direct reporting relationship to the Audit and Governance Committee. Such authority allows for unrestricted access to the Audit and Governance Committee. The Chief Audit Executive has direct access to the Chair of the Audit and Governance Committee and has the opportunity to meet with the Audit and Governance Committee in private. The Chair of the Audit and Governance Committee will be made aware of the appointment and termination of the Chief Audit Executive. The Audit and Governance Committee authorises the Internal Audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Kent and Medway Fire and Rescue Authority and other specialised services from within or outside the organisation to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

The Chief Audit Executive will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference, thereby establishing the independence of the Internal Audit function. The Chief Audit Executive will report functionally to the Audit and Governance Committee and administratively (for example, day-to-day operations) to the Director of Finance. The Chief Audit Executive will have free and unrestricted access and freedom to report in their own name to the Director of Finance, Chief Executive, Monitoring Officer and Chair of the Audit and Governance Committee.

This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit and Governance Committee if actions have not been taken and supports the internal auditors' ability to maintain objectivity.

The Chief Audit Executive will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the Internal Audit function. If the governance structure does not support organisational independence, the Chief Audit Executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief Audit Executive will disclose to the Director of Finance and/or the Chair of the Audit and Governance Committee any impairment internal auditors encounter related to the scope, performance, or communication of Internal Audit work and results. The disclosure will include communicating the implications of such impairment on the Internal Audit function's effectiveness and ability to fulfil its mandate.

This will also include ensuring that if an audit is undertaken in an area where the Chief Audit Executive has operational responsibility, appropriate measures are put in place to avoid compromising independence.

If requested to undertake any additional roles or responsibilities outside of Internal Auditing, the Chief Audit Executive must highlight to the Audit and Governance Committee 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

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Chief Audit Executive, Audit and Governance Committee, and senior management on the Internal Audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganisation within the organisation.
- Significant changes in the Chief Audit Executive, Audit and Governance Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of Internal Audit services.

Audit and Governance Committee Oversight

To establish, maintain, and ensure that Kent County Council's Internal Audit function has sufficient authority to fulfil its duties, the Audit and Governance Committee, in line with its Terms of Reference, will:

- Discuss with the Chief Audit Executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Chief Audit Executive has unrestricted access to, communicates, and interacts directly with the Audit and Governance Committee, including in private meetings without senior management present.
- Ensure Internal Audit are independent of the activities it audits, is effective, has sufficient experience.
- Discuss with the Chief Audit Executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the Chief Audit Executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.

- Review and approve the Internal Audit Charter annually with the Chief Audit Executive to consider changes affecting the organisation, such as the employment of a new Chief Audit Executive or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Receive communications from the Chief Audit Executive about the Internal Audit function including its performance relative to its plan.
- Ensure a Quality Assurance and Improvement Programme has been established and review the results annually.
- Make appropriate inquiries of senior management and the Chief Audit Executive to determine whether scope or resource limitations are inappropriate.

In accordance with the Global Internal Audit Standards in the UK public sector – Application note, the following are adaptations to Global Internal Audit standard requirements:

- Provide a view, where appropriate, on the internal audit function’s human resources administration and budgets and expense.
- Provide input, where requested, to senior management on the appointment and removal of the Chief Audit Executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards and
- Provide input, as required, to senior management on the Chief Audit Executive’s performance.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The Chief Audit Executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation aligned to the Council’s values and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.

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- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Chief Audit Executive will ensure that the Internal Audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Chief Audit Executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Kent and Medway Fire and Rescue Authority or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Kent and Medway Fire and Rescue Authority employee that is not employed by the Internal Audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Chief Audit Executive, Audit and Governance Committee, management, or others.

- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The Chief Audit Executive has the responsibility to:

- At least annually, develop a risk-based Internal Audit Plan that considers the input of the Audit and Governance Committee and senior management, discuss the Plan with the Audit and Governance Committee and senior management and submit the Plan to the Audit and Governance Committee for review and approval.
- Communicate the impact of resource limitations on the Internal Audit Plan to the Audit and Governance Committee and senior management.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in Authority’s business, risks, operations, programmes, systems, and controls.
- Communicate with the Audit and Governance Committee and senior management if there are significant interim changes to the Internal Audit Plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and the UK Public Sector Application Note.
- Follow up on engagement findings and confirm the implementation of action plans and communicate the results of Internal Audit services to the Audit and Governance Committee and senior management and for each engagement as appropriate.
- Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the Internal Audit mandate.
- Identify and consider trends and emerging issues that could impact the Authority and communicate to the Audit and Governance Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
- Ensure adherence to the Authority’s relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit and Governance Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Audit Executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit and Governance Committee.

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- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Audit Executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit and Governance Committee.

Communication with the Audit and Governance Committee and Senior Management

The Chief Audit Executive will report annually to the Audit and Governance Committee and senior management regarding:

- The Internal Audit function's mandate.
- The Internal Audit plan and performance relative to its plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit function's conformance with the IIA's Global Internal Audit Standards, and the UK Public Sector Application Note and action plans to address the Internal Audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit and Governance Committee that could interfere with the achievement of Authority's strategic objectives.
- Results of assurance and advisory services.
- Internal Audit resources, budget and any significant revisions to the Internal Audit Plan and Budget.
- Internal Audit resources are set in accordance with the Authority's budget setting process, with guidance from the Finance Division. The Chief Audit Executive is responsible for the management of the budget.

The Rolling Internal Audit Plan considers the work that is needed to enable the Chief Audit Executive to provide an assurance on the control environment and governance across the Authority. To ensure that there are adequate Internal Audit resources available to deliver the Plan, an assessment is made to determine the number of staff days available and to identify the knowledge and experience of staff to ensure that Internal Audit has the right skills mix to deliver the Plan.

The detailed Rolling Audit Plan, including a resource plan, is reported to the Audit and Governance Committee. If there are significant revisions to the Internal Audit Plan and resources available that impact on the ability of Internal Audit to fulfil its role, this should be reported to the Audit and Governance Committee with any proposed mitigating actions in such circumstances.

Quality Assurance and Improvement Program

The Chief Audit Executive will develop, implement, and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the Internal Audit function. The programme will include external and internal assessments of the Internal Audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the Internal Audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The programme also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Internal Audit function's deficiencies and opportunities for improvement.

Annually, the Chief Audit Executive will communicate with the Audit and Governance Committee and senior management about the Internal Audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External Quality Assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Kent County Council; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

Scope and Types of Internal Audit Services

The scope of Internal Audit services covers the entire breadth of the organisation, including all of the Authority's activities, assets, and personnel. The scope of Internal Audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit and Governance Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the Authority.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the Internal Audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

This effectively means that Internal Audit has independent oversight of all the Authority's operations, resources, services and processes and Internal Audit engagements may include evaluating whether:

- Risks relating to the achievement of Kent and Medway Fire and Rescue Authority's strategic objectives are appropriately identified and financial and other management controls manage the risks to achieve the Authority's objectives.
- The actions of Kent and Medway Fire and Rescue Authority's officers, Corporate Management Team management, employees, and contractors or other relevant parties comply with Kent and Medway Fire and Rescue Authority's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established goals and objectives.
- Operations and programmes are being conducted effectively, efficiently, and ethically.

- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Kent and Medway Fire and Rescue Authority.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, protected adequately, accounted for and safeguarded from losses arising from:
 - Fraud and other offences
 - Waste, extravagance and inefficient administration, poor value for money and other causes.

The scope of Internal Audit work may also include:

- 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 risk management on 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.
- 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.

Where the Chief Audit Executive considers that the scope of audit work is being restricted, the Director of Finance and the Audit and Governance Committee will be advised.

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 Chief Audit Executive will provide an annual audit opinion as to the adequacy of the Authority's governance arrangements, internal controls, and risk management processes. This will be used to support the Annual Governance Statement.

Provision of Assurance to Third Parties

The Authority’s Internal Audit section is sometimes requested to undertake Internal Audit and assurance activity for third parties. These include internal audit services, grant certification and financial accounts sign-off.

The same principles detailed in this Charter will be applied to these engagements.

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon 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.

Approved by the Audit and Governance Committee at its meeting on 24th April 2025.

Acknowledgments/Signatures

_____	_____
Chief Audit Executive	Date

_____	_____
Audit and Governance Committee Chair	Date

_____	_____
Chief Executive	Date

Annex D - INTERNAL AUDIT & COUNTER FRAUD KEY PERFORMANCE INDICATORS

Internal Audit & Counter Fraud

Kent Fire and Rescue

No	Indicator	Target Performance
1	Engagement Plan to be issued 2 weeks prior to commencement of audit fieldwork	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 management response	90%
5	% Completion of Annual Internal Audit Plan @ 31 March 2025	90%

No	Indicator	Target Performance
6	Agreement of Engagement Plan to be provided prior to fieldwork start date	100%
7	Response to Draft Report and Action Plan to be provided within 10 working days of issue	90%
Performance against Issues		
8	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%



INTERNAL AUDIT PROGRESS REPORT

24 April 2025

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1. Introduction

The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place, within the Authority, is effective and supports Audit and Governance Committee in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within Kent and Medway Fire and Rescue Authority (KMFRA) that are most at risk of impacting on the KMFRA's ability to achieve its objectives.

Upon completion of an audit, an assurance opinion is given on the effectiveness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.

This activity report provides Members of the Audit Committee and Management with summaries of 3 completed pieces of work between January and April 2025.

2. Key Messages

- 3 audits have been finalised in the period reported. **Appendix A**
- 100% of the 2024-25 Audit Plan is either in fieldwork or reporting stage.
- 100% medium priority issues due from previous audit plans have been partially implemented.
- Audit definitions relating to Opinions and issue priorities are detailed in **Appendix B**
- Internal Audit Performance for the period is detailed in **Appendix C**

3. 2024/25 Internal Audit Plan Progress

This report also provides an update on the work completed between January and February 2025. The Audit Plan progress is on target, there are no material concerns at this point in delivery of the Audit Plan by 31 March 2025. The audit summaries are provided at [Appendix A](#).

Graph 1 – Internal Audit Plan Progress

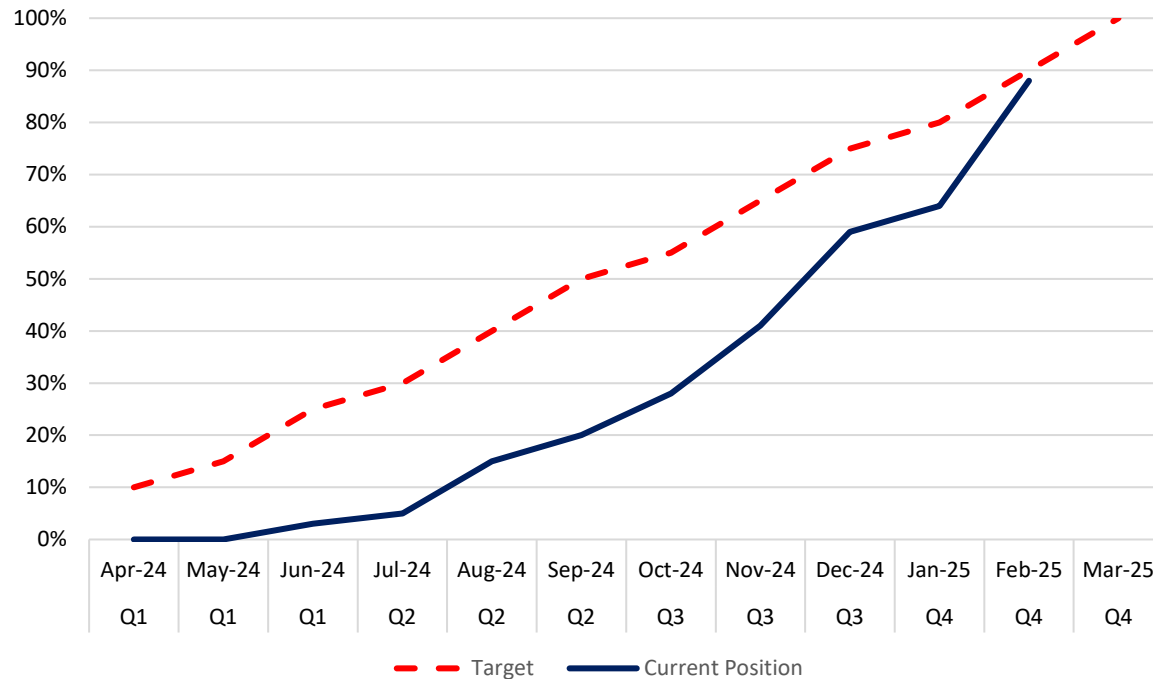


Table 1- Audit Plan Status

Status	Number of Audits	%
Not Started	0	0%
Planning	0	0%
Fieldwork	2	25%
Draft Report	0	0%
Final Report	6	75%
Removed	0	0%
Total	8	

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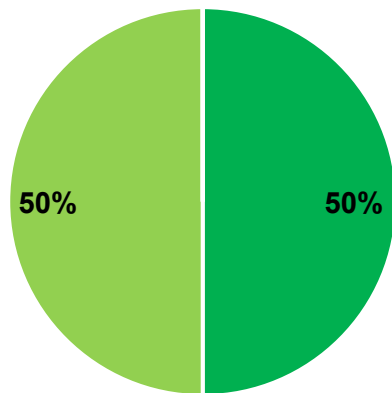
Appendix B - Definitions

Appendix C- Key Performance Indicators

Table 2 below provides an update on our progress against the 2024/25 Audit Plan:

Ref	Audit	Quarter	Status	Assurance Opinion	Prospects for Improvement	Reported to Members
FS01	Standards in Public Life	Q1	Complete	Substantial	Good	January 2025
FS02	Disaster (Cyber Security) Recovery & Back Up Arrangements	Q1	Fieldwork			
FS03	Communication and Engagement KFRS Website and Social Media	Q2	Complete	Substantial	Good	January 2025
FS04	Building Safety Enforcement	Q2	Complete	High	Good	November 2024
FS05	Tax	Q3	Complete	Substantial	Very Good	April 2025
FS06	Incident Command Training	Q3	Fieldwork			
FS07	Control Room	Q4	Complete	High	Very Good	April 2025
FS08	Risk Management	Q4	Complete	High	Very Good	April 2025

Assurance Levels 2024-25



- High
- Substantial
- Adequate
- Limited
- No

Assurance Level	No	%
High	3	50%
Substantial	3	50%
Adequate	0	0%
Limited	0	0%
No	0	0%

Prospects for Improvement	No	%
Very Good	3	50%
Good	3	50%
Adequate	0	0%
Uncertain	0	0%

4. Issue Implementation – Audits undertaken between 2021 – December 2024

This is a position statement setting out the open actions from audits undertaken (Implementation of Agreed Management Actions). This details the implementation status of 1 medium risk actions, as categorised by the assurance level assigned to the original report.

The status of implementation agreed actions is summarised below:

Table 3 - Status of all Open Agreed Management Actions

Ref	Audit	Audit Date	Assurance Opinion	Issue	Priority	Status	Revised Date
FS03-2021	Contract Management – Major contracts	13 September 2021	Substantial	Issue 1 – Contract Manager Responsibilities	Medium	Not Due	
FS06-2024	Climate Change	1 March 2024	Substantial	Issue 2 – Devising a Plan for Funding Arrangements	Medium	Partially Implemented	31/03/2028
FS03-2025	Communication and Engagement FRS Website and Social Media	23 December 2024	Substantial	Issue 1 – Data Protection Impact Assessments	Medium	Not due	
FS09-2024	Purchasing Review	21 August 2023	Advisory	Review Procurement Policy and guidance	Medium	Not Due	

5. Counter Fraud

There have been no reported frauds or irregularities since 01 April 2024.

6. Resources

In accordance with the Public Sector Internal Audit Standards and Global Internal Audit Standards, Members need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. The key updates are as follows:

- The Internal Audit Team has 1 vacancy which a recruitment exercise is currently underway to fill this post.
- New Audit Management software has been adopted by the Internal Audit Team which should provide a number of enhancements to Internal Audit Processes.
- There is adequate technology available to support the completion of the Rolling Internal Audit Plan including data analytics tools such as PowerBi.
- All audits identified in the 2024/25 Audit Plan have been allocated to specific Auditors.

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7. Performance Indicators - 2024-25 Performance & 2021 to March 2025 Action Plan Performance

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 **APPENDIX C**. Two performance indicators (% completion of Annual Plan and % completion of actions due) are reported at year end only.

Agreed Draft Report dates have not been achieved for audits that have been completed to date. Improvement actions on performance against this indicator will be included within the action plan for the Quality Assurance and Improvement Programme (QAIP) which will be reported as part of the Annual Opinion Report.

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FS05-2025 - Tax

Audit Opinion

SUBSTANTIAL

Prospects for Improvement

VERY GOOD

Introduction

As part of the 2024/25 Audit Plan, it was agreed that Internal Audit will undertake a review of the accuracy and effectiveness of the taxation process.

The HM Revenue & Customs (HMRC) website provides a wide range of guidance regarding Value Added Tax (VAT) including a general list of rates of VAT on commonly purchased goods and services and a range of more detailed guidance.

VAT is a tax and is levied on supply of goods & services within and the UK and the import / export of goods to other countries. Kent and Medway Fire and Rescue Service (KFRS) charge tax on services in the same way as their provider sector competitors to avoid unfair competition.

IR 35 tax legislation, also known as “Off-Payroll Working” is designed to combat tax and National Insurance avoidance by workers supplying their services to clients (i.e. KFRS) via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. They do not, however, have the benefits due to employees under employment law, such as sickness benefit, holiday pay, maternity benefit, etc. This legislation came into effect on 06 April 2017 to public entities and affects all payments made after this date. General guidance is provided by HMRC.

Construction Industry Scheme (CIS) is a tax deduction scheme for construction contractors and subcontractors working in the construction industry whereby CIS requires KFRS to deduct money from a subcontractor’s payment and pass it to HMRC. These deductions act as an advance payment towards the subcontractor tax and Nation Insurance contributions. Details of work covered by CIS is available in the HMRC website.

Disclaimer: ISA 530 recognises that there are many methods of selecting audit sampling. The samples selected consisted of random and monetary unit sampling. Whilst the audit opinion is based on the results from the sample selected and tested, there is the inherent risk that the sample may not fully represent the entire population

Key Strengths

VAT

- ✓ Sample testing has demonstrated that KFRS balances their monthly VAT and VAT reconciliation transactions spreadsheets, ensuring they match the data submitted to HMRC for each month.
- ✓ All sampled invoices demonstrated the correct VAT was applied, and the VAT numbers were included.
- ✓ Monthly transaction by VAT Reverse Charge Invoice (RI) code journal and VAT checks ensure that accounts are regularly reconciled.
- ✓ Sample testing confirmed that payments to the tax authorities (HMRC) are made on time and match the amounts reported in the returns for the month .

IR35

- ✓ A live monitoring Excel workbook on SharePoint ensures that everyone has access to the most current information. There is a yearly update for supplier list, along with weekly reminders for sundries suppliers and monthly checks with all known agencies.
- ✓ There is separate supporting document within the SharePoint for each supplier, complete with their own code s and relevant information such as determination letters and check employment status for tax (CEST) checks.
- ✓ There is an internal review of CEST tool checks which adds an extra layer of accuracy and compliance.
- ✓ Evidence of reasoning why certain suppliers are deemed outside the scope are saved in designated folders on SharePoint. This can be particularly useful during reviews, as it provides clear justification for each decision.

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CIS

- ✓ Testing evidenced a sample of six months ' submissions made to HMRC had the correct deductions being processed , and records matched those from the December 2024 invoice spreadsheet .
- ✓ KFRS has a robust system in place for monitoring and rectifying discrepancies in returns and information. This proactive approach can help ensure compliance with HMRC's requirements under the CIS rules.
- ✓ A tracker is regularly updated and maintains records dating back to 2018. This historical data can help for identifying trends and ensuring compliance over time.
- ✓ CIS supplier list is updated once a month and is published on their website so the public can view it with the most current information.
- ✓ The system in place is thorough in maintaining detailed records for each supplier. Sample testing of suppliers evidenced storing information such as: suppliers name, address, contact information, Unique Taxpayer Reference (UTR), Company registration number, CIS status and whether the supplier was on their list kept on HMRC.

Areas for Development

- All active CIS suppliers are held on the current finance BW system however, testing found that a number of CIS suppliers back up documents are saved on the archive system and have not been transferred to the current system. **LOW**

Prospects for Improvement

Prospects for Improvement is rated as **Very Good** based on the following factors:

Leadership/ Capacity	Adequacy of Action Plans	Implementation Record	External Factors
Good	Good	Very Good	Good

Management have taken on board the issue raised, and this has already been completed.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	NA	NA
Medium Risk	1	1	NA
Low Risk	0	NA	NA

FS07-2025 – Control Room

Audit Opinion

HIGH

Prospects for Improvement

VERY GOOD

Introduction

The Control Room had been at Coldharbour for 1 year. The premises are shared with Maidstone Police. The Kent Fire Rescue Service (KFRS) became the first UK interagency command and control centre, taking emergency 999 calls, and from other agencies and fire services for the whole of Kent.

The mobilisation system records and displays the incident progress. System availability logged over a 274-day period, since 13th March 2024 was 99.253 %. Planned maintenance by the IT provider accounted for 0.68% of unavailability, whilst unplanned outages accounted for the remaining 0.067%; the fall-back plans were regularly tested and during the system outages emergency calls were still taken. Together with the fall-back measures in place, the IT systems that served the Control Room were effective.

A Project is ongoing to mobilise a Network Fire Service Partnership to include Devon & Somerset, Dorset & Wiltshire, Hampshire & I.O.W, and Kent; this includes a new mobilisation system for all four partners, for which the estimated timescale for the Project to go-live is February 2027.

Government statistics measured at March 2023 showed national averages for Fire incidents and changes over a 10-year period:

- Call Handling was 1m 26s - an increase of 15s;
- Crew Turnout had decreased by an average of 15 seconds;

KFRS triaged each emergency call and were currently introducing performance measures to aid decision making; the Control, Data, Performance and Reporting Project is due to be brought to a conclusion in November 2025; in December 2024 KFRS had reduced the average call ringing time by 2s to under 6s, measured since March 2024. There were adequate, trained resources at differing seniority available to provide support the Call Handlers, Officers and the Station Leader when needed.

Key Strengths

- ✓ Skilled and trained staff which are supported by Procedures, question sets in place and call supervision.
- ✓ The Control room is continually staffed to the appropriate staffing levels.
- ✓ During our visit it was seen that there were adequate resources available at various levels.
- ✓ Bespoke call handling and deployment system.
- ✓ Mobilisation system that records and displays call progress.
- ✓ Fire Stations cover the potential high-risk areas.
- ✓ Officer availability for strategic decision making.
- ✓ Access to live town centre CCTV and News Feeds.
- ✓ System fault monitoring and logging.
- ✓ System availability was measured and faults and logged.
- ✓ There are adequate backup arrangements in place in the event of an emergency which include
 - Backup dedicated BT lines and handsets,
 - Backup radio communication with appliance crews
 - Backup control room in Maidstone.
- ✓ Physical access controls to Control Room and computer rooms.
- ✓ Stakeholder relationships and inter-agency communication.
- ✓ Dedicated major incident control room.
- ✓ Computer rooms are protected from environmental threats.
- ✓ Computer rooms air conditioning is working efficiently.
- ✓ Recent improvement in call pickup times.

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FS07-2025 – Control Room

Areas for Development

- There is not yet a complete set of performance measures to inform decision making. **LOW**
- The Computer Comms Rooms 1 & 2 lack gas suppressant systems and are reliant on a CO2 extinguisher & manual intervention. **LOW**

Prospects for Improvement

Prospects for Improvement is rated as Very Good based on the following factors:

Adequacy of Action Plans	Implementation Record	External Factors
Very Good	Good	N/A

- Good practice points are noted below.
- The Network Fire Service Partnership and replacement mobilisation system is predicted to bring about benefits, however the risks associated with implementation in the short term will need managing.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	NA	NA
Medium Risk	0	NA	NA
Low Risk	2	TBC	NA

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FS08-2025 – Risk Management

Audit Opinion

HIGH

Prospects for Improvement

VERY GOOD

Introduction

As part of the 2024/25 Internal Audit Plan, it was agreed that Internal Audit would undertake a review of effectiveness of the risk management arrangements the organisation has been putting in place since April 2024.

The organisation's Risk Management Policy and Strategy defines risk as follows:

“An uncertain event or set of events, which should it occur, will have an effect upon (i.e. threaten) the achievement of the Service's objectives. Risk consists of a combination of the likelihood of the 'threat' happening and the impact of that threat happening. Risk management is the process of identifying, assessing and controlling threats to an organisation's capital, earnings and operations.”

The aim of the audit was to provide assurance that the Corporate risk management arrangements that KFRS are establishing provide an effective process for the escalation and de-escalation of risk and risk appetite.

Key Strengths

Risk Management Framework

- ✓ KFRS have a comprehensive risk management approach with up-to-date framework and policies in like with best practice.
- ✓ There is a comprehensive risk register which is maintained and periodically updated at the corporate level.
- ✓ KFRS have appropriate processes in place to maintain the risk register to include its critical services in relation to its Business Continuity Plans.
- ✓ KFRS have a comprehensive risk management approach and are currently updating the risk management policies to align to the new tiered approach within the Authority.

- ✓ Risks are being proactively managed to ensure that relevant and effective risk mitigation controls are being implemented.

Risk Appetite

- ✓ There is an up-to-date Risk Appetite Statement and Risk Tolerance matrix in place.
- ✓ There is clear and comprehensive guidance for forming judgements regarding the KFRS's risk appetite. However, this is currently being reviewed by the Corporate Risk Manager to enhance the application of documenting risk appetite statements.
- ✓ The risk appetite guidance has been effectively applied in categorising and managing risks.
- ✓ As best practice, KFRS are in the process of reviewing and updating all risk management documentation to be more reflective of the organisation's true risk appetite.

Risk Escalation

- ✓ The current risk escalation and de-escalation process is effective, consistent and involves regular communication with key stakeholders.

Risk Monitoring

- ✓ The process for reviewing and monitoring key risks is comprehensive and effective.
- ✓ KFRS has a proactive approach to ensure that emerging risks are promptly identified and mitigated.

Risk Reporting

- ✓ Senior officers and authority members are kept informed about key risks and management responses are effective and well received.

FS08-2025 – Risk Management

Areas for Development

Risk Management Framework

- No Areas Identified.

Risk Appetite

- No Areas Identified.

Risk Escalation

- There are no formalised risk management procedure notes. However, these are in the process of being documented as part of the Authority moving to a tiered policy approach and therefore, we have not raised an issue.

Risk Monitoring

- No Areas Identified.

Risk Reporting

- No Areas Identified

Prospects for Improvement

Prospects for Improvement is rated as **Very Good** based on the following factors:

Adequacy of Action Plans	Implementation Record	External Factors
Very Good	Very Good	Very Good

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	0	N/A
Medium Risk	0	0	N/A
Low Risk	0	0	N/A

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<p>High</p>	<p>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.</p> <p>Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.</p> <p>There are examples of best practice. No significant weaknesses have been identified.</p>	<p>Limited</p>	<p>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.</p> <p>Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.</p>
<p>Substantial</p>	<p>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.</p> <p>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.</p>	<p>No Assurance</p>	<p>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.</p> <p>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</p>
<p>Adequate</p>	<p>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.</p> <p>There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.</p>		

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Prospects for Improvement		Issue Risk Ratings	
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.	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.
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.	Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system 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	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.
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.		

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Internal Audit & Counter Fraud

Kent Fire and Rescue

No	Indicator	Target Performance	Performance to Date
1	Engagement Plan to be issued 2 weeks prior to commencement of audit fieldwork	90%	87.5%
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%	0%
4	Final Report to be issued within 5 working days of receiving management response	90%	100%
5	% Completion of Annual Internal Audit Plan @ 31 March 2025	90%	N/A

2024-25			
No	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%
Performance against 2021 – March 2024 Issues			
3	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%	100%

