



## **KENT AND MEDWAY FIRE AND RESCUE AUTHORITY**

**Meeting of the Audit and Governance Committee**

**Thursday, 28 April 2022**

**10.30am**



**AGENDA**

**KENT AND MEDWAY FIRE AND RESCUE AUTHORITY**

**AUDIT AND GOVERNANCE COMMITTEE**

Thursday, 28 April 2022 at 10.30am  
held at Kent Fire and Rescue Service  
HQ, The Godlands, Straw Mill Hill Tovil,  
Maidstone, ME15 6XB

Ask for: Marie Curry  
Telephone: (01622) 692121

**UNRESTRICTED ITEMS**

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

**A Routine Business**

- A1. Chair's Announcements *(if any)*
- A2. Declarations of Interests in Items on this Agenda
- A3. Membership Changes and Apologies for Absence
- A4. Minutes of the Committee meeting held on 25 November 2021 *(for approval)*

**B For Decision**

- B1. Corporate Risk Register
- B2. Anti-Fraud and Corruption Framework and Action Plan
- B3. External Auditors Draft Audit Plan for 2021/22 and the Audit Risk Assessment
- B4. Internal Audit Plan for 2022/23 and Audit Charter
- B5. Treasury Management Update

**C For Information**

- C1. Internal Audit Progress Report 2021/22

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

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

Marie Curry  
Clerk to the Authority

11 April 2022

*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.*

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## KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

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MINUTES of the Meeting of the Audit and Governance Committee held on Thursday, 25 November 2021 at Kent Fire and Rescue Service Headquarters.

PRESENT:- Mr A Booth, Mr P Cole, Mr N Collor, Mr D Daley, Mr V Maple, Ms L Parfitt-Reid, Mr C Simkins and Mr S Tranter.

APOLOGIES:- Mr P Harman and Ms S Hudson

OFFICERS:- The Chief Executive, Miss A Millington QFSM; the Director, Finance and Corporate Services, Ms A Kilpatrick; Director Prevention, Protection, Customer Engagement and Safety, Mr J Quinn; Assistant Director, Operations, Mr M Deadman; Finance Manager, Mrs N Walker, Finance Manager Barrie Fullbrook and the Clerk to the Authority, Mrs M Curry.

ALSO IN ATTENDANCE:- Ms F Smith ,KCC Internal Audit

### UNRESTRICTED ITEMS

#### 1. Election of Chair for 2021/22

*(Item A1)*

- (1) Mr Tranter moved, Mr Collor seconded, that Mr Maple be elected Chair of the Committee.
- (2) There being no other nominations, Mr Maple was declared Chair of the Audit and Governance Committee for 2021/22.

#### 2. Election of Vice-Chair for 2021/22

*(Item A2)*

- (1) Mr Maple moved, Mr Daley seconded, that Mr Tranter be elected Vice-Chair of the Committee.
- (2) There being no other nominations, Mr S Tranter was elected as Vice-Chair of the Audit and Governance Committee for 2021/22.

#### 3. Chair's Announcements

*(Item A3)*

- (1) The Chair welcomed Members to the first meeting of the Committee
- (2) The Chair welcomed Frankie Smith from KCC Internal Audit to the meeting.

#### 4. Membership

*(Item A4)*

- (1) The list of Members appointed to serve on the Committee for 2021/22 was noted.

#### 5. Terms of Reference

*(Item A6)*

- (1) The Director Finance and Corporate Services provided an introduction to the Terms of Reference by stipulating the clear boundaries between the role and responsibilities of this Committee and that of the Authority.
- (2) RESOLVED that:
  - (a) The Terms of Reference for the Audit and Governance Committee be noted.

**6. Mid-Year Treasury Management and Investment Update 2021/22**

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

- (1) The Committee received a mid-year update on the treasury activity undertaken and the extent of the compliance with the agreed prudential indicators.
- (2) The Chair took the opportunity to thank Richard Bason for the training given to Members on Treasury Management prior to the meeting and requested that the slides from this training be circulated to all Members.
- (3) The Chair asked for reassurances on what checks have been put in place so that the Authority can be confident when it came to ensuring best value for money or that any investment returns were not at risk of becoming negative. The Director Finance and Corporate Services responded by saying that the Authority works closely with Link Asset where daily reviews take place on interest rates. She added that there are alert systems in place that if banking rates change the Authority is notified so this is closely monitored.
- (4) RESOLVED that:
  - (a) the treasury activity undertaken and detail contained within the report, be noted.

**7. Treasury Management and Investment Strategy 2022/22-2025/26**

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

- (1) The Committee received the draft Treasury Management Strategy for the 2022/23 financial year to consider prior to this being presented to the Authority meeting in February 2022.
- (2) RESOLVED that:
  - (a) the Treasury Management and Investment Strategy for the 2022/23 financial year, be approved in principle.

**8. Corporate Risk Register**

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

- (1) The Committee received the latest update on the Corporate Risk Register for consideration.
- (2) The Chair requested a training session for Members on risk as well as the familiarisation of the Register for the next Committee meeting.
- (3) RESOLVED that:
  - (a) the amendment to the Risk Register as shown in Appendix 1 to the report, be approved.
  - (b) the addition of a new risk to the Register in relation to the accuracy and timeliness of data held by the Authority, be approved.
  - (c) The contents of the report be noted.

## **9. Internal Audit Progress Report**

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

- (1) Ms F Smith from KCC Internal Audit, introduced for Members' consideration, the Internal Audit Progress report. The report provided an update of the work that KCC Internal Audit has carried out on behalf of the Authority against the 2021/22 Audit Plan since April 2021 and any outstanding actions for the 2020/21 Audit Plan.
- (2) The Chair asked, if it was possible, for any completed Audit reports to be circulated to the Members of this Committee as well as Group Leaders on an on-going basis. The Chair added, this will allow Members of the Committee to review and ask any questions prior to the meeting.
- (3) RESOLVED that:
  - (a) the changes to the 2021/22 Audit Plan as detailed in Appendix to the report, be approved;
  - (b) the progress made in relation to the 2020/21 and 2021/22 Audit Plan, as detailed in Appendix 1 to the report, be noted.

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By: Director Finance and Corporate Services  
To: Audit and Governance Committee – 28 April 2022  
Subject: CORPORATE RISK REGISTER  
Classification: Unrestricted

## **FOR DECISION**

### **SUMMARY**

Audit and Governance Committee last received an update on the Corporate Risk Register at the November 2021 meeting. Following a discussion at the meeting, Members requested more visibility on the scoring matrix, to assist their understanding of the likelihood and impact of risks detailed in the corporate risk register. Consequently, this report provides an enhanced risk report template to aid that requirement alongside an update in relation to the current Corporate Risk Register.

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

### **RECOMMENDATIONS**

Members are requested to:

1. Agree amendments to the Corporate Risk Register as shown in **Appendix 1** (paragraphs 4 to 21 refer);
2. Agree the addition of the new Corporate Risk (paragraph 22 refers);
3. Note the content of the report.

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

## COMMENTS

### Background

1. Members last received an update on the Corporate Risk Register at the November 2021 Audit and Governance meeting. Since then, good progress has been made on a number of action plans, which will help mitigate or reduce the respective potential risks going forward. Corporate Management Board regularly monitor and review the Risk Register to ensure it is kept up to date and relevant.
2. The expectation is that this committee will be presented with an update on the Corporate Risk Register twice a year, which will usually be to the April and December meeting. However, the Risk Register will be kept under regular review and as such if circumstances are such that new risks or significant changes are required then there will of course be an update provided to Members at the next meeting of this committee.
3. Detailed below in the following paragraphs are the changes that have been applied to the Risk Register since Audit and Governance last reviewed it in November. There is however one new corporate risk (risk 22) which is also detailed below, but it is proposed that eight of the risks detailed in November, will now be taken off this corporate register as there are significant controls in place to manage these risks at a Service level, but more detailed on the rationale for each risk is set out below. A full Risk Register is attached at **Appendix 1** for Members' information and approval.

### Summary of Progress

4. **Risk 1** – All actions have been completed, the review of the Business Continuity plan continues to be undertaken annually.
5. **Risk 2** – The recent COVID pandemic has seen the controls tested in this area. Wording has been reviewed within the risk to expand the corporate risk beyond just Personal and Protective Equipment to also reflect that it is also essential to be able to source and maintain equipment and vehicles of the required standard and in a timely manner. A new management action has been included to reflect the need to monitor and respond to Government guidance with regard to a consideration of the market and countries through which supplies of goods and services are purchased.
6. **Risk 3** – Test system failure plans have now been completed with the exception of immediate (not phased) emergency evacuation to the backup facility. Identified actions during the robust review are now resolved and new guidance has been introduced. A full joint evacuation exercise was planned with Kent Police towards late

November/early December 21, unfortunately this was unable to take place due to the Omicron variant impact. A new date will be raised as an agenda item at the next Joint Control Partnership meeting.

7. **Risk 4** – A development plan process is in place for all learners attending core skill initial or re-validation courses and these are used to support and develop those learners who do not reach the required standard, providing specific areas for development before being re-assessed. A twice yearly skills check along with November course booking activity prevents expiry of skills. All risk actions are now completed, and it is recommended that this risk is now removed from the corporate risk register and now monitored within the Service Register – Delete Risk.
8. **Risk 5** – This has been reviewed as part of the 2022/23 budget build and no withdrawals of external funding were identified. However, we are still awaiting the final allocation of some grants which have been confirmed, but as yet amounts are still awaited.
9. **Risk 7** – The spending review for 2022 was a one-year settlement and not a multi-year settlement as had been hoped for, which would have provided a greater level of medium-term stability. It did, however, allow those fire authorities within the lower Band D quartile to raise council tax by up to £5, rather than being capped at the 2% level, however, Kent was not within this criteria. We are expecting local government funding reforms from the Government this year and have seen the Levelling Up White Paper issued on 2 February 2022.
10. **Risk 8** – This has been reviewed as part of the 2022/23 budget build and consideration has been given to the current economic environment and likely inflationary increases that may arise over the short to medium term. Probably a cautious approach, but on the basis of the possibility of potentially facing significant in-year cost increases, the likelihood has been increased from Fairly Unlikely to Fairly Likely to reflect the current situation.
11. **Risk 9** – Phase one and two of the Dynamics project has seen SSRI and Building Safety risk data being made available to crews. Phase three of the project will start later in 2022 and incorporate changes in fire safety legislation and regulation. Phase four will deliver customer safety risk information and is scheduled to start in 2023.
12. **Risk 10** – Retirement dates and leavers are monitored to forecast future skills gaps to confirm there is enough core and specialist skill training to safeguard potential gaps that can be filled with a skilled workforce. Sufficient progress has been made against the action plans, so it is now recommended that this risk is removed from the Corporate Risk Register and continues to be monitored within the Service Risk Register – Delete Risk.

13. **Risk 12** – The COVID pandemic represented a live Business Continuity event that lasted for two years, this event tested our BC process to protect our mission critical activities and resulted in key organisational learning that has been implemented, as such a further annual exercise to test in this year was not required. We will carry out an exercise in 2022/23.
14. **Risk 13** – The Fire Safety Act 2021 will shortly be in force. Changes to Fire Safety Regulations are expected later in 2022, whilst the Building Safety Bill is due to become law at a later date. The Building Safety department are reviewing additional training; developing relationships with local authority housing teams; and reviewing the number of inspectors required to meet the Authority's statutory duties.
15. **Risk 15** - A review of the project/programme processes has been undertaken to assist with the effective monitoring of them. Actions have been sufficiently completed and as such it is now recommended that the risk is removed from the current Corporate Risk Register, but it will continue to be monitored through the Service Risk Register – Delete Risk.
16. **Risk 16** – During 2020/21 the tax base for the Authority reduced due to the economic recession caused through the COVID pandemic. Work continued during the year to monitor the Council Tax base with the Districts and Medway, and for 2022/23 returns from Districts and Medway resulted in a growth in the Council Tax base. Work will continue to monitor the council tax base, but the immediate risk has now significantly reduced and it is therefore proposed that this risk is to be removed from the Corporate Risk Register – Delete Risk.
17. **Risk 17** – On insurance renewal for 2021/22, FRIC came under a lot of pressure to accept COVID exclusion on the liability cover, but for the second year have been able to resist any changes to cover. Whilst the immediate risk has significantly reduced FRIC advised that it is not likely to go away anytime soon as insurers look to limit their risk exposure. With the immediate risk now reduced it is proposed to remove this risk from the Corporate Risk Register but continue to monitor it through the Service Risk Register – Delete Risk.
18. **Risk 18** – With the Government announcement of the lifting of restrictions it is proposed that this risk is now removed from the Corporate Risk Register until such time as government amend their guidance around COVID. Business Continuity planning in the event of a pandemic forms part of the Authority's Business Continuity planning – Delete Risk.
19. **Risk 19** – The Carbon Reduction Plan was agreed at the July 2021 Authority meeting. Specialist advice has been sourced with regard to the installation of heat pumps. Work

is underway to source an external e-learning program to increase carbon footprint knowledge. As there is now an agreed action plan in place and progress has commenced it is now recommended that this risk is removed from the Corporate Risk Register but continue to be monitored within the Service Risk Register – Delete Risk.

20. **Risk 20** – Regular updates have been issued to Colleagues as information has become available but delays in government guidance continue to impact on those currently affected.
21. **Risk 21** – As the action to create a role where the purpose is to ensure data integrity is now in place, the immediate risk has seen a reduction and therefore it is now proposed to remove this risk from the Corporate Risk Register and to continue to monitor progress within the Service Risk Register – Delete Risk.
22. **Risk 22** – An increased risk in relation to the escalation of a potential cyber-attack in line with Government guidance has identified that whilst this risk was being monitored at a service level, the likelihood has escalated to a sufficient level that it suggested that it is now included in the Corporate Risk Register.

## **IMPACT ASSESSMENT**

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

## **RECOMMENDATIONS**

24. Members are requested to:
  - 24.1 Agree amendments to the Corporate Risk Register as shown in **Appendix 1** (paragraphs 4 to 21 refer);
  - 24.2 Agree the addition of the new Corporate Risk (paragraph 22 refers);
  - 24.3 Note the content of the report.

**Corporate Risk Register**

**Risk Tolerance Table**

<b>Descriptor</b>	<b>Definition</b>
Very Severe	The Authority is extremely concerned about this risk as the impact is potentially highly disruptive for the Authority's key objectives, projects or targets. Management action in the form of a comprehensive action plan is required immediately to reduce the risk and progress will be assessed by CMB.
Severe	The Authority is concerned about this risk. The consequences could have a significant impact for the Authority. The proposed action to reduce this risk to an acceptable level should be established and reported to CMB. Monitoring reports are required by CMB on a quarterly basis thereafter.
Material	The Authority is uneasy about this risk as the consequences, though not severe, will be disruptive to the delivery of the objectives. Proposals should be drawn up to reduce the risk to an acceptable level within six months and reported to CMB.
Manageable	The Authority is content to carry the risk as the likelihood and impact are within acceptable tolerances. The status of the risk should be reviewed regularly by the risk-owner to ensure that it remains within acceptable tolerances and reported to CMB.

**Likelihood Descriptions**

<b>Descriptor</b>	<b>Definition</b>
Almost certain	More than one of the causes of the risk materialising is 90-100% likely to occur during the life of the project, programme or plan being assessed.
Highly likely	One of the causes of the risk materialising is 80-90% likely to occur during the life of the project, programme or plan being assessed.
Fairly Likely	There is 50-80% chance that one or more of the causes of the risk occurring will happen during the life of the project, programme or plan being assessed.
Fairly Unlikely	There is a less than 50% chance that one or more of the causes of the risk occurring will happen during the life of the project, programme or plan being assessed.
Very Unlikely	There is a remote chance that one or more of the causes of the risk occurring will happen during the life of the project, programme or plan being assessed.

## Impact Descriptions

Descriptor/Score	Definition
Catastrophic	Would result in total failure to achieve/deliver/meet a key objective, project or target to the quality price and timescales required.
Critical	Major disruption to the successful delivery of objectives, projects or targets causing unacceptable delays, major financial implications or loss of key benefits or outcomes requiring major re-assessment of business case, outcome or target.
Significant	Disruptive to the delivery of the objective, project or target causing delay, increase cost or reduced performance, requiring some re-phasing, additional funding or amendment of the business case.
Minor	Disruptive but of short duration or capable of being managed fairly easily with little impact of the delivery of objectives, projects or targets.
Negligible	Annoying but unlikely to cause any delay to or failure of the delivery of key objectives, projects or targets at this stage.

Acronym Key for Risk Register	
MDT Project	Mobile Data Terminals
EMR	Emergency Medical Response
BC	Business Continuity
CRM/PRM	Customer Relationship Management and Premises Risk Management
SPOC	Single Point of Contact

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
1	<b>IF</b> the Authority is affected by prolonged industrial action <b>THEN</b> an effective emergency response wouldn't be maintained	Major Loss of life or property	AD Resilience	Fairly Unlikely	Significant	Material	Minor Reduction	Review Industrial action BC plan and update	Completed
		Fines or claims against the Authority							
		Increased financial costs						Provide refresher training to officers in appliance equipment etc.	Completed
		Public and media condemnation of the Service							
		Government intervention in the management of the Service							
2	<b>IF</b> sufficient firefighting equipment PPE and vehicles of the required standard was unavailable as required <b>THEN</b> an effective emergency response could not be provided	Major Loss of life or property	AD Response	Fairly Unlikely	Catastrophic	Severe	No Change	Review and test Disaster Recovery arrangements for current contract	Completed
		Fines or claims against the Authority							
		Increased financial costs						Annual Audit Held and regular meetings established with incumbent supplier, with regard to operational continuity of supply of good and services.	In Progress
		Public and media condemnation of the Service							
		Government intervention in the management of the Service						Monitor and respond to Govt guidance with regard to the monitoring of supply chain impact.	In Progress



Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
3	<b>IF</b> the arrangements for mobilising emergency resources failed <b>THEN</b> an effective emergency response couldn't be maintained	Several levels of fail over/back up processes in place	Dir Resp & Res	Fairly Unlikely	Critical	Material	No Change	Test system failure plans	Completed
		Joint systems development board to agree IT work						Identify key person weaknesses and address skill deficiency	Completed
		Emergency service have preferential access to systems in event of wide scale failure.						Joint evacuation exercise with Kent Police	In Progress
4	<b>IF</b> emergency response skills and management are not maintained <b>THEN</b> operational intervention will become ineffective	Public condemnation of the Service	AD Resilience	Very Unlikely	Significant	Manageable	Minor Reduction  <b>Remove from CRR</b>	Address issue of recording of training and competencies	Completed
		Adverse media comments						Monitor attendance at training course for non-attendance	Completed
		Criticism from Fire Service inspectorate						Roll-out of Kirkpatrick model of training evaluation	Completed
								Monitor Competence of Learners through appropriate recording, development planning	Completed
		Legal action against the Authority						Track practical training recording of Station based training	Completed

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
5	IF Finance for externally funded services is withdrawn THEN the Authority will have to absorb existing staff over a short period	Industrial unrest	AD Response, AD Resilience	Fairly Unlikely	Significant	Material	Minor Reduction	Consider possibility of utilising earmarked reserves in short term. In the longer term establishment levels will be considered against recruitment needs.	In Progress
		Staff Redundancies							
		Adverse media comments							
		Overspending						Review overhead costs and scale back accordingly	In Progress
6	IF an employee is seriously injured/killed in any area of activity THEN a series of formal investigations will be instigated	Disruption at senior management level	All Directors	Fairly Unlikely	Critical	Material	No Change	Exercise a significant safety event/injury scenario	In Progress
		Enforcement action against the Authority							
		Claims against the Authority							
		Resignation or dismissal of senior staff							
7	IF the government's funding plans (funding formula/Spending Review) disadvantage KFRS THEN its MTFP will be compromised	Further savings would be required	Dir Finance & Corp Serv	Fairly Unlikely	Significant	Material	No Change	Regular reviews of the MTFP	In Progress
								Respond to any consultation document issued.	In Progress

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
8	IF the Authority suffers a major unfunded loss/cost THEN additional in year savings would be required	A reduction in reserves	Dir Finance & Corp Serv	Fairly Likely	Significant	Material	Minor Increase	Explore the potential use or earmarked reserves in the short term. Establish if new in year savings could be generated.	In Progress
		Delay in delivering projects and investments						Monitor the impact of inflation (Fuel/Contract Pricing/Pay Settlement/Supply Chain) mindful of the economic environment.	
		Further savings required							
9	IF customer and premises information cannot be made available to operational staff THEN there is an increased risk that an inappropriate response to an emergency might be delivered	Increased health and safety risk to staff and customers	Dir Resp & Res	Fairly Unlikely	Significant	Material	Minor Reduction	CRM/PRM project in progress to address this	In Progress
		Adverse comments from public and media							
		Legal action against the authority						MDT replacement project in progress	Completed
		Intervention by HSE or other agencies							
10	IF workforce planning and development is ineffective THEN the Authority would not be able to maintain the range and breadth of non-statutory services	A reduction in service quality	AD HR & Learning	Fairly Unlikely	Significant	Material	Minor Reduction <b>Remove from CRR</b>	Roll-out of Kirkpatrick model of training evaluation	Completed
		Loss of collaborative opportunities						Embed inspiring leadership framework into career planning	Completed
		Public dissatisfaction with the Service						Roll out open access supervisory leadership e-learning	Completed
								Track practical training recording of Station based training	Completed
		Loss of staff						Workforce medium term plan being developed	In Progress

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
11	<p><b>IF</b> a Kent run major procurement arrangement fails to meet expectations <b>THEN</b> partners' trust and reliance of the Authority will be damaged</p>	Credibility affected, which may have an impact in future on leading other national collaborative procurement projects	Dir Finance & Corp Serv	Fairly Unlikely	Significant	Material	No Change	Clarify expectations at the outset with partners/	In Progress
		Higher procurement costs						Establish clear mechanisms to monitor delivery of arrangements	Completed
		Legal action against the Authority						Review and improve standard terms and conditions	Completed
12	<p><b>IF</b> the Authority is unable to maintain mission critical services following an external disruption <b>THEN</b> the Authority could fail to meet its statutory duties</p>	Loss Of Staff - Short or Long Term	AD Resilience	Fairly Unlikely	Significant	Material	No Change	Transport disruption planning to be completed as part of EU exit preparation	Completed
		Loss of Premises - Including access to site(s)						Annual exercise completed and learning identified	Completed
		Loss of Information and Communication Technology (ICT) services							
		Loss of utilities							
		Loss of critical suppliers/ contractors							
		Loss of vehicles and essential equipment						Review section business impact analysis	Completed
		Transport disruption - including severe weather							
		Shortage of fuel supply							

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
13	IF changes to the Fire Safety Order and the creation of the Building Safety Regulator require changes THEN the Authority will need to review working practices and staffing levels.	Increased financial costs	Dir Prev, Protec	Fairly Likely	Significant	Material	No Change	Monitor the progress of the Fire Safety Act and Building Safety Bill	In Progress
		Public dissatisfaction with the Service							
14	IF costs increase as a result of legislative changes THEN the Authority's MTFP will be compromised.	Increased financial costs	Dir Finance & Corp Serv	Fairly Unlikely	Significant	Material	No change	Consider possibility of utilising earmarked reserves in short term. In the longer term a higher level of savings will need to be identified.	In Progress
		Further savings would be required						Keep a watching brief for legislation changes	In Progress
		A reduction in reserves						Request a revised pension report to understand the increased pension liability	Completed

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
15	IF a project/programme board does not recognise and manage financial risks of project delivery THEN the Authority's MTFP will be compromised.	Increased financial costs	Dir Finance & Corp Serv	Fairly Unlikely	Significant	Material	Minor reduction  Remove from CRR	Consider possibility of utilising earmarked reserves in short term. In the longer term a higher level of savings will need to be identified or the project scaled back.	In Progress
		Further savings would be required							
		A reduction in reserves						Appropriate plans to be in place to highlight risk and steps taken to manage such risks	Completed
16	IF the Council Tax base reduces as a result of an economic recession THEN the Authority's MTFP will be compromised	Further savings would be required	Dir Finance & Corp Serv	Fairly Unlikely	Significant	Material	Significant Reduction  Remove from CRR	Consider possibility of utilising earmarked reserves in short term. In the longer term establishment levels will be considered against recruitment needs	Completed
								Maintain regular contact with District Councils to understand the potential impact	Completed
		A reduction in reserves						Respond to any Government Consultation/monitoring	Completed

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
17	IF the insurance market changes as a result of increased liability THEN the Authority's costs may increase.	Increased financial costs	Dir Finance & Corp Serv	Fairly Unlikely	Significant	Material	Minor Reduction  <b>Remove from CRR</b>	Maintain regular contact with FRIC to understand the potential impact	Completed
		Reduced collaboration due to increased risk exposure of no insurance cover						Consider possibility of increasing earmarked reserves in short term. In the longer term continue to review the market to see if cover is available at a later date.	Completed
		Greater level of reserves required due to increased levels of self insurance						Appropriate Policies and Procedures across the organisation	Completed
								Respond to any Government consultation/monitoring	Completed

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
18	<b>IF</b> the Authority fails to act appropriately within the requirements and restrictions of the Covid 19 National Pandemic <b>THEN</b> the Authority could fail to meet its statutory duties	Loss of Staff - Short Term or Long Term	AD Resilience	Fairly Unlikely	Critical	Material	Significant Reduction  <b>Remove from CRR</b>	Compliance with latest Government guidance	Completed
		Loss of Premises - including access to site(s)						Weekly Covid Management meetings	Completed
		Loss of critical suppliers/contractors/ third party support agencies						Review section business impact analysis in light of COVID	Completed
		Increased financial costs						Complete Covid Risk Assessments	Completed
		Fines or claims against the Authority						Authority's Estate Reviewed for Covid Compliance	Completed
								Purchase Covid Compliant PPE for Staff	Completed
								Engagement with the Local Resilience Forum	Completed
		Public dissatisfaction with the Service						Review of staff homeworking requirements	In Progress



Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
19	<b>IF</b> the Authority does not reduce its carbon footprint <b>THEN</b> the Authority could fail to meet Government targets for 2050	Longer term impact on the Health and Environment of Kent Residents	AD Resilience AD Corp Serv	Fairly Likely	Significant	Material	Minor Reduction  <b>Remove from CRR</b>	Ensure Policies and Procedures reflect the Authority's commitment to carbon reduction	Completed
		Public dissatisfaction with the Service						Incorporate an emissions reduction plan within the Asset Management Strategy	Completed
		Fines against the Authority						Increase knowledge across the Authority on carbon reduction	In Progress
								Review smarter working policies to reduce staff mileage	In Progress
20	<b>IF</b> there is a delay in the release of the technical guidance to support the recent legal ruling in relation to the McCloud pension case <b>THEN</b> the Authority could be subject to legal challenge.	Public/union and staff dissatisfaction with the service.	AD People & Learning	Fairly Likely	Significant	Material	No Change	Remain engaged and maintain awareness of progress by the Scheme Advisory Board	In Progress
		The exit of significant staff and loss of expertise						Engage with other FRS' to consider necessary approach	In Progress
								Ensure communication takes place to all those affected	In Progress
		Legal action against the Authority						Ensure we are fully prepared to deliver outcomes when the guidance is available	In Progress

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
21	IF the Authority fails to ensure the accuracy and timeliness of data it holds THEN effective decisions may not be made	Major Loss of life or property	AD Corporate Services	Fairly Unlikely	Significant	Material	Minor Reduction  Remove from CRR	Create a role whose purpose is to ensure data integrity	Completed
		Fines or claims against the Authority						Roll-out of Dynamics to collect data once and use multiple times	In Progress
		Increased financial costs						Keep privacy notices current	In Progress
		Public and media condemnation of the Service						Complete Data Protection impact assessments where necessary	In Progress

Risk No	Risk	Potential Consequences	Owner	Likelihood	Impact	Current Rating	Direction of Travel	Planned Risk Management Actions	Status
22	IF the Authority suffers a cyber-attack THEN it may not be able to perform its statutory duties and recovery may be protracted	Major Loss of life or property	AD Corporate Services	Highly Likely	Catastrophic	Very Severe	New Risk	Started at level 2 BC issue and small working team to monitor	Completed
								Implemented additional Cyber Protection measures	Completed
								Agree Cyber SPOC	Completed
		Loss of Information and Communication Technology (ICT) services						Communicate to all users about cyber security	Completed
								Draft a new cyber security incident response plan	Completed
								Review IT related mission critical activities	Completed
		Increased financial costs						Check we are in line with published KRF cyber-attack response plans	Completed
								Carry out a Cyber Attack Critical scenario walkthrough	Completed
		Public dissatisfaction with the Service						Identify a summary of actions and work to be completed	In Progress
								Future programme of data and cyber security reminders to be released periodically for 6 months commencing 1 March 2022	In Progress

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By: Director, Finance and Corporate Services  
To: Audit and Governance Committee – 28 April 2022  
Subject: ANTI-FRAUD AND CORRUPTION FRAMEWORK AND ACTION  
PLAN UPDATE  
Classification: Unrestricted

## FOR DECISION

### SUMMARY

A review of the policies and plans that support the Authority's commitment to anti-fraud and corruption prevention has recently taken place. Although these documents are referred to on a regular basis a scheduled review is planned every two years to ensure they reflect and support current practices. In addition to this a review of the actions within the Anti-fraud and Corruption Plan is carried out and updated accordingly every three years.

This report provides Members with the outcomes of those reviews and attaches the updated versions of the policies and plans for Members consideration and approval.

### RECOMMENDATIONS

Members are requested to:

1. Review and agree the updated Anti-Fraud and Corruption Framework (paragraph 3 and 4 and **Appendix 1** refer);
2. Review and agree the Anti-Fraud and Corruption Plan (paragraph 5 and 6 and **Appendix 2** refer);
3. Review and agree the Fraud Response Plan (paragraph 7 and **Appendix 3** refers);
4. Consider and note the inclusion of the Fighting Fraud and Corruption Locally (FFCL) checklist within the Authority's monitoring practices (paragraph 8 refers and **Appendix 4** ).

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

## COMMENTS

### Background

1. The Authority recognises that it is exposed to the risk of fraud and/or corruption across the range of services and activities it undertakes and therefore takes responsibility to prevent, detect and act on any instances of inappropriate behaviour. It has a duty to ensure that it uses the resources allocated to it in the most effective and efficient way possible. Fraud and corruption not only divert scarce resources from the public purse they also impact on the public confidence and morale within the service. An important part of our governance framework is our policies and our approach to preventing, detecting and investigating all forms of fraud and corruption.

### Policy Review

2. The review of the Anti-Fraud and Corruption Policy, Anti-Money Laundering Policy and Anti-Bribery Policy confirmed that the policies remain fit for purpose and no material amendments were required. Therefore the policies have purely been updated to reflect current job titles and an amendment of the Whistleblowing policy to be renamed as the Speak Up policy. For purposes of clarity all of these policies apply not only to employees and Members of this Authority, but also to suppliers and contractors engaged by this organisation to deliver goods or services.

### Review of Plans and Framework

3. **The Anti-Fraud and Corruption Framework 2022-2025** - The Authority has a range of policies and procedures designed to manage and mitigate the risk of fraud. This framework brings these components together into a single document for ease of reference and to provide a systematic and cohesive approach to fraud risk reduction.
4. This framework provides a definition of fraud, describes the key policies and procedures that help detect, prevent and investigate fraud, and clarifies the roles and responsibilities of managers and Members in combatting fraud. A copy of the Anti-Fraud and Corruption Framework 2022-2025 is available at **Appendix 1** for Members consideration and approval.
5. **Anti-Fraud and Corruption Plan** - Also included in the Framework is a two-year Anti-Fraud and Corruption Plan setting out the key objectives and activities intended to minimise financial loss and the other risks associated with fraud. In particular, the Plan seeks to build a strong anti-fraud culture across all parts of the Authority, pre-disposed to prevent and detect fraud and able to recognise and report any suspicious or inappropriate behaviour at an early stage and thereby reduce the number and scale of cases.

6. It sets out four key objectives which aim to fight against fraud and corruption. An action plan is included to provide a timeline of actions and aligns a responsible officer for each action to ensure the Authority continues to strengthen its Anti-fraud and Corruption work. The Plan is attached at **Appendix 2**, for Members consideration and approval.
7. **Fraud Response Plan** - The Response Plan covers the process for investigating allegations of fraud or corruption where a complaint has been received or a suspicion reported relating to any type of fraud (financial or otherwise), irregularity or unethical behaviour. The guidance provided within this plan remains current. Minor amendments to job titles and the Speak Up Policy name have been applied however, they do not impact on the principle of the Plan. A copy of the amended Fraud Response Plan is available at **Appendix 3** for Members consideration and approval.
8. **Fighting Fraud and Corruption Locally** - The Fighting Fraud and Corruption Locally 2020 (FFCL) is an updated Fraud and Corruption Strategy for local government. This Strategy sets out best practice and is intended to provide guidance to all those charged with governance in local authorities including those on audit committees and with portfolio responsibility. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous government strategies written in 2011 and 2016.
9. A checklist to assist local authorities to monitor their control measures for fraud and corruption prevention has been incorporated within the Strategy. It is proposed therefore that this will be embed into existing monitoring practices so that identified actions can be reported to this committee. The checklist is available at **Appendix 4** for Members information.

## **IMPACT ASSESSMENT**

10. There are no direct impacts from the contents of this report which cannot be contained within existing budgetary provision.

## **RECOMMENDATIONS**

11. Members are requested to:
  - 11.1 Review and agree the updated Anti-Fraud and Corruption Framework (paragraph 3 and 4 and **Appendix 1** refer);
  - 11.2 Review and agree the Anti-Fraud and Corruption Plan (paragraph 5 and 6 and **Appendix 2** refer);
  - 11.3 Review and agree the Fraud Response Plan (paragraph 7 and **Appendix 3** refers);

- 11.4 Consider and note the inclusion of the Fighting Fraud and Corruption Locally (FFCL) checklist within the Authority's monitoring practices (paragraph 8 refers and **Appendix 4** ).



# ANTI-FRAUD AND CORRUPTION FRAMEWORK 2022-2025

*Updated 28 April 2022*



**Kent Fire &  
Rescue Service**

**together**

## **INTRODUCTION**

1. The 2019 Financial Cost of Fraud Report estimated that fraud costs the UK between £130 billion and £190 billion of which Local Government account for in excess of £2.2 billion (11% of total public sector fraud). The Kent and Medway Fire & Rescue Authority employs around 1,500 people and spends around £72m of public money each year. In addition to providing direct services, the Authority works closely with an ever increasing range of delivery partners, contractors and voluntary organisations in working to make the community of Kent a safer place. Increasingly, we offer access to services and to personnel electronically, actively encouraging our community to contact us in the manner.
2. The scope, size and increasing complexity of these arrangements means that there is an ever present risk of loss of assets, damage to our reputation or misuse of information due to theft, fraud or corruption, either perpetrated internally or externally. Thankfully, the number of known cases of fraud and corruption is very small and the nature of the incidents which do come to light is limited. Nonetheless, the Authority is not immune to fraud and corruption and it is important that we put in place the necessary processes to safeguard the Authority from the potential threat of loss or damage as effectively as possible.
3. The Anti-Fraud and Corruption Framework consists of the entirety of the policies and procedures introduced to combat fraud allied to the prevailing culture of the Authority and is intended to provide clarity about the Authority's attitude, approach and response to managing the risk of fraud.

## **LINKS TO STRATEGIC OBJECTIVES AND RISK**

4. Counter fraud and corruption activity links to the Authority's objective to the delivery of value for money and a major financial loss due to fraud or related activity features in the Authority's risk register. Losses occurring from undiscovered fraud can impact directly on the financial viability of the Authority and therefore its ability to deliver services. Inappropriate decisions or contracts entered into as a result of corruption can result in ineffective and overpriced services. Persistent incidences of fraud and corruption undermine the confidence of the public and stakeholders and make it more difficult for the Authority to engage with partners and the community at large. Every penny lost in this way is a penny less than can be spent on delivering quality services or which has to be found in additional savings. Preventing and detecting fraud therefore has a subtle but no less important part to play in ensuring the effectiveness of the Authority.

## PURPOSE OF THIS DOCUMENT

5. The Authority has implemented a range of policies and procedures designed to manage and mitigate the risk of fraud. This framework brings these components together into a single document for ease of reference and to provide a systematic and cohesive approach to fraud risk reduction.
6. This framework provides a definition of fraud, describes the key policies and procedures that help detect, prevent and investigate fraud, and clarifies the roles and responsibilities of managers and Members in combatting fraud. Also as part of the framework is a new three-year anti fraud and corruption plan setting out the key objectives and activities intended to minimise financial loss and the other risks associated with fraud. In particular, the plan seeks to build a strong anti-fraud culture across all parts of the Authority, pre-disposed to prevent and detect fraud and able to recognise and report any suspicious or inappropriate behaviour at an early stage and thereby reduce the number and scale of cases.

## WHAT IS FRAUD AND CORRUPTION?

7. **Fraud:** The Fraud Act 2006 came into force on 15 January 2007 as a response to the Law Commission report “Fraud”, published in 2002. The act repeals the deception offences enshrined in the 1968 and 1978 Theft Acts, replacing them with a single offence of Fraud, which can be committed in three ways:
  - False representation
  - Failure to disclose information where there is a legal duty to do so
  - Abuse of position

The act also created four new offences of:-

- Possession of articles for use in fraud
- Making or supplying articles for use in fraud
- Obtaining services dishonestly
- Participating in a fraudulent business.

Whilst the act does not provide a single definition of fraud it may be described as follows:  
*“Making dishonestly a false representation with the intention to make a gain for oneself or another, or, to cause loss to another or expose him/her to the risk of loss”.*

Or more simply:-

*“Dishonest conduct with the intention to make a gain or cause a loss or the risk of loss to another”.*

8. **Theft:** Theft is defined in the 1968 Theft Act as “*A person shall be guilty of theft if he/she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it*”
9. **Corruption:** Corruption may be defined as “*The offering, giving, soliciting or acceptance of any inducement or reward which would influence the actions taken by a body, its members or officers*”.

## THE ANTI-FRAUD AND CORRUPTION FRAMEWORK

10. This framework is not just about controls and procedures. Whilst these are important in ensuring that the mechanisms are in place to prevent, detect investigate and deter fraud and corruption, the underlying culture of the organisation sets the tone for the behaviour or all those associated with it. As important is that the Authority demonstrates its approach to fraud by its deeds as well as by its words. The framework therefore encompasses the following aspects.
11. The Anti-Fraud and Corruption Policy: This high level document sets out the Authority’s overall approach to the prevention of Fraud and the response to incidents where fraud is suspected or detected. This document has the status of a policy applicable to both Members and employees. The current policy is available here *.(insert link to latest policy on publication)*
12. The Anti-fraud and Corruption Plan: This document sets out the key objectives for the Authority in developing and improving the anti-fraud and corruption framework and the main activities planned to prevent, detect, investigate and address the key fraud risk issues. It includes an action plan to implement any improvements to the processes and procedure in place to address any risks identified through the fraud risk assessment. Link to the Anti-Fraud and Corruption Plan for 2022-25 *(insert link to latest policy on publication)*
13. Key Procedures, Processes and Financial Regulations: Whilst all activities involving financial or other assets, information management or personnel related activities need to be mindful of the potential for bribery fraud and corruption, and make appropriate arrangements to minimise the risks associated with these activities, there are a number of key processes which are essential to ensure an effective and cohesive response to these threats. These processes, which need to specifically address the issue of Bribery, form an integral part of this framework, they are:-
  - i) Anti-Money Laundering Policy & Procedures
  - ii) Anti-Bribery Policy
  - iii) Code of Ethical Conduct
  - iv) The Speak Up Policy
  - v) The Gifts and Hospitality Policy

- vi) Declaration of Interests and Related Party Transactions Procedures.
- vii) Disposals Policy

14. The National Fraud Initiative: This is a biennial government initiative coordinated by the Cabinet Office involving the downloading of data from payroll, pension and creditor databases and cross matching with similar data from other government and public sector bodies. The intention is to identify data matches which could potentially indicate fraud or financial loss. The Authority is required to participate in the exercise and to investigate any matches that arise from the process. The output from the data matching exercise also forms an important part of the risk assessment process by identifying those areas subject to the highest risk of problems and is a useful barometer of the likelihood of fraud being perpetrated against the Authority.
15. The Fraud Response Plan: The fraud response plan sets how the Authority would respond to suspected or apparent irregularities, fraud or corruption perpetrated against it. It is important that employees in general and managers in particular are clear about what to do if they suspect a fraud or other irregularity has been perpetrated. The fraud response plan provides guidance and contact information to enable such incidents to be promptly reported investigated and resolved in order to mitigate further losses, initiate recovery where possible, instigate additional preventative measures and identify the perpetrator as quickly as possible. The Fraud Response Plan is available here. *(insert link to latest policy on publication)*
16. A number of other internal control procedures also contribute to the anti-fraud framework and whilst to include them in this document would be too onerous they are referred to from time to time in the strategy. These include the Procurement Regulations, Recruitment and Selection Procedures, Financial Regulations Information Technology Policy. Whilst the key policies and procedures referred to in paragraph 13 detail “what” the Authority will do to combat fraud and corruption, these procedures set out “how” it is done and therefore constitute an important element of the framework as a whole.

## **ROLES & RESPONSIBILITIES**

- 17 The responsibility to prevent, detect and report fraud cannot rest with an individual or group of individuals. Rather, it is the responsibility of all employees, Members and stakeholders associated with the Authority to ensure robust procedures and controls exist to deter or prevent fraud and corruption and to report any concerns they may have where these might be being breached. The code of governance does however place a responsibility on Members and senior managers to demonstrate leadership in such matters by their personal actions and in creating a culture of zero tolerance to fraud and corruption, as well as ensuring that an adequate control framework exists.
- 18 All managers retain a duty to ensure compliance with the control framework in operation and to act to prevent any potential breaches of these controls. In addition, all employees are

required to report any concerns or evidence they have about the conduct or behaviour of anyone associated with the Authority if they believe it may constitute a risk of fraud or corruption, however minor, in accordance with the fraud response plan. There is therefore no one individual with responsibility for the framework. Instead, individual elements and processes fall to specific post holders to implement and maintain, with a collective management responsibility for the overall process.

## **CONCLUSION**

19. The Authority has not experienced many incidents of detected fraud or corruption and it would be easy to dismiss this framework as unnecessary. It pays to remain vigilant however, and to ensure that complacency does not allow any individual the opportunity to benefit from lax systems or lack of diligence and to perpetrate acts of theft, misuse of assets or corruption to the detriment of the Authority as a whole. This framework, when properly implemented and monitored, will ensure that it remains difficult to carry out any acts of fraud or corruption against the Authority without the fear of detection and redress.

## Anti-Fraud and Corruption Plan 2022-2024

### Introduction

- 1 The Anti-Fraud and Corruption Plan is designed to be considered alongside the Anti-Fraud and Corruption Policy. The Plan forms part of the Anti-fraud and Corruption Framework to minimise the risk of fraud, detect it early and respond robustly against the perpetrators of fraud.
- 2 The Plan sets out four key objectives which aim to fight against fraud and corruption. An action plan is included within the Plan to provide a timeline of actions and aligns a responsible officer for each action to ensure the Authority continues to strengthen its Anti-fraud and Corruption work.

### Factors influencing the development of the Plan.

- 3 A major fraud could cause significant disruption to the Authority and result in losses of public money. This Plan therefore takes a holistic look at both internal and external factors to ensure a robust approach in preventing and detecting fraud and corruption.
- 4 **External Guidance** - The 2019 Financial Cost of Fraud Report estimates the costs of fraud to the UK is between £130billion and £190billion of which 65% of reports were from businesses. Unfortunately public bodies are now being specifically targeted by fraudsters, however the Government and CIPFA continue to provide guidance to assist in addressing the effect fraud and corruption has on the public purse. The Authority commits to the National Fraud Initiative (NFI) which has helped to detect and prevent over £2 billion of fraud and error to date.
- 5 **Statutory Guidance** - Several significant pieces of legislation have been passed in recent years stating that the Authority must consider and ensure significant and proportionate policies, procedures and measures are in place to meet the requirements of the legislation. The most recent pertinent legislation includes: The Bribery Act 2010 and the Money Laundering Regulations 2017 and subsequent amendments. Failure to meet the requirements of the Bribery Act on Local Authorities could lead to prosecution under the Act.
- 6 **Corporate Risk Management** - Fraud is an implied risk in the corporate risk register, for example the risk of “if the Authority suffers a major unfunded loss, then additional in year savings would be required.” Fraud could of course be the reason for a major unfunded loss that could have severe impacts on the Authority.

- 7 **Collaborative Working** - The Authority prides itself on its collaborative working, however this does open up avenues for fraudsters to exploit, in which they may target one of the Authority's collaborators. The Authority must be satisfied that any resources committed to collaboration are protected and accounted for.
- 8 **Agile Working** – The Covid 19 pandemic and lockdown requirements led the Authority to adopt a 'work from home arrangement' for many of its workforce. As the pandemic eases the Authority has commenced implementing a more agile, hybrid working arrangement for its employees. However, this brings with it a number of potential security and fraud risks including email spoofing and impersonation frauds, phishing, vishing and malware attacks and the possibility of inflated hours worked. It is important that all employees are alert to the potential of fraud attacks and that the Authority is aware of the 'actions' of its employees whilst they are working away from the formal workplace and as such appropriate controls are in place to limit potentially fraudulent activity.
- 9 **Claims Culture** - The growing claims culture within the UK means that the Authority could be susceptible to fraudulent claims for: motor, personal injury and employer's liability. The Authority should consider this and ensure it has adequate protection and skilled employees to avoid these successful fraudulent claims.

## **Objectives of the Plan**

- 10 The Plan has four key objectives which are detailed below:
- To accurately identify and assess the risk of fraud, corruption and bribery
  - To continue to build upon a strong anti-fraud culture across the Authority and take appropriate action against those found to have acted inappropriately.
  - Build upon control mechanisms and procedures within the Authority ensuring they are adequate, appropriate and proportionate.
  - To review and maintain an effective and robust response to incidents of identified fraud, corruption or bribery, including the provision of appropriate sanctions against those committing fraud or corrupt activities.

### **Objective 1- To accurately identify and assess the risk of fraud, corruption and bribery**

- 11 The Authority has in recent years had a low level of detected fraud, bribery and corruption, this is primarily due to the nature of the Authority's remit, for example the Authority does not make benefit payments where statistics show fraud levels are high. Nevertheless, the Authority is still exposed to a number of activities that could leave it subject to attempted fraud, it is therefore imperative that the Authority is prepared for this.



- 12 To meet this objective, a fraud risk assessment will be considered annually at one of the quarterly internal audit meetings, to discuss any threat of fraud facing the Authority and determine the appropriate level of response to avert that threat.
- 13 **The Audit and Governance Committee** will be expected to provide independent assurance to the Authority of its fraud risk management through monitoring and approval of the effectiveness of the Anti-Fraud and Corruption Plan, the Anti-fraud and Corruption Framework and the associated policies.

**Objective 2- To continue to build upon a strong anti-fraud culture across the Authority and take appropriate action against those found to have acted inappropriately.**

- 14 Despite low levels of detected fraud within the organisation the Authority takes its responsibilities seriously for ensuring a strong anti-fraud culture. It is essential that all employees and stakeholders are engaged in the prevention and detection of fraud and that the Authority openly demonstrates its zero-tolerance approach to fraud, corruption and bribery and its correlation to the Seven Nolan Principles of Public Life and our Code of Ethical Conduct.
- 15 The activity around this objective will focus on ensuring that the Authority's stance regarding fraud is clearly published in all relevant documents and processes including but not restricted to: recruitment, procurement, partnership and management processes as well as its approach to dealing with the public.
- 16 The Authority will also work to continually improve the provision of information to raise awareness and understanding of current fraud risks to help protect both the organisation and its individuals.

**Objective 3- Build upon control mechanisms and procedures within the Authority ensuring they are adequate, appropriate and proportionate.**

17. The Authority recognises the importance of a strong system of governance and internal controls and has robust arrangements in place. However, it is recognised that the working environment particularly during the Covid pandemic and austerity has changed and therefore controls and procedures must be regularly reviewed and updated to ensure relevancy and robustness.
18. The Internal Audit plan includes an annual risk assessment. Internal Audit are required by professional standards to be alert to the possibility of fraud and so in order to meet this, Internal Audit look at controls that are in place to mitigate any fraud risks. The fraud risk to the Authority is not deemed significant enough to justify an annual fraud specific audit.

19. As part of an ongoing commitment to detecting and preventing fraud the Authority is committed to improving the skills and knowledge of its officers and Members. The Internal Audit 2022-23 plan and the Anti-fraud plan includes provision for the delivery of Fraud awareness sessions to both operational and non-operational staff and the Authority's members.

**Objective 4- Review and maintain an effective and robust response to incidents of identified fraud or corruption.**

20. The Authority maintains a Fraud Response Plan which clearly demonstrates the Authority's zero tolerance to fraud and the planned, consistent approach that will be taken should a suspected fraud be reported.
21. The Speak Up policy, Code of Ethical Conduct and Nolan Principles are readily available for employees to view/access on the intranet.

**Conclusion**

22. It is imperative that the Authority demonstrates its commitment to fighting fraud and its zero tolerance approach. A key part of this will be to continually raise awareness of fraud and implement and ensure processes operate to: deter, detect and pursue fraudsters. The Plan sets out the actions the Authority will take to continue to build upon existing Anti-fraud plans.
23. The draft action plan enclosed in this document incorporates the activities highlighted in the preceding paragraphs.

Action Number	Action	Responsible Officer(s)	Target Date	Progress/ Commentary
<b>Objective 1- To accurately identify and assess the risk of fraud, corruption and bribery</b>				
1	Review the action plan yearly to combat the risks of fraud identified by the annual risk assessment.	Senior Accountant	June 22	A review to be completed in line with the Internal Audit annual opinion and Fraud Risk Workshop
2	Any potential fraud related issues will be discussed at the quarterly internal audit meetings.	Director Finance & Corporate Services, Head of Finance, Treasury and Pensions, Senior Accountant	Quarterly	
3	Review the NFI data matches to identify any issues and trends, updating the risk assessment accordingly.	Senior Accountant	January 2023	In line with NFI bi-annual audit
4	Undertake annual risk assessment.	Head of IA	June 22	Based on considerations included within all audits undertaken
<b>Objective 2- To continue to build upon a strong anti-fraud culture across the Authority and take appropriate action against those found to have acted inappropriately.</b>				
5	Review and update the Anti-fraud and corruption framework	Senior Accountant	February 2022 March 23	
6	Work with the Engagement Team to utilise National Fraud Awareness Campaigns during National Fraud awareness week 2 <sup>nd</sup> week in November to maintain staff awareness.	Senior Accountant	2 <sup>nd</sup> week in November	
7	KCC Counter Fraud team to provide 3 Fraud Awareness Videos - fraud risks within financial transactions, recruitment and insider fraud and procurement fraud for all employees to view to raise awareness of fraud, corruption and bribery with the aim of continuing to build upon a zero tolerance culture.	Head of IA/ KCC Counter Fraud	April 22	
8	Team specific fraud training sessions to be provided for Building Safety and Business Support Teams	Head of IA/ KCC Counter Fraud	March/May 22	

9	KCC Counter Fraud Team to provide Fraud Awareness presentations at Staff seminars including Fire Futures, Corporate Staff and Station Managers	Head of IA/ KCC Counter Fraud	Annually	
10	Internal Audit to provide Counter Fraud Culture Workshops, targeting a wide range of roles across KFRS employees on a biannual basis.	Head of IA/ KCC Counter Fraud	October 23	Last completed October 21
11	Risk Management Training for Authority Members at Audit & Governance Committee	Alarm	April 22	
12	Training on Financial Statements for Members of Audit & Governance Committee	CIPFA	September 22	
13	Counter Fraud Culture presentation to Authority Members at Audit & Governance Committee	Head of KCC Counter Fraud	December 22	
14	Finance and Business Support Teams to utilise the free online Fraud Awareness training events provided by the banks.	NatWest, Barclays	Ongoing	
15	Annual review of procurement procedures to combat fraud and corruption.	Head of Commercial and Procurement	Ongoing	
16	To disseminate any fraud alerts received from KCC Internal Audit & Counter Fraud Team, Kent Police, CIPFA, Action Fraud and CIFAS to raise awareness of emerging fraud risks.	Senior Accountant	Ongoing	
<b>Objective 3- Build upon control mechanisms and procedures within the Authority ensuring they are adequate, appropriate and proportionate.</b>				
16	<p>Ensure the policies and procedures below are reviewed and updated in line with new legislation and publications.</p> <ul style="list-style-type: none"> <li>• The Anti-fraud and Corruption Framework</li> <li>• The Anti-fraud and Corruption policy</li> <li>• The Anti-Fraud and Corruption Plan</li> <li>• The Fraud Response Plan</li> <li>• The Anti-bribery policy</li> <li>• The Money Laundering Policy</li> <li>• The Speak Up policy</li> </ul>	<p>Senior Accountant</p> <p>AD, People &amp; Learning</p>	Ongoing	Review annually

17	Complete a Purchasing Card transaction audit with a focus on potential risks of fraudulent activity	Internal Audit	May 22	
18	Identify a process for ensuring new employees are appropriately trained and understand the correct processes, procedures and controls when dealing with all financial/ payroll transactions, particularly when working from home.	AD People and Learning	(needs to tie with in review of induction process)	
19	An annual discussion with IT to ensure regular health checks, reviews/test have been undertaken to ensure the security of the IT infrastructure.	Head of IT and Business Change	Ongoing	
<b>Objective 4- Review and maintain an effective and robust response to incidents of identified fraud or corruption.</b>				
20	Where appropriate continue to circulate and identify information relating to potential frauds and review internal procedures to minimise the probability of similar future situations against the Authority.	Senior Accountant	Ongoing	

Revised by	Head of Finance, Treasury and Pensions
Date implemented	2 March 2022
Revision No	2
Review By	31 March 2023

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## **Fraud Response Plan**

### **1 Introduction**

1.1 Under the Code of Ethical Conduct and the Anti-Fraud and Corruption Policy all employees have a duty to report any suspicions that they may have, in relation to any fraudulent, corrupt or unethical activity that has been or is about to be committed. Suspicion of fraud or irregularity may be identified through a number of means, including the following:

- i) The requirement on all personnel under financial procedures to report any suspected fraud or irregularity to their line manager or other senior manager;
- ii) Through the public interest disclosure procedure (Speak Up Policy)
- iii) As part of planned audit work;
- iv) Via the Authority's Complaints Procedure.
- v) Through the National Fraud Initiative

The Authority provides a range of means of reporting (in confidence) potential fraud and corruption as set out in the Speak Up policy.

1.2 This Fraud Response Plan covers the process for investigating allegations of fraud or corruption where a complaint has been received or a suspicion reported relating to any type of fraud (financial or otherwise), irregularity or unethical behaviour.

1.3 There are a number of facets to the management of a suspected case of fraud, which may involve officers from a number of disciplines, including Audit, Finance, People and Learning, Counter Fraud specialists and the Police. Additionally there are a number of specific legislative requirements. It is vitally important therefore that the response plan is followed by all concerned in order to ensure that the situation is handled professionally and to safeguard against the case being compromised. Once suspicion of fraud or corruption is reported, there are four issues to be addressed:

- i) The prompt initial internal investigation of the allegation to determine if there is a case for further action;
- ii) What action, if any, should be taken in relation to the officer/or Member being investigated and at what stage of proceedings.
- iii) Whether to involve the Police and if so at what stage;

- iv) Action to review and update the system/process compromised by the irregularity.

## **2 Overview of Fraud Response**

- 2.1 The Authority's Anti-Fraud and Corruption Policy requires all employees to report to their line manager or other appropriate officer any circumstances where they reasonably believe theft, fraud or corruption has or is about to occur. Any such notifications must immediately be reported to the Director Finance and Corporate Services or in their absence, the Assistant Director, People and Learning. The Authority's disciplinary procedure incorporates agreed processes for investigating breaches of the code of conduct and should be considered at this and all subsequent stages of the investigation. Therefore it is important that the Assistant Director, People and Learning is advised immediately if any allegation against a member of staff is made.
- 2.2 The Director Finance and Corporate Services will determine, after reviewing the initial evidence presented and following consultation with appropriate officers, what action should be taken. At this stage a record of the allegation should be made in the fraud register maintained by the Senior Accountant. The Head of Internal Audit should also be advised of the issue at this stage and a view sought as to whether to include audit staff/counter fraud specialists in the initial investigation.
- 2.3 Following the initial assessment, the Director Finance and Corporate Services will determine whether there is need to gather more evidence to assess the nature and scale of the allegation, and where necessary, will commission the necessary gathering of the further information, evidence and documentation to form a view. Where such information includes access to an individual's e-mails and personal electronic documents, Director or Assistant Director authorisation should be sought to the gathering of the data by the IT and Business Change Team.
- 2.4 On completion of the initial investigation The Director Finance and Corporate Services should review the evidence gathered and determine whether it is necessary to involve the Police, and in association with the Assistant Director People and Learning, whether to invoke the Authority's discipline procedures, including whether or not to suspend the individual(s) involved. Any subsequent investigative activity will be dependent upon the decisions taken at this point.
- 2.5 Where a serious criminal offence is thought to have occurred, the Police should be called in and arrangements should be made to secure any evidence likely to be needed in the criminal investigation, including that stored electronically. The decision to involve the Police should be taken by the Director Finance and Corporate Services



or the Chief Executive. In order not to compromise any criminal investigation no further internal investigation should be undertaken.

- 2.6 If further investigation associated with any internal disciplinary action is necessary, the matter will be handed over to the Assistant Director People and Learning for investigation under the Authority's discipline procedures. A suitably qualified investigation manager will be appointed together with such other officers as are considered necessary to investigate the allegation. If felt appropriate, an internal discipline investigation may run in advance of or in parallel with a Police investigation, but in general this is not recommended in case one disrupts the other.
- 2.7 At the earliest opportunity and without prejudice to any further investigation, The Head of Audit should be asked to review the system or process compromised to report on the cause of the failure and to recommend improvements to prevent a repetition. Within six months of the completion of the review a further check to ensure that the revised system has been implemented effectively and is being complied with should be undertaken.

### **3 Initial Actions to be taken when a Fraud is reported**

- 3.1 In the event of a person having any suspicions whatsoever that a fraud is taking or has taken place, then the first step is to formally raise this concern. Normally this should be raised with the person's line manager. If the line manager is the person against whom the allegation is concerned, the person raising the concern should discuss it with another senior manager in the organisation, Head of Section, Director or Assistant Director or People Business Partner. Alternatively, they should go directly to the Director Finance and Corporate Services as any one of these alternatives is acceptable. Concerns raised from outside the organisation must be reported to Director Finance and Corporate Services immediately.

Note: Employees raising concerns in good faith are protected by the provisions of the Public Interest Disclosure Act 1998. This is covered in more detail in the Speak Up policy.

#### **Action by Staff Suspecting a Fraud or other Inappropriate Action.**

- 3.2 If an employee suspects a fraud has or may be about to occur they should:
- i) Immediately report their suspicions to their line manager or other senior manager as described above.
  - ii) Avoid discussing their suspicions with anyone other than the officer with whom they have formally raised the issue.
  - iii) Hand over any documentary or other evidence they have acquired that led to the suspicion.

- v) Avoid undertaking any further investigation to clarify or confirm their suspicions.
- vi) Not speak to the alleged perpetrator about the matter.

Action by Managers on Receipt of a Report of Suspicion of Fraud.

- 3.3 Any manager receiving details of a suspected fraud or other inappropriate behaviour should:
- i) Listen to the concerns of the reporting officer and treat the report seriously and sensitively.
  - ii) Arrange to take receipt of any documents or other evidence that the reporting officer has collected.
  - iii) Reassure the member of staff that their concerns will be investigated and that they will not suffer personally for reporting the matter, regardless of the outcome.
  - iv) Report the matter to the Director Finance and Corporate Services immediately.
  - v) Not attempt to investigate the matter further or question any individuals named in the allegation.
  - vi) Not discuss the matter with anyone other than the Director Finance and Corporate Services and the reporting officer.
  - vii) Consider what additional support any witnesses might need during and after the investigation.

Action by the Director Finance and Corporate Services (or nominated deputy) on receipt of a report of fraud.

- 3.4 On receipt of notification of any fraud or other inappropriate behaviour the Director Finance and Corporate Services should:
- i) Advise the Senior Accountant who will record the report in a fraud register.
  - ii) Advise the Head of Internal Audit of the report and form a view as to whether to involve audit at this stage.
  - iii) Advise the Assistant Director People and Learning and invoke the internal disciplinary procedure if appropriate.
  - iv) Review the evidence available and determine if any further initial investigation is necessary to ascertain the full extent of the alleged fraud.
  - v) Where deemed necessary, arrange to gather any additional information to determine whether there is a case to be answered.
  - vi) Authorise the necessary access to records, files and IT systems to enable the proper investigation of the allegation.
  - vii) Set a timescale for receipt of the initial report into the allegation from the investigation team.
  - viii) Where the report indicates a loss of assets or cash, the Head of Finance, Pensions and Treasury should be advised so that the Authority's insurers can be notified, and the claim process activated.
  - ix) Where the estimated loss exceeds £10,000, the External Auditor should be advised.

- 3.5 Employees, Members or contractors should not be subject to investigation or interview at this stage. This will be done as necessary by the employee appointed to do so or directly by the Police if appropriate. The requirements of the Criminal Procedure and Investigations Act 1996 will apply to any such interviews if a criminal act is suspected and the Police are involved. Where the Police caution an individual, interviews should only be carried out under the Police and Criminal Evidence Act 1998, and only by trained and qualified individuals. KFRS personnel should not interview any employee cautioned by the Police; this should be left to the investigating Police officer. It is vital that any employees conducting disciplinary interviews are aware of these requirements to ensure that the Police investigation is not jeopardised.
- 3.6 Where it becomes apparent that an employee will need to be suspended pending investigation in accordance with the appropriate disciplinary procedure, this aspect of the matter should be referred to the Assistant Director People and Learning to be undertaken in accordance with existing disciplinary procedures. Arrangements should be made to secure desks, filing cabinets etc., to retrieve all office keys, mobile phones and laptops etc. and to disable all IT access so as to ensure further access is denied and any evidence preserved.

#### **4 Fraud Investigation Process**

- 4.1 Where the Director Finance and Corporate Services decides that further investigation is required the matter should be passed to the Assistant Director People and Learning for investigation in accordance with the Authority's discipline procedures. If criminal offences are suspected, early involvement of the Police or trained criminal investigators should be considered. Their involvement will not delay the disciplinary investigation which can be conducted in tandem.
- 4.2 There are four distinct aspects that the Investigating Team will manage:
- The immediate securing of any evidence or data necessary in the course of the investigation.
  - The investigation of events to determine the size, scope, nature and scale of the alleged fraud, including the chronology of events and circumstances giving rise to the fraudulent or corrupt act.
  - The need to involve external agents such as the Police and any likely media involvement/interest and whether and at what point to involve Members in the process.
  - To provide a view on how to recover any losses incurred, either through direct engagement with KFRS banks, through civil recovery or if being progressed through criminal proceedings compensation orders.

## **5      Securing Evidence or Data**

- 5.1      Where deemed appropriate to the nature of the allegations made the Investigation Manager should immediately ensure the security of any electronic or paper evidence that may support the investigation, including seizure of files, removal of IT access by those under investigation, securing access to electronic files including e-mails and personal/local drives and work issued mobile phones/laptops. Note it is likely that at this stage individuals involved may need to be suspended under the discipline procedure so HR support should be sought.
- 5.2      Approval to access an individual's electronic records/files such as e-mails, diaries and documents deemed necessary as part of any investigation must be obtained from the Chief Executive or the Director, Finance and Corporate Services before any activity in this respect is undertaken. Any approval given must be limited to those areas of the IT network relevant to the investigation having regard to the need to ensure a thorough and impartial investigation whilst ensuring all the relevant evidence is gathered.

## **6      Management of the Investigation**

- 6.1      Provided that the Director Finance and Corporate Services is satisfied that sufficient concern or evidence exists to indicate that a fraud may have been committed, the disciplinary process will need to be invoked and the Assistant Director People and Learning informed. An Investigating Manager will be appointed by the Assistant Director People and Learning to manage the investigation. It is possible that the investigation will be notified to or assisted by internal audit; however there could be circumstances where the assistance of the external auditors may be requested, or a member of staff with specific skills.
- 6.2      The Director Finance and Corporate Services has direct access to the relevant Police Authority who can be consulted at an early stage and then as appropriate to provide informal advice on the conduct of the investigation. If at any time during the course of the investigation it is believed that a serious (as opposed to a minor) criminal offence has been committed, all further activity should cease and the matter handed over to the Police for further investigation.
- 6.3      Should the investigation warrant placing an individual or individuals under covert surveillance the procedures set out under the notes at the end of this plan should be followed. The need for surveillance must first be authorised by the Director Finance and Corporate Services or the Chief Executive before initiating the process. Since 2012, directed surveillance by a local authority authorised under RIPA 2000 must be authorised by a magistrate and may only be conducted where the **criminal** offences

under investigation attract a maximum custodial sentence of six months or more. The Authority cannot undertake surveillance for purely disciplinary matters.

- 6.4 The Investigating Team will agree the scope of operations and an initial time allocation with specific monitoring points with the Assistant Director, People and Learning who will oversee the disciplinary process. There will be full compliance with the requirements of the Authority's disciplinary procedures if invoked. Where internal audit undertake the investigation it should be carried out in accordance with best practice as laid down in the Internal Audit Code of Practice.
- 6.5 The Investigation Manager will report back to the Assistant Director People and Learning at the agreed points or earlier, should the results of the investigation dictate. This Team will make recommendations regarding:
- The need to involve the Police;
  - Action to be taken (if any) against the suspected perpetrator;
  - The need for communication with external bodies;
  - Proposed action regarding recovery of losses;
  - The level of any additional routine or ad hoc investigations required in related areas;
- 6.6. The Investigation Manager will keep the Director Finance and Corporate Services advised of the progress of the investigation at the same time as reporting to the Assistant Director People and Learning.

## **7 Management of External Affairs**

- 7.1 Dependent on the size of the fraud and the extent of the investigation, the Director Finance and Corporate Services in conjunction with the Chief Executive will consider whether to:
- Involve the Police.
  - Consult the Director, Prevention, Protection, Customer Engagement and Safety regarding any media coverage.
  - Advise the Chairman/committee chair(s)/ senior elected members.
- 7.2 Individuals involved in the investigation must not take decisions alone to involve external organisations. These decisions must lie with the Director Finance and Corporate Services since any ill-thought-out or spontaneous comments/acts may jeopardise the whole investigation.
- 7.3 The Authority has a policy for managing external communications and this activity must always be carried out by the Head of Engagement or a nominated deputy.

## **8 Witness Support**

- 8.1 The Authority appreciates that fraud investigations may place witnesses in a stressful situation, both during the course of the investigation and during any subsequent disciplinary or court appearance where they may be required to give evidence. The Authority will provide full support to witnesses in accordance with the following principles:
- 8.2 As far as possible, the Authority will attempt to maintain the anonymity of whistle blowers and witnesses within the workforce although it may be difficult to maintain this position if an appearance at an internal or court hearing is required. Disciplinary action will be initiated against anyone found to be intimidating or harassing witnesses or whistle blowers.
- 8.3 The Authority will consider redeploying managers or witnesses where a difficult relationship would result out of allegations being made. If circumstances result in a member of staff being suspended then tensions may be temporarily eased, however arrangements should be made to minimise any personal difficulties experienced as a result of individuals raising concerns. In extreme cases witnesses may also need to be suspended from duty to ensure the proper investigation of the allegation and to ensure a fair hearing for the accused.
- 8.4 The Authority will fully support individuals required to attend internal hearings or Crown Court as a witness. The Authority has produced a guidance note for individuals in this position entitled "Attending Court as a Witness" (Attending Court as a Witness.docx (sharepoint.com)) which is available from the Intranet. Crown Courts also have their own Witness Support Scheme. A witness's trade union representative may also be available to help in such situations.

## **9 Review of Compromised Systems**

- 9.1 As soon as practical after the conclusion of the investigation, internal audit should be requested to carry out a thorough review of any systems and processes compromised by the suspected fraud or corrupt behaviour. The investigation should have two key purposes, firstly, to make recommendations to strengthen the controls in place to prevent a reoccurrence of the problems identified, and secondly, to establish the scale of the loss if this has not already been identified as part of the investigation. Details of the improvements made and the value of the loss should be included in the fraud register maintained by Senior Accountant.
- 9.2 Where a significant event or loss has occurred a report should be submitted to the first available meeting of the Authority detailing the circumstances of the incident the nature and size of the loss incurred and the actions taken to prevent a reoccurrence.

## **10 Additional Notes Supporting the Fraud Response Plan**

10.1 The Authority's Disciplinary Procedure is very clear regarding the standards of behaviour expected of employees. The Authority's Code of Conduct and Disciplinary Policy also gives examples of disciplinary action that may be taken in the event of those rules being broken.

10.2 Examples of behaviour that could lead to disciplinary action include:

- False entries in attendance records such as flexi sheets;
- Breaches of confidentiality regarding information;
- Failure to declare a direct pecuniary or otherwise conflicting interest
- Offering or accepting bribes, inducements and unauthorised gifts or hospitality.

Note these may also constitute a criminal offence.

10.3 In addition, the category of gross misconduct for which summary dismissal applies if proven include:

- Theft and unauthorised borrowing (that includes theft of intellectual property);
- Fraud, including deliberate falsification of payment, travel claims, time or financial records;
- Corruption.

## **11 Surveillance**

11.1 The Regulation of Investigatory Powers Act 2000 (RIPA) created a regulatory framework to govern the way public authorities use surveillance techniques. Initially, it was restricted to 9 organisations, but fire authorities were added by the Regulation of Investigatory Powers (Defective Surveillance and Covert Human Intelligence Sources) Order 2003

11.2 The Regulation of Investigatory Powers Act 2000 imposes certain conditions should surveillance be necessary. The Act covers:

- Interception of Communications;
- Surveillance and Covert Human Intelligence sources (informers);
- Directed Surveillance;
- Intrusive Surveillance;
- The conduct and use of covert Human Intelligence sources;
- Investigation of Electronic Data protected by Encryption.

- 11.3 The Fire and Rescue Authority may request surveillance of individuals provided it is for the purpose of preventing or detecting crime, however this power is restricted to “directed” surveillance only and cannot include “intrusive” surveillance.
- 11.4 Surveillance of individual members of staff or others should not be carried out unless approved by either the Chief Executive or the Director Finance and Corporate Services. From 2012, any surveillance requires the approval of a Magistrate before it can be undertaken. The application should include the following information.
- The grounds on which the authority is sought;
  - Details of why directed surveillance is proportionate to what it seeks to achieve;
  - The identity or identities, where known, of those to be the subject of directed surveillance;
  - Any potential collateral intrusion (the impact on third parties);
  - Details of the action authorised;
  - Details of the investigation or operation;
  - The likelihood of acquiring any confidential material.
  - The names of the person requesting the authorisation and the senior manager approving the activity
  - The date of approval and the date the approval lapses.

Introduced by	Director of Finance and Corporate Services
Date Implemented	1 January 2017
Version No	Version 4.0
Review by	31 March 2023



**Kent Fire and Rescue Checklist**

Senior Stakeholders	Checklist Requirement	KFRS Lead Assessment
Head of Paid Service/Chief Fire Officer	Ensure that your authority is measuring itself against the checklist for FFCL	Review of checklist to be completed. Outcomes and actions required to be reported to the next Audit and Governance Committee
	Is there a trained counter fraud resource in your organisation or do you have access to one?	Yes – our Counter Fraud resource is procured externally from Kent County Council under the Internal Audit SLA
	Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?	Consideration for fraud is applied by Internal Audit to all audits completed and by external audit during the final accounts audit which is reported to the Audit and Governance Committee. A Counter Fraud Report will be submitted to Audit & Governance Committee annually.
Section 151 Officer	Is there a portfolio holder who has fraud within their remit?	The Authority does have designated Portfolio Holders, the Finances of the Authority are the responsibility of the Treasurer (Director Finance and Corporate Services) and the review of processes and procedures is provided by the Audit and Governance Committee.
	Is the head of internal audit or counter fraud assessing resources and capability?	A budget is agreed annually under the KCC SLA for Internal Audit which includes a provision for Counter Fraud resource. The Director of Finance and Corporate Services reviews the budget against the work identified by the Head of Internal Audit and the Counter Fraud team for the coming year. Where an increased budget is required the Director of Finance and Corporate Services has the delegation to agree an increased budget to assist with their own legal requirement to ensure the Authority has effective financial controls in place.
	Do they have sufficient internal unfettered access?	Access to information is available and supported by Senior Officers subject to Data Protection Compliance Requirements.
	Do they produce a report on activity, success and future plans and are they measured on this?	A Fraud action plan is agreed with the Head of Counter Fraud at KCC annually. Regular update reports are provided to the Director Finance and Corporate Services. Progress on the agreed fraud action plan is reported to members of CMB.
The Monitoring Officer	Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?	Yes – Counter Fraud training is provided to Audit & Governance members. Corporate risk management training is also provided.
	Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?	Yes – Internal Audit and the Counter Fraud team are independent to the Authority and the service is provided by Kent County Council

Senior Stakeholders	Checklist Requirement	KFRS Lead Assessment
The Audit Committee	Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work	Audit & Governance Committee was newly formed in November 21 and it is intended to keep the Committee informed of proactive and reactive work with an annual report from the Head of KCC Counter Fraud team in December of each year.
	Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured	The Authority does not have the high risk areas of fraud that are seen in Local Councils. The Head of Internal Audit meets independently with all members of CMB to discuss the forthcoming Internal Plan and aligns the plan with the corporate risk register. As part of the annual Audit Plan resources are allocated annually for counter fraud work.
	Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud	Not relevant to the Fire Authority as there are no designated portfolio holders. Audit and Governance Committee will receive regular updates from the Head of Internal Audit and an annual report from the Head of Counter Fraud.
	Should support proactive counter fraud activity	Members of Audit & Governance Committee have the opportunity to review and ask questions of the information presented to them. Senior Officers recognise ownership of counter fraud prevention activities across the Authority
	Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.	Questions and comments received from Audit & Governance Committee will be minuted and actions identified. The Chair of Audit and Governance has access to independent training sessions held by CIPFA to provide guidance on the latest issues.
	<i>Receives a regular report that includes information, progress and barriers on:</i>	
	The assessment against the FFCL checklist	An assessment against the FFCL checklist will be provided to members of the Audit and Governance Committee at its April 2022 meeting.
	Fraud risk assessment and horizon scanning.	Is undertaken as part of the Internal Audit Planning and Fraud Risk workshops. The findings of which are subsequently reported within the Internal Audit updates and the annual Counter Fraud report to members.

FFCL Check list requirements	KFRS Lead Response
<p>The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.</p>	<p>Risk is reviewed quarterly at Strategy Board meetings and updates are regularly provided to CMB. A&amp;G Committee receive Corporate Risk updates twice a year. Reports from the Chair of A&amp;G are provided to Authority annually.</p> <p>Fraud and Corruption workshops are held every 2 years to enable the authority to make a proper assessment of its fraud and corruption risks, from which the Fraud plan is reviewed and updated. CMB receive a progress report against the Fraud plan and a report from the Head of Counter Fraud at KCC on the fraud culture questionnaire findings.</p>
<p>The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.</p>	<p>The Authority maintains an internal Fraud Risk Register that identifies key fraud and corruption risk areas. Service Risk Registers exist for Assets, Corporate Services, Customer Engagement and Safety, Response and Resilience and People. Each risk is assessed and scored and those higher risks are fed into the Corporate Risk register. Each Service Risk Register is reviewed quarterly at Strategy Board.</p>
	<p>Horizon scanning occurs as BAU, with national information obtained from National Anti-Fraud Network, Chartered Institute of Finance and Accountancy, Action Fraud, Cifas (UK's fraud prevention service)</p>
<p>There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.</p>	<p>Audit and Governance are provided with the Kent Fire review against the checklist.</p>
<p>The relevant portfolio holder has been briefed on the fraud risks and mitigation</p>	<p>Kent Fire and Rescue Governance arrangements do not have designated Portfolio Holders.</p>
<p>The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources</p>	<p>Terms of Reference for the Audit and Governance Committee covers the requirement for them to ensure that the level of activity is appropriate in terms of fraud risk and resources.</p>
<p>There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.</p>	<p>The Anti-Fraud and Corruption is supported by and embedded in a number of policies: - Anti-fraud &amp; Corruption Policy, Anti Bribery policy, Anti Money Laundering policy, Anti-fraud and Corruption Plan, Fraud Response Plan.</p>
<p>The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>KFRS Code of Ethical conduct is based on the Nolan Principles and are designed to ensure staff act in the best interests of the Authority ahead of personal interests.</p>
<p>The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.</p>	<p>Fraud and Corruption risk is embedded into the Corporate Risk Register and Service Risk Registers.</p>
<p>Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.</p>	<p>Counter Fraud Policies, Framework and plans are reviewed by KCC Counter Fraud Manager every 3 years.</p>

FFCL Check list requirements	KFRS Lead Response
Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Transparency reporting requires the Authority to publish publicly the amount of fraud/corruptions cases per year and the potential financial loss.
The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	Within the financial framework of documents there is a requirement for all staff to report financial irregularities to the Director of Finance and Corporate Services who will inform Internal Audit (KCC). For serious allegations the Counter Fraud Team (KCC) will be notified.
The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:	
– codes of conduct including behaviour for counter fraud, anti-bribery and corruption	The Authority has a Code of Ethical conduct
– register of interests	Related Party declarations are required for all Members, Senior Officers and Budget holders on an annual basis which is audited by external audit as part of the annual financial closedown audit. Members are requested to disclose any interests in any reports presented at meetings by the Committee Clerk at the commencement of meetings.
– register of gifts and hospitality.	The gifts and hospitality register is reviewed and authorised by the Chief Executive
The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.	Checks on identification, references and qualifications is conducted as part of the recruitment process to identify any false applications by recruitment managers and People Services. A DBS check is carried out for all new staff.
Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	This is included in the Code of Ethical Conduct for staff, annual reminders are issued by staff officers of the need to record any offers or acceptance of gifts and hospitality.
There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	Fraud awareness is available through e-learning and videos produced by the KCC Counter Fraud Team and face to face workshops for varying roles across teams. Members of A&G, Senior Officers and key Finance staff are also provided with Risk Awareness and Management Training. All Fraud Awareness weeks or National Fraud awareness events are promoted across the Authority as part of the One Team e-bulletins. The Speak up Policy is reviewed every three years and sets out guidance for the different ways suspicions of fraud and corruption can be reported.
Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	As part of our procurement projects, contractors and third parties are evaluated on their commitment to the obligations of the Modern Slavery Act, signing up to the Government Portal to ensure areas for improvement are identified, managed and monitored. The Act ensures that the human rights of everyone connected to the entire supply chain are protected, which includes the freedom to speak out. We also have a Supplier Code of Conduct that has been approved by our Corporate Management Board, and is due to be presented to the Authority in July 2022. The Code requires any third party to align with our values

	and will be included within our procurement projects and monitored as part of our contract management processes.
Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	A review of resources is completed annually with Internal Audit (KCC) as part of the next years audit plan.

FFCL Check list requirements	KFRS Lead Response
There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	The Fraud Plan is presented to Audit & Governance Committee annually.
Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	The Authority does not have the level of high risk to fraud that a Council does as funding comes direct from Central Government or other Local Authorities in the form of precept payments.
Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	The Counter Fraud services are provided by Kent County Council, any information required for the purposes of counter fraud investigation would be discussed and arranged with the Director of Finance and Corporate Services.
There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the Authority's communications team.	The Engagement team assist with the annual promotion of National Fraud Awareness week and transparency reporting requirements state that the Authority has to report annually on the number of fraud cases and estimate the financial impact.
All allegations of fraud and corruption are risk assessed.	Allegations of fraud and corruption would be discussed with the Head of Counter Fraud at KCC for advice and risk assessment.
The fraud and corruption response plan covers all areas of counter fraud work:	Fraud Action Plan (Response plan)
– prevention	
– detection	Includes activity and resources to progress each area.
– investigation	
– sanctions	
– redress.	
Asset recovery and civil recovery are considered in all cases.	As part of the investigation plan, asset recovery and civil recovery is a factor investigators have to address during the investigation.
There is a zero-tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.	The Anti-Fraud and Corruption Policies have a zero tolerance to fraud and requires incidents of financial irregularity to be reported to the Director of Finance and Corporate Services and Assistant Director People Services.
There is a programme of proactive counter fraud work which covers risks identified in assessment.	Fraud Action plan includes fraud awareness in key fraud risk areas this is reviewed annually as well as having the ability to be agile to react to emerging risk areas.
The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	Collaborative working with District authorities occurs through the Kent Intelligence Network.
The local authority shares data across its own departments and between other enforcement agencies.	Use of the National Intelligence Model, allows data to be shared with other enforcement agencies on a case by case basis.
	KFRS subscribe to the National Fraud Initiative which collects data from across a number of departments and external agencies to detect fraud occurring.
	Local Councils are members of the Kent Intelligence Network which is promoting further data sharing activity to support the detection of fraud, particularly with regard to Business Rates and Council Tax

FFCL Check list requirements	KFRS Lead Response
Prevention measures and projects are undertaken using data analytics where possible.	If data analytics were available they would be considered as part of the considered prevention measures.
The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.	Access to Knowledge hub is in place for all KCC Counter Fraud Team members; however, need to assess the benefit of this as the hub is still in its early stages of development.
The counter fraud team has access to the FFCL regional network.	The KCC Counter Fraud Team has access to the FFCL regional network.
There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	All KCC Internal Audit staff are ACFS qualified and progressing a case to join the Government Counter Fraud Profession.
The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	Through work with services and the Combined Audit Knowledge & Experience there is good access to knowledge on how all areas across the Authority operate. Relationship management is in place to help identify any changes in processes/ practices.
The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:	Expertise is in place within KCC Counter Fraud Team as well as access to further specialist support from Trading Standards (Surveillance, Asset Recovery and financial investigations) & ICT security (Computer forensics)
– surveillance	
– computer forensics	
– asset recovery	
– financial investigations.	
Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.	As part of the investigation process the investigation report provides management with areas of weaknesses in the control environment with recommendations if required being made to capture management responses.

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By: Director of Finance and Corporate Services

To: Audit and Governance Committee - 28 April 2022

Subject: EXTERNAL AUDITORS' DRAFT AUDIT PLAN FOR 2021/22  
AND THE AUDIT RISK ASSESSMENT

Classification: Unrestricted

## FOR DECISION

### SUMMARY

As is usual for this time of year, in preparation for the External Auditor's review of the 2021/22 accounts, Members are presented at this meeting, with the External Auditors' Draft Audit Plan for the 2021/22 financial year and a summary of the key areas which the Auditors are required to review, to ensure compliance with auditing standards.

Whilst the Auditors approach to the audit continues to be risk-based, it reflects the fact that they have gained a thorough understanding of the Authority's business. The scope of the audit is set in accordance with the Code of Audit Practice and the International Standards on Auditing (ISAs) (UK), and the Auditors will be expressing, at the end of their review, an opinion on the Financial Statements for 2021/22 and will comment on the Value for Money arrangements that are in place in their Annual Letter to the Authority. A representative of Grant Thornton will be attending this meeting to present their plan for the year.

### RECOMMENDATIONS

Members are requested to:

1. Consider and approve the Audit Risk Assessment (paragraphs 2 to 4 and **Appendix 1** refer);
2. Consider and approve the External Auditor's Draft Audit Plan for 2021/22 (paragraphs 5 to 7 and **Appendix 2** refer).

LEAD/CONTACT OFFICER: Director Finance and Corporate Services - Alison Kilpatrick  
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BACKGROUND PAPERS: None

## COMMENTS

### Background

1. Usually at this time of year, Members will be aware that the External Auditors present those charged with governance, their plan of work to address and review the final accounts for the year just ended. This year is no different in that respect, and as such details on the plan are set out in the paragraphs that follow.
2. However, it is also quite clear that the expectations placed on External Auditors, by the Financial Reporting Council (FRC) are increasing considerably. There is an increased focus on the accounting estimates applied by management in the accounts as well as the risk of mis-statement arising from fraud. Therefore, we are required by our External Auditors to provide far more evidence of our approach and controls in these areas and as such we have been asked to complete the template, attached at **Appendix 1**. The completion of this template aids the Auditors in their risk assessment and as such the template makes it clear that it is the responsibility of the Members of this committee to ensure that the responses set out to the questions in the template are consistent with their understanding of the issue. As such Members need review and agree these responses and consider whether there is anything additional that needs to be added.

### Informing the Audit Risk Assessment 2021/22

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

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

### **Audit Plan for 2021/22**

5. At this time of year the External Auditors prepare their Draft Audit Plan for the year ended 31 March 2022. The Plan outlines their strategy in delivering the audit, ensuring that it reflects recommended practice. The Plan therefore covers the following areas:-
  - (a) **Key matters** - Sets out the external factors that need to be taken into account when undertaking the Audit;
  - (b) **Introduction and headlines** - This section sets out the Audit risk based approach from an understanding of the Authority's business. It identifies the Auditing standards under which the Audit will take place and the information that Grant Thornton will be expressing an opinion on;
  - (c) **Risks** - This section considers various potential risks with some of the areas of focus being nationally prescribed. The Auditors will examine any that may be significant in nature and those that have a potential to be mis-stated in the final accounts;
  - (d) **Accounting estimates and related disclosures** - This sets out the areas that the Auditors will be reviewing to ascertain that the Authority has internal controls over accounting estimates within the accounts and that members understand what they are and the risk and governance around them;
  - (e) **Materiality levels** - Here the Auditors set out what they consider to be the value of materiality variances, as well as setting the level for those adjustments that are considered to be trivial in nature, for the purposes of the audit;

- (f) **Value for Money (VFM) arrangements** - Here the Auditors explain the approach on which they will assess their value for money work for 2021/22, as defined by the National Audit Office Code;
  - (g) **Risks of significant VFM weaknesses** - Identifies those key areas of focus for VFM and details of the types of recommendations that members can expect in the Annual Audit Letter.
- 6. The Draft Audit Plan for 2021/22 is attached at **Appendix 2** for Members' consideration and approval.
  - 7. Once the External Auditors have concluded their review of the Financial Statements and discussed it with officers, they will present their Audit Findings Report to the Audit and Governance meeting in September. This will reflect any issues arising from the audit and their anticipated opinion on the accounts for 2021/22. As part of the new regulations implemented last year the value for money conclusion will form part of the Auditor's Annual report that will be presented to members a future Authority meeting.

## **IMPACT ASSESSMENT**

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

## **RECOMMENDATIONS**

- 9. Members are requested to:
  - 9.1 Consider and approve Informing the Audit Risk Assessment (paragraphs 2 to 4 and **Appendix 1** refer);
  - 9.2 Consider and approve the draft External Audit Plan for 2020/21 (paragraphs 5 to 7 and **Appendix 2** refer).

# Informing the audit risk assessment for Kent and Medway Fire and Rescue Authority 2021/22



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Purpose

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

## Background

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

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

## Communication

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

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



## Purpose

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

# General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>The only issues we are currently aware of are the two national issues regarding pensions (i.e., the McCloud and O'Brian/Matthews case). However, we have no further clarification on the O'Brian case since last year and we understand that the impact of any employer contributions for the McCloud case will be incorporated within the next actuarial valuation, and reflected in the change in contribution rates if necessary. Therefore we do not expect any large financial entries in the accounts for 21/22. If however a significant financial issue arose in year, then we currently have healthy reserves which we could utilise, should this be required to help resolve the issue in the short term.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Kent and Medway Fire and Rescue Authority?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>A review of accounting policies is undertaken each year to ensure they are still relevant.</p> <p>There have been no events or transactions that have caused us to change or adopt new accounting policies. We have been reviewing our accounting policy for leases ready for 2022/23 implementation of the IFRS16 leasing accounting changes but this will impact 2022/23 financial statements and a draft copy of the proposed policy has been shared with Grant Thornton.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>In line with the approved Treasury Strategy the Authority makes use of Treasury Bills, and has placed funds in the Government's Debt Management Office account, bank and building society deposit accounts and bank call and notice accounts, money market funds and Local Authority lending.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>We are not aware of any significant transactions outside the normal course of business</p>

# General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	<p>Currently we are not aware of any impairments</p> <p>We currently have sustained storm damage to our Tonbridge station roof, but works are underway and will be reviewed based on the progress of current works completed at year end and will be discussed with our Valuers.</p>
6. Are you aware of any guarantee contracts? If so, please provide further details	<p>As far as we are aware the Authority is not party to any guarantee contracts. However, you may wish to note that when a public sector body (e.g. KMTFA) creates framework agreement(s) against which it and other FRs can enter into contracts, there is a law that could mean in the event of a failure or legal challenge the named Authority could be liable.</p> <p>Kent is named as lead authority on the following national framework agreements –</p> <ul style="list-style-type: none"> <li>• PPE</li> <li>• Training</li> <li>• Workwear</li> <li>• Specialist PPE</li> <li>• Ladders Framework</li> <li>• COVID-19 Framework</li> </ul>
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>

# General Enquiries of Management

Question	Management response
8. Other than in house solicitors, can you provide details of those solicitors utilised by appropriateness of the accounting policies adopted by Kent and Medway Fire and Rescue Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	We have no in-house solicitors. External legal advice is sought from the following DLA Piper UK LLP– Procurement and Contract Advice Invicta Law – Property & HR Stotesbury/Red Lion Chambers – Technical Fire Safety
9. Have any of the appropriateness of the accounting policies adopted by Kent and Medway Fire and Rescue Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	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. Avison Young advise on property valuations for accounting purposes and Barnet Waddingham LLP provide the information in relation to IAS 19 disclosures. Link Asset Services provide the Authority with Treasury and Leasing advice and daily updates. Faithful and Gould have been used to provide initial advice on the Ashford new build project, with regard to options and costings. Arthur J Gallagher have been used to provide independent advice with regard to specification requirements in the Ashford tender process. Kornferri have provided advice with regard to job evaluation and benchmarking. Bevan Brittain (via the LGA) have been consulted in relation to the McCloud pension case. PSTax have provided specific tax advice in relation to flexible working arrangements and have set up a consortium of Fire Authorities to discuss specific issues in relation to Immediate Detriment pension cases.

# General Enquiries of Management

Question	Management response
11. Have you considered and identified assets for which expected credit loss provisions maybe required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	We have considered those assets for which an expected credit loss provision maybe 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.

# Fraud

## Matters in relation to fraud

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

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

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

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

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

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

# Fraud risk assessment

Question	Management response
<p>1. Has Kent and Medway Fire and Rescue Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Fire and Rescue Authority risk management processes link to financial reporting?</p>	<p>The Authority has assessed the risk of material misstatement in the financial statements due to fraud, through the approved Code of Governance Framework which identifies the systems and processes by which the Authority ensures it delivers its aim and objectives and complies with the principle of good governance. Members are required to approve the annual Statement of Accounts". The Authority has a suitably qualified and experienced S.151 Officer who is responsible for ensuring that there are robust systems and processes in place to ensure that the Authority's accounting transactions are captured promptly and recorded accurately in order to report on progress against budgets and to facilitate the production of the financial statements. We receive regular updates on the Authority's financial position during the year and details of any variances from the approved budget and the extent to which this may impact on reserves. The Accounts include a reconciliation of the revenue budget outturn and the statutory financial statements and any significant variances are explained in the accompanying report and appendices.</p> <p>Internal Audit establish a plan with Corporate Management Board each year, which is subsequently agreed by the Authority (in future years this will be 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</p> <p>It is through the Governance Framework that the Authority has assessed the risk of material misstatement in the financial statements due to fraud as very low risk.</p>

## Fraud risk assessment

Question	Management response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	The risk of fraud can be either internal or external with the internal attempts potentially being through claiming for pay/overtime or expenses or in the misuse of assets and thus we would expect robust controls to be in place to mitigate this risk. Regular training takes place to ensure teams are aware of potential issues. However, the attempted risk of theft / fraud still remains a threat from external sources. Vigilance and strong controls in the team help identify erroneous / fraudulent emails purporting to be from any one of our suppliers. These controls were important in the early identification of attempts to clone a procurement card during the previous financial year.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Kent and Medway Fire and Rescue Authority's as a whole, or within specific departments since 1 April 2021? If so, please provide details	We are not aware of any instances of actual, suspected or alleged fraud, errors or other irregularities.
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Responsibility for Governance arrangements and for agreeing and receiving reports on Internal and External Audit plans rests with the Audit and Governance committee. Members of the Committee periodically receive training, as part of the committee process, in order to support them in their role in overseeing this process. The Annual Governance Assurance Report is produced setting out any changes, identifies weaknesses or planned amendments to the governance framework. The KCC Audit Manager assigned to the Authority's contract fulfils the role of Head of Internal Audit for the Authority and provides Members with an annual report on the outcomes of the audit plan, including any fraud investigations undertaken.



## Fraud risk assessment

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

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Kent and Medway Fire and Rescue Authority, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The Authority operates an effective control environment, policies set out the controls and delegations for the operation of the organisations. The Authority has a Service Level Agreement in place with Kent County Council, for the provision of an Internal Audit Service to Kent Fire and Rescue. They provide an independent and objective assurance on the effectiveness on the controls that are in place. Their reports are reviewed by the responsible Corporate Management Board (CMB) Member and where improvements have been identified an action plan is agreed and monitored for implementation. The CMB (at KFRS) receive regular quarterly internal reports and monitor the progress against action plans. The Head of Internal Audit provides independent reports to the Audit and Governance meeting on the outcomes of the reviews undertaken and progress made on identified actions. The Head of Internal Audit has independent access to the Chief Executive, and should they so wish, to any Member of Audit and Governance Committee.</p> <p>Discussions are usually undertaken with Internal Audit on proposed system control changes. The Authority operates a range of controls to prevent and detect fraud, theft and misuse of funds. This includes arrangements to ensure that employees and stakeholders can raise any concerns or complaints about the way finance is utilised, including where necessary independent access to the Authority's auditors. A fraud register has now been established to record all reported or suspected cases, regardless of whether fraud is eventually proven to have occurred. The Authority has an Anti-Fraud and Corruption Framework which was updated in April 2018 and is due to be updated and presented to the April 2022 Audit and Governance Committee to reflect the updated policies which underpin that Framework. Within the Framework is an action plan which details the provision for a regular fraud risk assessment with support from the anti-fraud specialist at KCC Counter Fraud team.</p> <p>We are not aware of any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>

## Fraud risk assessment

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

## Fraud risk assessment

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

## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Head of Internal Audit provides independent reports to the Audit and Governance meeting on the outcomes of the reviews undertaken and progress made on identified actions. The Head of Internal Audit has independent access to the Chief Executive, and should they so wish, to any Member of the Fire Authority and the Chair of the Audit and Governance Committee.</p> <p>The Chair of the Audit and Governance Committee has attend a CIPFA training event in March, which discussed the latest current issues for Audit Chairs. This will help to broaden awareness of the key risks and areas of concerns emerging to enable them to increase their knowledge of emerging issues independently.</p> <p>The Audit and Governance Committee was formed in November 2021 to provide an extra level of independent review of the Governance and Risk arrangements for the Authority, it is Chaired by a member of the opposition party (Labour) and is new in its formation.</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 2022 Committee, previous to that these documents would have been reviewed and approved by the Authority.</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>

# Law and regulations

## Matters in relation to laws and regulations

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

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

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

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

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Kent and Medway Fire and Rescue Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Fire and Rescue Authority's regulatory environment that may have a significant impact on the Fire and Rescue Authority's financial statements?</p>	<p>From 1 April 2021 the Authority has appointed a new Monitoring Officer and as such a new contract is in place with Medway Council to provide this service. As has always been the case, the Monitoring Officer continues to receive all draft reports so that they are able to advise the Chief Executive should a potential breach of law or regulation be suspected. Officers of the Authority would of course seek legal advice where there was any uncertainty surrounding a particular course of action or question of interpretation of law or regulation and include any issues relevant to the decision in reports to the Authority / Audit and Governance committee.</p> <p>As part of the annual governance assurance self-assessment, senior managers assess the compliance with internal controls, including those designed to ensure compliance with the law. These assessments are validated independently. A system for identifying and considering changes in the law is in place to ensure any implications are picked up and complied with. Policies list relevant legislation applicable to the subject matter.</p> <p>The Audit and Governance Committee also receives annual reports on the level of assurance around the Authority's governance controls, supported by assessments from Internal and External Audit, which includes compliance with relevant legislation.</p> <p>Currently we are aware that the Fire Safety Act 2021 will shortly be in force. Changes to the Fire Safety Regulations are expected later in 2022, with the Building Safety Bill due to become law at a later date. We are not aware that this will have a significant impact on the Fire and Rescue Authority's financial statement</p>

# Impact of laws and regulations

Question	Management response
2. How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	<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>
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	To date we are not aware of any such instances
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.</p>
5. What arrangements does Fire and Rescue Authority have in place to identify, evaluate and account for litigation or claims?	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.



## Impact of laws and regulations

Question	Management response
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	To date we are not aware of any such instances

# Related Parties

## Matters in relation to Related Parties

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

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

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

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

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Kent and Medway Fire and Rescue Authority's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Kent and Medway Fire and Rescue Authority.</li> <li>whether Kent and Medway Fire and Rescue Authority has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>The provision of the Authority's Monitoring Officer function is now provided by Medway Council (Bhupinder Gill) rather than by Kent County Council. This changed on the 1 April 2021.</p>
<p>2. What controls does Kent and Medway Fire and Rescue Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Authority has a register of Member interests and all staff are required to declare if they have any secondary employment. Members, Senior Officers, Budget Managers and all those involved in procurement are required to complete an annual return providing details of any possible related party transactions.</p> <p>Enquiries are made to the Committee Clerk for details of changes in Members appointed to the Authority from the previous year and during the year.</p>

## Related Parties

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

# Going Concern

## Matters in relation to Going Concern

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

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

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

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

# Going Concern

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

# Going Concern

Question	Management response
<p>4. Are management satisfied that the financial reporting framework permits Kent and Medway Fire and Rescue Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Whilst the Government Grant settlement has been on a rolling basis, the Authority endeavours to ensure that it remains in a healthy financial position. Every year the Authority approves a Customer Safety Plan, underpinned by 6 key strategies which is supported by the 4 year Medium Term Financial Plan. In order to mitigate a potential risk associated with reductions in public spending the Authority has set aside a healthy level of reserves to help resource any short term cost impact.</p> <p>As part of the new Capital Strategy the Authority has modelled a 10 year Capital plan that is prudent, affordable and sustainable.</p> <p>The above processes have not cast any significant doubt on the Authority's ability to continue as a going concern.</p>

# Accounting estimates

## Matters in relation to accounting estimates

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

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

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

Specifically do Audit Committee members:

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

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



## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The recent ruling with regard to the McCloud Sergeant pension case has yet to ascertain how "Remedy" will be effected and we continue to keep a watching brief on all the latest announcements, however it is likely to be October 2023 before the full details and necessary legislation is in place. Further information was obtained from our actuaries who made some assumptions with regard to this case and as such the 21/22 accounts reflected these assumptions.
2. How does the Fire and Rescue Authority's risk management process identify and address risks relating to accounting estimates?	The Authority's financial management team review current risks to the accounting estimates by keeping abreast of emerging issues through regular meetings with other Chief Financial Officers, Fire Finance Network, regular CIPFA briefings and workshops, regular financial news alerts. Regular dialogue is undertaken with the Authority's property valuers, pension actuaries and Treasury advisors.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Authority obtains advice for specialist areas of valuation, for Property we appoint Avison Young and for pensions we engage the advice of Barnet Waddingham LLP for Treasury we engage Link Asset Group. The CIPFA code of accounting practice is used to ascertain the correct accounting treatment.
4. How do management review the outcomes of previous accounting estimates?	The new financial year accounting estimates are compared to the previous year's accounting estimates to determine if there are any large variances. Reasonableness checks and where necessary explanations are sought from the Authority's specialist advisors.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	We are not aware of any changes to the estimation processes at present

# Accounting Estimates - General Enquiries of Management

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

# Accounting Estimates - General Enquiries of Management

Question	Management response
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?	See Question 1 Accounting Estimates
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	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.
12. How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	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.

## Appendix A 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. The remaining properties are subject to a 25% of portfolio rolling full valuation with the other 75% subject to a desktop valuation.	CIPFA Code of Practice and RICS International Valuation Standards	Yes	<p>The following measurement basis are applied:-</p> <ul style="list-style-type: none"> <li>- <b>Fire Stations and specialised buildings</b> – Current Value using a depreciated replacement cost methodology</li> <li>- <b>Houses and non specialised buildings</b> – Current Value based on existing use</li> <li>- <b>Assets under construction-</b> Actual Cost</li> <li>- <b>Surplus and Held for Sale Assets</b> – Fair Value based on the price that would be received on the sale.</li> </ul>	No

## Appendix A Accounting Estimates (Continued)

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?
Depreciation	Straight Line Method	CIPFA Code of Practice	No	<ul style="list-style-type: none"> <li>- Estimation of Useful Life reviewed annually</li> <li>- Could use the reducing balance depreciation methodology but it is not usual practice for Local Authority assets.</li> </ul>	No
Provisions	<p><b>Insurance and General Provisions</b> - An estimate is made of the excess that could be payable for claims notified but not yet settled.</p> <p><b>Non-domestic Rate Appeals</b> – Shows the Authority's share of the amounts provided for by the Kent billing authorities.</p>	Estimates for the settlement figures are provided by REGIS (FRIC claims management company). The Authority then reviews its financial exposure to those claims and sets funds asides.	Yes	<ul style="list-style-type: none"> <li>- Insurance settlement estimates are based on the latest information available at that time.</li> <li>- 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 to change following Audit sign off.</li> </ul>	No

## Appendix A Accounting Estimates (Continued)

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?
Valuation of defined benefit net pension fund liabilities	A full actuarial valuation is carried out by the appointed actuary every four years with a roll forward approach taken in other years. Membership data is reviewed annually and updated when necessary.	CIPFA Code of practice IAS 19	Yes	-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
Investments	Investments are categorised into those that have an active market with quoted prices (Level1) and those that have some directly observable market information (Level2)	CIPFA Code of Practice	Yes	- Calculations are based on market information as at 31 March 2022	No

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?
Fair value estimates	Fair Value estimates for PWLB loans are based on new borrowing discount rates.	CIPFA Code of Practice	Yes	<ul style="list-style-type: none"> <li>- Calculations will be based on new borrowing discount rates as at 31 March 2022</li> <li>- The Debt Management Office provides details of the exit costs for PWLB loans, the Authority uses this for disclosure comparison only.</li> </ul>	No
	Fair Value estimates for Treasury Bills are based on the mid price value.		Yes	<ul style="list-style-type: none"> <li>- Calculations will be based on the mid price value as at 31 March 2022</li> </ul>	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 credit losses for investments are calculated based on the historic risk of default for each counterparty provided by the Authority's Treasury advisors. Debtors in the balance sheet are reduced by the impairment allowance.	CIPFA Code of Practice	Yes	<ul style="list-style-type: none"> <li>- Expected losses are based on historic default information.</li> </ul>	No

## Appendix A Accounting Estimates (Continued)

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?
Accruals	Actual information is used where it is available. System activity reports are provided to make estimates in relation to payroll accruals and the annual leave accrual.	CIPFA Code of Practice	No	A Goods Received Not Invoiced (GRNI) system report forms the basis of most non-payroll accruals. This is reviewed by Finance and Budget Managers for accuracy before a final journal is posted. Manual accruals require backup paperwork confirming the amount to be accrued (such as a late invoice). Overtime and activity payments are paid two months 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

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# Kent and Medway Fire and Rescue audit plan

**Year ending 31 March 2022**

March 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Key matters

## Factors

### Financial management

The Authority continues to have a good record for delivering its financial targets and plans. In 2020/21, the final outturn on the revenue budget was a net underspend of £2.84m against a budget of £74.26m. For 2021/22 the most recently reported forecast (to month 9) is for a net underspend of £1.66m against a budget of £71.57m. This reflects continuing vacancy levels, reductions in on-call activity due to the impact of the pandemic and underspends on premises costs, in part due to business rate rebates.

The future funding framework for both fire authorities and the wider local authority sector remains unclear. However, the Authority has a robust medium term financial planning framework. The MTFP covers a four year period and was most recently updated in February 2022. The plan currently forecasts that although £1.08m of savings will be required to balance the revenue budget in 2023/24, projected funding levels will exceed the base budget both in 2024/25 and 2025/26. The Authority is forecasting it will have general and earmarked reserve balances of £34.33m at 31/03/2022 and will maintain a balance of 5% of the revenue budget in general reserves throughout the lifetime of the plan.

The Authority continues to have a significant capital programme based on a ten year capital strategy. There has been some slippage on key projects in 2021/22 due to the impact of the pandemic. However, total expenditure of £43.5m is currently planned over the lifetime of the strategy to 2026/27, with significant planned expenditure on both premises and vehicles. The current level of outstanding debt is just over £1m and unless any further borrowing takes place over the coming years, the Authority will be debt free in 2025/26. The future capital programme will be funded largely from revenue contributions, capital receipts and the earmarked Infrastructure Reserve. A small borrowing requirement is anticipated from 2025/26.

### Covid 19

The impact of the pandemic on the Authority's financial position in 2021/22 has been limited. The Authority has received additional grant income and the impact of lockdowns and reduced levels of economic activity has led to a reduction in some types of operational incidents. Although the Authority will need to account for its share of Collection Fund deficits associated with reduced levels of business rate collection the impact will be substantially offset by additional Section 31 funding from central government.

## Our response

- As a firm we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, reflects this commitment.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.

# Introduction and headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

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

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

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

## Significant risks

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

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

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

## Materiality

We have determined planning materiality for the Authority to be £1.7m (PY £1.8m) which equates to 2% of your prior year gross expenditure.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £85k (PY £90k).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness.

## Audit logistics

Our work on the Authority's financial statements will take place in June/July 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and the Auditor's Annual Report.

Our fee for the audit is to be confirmed. The fee published by the PSAA in March 2021 was £29,818 but does not take into account recurring annual variations arising from changes in the Code of Audit Practice, new auditing and accounting standards and regulatory requirements. We will update the Audit and Governance Committee with a proposed fee in due course once discussions are concluded with the PSAA regarding a methodology for 2021/22 variations. For comparison the proposed fee for 2020/21 was £42,918.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions (rebutted)</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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 the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Kent and Medway Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable</li> </ul>	We do not consider this to be a significant risk for the Authority
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Fraud in expenditure recognition</b>	<p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Authority may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.</p> <p>Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period.</li> <li>inspect a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual is consistent with the value billed after the year. We will also compare listings of accruals to the previous year to ensure completeness of accrued items.</li> </ul>
<b>Valuation of the pension fund net liability</b>	<p>The Authority's pension fund net liabilities (Local Government Pension Scheme and Firefighters' Pension Schemes) as reflected in its balance sheet as the net defined benefit liabilities, represents a significant estimate in the financial statements.</p> <p>The pension fund net liabilities are considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimates to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liabilities as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liabilities are not materially misstated, and evaluate the design of the associated controls;</li> <li>evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assess the competence, capabilities and objectivity of the actuary;</li> <li>assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>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;</li> <li>for assets and liabilities relating to the Local Government Pension Scheme, obtain assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership, contributions and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2022.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<p><b>We will:</b></p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuations were carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation.</li> <li>• test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register</li> <li>• evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>



# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

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

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

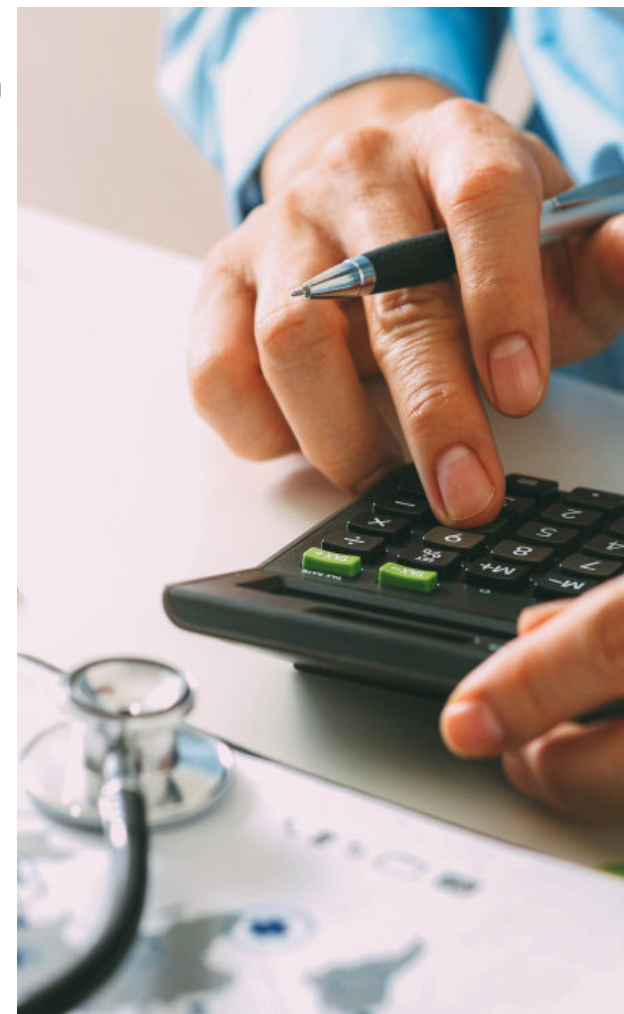
Specifically do Audit and Governance Committee members:

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

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022. Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates



# Accounting estimates and related disclosures

## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware the Authority uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

## Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

## Planning enquiries

As part of our planning risk assessment procedures we have sent enquiries to management and to Audit and Governance Committee. We would appreciate a prompt response to these enquiries in due course.

## Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 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.

# Materiality

## The concept of materiality

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. 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.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.7m (PY £1.8) which equates to approximately 2% of your gross expenditure for the previous year.

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.

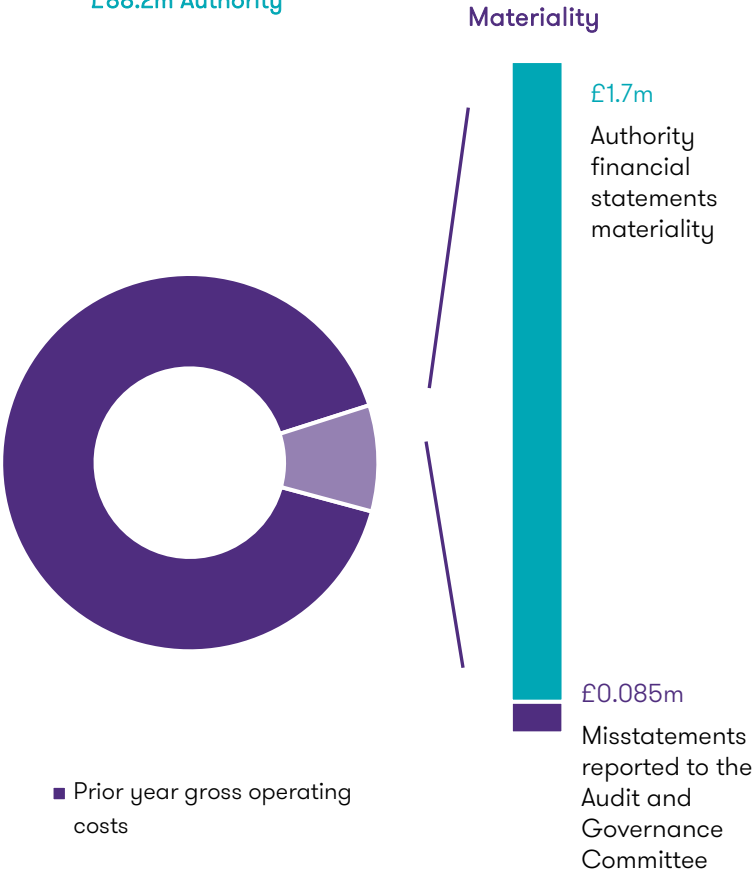
## Matters we will report to the Audit and Governance Committee

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. 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 £85k (PY £90k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

## Prior year gross operating costs

£88.2m Authority



# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit. Based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Business World Agresso	Financial reporting	<ul style="list-style-type: none"> <li>Streamlined ITGC assessment (design assessment)</li> </ul>

# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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

# Audit logistics and team



## Paul Cuttle, Engagement Lead

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

## Trevor Greenlee, Audit Manager

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

## Audited body responsibilities

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

## Our requirements

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

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

# Audit fees

In 2018, PSAA awarded a contract of audit for the Authority to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit. Our fee for the 2021/22 audit is to be confirmed. The fee published by the PSAA in March 2021 was £29,818 but does not take into account recurring annual variations arising from changes in the Code of Audit Practice, new auditing and accounting standards and regulatory requirements. We will update the Audit and Governance Committee with a proposed fee in due course once discussions are concluded with the PSAA regarding a methodology for 2021/22 variations. For comparison the proposed fee for 2020/21 was £42,918.

For 2020/21 the Authority received a grant to support additional fees relating to new accounting standards and the change to the VFM audit. The Authority's share of the £15m pot identified by DLUHC for 2020/21 was £14,134 which was in excess of the additional fee of £13,100 we proposed. On the 22 March DLUHC announced the grant distribution for 2021/22 and this has been confirmed as exactly the same amount as for 2020/21, i.e. £14,134.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 9 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee.

	Total Fee 2020/21	Proposed fee 2021/22
Statutory audit for Kent and Medway Fire and Rescue Authority	£	£
Scale fee published by PSAA	29,818	29,818
Fee increases agreed in previous years for the impact of revised ISAs and FRC requirements which remain applicable for 2021/22	8,100	TBC
Value for Money work	5,000	TBC
Potential new fee variations from 2021/22 onwards	-	TBC
Total audit fees (excluding VAT)*	42,918	TBC

\*As a firm we are in discussions with PSAA on potential 2021/22 fee variations for the wider sector.

## Assumptions

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

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

## Relevant professional standards

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



# Independence and non-audit services

## Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

## Other services

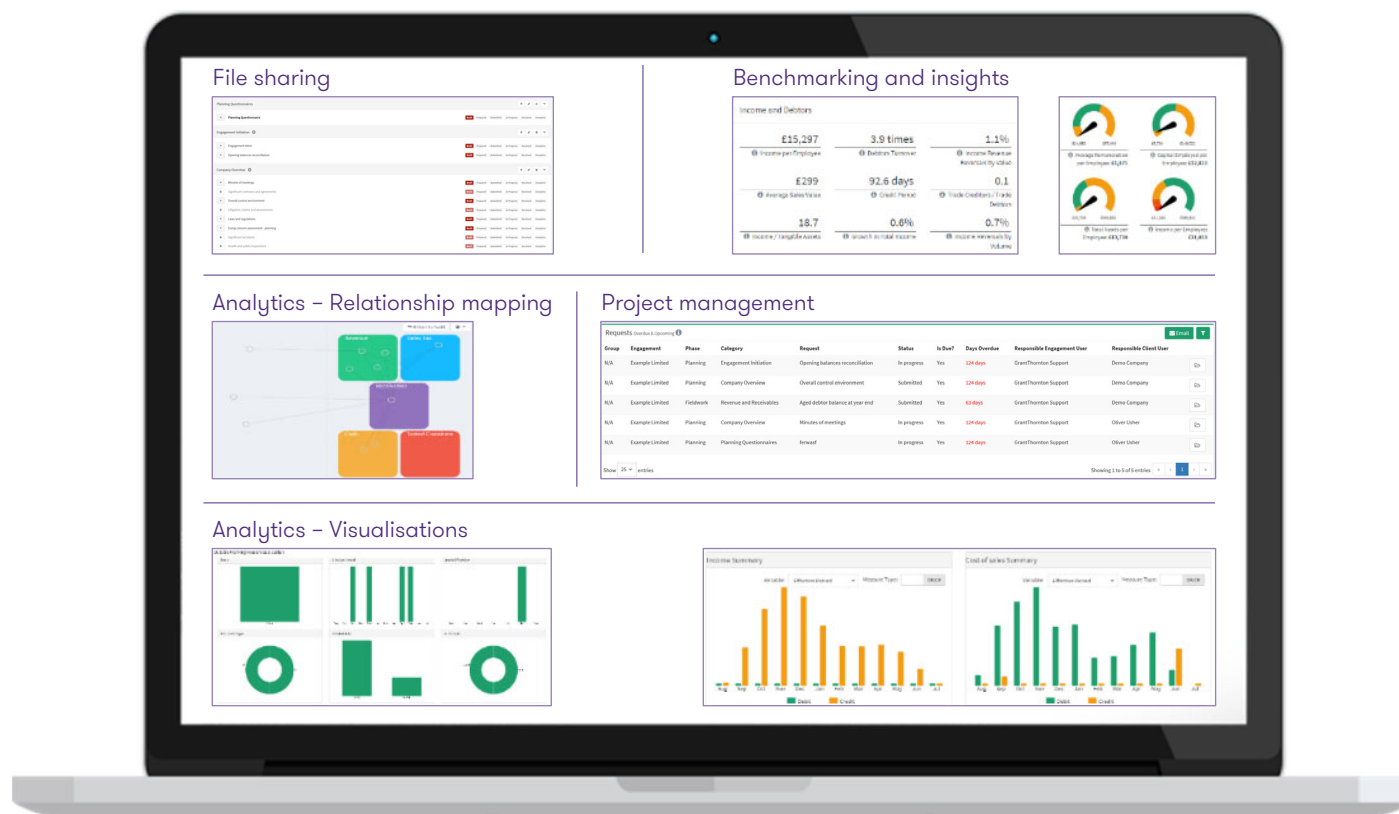
No other services provided by Grant Thornton were identified

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# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



**Data extraction**

- Real-time access to data
- Easy step-by-step guides to support you upload your data



**File sharing**

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



**Project management**

- Facilitates oversight of requests
- Access to a live request list at all times



**Data analytics**

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

**How will analytics add value to your audit?**

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

**Improved fraud procedures using powerful anomaly detection**

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

**More time for you to perform the day job**

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



By: Director, Finance and Corporate Services  
To: Audit and Governance Committee – 28 April 2022  
Subject: INTERNAL AUDIT PLAN 2022/23  
Classification: Unrestricted

## **FOR DECISION**

### **SUMMARY**

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

Attached to this report is the proposed Internal Audit Plan for 2022/23, Audit Charter and Key Performance Indicators for Members to consideration and agreement. The Head of Internal Audit will be present at this meeting to present the report.

### **RECOMMENDATIONS**

Members are requested to:

1. Agree the Internal Audit Plan for 2022/23 (paragraph 2 and 3 and **Annex 1 of Appendix 1** refers);
2. Agree the updated Audit Charter (paragraph 4 and **Annex 2 of Appendix 1** refers);
3. Agree the Key Performance Indicators (paragraph 5 and **Annex 3 of Appendix 1** refers).

LEAD/CONTACT OFFICER: Director Finance and Corporate Services - Alison Kilpatrick  
TELEPHONE NUMBER: 01622 692121 ext. 8262  
EMAIL: [alison.kilpatrick@kent.fire-uk.org](mailto:alison.kilpatrick@kent.fire-uk.org)  
BACKGROUND PAPERS: None

## COMMENTS

### Background

1. Under the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to develop a risk-based internal audit plan. It is intended that the audit work will be completed within the year in order to inform the overall annual assurance opinion. The Internal Audit Plan is produced prior to the start of each financial year but remains under review throughout the year to ensure continued relevance and alignment with corporate risks and objectives.
2. The Internal Audit Plan 2022/2023 - (**Annex 1 of Appendix 1**) has been created through consultation with Senior Management and key officers, where significant risk areas and priorities have been identified alongside the Corporate Risk Register, review of strategies and horizon scanning. Each audit engagement will incorporate the Authority's Fraud and Bribery risk assessments as a matter of course.
3. There are eight assurance audits currently planned for 2022/23 focusing on Purchasing Cards, Clinical Governance, Business Continuity, Safe and Well Visits, Safeguarding, Operational Resource Management, Management of Risk Data and People Plan. A further consultation audit is also planned to review the Authority's response to the Grenfell Tower Inquiry recommendations. Members are asked to review and agree the Internal Audit Plan for 2022/23.
4. **The Internal Audit Charter** - formally defines the nature of Internal Audit activity in line with the Public Sector Internal Audit Standards (PSIAS) and is required to be reviewed annually to ensure it is up-to-date and reflects the PSIAS. The Charter for 2022/23 is attached at **Annex 2 of Appendix 1** for Members review and agreement.
5. **Key Performance Indicators (KPI's)** - In order to facilitate the Authority's responsibility to monitor the performance and effectiveness of Internal Audit within the organisation, a suite of Key Performance Indicators (KPIs) have been created as a measurement of performance. **Annex 3 of Appendix 1** sets out the proposed KPI's for 2022/23, and as such Members are asked to agree the KPIs.
6. **Self-assessment against Public Sector Internal Audit Standards** - Internal Audit are required to maintain a Quality Assurance and Improvement Programme which includes an External Quality Assessment (EQA) of their compliance. The EQA review was completed in 2021/22 and an action plan defined. The Head of Internal Audit will provide members with a full progress report on those actions at the September 2022 meeting.

## **IMPACT ASSESSMENT**

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

## **RECOMMENDATIONS**

8. Members are requested to:
  - 8.1 Agree the Internal Audit Plan for 2022/23 (paragraph 2 and 3 and **Annex 1 of Appendix 1** refers);
  - 8.2 Agree the updated Audit Charter (paragraph 4 and **Annex 2 of Appendix 1** refers);
  - 8.3 Agree the Key Performance Indicators (paragraph 5 and **Annex 3 of Appendix 1** refers).

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# **Kent and Medway Fire and Rescue Authority**

## **2022/23 Internal Audit Annual Plan**



## **Introduction**

1. This report details the 2022/23 Internal Audit Plan, Audit Charter and Key Performance Indicators for approval.

## **Internal Audit Plan**

2. Under the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to develop a risk-based Internal Audit Plan of all work to be completed to inform the annual overall assurance opinion. To enable an annual assurance opinion to be provided, the Internal Audit Plan is produced prior to the start of each financial year. It is, however, kept under review throughout the year to ensure continued relevance and alignment with corporate risks and objectives.
3. The draft Internal Audit Plan for 2022/23 (**Annex 1**) has been drawn up in consultation with Corporate Management Board following a risk-based audit planning process. Significant risk areas and priorities have been identified by interviewing key officers, reviewing Strategies and the Corporate Risk Register, external horizon scanning and considering our own organisational knowledge. There are no areas that we were prevented from including in the Plan. **Annex1** also sets out how the proposed audits link to the Corporate Risk Register.
4. When completed, the outcomes of all the proposed audits will contribute towards the overall Annual Audit Opinion for 2022/23.
5. The Plan is designed to fulfil the remit of Internal Audit, as set out in the Charter, and to:
  - Enable the Head of Internal Audit to provide an assurance opinion at the end of the year on the overall effectiveness of systems of governance, risk management and internal control
  - Be focused on key risks, and provide assurance on the Authority's management of these risks
  - Provide assurance on core systems & management controls
  - Support the Authority to embed a strong counter-fraud culture
  - Provide advice and information based on management requests, usually in relation to new and developing systems and processes.
6. When audit planning for each engagement, we will consider the Authority's Corporate Risk Register and Fraud and Bribery risk assessments.
7. The HMICFRS inspection will take place during 2022. The timing of the individual audits detailed on the Internal Audit Plan will be scheduled to take account of officers' work pressures / commitments. When circumstances necessitate changes in proposed timings for planned coverage, discussions will be held with the Director of Finance and Corporate Services.
8. Audit **FS01-2023 – KFRS Response to Grenfell Tower Inquiry Recommendations** will be completed in April 2022 so the outcomes of the review can be included in KFRS' inspection evidence file.

9. During 2022/23, the Internal Audit Plan will be kept under regular review to ensure the coverage is reactive to any emergent findings from the inspection, and the Authority's key priorities and risks. Any amendments to the Internal Audit Plan will be reported to Members at the earliest possible opportunity.

### **Resourcing**

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

<b>Category</b>	<b>Days</b>
Audit projects	83
Counter fraud support	1
Follow ups	6
Adhoc consultancy / advice	1
Audit management	3
Contingency	1
<b>TOTAL</b>	<b>95</b>

11. I consider the total days to be 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.
12. I have reviewed the resources available to ensure that the appropriate mix of knowledge and skills can be provided and that there is sufficient resource to deliver the Internal Audit Plan.

## **Internal Audit Charter**

13. Under the PSIAS (which are mandatory for internal audit practice in the public sector) the nature of Internal Audit activity must be formally defined in an Audit Charter (Charter). Our Charter sets out the purpose and scope of internal audit within KFRS; it also confirms our independence, defines reporting arrangements and authorises our access to all systems, records, personnel and assets that we deem necessary in order to undertake our work. The Charter was last approved by the Authority in April 2021.
14. For 2022/23, the Charter has been reviewed and updated, with only minor amendments made. The Audit and Governance Committee is asked to review and approve the updated Charter attached at **Annex 2**.

## **Performance of Internal Audit**

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

## **Public Sector Internal Audit Standards – External Quality Assessment**

16. A full progress report against the Public Sector Internal Audit Standards External Quality Assessment action plan will be presented to Members in September 2022, as part of the Annual Report and Head of Audit Opinion.

## **Conclusion**

17. The Internal Audit Plan and Charter will enable the provision of assurance on the controls in place to manage the key risks facing the Authority. The outcomes of individual audits and the resultant overall opinion on systems of risk management, governance and control will be reported to Members as part of the Head of Internal Audit's Annual Report in 2023.

### **Contact Details:**

Frankie.smith@kent.gov.uk  
03000 419434

## Annex 1

DRAFT 2022/23 INTERNAL AUDIT PLAN							
Audit	Audit Owner	Key Contact(s)	Link to Corporate Risk Register	Scope	Nature of Work	Days	Timing
<b>FS01-2023</b> KFRS Response to Grenfell Tower Inquiry Recommendations	Mark Rist	Matt Deadman	N/A	To provide independent verification that the task allocation, monitoring, recording and reporting structure in place to address the recommendations from the Grenfell Tower Inquiry are operating effectively and producing accurate results.	Consultancy	5	Q1
<b>FS02-2023</b> Purchasing Cards	Alison Kilpatrick	Nicola Walker	N/A	To review the controls in place for the use of Purchasing Cards across the organisation	Assurance	8	Q2
<b>FS03-2023</b> Clinical Governance	Mark Rist	Matt Deadman Chris Else	6	To determine the robustness of our clinical governance whilst co-working and supporting SECAMB	Assurance	10	Q2
<b>FS04-2023</b> Business Continuity Planning	Mark Rist	Chris Else	12	In light of the pandemic, determine the adequacy and effectiveness of the Authority's business continuity plans, (in-line with the Civil Contingency act).	Assurance	10	Q2
<b>FS05-2023</b> Prevention – Safe & Well Visits	Jon Quinn	Mark Woodward	N/A	To review the adequacy and effectiveness of controls over the following elements of the Safe and Well Service: <ul style="list-style-type: none"> <li>- Receipt and assessment of safe and well visit applications / requests</li> <li>- Completion of safe and well visits</li> <li>- Quality assurance on safe and well visits</li> <li>- Reporting and monitoring of the Safe and Well service</li> </ul>	Assurance	10	Q3

DRAFT 2022/23 INTERNAL AUDIT PLAN							
Audit	Audit Owner	Key Contact(s)	Link to Corporate Risk Register	Scope	Nature of Work	Days	Timing
<b>FS06-2023</b> Management of Risk Data	Mark Rist	Matt Deadman Chris Else	21	To determine the adequacy and effectiveness of controls over the use of Mobile Data Terminals, companion devices and risk data to enable safe and effective command decisions	Assurance	10	Q3
<b>FS07-2023</b> Safeguarding	Jon Quinn	Becky Chittenden	4	To determine the adequacy and effectiveness of the Authority's Safeguarding arrangements, with focus on the following elements: (1) Awareness / Training (2) Internal process of raising, processing and closing referrals	Assurance	10	Q4
<b>FS08-2023</b> People Plan	Alison Kilpatrick	Karen Irvine Paul Neal	10	To identify and evaluate progress made to implement the agreed actions from the People Plan and Maturity Models, in relation to - Leadership Development and Employee Wellbeing	Assurance	10	Q4
<b>FS09-2023</b> Operational Resource Management	Mark Rist	Matt Deadman Chris Else	3	To determine the effectiveness of controls over the management of resources (including on-call resources) in accordance with the Flexible Rostering Duty policy	Assurance	10	Q4
<b>SUB TOTAL</b>						<b>83</b>	

DRAFT 2021/22 INTERNAL AUDIT PLAN					
Audit	Audit Owner	Key Contact(s)	Link to Corporate Risk Register	Days	Timing
<b>Counter Fraud Support</b> To provide adhoc advice / support as needed	Alison Kilpatrick	Nicola Walker	IACF Fraud & Bribery Risk Assessment (2019)	1	Ongoing
<b>Follow-ups</b> To complete follow ups to issues raised with audit reports.	NA	NA	N/A	6	Ongoing
<b>Audit Management</b> Attendance at Audit and Governance Committee meetings Preparation of the Annual Internal Audit Plan Review / update of Audit Charter Preparation of the Interim Progress report Preparation of Annual Report & Audit Opinion Periodic liaison with client lead Periodic liaison with External Audit	NA	NA	N/A	3	Ongoing
<b>Consultancy</b>				1	
<b>Contingency</b>				1	
<b>Total</b>				<b>95</b>	

## Annex 2 – Internal Audit Charter



# KENT COUNTY COUNCIL

## Internal Audit Charter – Kent and Medway Fire and Rescue Authority

### INTRODUCTION

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

### PURPOSE AND MISSION

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

*'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'. Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*

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

### AUTHORITY

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

### STATUS OF INTERNAL AUDIT WITHIN THE ORGANISATION

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



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

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

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

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

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

## RESPONSIBILITY

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

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

## PROFESSIONAL STANDARDS

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

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

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

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

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

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

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

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

## INDEPENDENCE AND OBJECTIVITY

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

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

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

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

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the organisation or its affiliates.

- Initiating or approving transactions external to the Internal Audit activity.
- Directing the activities of the organisations employees not employed by the Internal Audit activity, except to the extent that such employees have been appropriately assigned to auditing team or to otherwise assist Internal Auditors.

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

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

## SCOPE & NATURE OF INTERNAL AUDIT

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

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

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

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

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

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

## **ADDITIONAL ROLES / RESPONSIBILITIES**

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

## **PROVISION OF ASSURANCE TO THIRD PARTIES**

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

## **FRAUD AND IRREGULARITY**

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

## **RIGHT OF ACCESS**

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

## **INTERNAL AUDIT RESOURCES**

The Internal Audit Plan is developed annually which takes into account the work that is needed to enable the Head of Internal Audit to provide an assurance opinion on risk management, governance and control across the Authority. Internal Audit is currently commissioned to provide 95 days of service delivery per annum. In order to ensure this is sufficient to provide a robust opinion, the Head of Internal Audit draws up a risk-based Plan each year and assesses the likely days required against the priority areas. The Head of Internal Audit will request additional days if this is considered necessary. The Head of Internal Audit will also identify the knowledge and experience of staff, and the level of supervision required, to ensure that the right skills mix is available to deliver the plan. The Head of Internal Audit may use a combination of in-house, partner or third parties to deliver aspects of the plan to the best expertise and value for money. When engaging a partner, the Head of Internal Audit will ensure the partner has the appropriate knowledge and experience to deliver the engagement, applies the quality assurance standards of the section and has access to all information and explanation required to undertake the engagement.

## **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

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

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

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

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

## Annex 3 – 2022/23 Key Performance Indicators

Internal Audit & Counter Fraud		
	Key Performance Indicator	Target
1.	Engagement Plan issued 2 weeks prior to commencement of fieldwork start date	90%
2.	Verbal feedback to be provided within one week of completion of audit fieldwork	100%
3.	Draft Reports to be issued by the date specified in the Engagement Plan	90%
	<del>Comments on Prospects for Improvement to be issued within 5 working days of receipt of Action Plan</del>	<del>90%</del>
4.	Final Report to be issued within 5 working days of receiving the management response <del>correspondence for Prospects for Improvement</del>	90%
5.	Client Satisfaction Questionnaires to be issued for all audits / investigations completed with the final report	100%
7.	% Positive Client feedback	90%
8.	% Completion of Annual Internal Audit Plan @ 31 March 2023	90%

KMFRA		
	Key Performance Indicator	Target
1.	Agreement of Engagement Plan to be provided prior to fieldwork start date	100%
2.	Response to Draft Report and Action Plan to be provided within 10 working days of issue	90%
	<del>Respond to comments on Prospects for Improvement assessment within 5 working days</del>	<del>90%</del>
3.	Client Satisfaction Questionnaires to be completed and returned within 10 working days of Final Report	100%
4.	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%

By: Director, Finance and Corporate Services  
To: Audit and Governance Committee – 28 April 2022  
Subject: TREASURY MANAGEMENT UPDATE  
Classification: Unrestricted

## FOR DECISION

### SUMMARY

At the November 2021 meeting the Audit and Governance Committee reviewed and agreed in principle the 2022/23 Treasury Management and Investment Strategy, which was then formally agreed and adopted at the Authority meeting in February 2022.

Since then the Chartered Institute of Public Finance and Accountancy (CIPFA) has published a revised CIPFA Treasury Management Code and Prudential Code with full implementation of the new Codes expected by 2023/24. This report presents an overview of the updated Code requirements, which primarily includes a revised set of Treasury Management Practices (TMPs), alongside enhancing the risk management and reporting requirements. The TMPs are important as they underpin and support the delivery of the Treasury Management and Investment Strategy.

### RECOMMENDATIONS

Members are requested to:

1. Recommend to Authority the adoption of the Treasury Management Policy Statement (paragraph 2 and **Appendix 1**);
2. Recommend to the Authority the adoption of the revised Treasury Management Practices (paragraph 3 and 4 and **Appendix 2** refer).

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

## Background

1. Treasury management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice as:  
*"the management of the Authority's borrowings, investments and cashflows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risk"*
2. **Treasury Management Policy Statement** – In line with the requirements of the Code, all Authorities are expected to set out their Treasury Management Policy in a Statement, which should be reviewed and agreed by Members. The Statement for this Authority is set out at **Appendix 1** and defines the policies and objectives of the Authority's Treasury Management activities. Consequently Members are asked to agree to this Statement in principle before full approval is sought at the Authority meeting.
3. **Treasury Management Practices** - Local Authorities are required to operate in line with the CIPFA Prudential Code and CIPFA Code of Practice on Treasury Management, and as such this Authority has done so since their implementation in 2017. However, over the past year CIPFA has been consulting on a revision to the 2017 Codes, specifically to enhance the risk management and reporting requirements of Local Authorities given some of the more recent headlines with regard to commercial activities undertaken by some Council's. CIPFA are keen to ensure that those charged with governance are fully versed on the activities and exposure of potential risk.
4. Whilst this Authority does not undertake any commercial activities we are still required to comply with the revised Code with full implementation of the new Codes by 2023/24. The new Code sets out a number of Treasury Management Practices (TMPs) and a summary of each is set out in **Appendix 2** for Members review and agreement. However, the Code also specifies that underneath each of the TMPs the detailed processes and approach must be set out to aid transparency and clarity of the necessary controls that are in place to provide the appropriate levels of assurance to those charged with governance.
5. It is therefore proposed that there will be a review of TMPs over the summer, with a full suite of all of the TMPs presented to the September meeting of this committee for Members consideration and approval. This will be a sizeable report as the expectation is that all processes and controls are defined in order to aid transparency and clarity to the Treasury management approach.
6. **Day to day management** - Currently the Authority sets and agrees the Treasury Management Strategy under which the Director of Finance and Corporate Services has delegated authority to operate. The day to day management of the KFRS Treasury function is undertaken by the KCC Treasury team which has been an arrangement since Kent and Medway Fire and Rescue became an organisation in its own right. Over time



the Finance team at KFRS has grown and gained sufficient expertise and resilience, to enable the daily management function to be managed by the finance team within our own organisation. As a consequence notice has now been given to KCC Treasury team, that with effect from 3 October, the treasury management function will now be managed in house by the finance team.

## **IMPACT ASSESSMENT**

7. This Treasury update provides further assurance for Members that the Authority has robust internal control processes in place and complies with the latest Treasury Management legislation and guidance.

## **RECOMMENDATIONS**

8. Members are requested to:
  - 8.1 Recommend to Authority the adoption of the Treasury Management Policy Statement (paragraph 2 and **Appendix 1**);
  - 8.2 Recommend to the Authority the adoption of the revised Treasury Management Practices (paragraph 3 and 4 and **Appendix 2** refer).

## **The Treasury Management Policy Statement**

CIPFA recommends that an organisation's Treasury Management Policy statement adopts the following form of words to define the policies and objectives of its treasury management activities.

1. This Authority defines its treasury management activities as the management of the Authority's borrowing, investments and cashflows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.
2. This Authority regards the successful identification, monitoring and control of risks to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.
3. This Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable and comprehensive performance measurement techniques within the context of effective risk management.

## **Treasury Management Practices**

### **1. TMP1 RISK MANAGEMENT**

This Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment. The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/ suitability thereof and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

#### **1.1 Credit and counterparty risk management**

This Authority will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited or investments made, and it will limit its treasury management investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques and listed in the Annual Investment Strategy approved by Authority within the Treasury Management Strategy. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements. The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual an investment level.

#### **1.2 Liquidity risk management**

This Authority will ensure it has adequate though not excessive cash resources, borrowing arrangements and overdraft or standby facilities to enable it at all times to have the level of funds available to it that are necessary for the achievement of its business/service objectives. This Authority will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Authority.

#### **1.3 Interest rate risk management**

This Authority will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues in accordance with its treasury management

policy and strategy and in accordance with TMP6 Reporting requirements and management information arrangements. It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications. It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs, and that the policy for the use of derivatives is clearly detailed in the annual strategy.

#### **1.4 Exchange rate risk management**

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

#### **1.5 Inflation risk management**

The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole Authority's inflation exposures.

#### **1.6 Refinancing risk management**

This Authority will ensure that its borrowing and other long-term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, that are competitive and as favourable to the Authority as can reasonably be achieved in light of market conditions prevailing at the time. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

#### **1.7 Legal and regulatory risk management**

This Authority will ensure that all its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 Counterparty credit risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged. This Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to manage the risk of these impacting adversely on the Authority.

#### **1.8 Operational risk, including fraud, error and corruption**

This Authority will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from

external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

### **1.9 Price risk management**

This Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the sums it invests and will accordingly seek to protect itself from the effects of such fluctuation.

## **2. TMP2 PERFORMANCE MEASUREMENT**

This Authority is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement. Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Authority's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives and of the scope for other potential improvements. The performance of the treasury management function will be measured using set criteria. The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

## **3. TMP3 DECISION MAKING AND ANALYSIS**

This Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for accountability, eg demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

## **4. TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

This Authority will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk management. Where this Authority intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Authority will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products. This Authority has reviewed its classification with financial institutions under MiFID II with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

## **5. TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS**

This Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function. If and when this Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The responsible officer will fulfil all such responsibilities in accordance with the Authority's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management.

## **6. TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

This Authority will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; the effects of decisions taken and transactions executed in pursuit of those policies; the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and the performance of the treasury management function.

As a minimum:

- **The Authority** will receive:
  - an annual report on the strategy and plan to be pursued in the coming year
  - a mid-year review
  - an annual report on the performance of the treasury management function, the effects of the decisions taken and the transactions executed in the past year, and any circumstances of non-compliance with the Authority's treasury management policy statement and TMPs.
- **The Audit and Governance committee** to which some treasury management responsibilities are delegated

- will receive quarterly monitoring reports on treasury management activities, risks and adherence to prudential indicators.
- will have responsibility for the scrutiny of treasury management policies and practices.

## **7. TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

The responsible officer will prepare – and this Authority will approve and, if necessary, from time to time will amend – an annual budget for treasury management, which will bring together all the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques. The responsible officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements. This Authority will account for its treasury management activities, decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

## **8. TMP8 CASH AND CASH FLOW MANAGEMENT**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Authority will be under the control of the responsible officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 Liquidity risk management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate).

## **9. TMP9 MONEY LAUNDERING**

This Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the Authority's Anti-Money Laundering Policy.

## **10. TMP10 TRAINING AND QUALIFICATIONS**

This Authority recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and

experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff. The responsible officer will ensure that Authority members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

## **11. TMP11 USE OF EXTERNAL SERVICE PROVIDERS**

This Authority recognises that responsibility for treasury management decisions remains with the Authority at all times. It recognises that there may be potential value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons that have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer.

## **12. TMP12 CORPORATE GOVERNANCE**

This Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its treasury management activities will be undertaken with openness and transparency, honesty, integrity and accountability. This Authority has adopted and has implemented the key principles of the TM Code. This is considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.



By: Director, Finance and Corporate Services  
To: Audit and Governance Committee – 28 April 2022  
Subject: INTERNAL AUDIT PROGRESS REPORT FOR 2021/22  
Classification: Unrestricted

## **FOR INFORMATION**

### **SUMMARY**

Members may recall at the first meeting of this committee back in November 2021, one of the requests from that meeting was that concluded Internal Audit reports would be circulated to Audit and Governance Committee Members, in between committee meetings. As such Members will be aware that in February the summary outcomes of six concluded internal audit reviews were circulated to Members for information only. However, in line with the necessary governance requirements, these are now formally included in this update report.

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

### **CONCLUSION**

Members are requested to:

1. Consider and note the content of the report.

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Background papers: None

## COMMENTS

### Background

1. In total, the internal audit plan agreed by Members, highlights that there are nine different internal audit reviews to be undertaken in the 2021/22 financial year. The first report to the Audit and Governance meeting in November presented the first audit review that had been concluded and that related to Treasury Management. By mid-February a further 6 reviews had been concluded and as such the summary outcomes of these audits were circulated to Members for their information. However, in line with the necessary governance requirements, they are also reflected in this update report for the April meeting of the Audit and Governance Committee.

### Internal Audit Progress Update

2. Since the November meeting of this committee, Internal Audit have concluded a further 6 reviews. They relate to Operational Response Training, Workforce Planning, Collaborations, Equality, Diversity and Inclusion, IT Helpdesk and the Vehicle and Equipment Replacement programme (VERP). Of the six audits completed, Internal Audit have issued four substantial, one adequate and one high audit opinion and all six audits have very good prospects for improvement. A summary of the outcome of each of these audits is attached at **Appendix 1** to this report.
3. The review of Fire Standards has recently been concluded and the final report setting out assurance levels is likely to be available in early April, so a verbal update will be provided at the meeting on the outcome of this audit.
4. The final audit is in relation to Cyber Security and that is currently in the fieldwork stage but is expected to conclude imminently allowing for a draft report to be issued by Internal Audit by the end of March. Internal Audit anticipate that their assurance opinion and final report will be issued sometime in April 2022.

### Management Response Summary for Audit and Governance Committee

5. As many of the action plans have only been agreed within the last quarter a proportion of actions are outstanding at this stage and have expected completion dates spanning through 2022/23, therefore updates on those actions will be reported to Audit and Governance Committee as they progress. A summary of the progress to be undertaken is provided below: -

**Operational Response Training** – The review of controls and procedures in place gave assurance that current levels of provision were adequate. However, areas for

development were identified that could provide very good prospects for improvement. Management agreed an action plan to address these areas to be fully implemented by the end of March 2022. Evidence of these actions has been submitted to Internal Audit for review and sign off.

**Workforce Planning** – It was pleasing to see that the review of workforce planning for the operational workforce received a high assurance level with only one identified area for improvement to analyse exit forms. This action has now been completed and the action has been closed by Internal Audit.

**Collaborations** – The substantial assurance opinion was a recognition of the large amount of work that had been undertaken in this area since the HMICFRS 2019 inspection. Some further medium to low-ranking areas for development were identified that have been supported by management with remedial action being undertaken to address them with an expected completion date of April 2022.

**Equality, Diversity and Inclusion** – A substantial assurance opinion for the processing of equality, diversity and inclusion data was well received with a very good prospect for improvement once management have implemented actions to support the two areas identified for further development. One of which will see the introduction of a new system to manage Customer Relationship Management data. The actions of this audit are not expected to be completed until later in 2022.

**IT Help Desk** – The helpdesk received a substantial assurance opinion with very good prospects for improvement if the areas of development are addressed. Management have since put in place an action plan to address recommendations made to improve the internal customer experience. The actions of this audit are not expected to be completed until June 2022.

**VERP** – The review of the Vehicle and Equipment Replacement Programme (VERP) provided substantial assurance that it had been appropriately developed and approved and is supported by appropriate governance arrangements. Only three low level recommendations were made which have been implemented and the audit has now been closed.

6. The work undertaken by the Internal Audit Service provides management and those charged with Governance with assurance that the Authority's corporate governance, risk management and internal control arrangements are effective, as required by the Accounts and Audit Regulations (England) 2015. The Head of Internal Audit will provide an Internal Audit Annual Report to the Audit and Governance Committee at its September 2022 meeting with an overall annual opinion, derived from the evaluation of findings, conclusions and assurances from the work undertaken during 2021/22.

## **IMPACT ASSESSMENT**

7. This audit update provides further assurance for Members that the Authority has robust internal control processes in place. The Annual fee for Internal Audit Services for 2021-2022 is £27,518 which is based on 95 days of audit delivery provided by Kent County Council, including 5 days for Counter Fraud Support.

## **CONCLUSION**

8. Members are requested to:
  - 8.1 Consider and note the content of the report.

### FS01 -2022 Operational Response Training (issued 10/11/21)

ENGAGEMENT OBJECTIVE						KEY STRENGTHS					
<p>As part of the 2021-22 Audit Plan, it was agreed that Internal Audit would undertake a review of Operational Response - Training. The aim of the audit was to provide assurance over the controls and procedures in place to provide the Operational Response Team with the required training to enable a compliant, safe and effective response to emergency incidents.</p> <p>In order to provide assurance, Internal Audit reviewed the adequacy and effectiveness of the following:</p> <ul style="list-style-type: none"> <li>Teaching methods and assessments are consistent, align with National Guidance and is amended promptly following changes.</li> <li>Training is provided at a sufficient frequency to allow staff to refresh their training ahead of its expiry date.</li> <li>Central records track attendance, assessment outcomes, expiry dates and the competency of staff against National Guidance.</li> <li>Operational Trainers are certified to carry out training.</li> </ul>						<ul style="list-style-type: none"> <li>✓ Firefighters will obtain the Institute of Fire Engineers (IFE) professional qualification after 2 years of Station Based Training (SBT)</li> <li>✓ KFRS are represented on the Emergency Response Driver Training Group (ERDG) and the National Fire Chiefs Council working from height group so influence Fire Standards.</li> <li>✓ SBT training is ahead of the curve in terms with compliance with National Operational Guidance (NOG) and have shared guidance 5133 times with other fire services.</li> <li>✓ Blended learning combines online learning with practical exercises. The system is utilised to simulate training exercises which cannot be safely replicated on station.</li> <li>✓ The 2 Year Trainee Pathway is being developed with regular assessments, documented reviews, and feedback on areas for development.</li> <li>✓ Analysis of Emergency Fire Appliance Driver (EFAD) personnel at stations across Kent has been carried out to prioritise training at the stations where retirements are planned over the next 3 years to maintain the required ratio of drivers.</li> <li>✓ Trainers have designed e-learning and assessments with neurodiversity in mind.</li> </ul>					
OPINION & NUMBER OF ISSUES RAISED						AREAS FOR DEVELOPMENT					
	Assurance Opinion	Prospects for Improvement	High	Medium	Low	<ul style="list-style-type: none"> <li>• Low engagement levels for SBT had not been identified because SBT engagement and competence data is not being monitored. Targets and milestones are not in place to track engagement or assessment results, competence or the effectiveness or consistency of SBT across Kent. – <b>Issue 1</b></li> <li>• There is a lack of documented evidence to show that courses (other than SBT) have been signed off via the commissioning process, that the course syllabuses and assessments align with NOG (and other relevant criteria) and to track the implementation of changes. – <b>Issue 2</b></li> <li>• Competency expectations are not clear for SBT and the implications of not being found competent have not been defined. – <b>Issue 3</b></li> <li>• Development Plan Reports are not fully completed and processed in accordance with the agreed procedures. – <b>Issue 4</b></li> </ul>					
Overall	Adequate	Very Good	1	2	1						
<p>The findings from this review have demonstrated that SBT, mandatory skills training, the Trainee Pathway and Driver Training is designed and implemented by subject area specialists. SBT is aligned with NOG and has mechanisms to track changes, but other forms of training lack evidence that training has been signed off, aligns with relevant criteria and that changes have been implemented. A procedure is being written to define when a Training Needs Analysis is required and to track completion. Innovative SBT has now been launched, but engagement levels are low. Mechanisms are in place to ensure training is repeated at required frequencies. The percentage of staff who exceed their training expiry dates is low.</p>											

### FS03-2022 Workforce Planning – Operational Workforce (issued 23/11/21)

ENGAGEMENT OBJECTIVE						KEY STRENGTHS
<p>As part of the 2021-22 Audit Plan, it was agreed that Internal Audit would undertake a review of Workforce Planning – Operational Workforce.</p> <p>The aim of the audit was to provide assurance over the Workforce Planning arrangements. The audit focused on the operational workforce (rather than corporate / back-office staff).</p> <p>The following areas were subject to review:</p> <ul style="list-style-type: none"> <li>✓ The process for Workforce Planning; analysis of workforce data, forward forecasting, planning, projecting leavers and retirements.</li> <li>✓ How gaps in key skills / experience are identified</li> <li>✓ How internal promotion gaps are filled and managed</li> <li>✓ How to identify and train to enable / ensure career progression for key skills</li> <li>✓ Interventions to address the current retirement risk and gaps</li> <li>✓ How future talent is nurtured and developed</li> <li>✓ Retention incentives to prevent other (non-retirement age) leavers</li> <li>✓ How Workforce Planning is monitored, tracked and reported</li> </ul>						<ul style="list-style-type: none"> <li>✓ An established and effective process is in place to ensure that workforce monitoring, tracking and reporting is performed. The process is forward looking and proactive. The process considers external recruitment options.</li> <li>✓ The Talent Benchmark Review (TBR) is an effective management tool in the identification and filling of skills gaps.</li> <li>✓ Internal promotion gaps are identified and effectively mitigated.</li> <li>✓ A culture of ownership of career progression and development of opportunities for all is actively promoted ensuring that there are clear routes for progression and staff are rewarded accordingly.</li> <li>✓ A number of interventions are being actively explored to address the current retirement risk. A pathway is being developed by which retirees can return.</li> <li>✓ Future talent is identified, nurtured and developed.</li> <li>✓ There is a stable establishment and low turnover for operational staff.</li> <li>✓ The Bursary Scheme is a successful incentive for the retention and development of internal staff.</li> </ul>
OPINION & NUMBER OF ISSUES RAISED						AREAS FOR DEVELOPMENT
	<b>Assurance Opinion</b>	<b>Prospect for Improvement</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<ul style="list-style-type: none"> <li>• Reasons for employees leaving the authority are not analysed and used to improve processes and procedures.</li> </ul>
<b>Overall</b>	<b>High</b>	<b>Very Good</b>	<b>0</b>	<b>0</b>	<b>1</b>	
<p>The findings from this review have demonstrated that KFRS have a strong partnership between human resource management and finance in the workforce planning arrangements for operational staff which is forward thinking and proactive to effectively manage the risks and gaps. There is a strong culture in place for the nurture and development of staff from within.</p> <p>The retirement risk emerging from the McCloud case, which resulted in a change in pension regulations (for those in the 1992 pension scheme) are being proactively and effectively addressed and mitigated.</p>						

## FS04-2022 Collaborations (issued 20/12/21)

ENGAGEMENT OBJECTIVE						KEY STRENGTHS
As part of the 2021/22 Internal Audit Plan, Internal Audit has undertaken a review of collaborations. The aim of the audit was to provide assurance that the Service effectively identifies and monitors collaboration activities, to enable benefits to be realised and strategic and operational opportunities to be achieved, including, where relevant, value for money of collaborations.						<ul style="list-style-type: none"> <li>Following the area for improvement raised by the 2019 HMICFRS inspection, a large amount of work has been undertaken by the Collaborations Team to populate a central Benefits Tracker with information about the collaborations which are in place across the Authority.</li> <li>Collaborations are referenced within key Service strategies, namely the Customer Engagement &amp; Safety Strategy, and the Response &amp; Resilience Strategy.</li> <li>Management have already identified a need and desire to make their collaborations more intelligence led, ensuring that feedback from incidents and community forums is fed back and used effectively by relevant teams.</li> <li>Collaborations are reported upon to the Fire Authority four times a year.</li> <li>There are ambitions for the Collaborations Team to develop a live, central directory of the collaborations and related key internal and external contacts, which can be referred to and used by employees to break down existing communication barriers and enable more effective joint working.</li> <li>Examples of good practice were found within the four sampled collaborations, such as clear ownership of the collaboration and direction regarding further enhancements.</li> <li>A sampled collaboration relating to supporting the Equality of Access to Services by the LGBTQ community was supported by appropriate written agreements, which had been agreed where necessary between the joint parties as part of a wider, national arrangement.</li> <li>Efforts have been made to put in place key documentation alongside the Tracker, such as supporting guidance and written agreements for specific collaborations.</li> </ul>
OPINION & NUMBER OF ISSUES RAISED						AREAS FOR DEVELOPMENT
	Assurance Opinion	Prospect for Improvement	High	Medium	Low	<ul style="list-style-type: none"> <li>There is a lack of linkage between the Service strategies which provide details on collaboration, and the activities which are undertaken in practice. <b>(Issue 1)</b>.</li> <li>The processes for updating the Benefits Tracker and related resourcing and governance responsibilities, including the roles set out within the Tracker's supporting document, are yet to be finalised, agreed, and implemented <b>(Issue 2)</b>.</li> <li>There are opportunities to improve how collaborations and their objectives are captured within written agreements between KFRS and their partners <b>(Issue 3)</b>.</li> <li>There are no protocols or defined reporting mechanisms in place which support the internal monitoring via Corporate Management Board of the achievement of benefits and value for money, or risks and dis-benefits, being realised through the Service's collaborations <b>(Issue 4)</b>.</li> <li>There is some further 'structuring' required of the information captured within the Collaboration Benefits Tracker to improve the consistency and quality of the information captured <b>(Issue 5)</b>.</li> </ul>
Overall	Substantial	Very Good	0	2	3	
A 'Very Good' rating for Prospects for Improvement has been provided, as management have been supportive of the issues raised within this review, with remedial actions already being considered and implemented to address them.						

## FS05-2022 – Equality, Diversity & Inclusion (issued 16/12/21)

### ENGAGEMENT OBJECTIVE

As part of the 2021-22 Audit Plan, it was agreed that Internal Audit would undertake a review of the processing of equality, diversity and inclusion (EDI) data. The aim of the audit was to provide assurance that risks associated with protecting sensitive information such as EDI data are being managed adequately and effectively. The following areas were subject to review:

- Data Collection
- Data Processing
- Data Retention

The audit did not include testing of the management / handling of data breaches in respect of EDI because there had been no breaches reported in the period tested.

### KEY STRENGTHS

- Privacy notices relevant to EDI data have been developed and published to inform data subjects of how the data collected will be processed by KFRS.
- The legal basis for collecting personal and sensitive EDI data is well established.
- There is transparency about who KFRS may share the data collected with.
- The usefulness and reliability of EDI data KFRS holds is improving because KFRS is collecting more EDI data to help inform decision making, but Management will need to balance this against the risk of breaching the GPDR principle of data minimisation.
- Providing EDI data to KFRS remains optional, KFRS gives individuals the option to not disclose their EDI information through the use of 'Prefer Not to Say' option on application forms and customer surveys.
- Data subjects are informed of their rights about the collection and use of the personal and sensitive data (which includes EDI data).
- Data subjects have appropriate means to make a subject access request (SAR) about the EDI information KFRS holds on them, but there has been no such request within the last year.
- Requests for EDI information under the Freedom of Information Act were responded to within the legal timescales, and the data disclosed in responses were depersonalised in a way that no individual could be identified from the data.

### AREAS FOR DEVELOPMENT

- Equality monitoring data collected from staff and customers is being used to carry out workforce and community analysis to inform policies and decisions, but some specific privacy notices need to provide greater transparency and be explicit that sensitive data such as EDI data will be collected from customers. Although KFRS has been transparent that it will collect EDI information from staff/applicants, the relevant privacy notice needs to clearly set out the intended use or purpose of the data collected. **Issue 1.**
- Although the retention period for equality monitoring data collected from staff/applicants has been defined, the retention period for equality monitoring data collected from customers need to be defined. It will also be beneficial to automate the deletion of equality monitoring data from the Human Resources system (iTrent) and the customer relationship management (CRM) system after the respective retention period). **Issue 2.**

### OPINION & ISSUES RAISED

Assurance Opinion	Prospect for Improvement	High	Medium	Low
Substantial	Very Good	0	2	0



## FS06-2022 IT Help Desk (issued 26/01/22)

### ENGAGEMENT OBJECTIVE

The Service Delivery Team provides an IT Help Desk for all IT service requests and incidents. The team is responsible for providing a fast and effective resolution of user issues that occur in any aspect of KFRS operations including local and wide area networks; remote access, desktops, tablets and laptops; printing; account administration; mobilising and client software. The IT Help Desk is available during business hours. Staff can also raise incidents via a dedicated email address. A total of 613 service requests and 4,185 incidents have been raised with the IT Help Desk since 1<sup>st</sup> of April 2021.

As part of the 2021/22 Audit Plan it has been agreed that Internal Audit will undertake a review of service delivery by the IT Help Desk. The aim of the audit was to provide assurance on the adequacy and effectiveness of the control framework in place to manage and resolve service requests and incidents reported to the IT Help Desk. Areas covered within the review are detailed in Appendix B. In forming our conclusions, we considered (where relevant) the requirements of KFRS' IT Strategy and best practice framework for delivering IT services such as the Information Technology Infrastructure Library (ITIL) practices.

### KEY STRENGTHS

- There is an established Single Point of Contact between the IT department and users (staff) for reporting IT incidents and service requests (known as the IT Help Desk).
- The Service Delivery Team maintain a resource planner that allows Management to monitor the capacity and capability of the team.
- The Service Delivery Team's resource planner is reviewed on regular (quarterly) basis.
- Although there is one vacancy in the team, Management are proactively recruiting.
- There is a system (Service Manager) in place to record details of each incident and service requests reported.
- The Service Manager system captures sufficient information in respect of incidents / service request tickets raised.
- Some self-help guides have been developed and communicated to staff to help minimise the number of calls to the IT Help Desk.
- There is an incident / request prioritisation system in place that helps to ensure that urgency issues are prioritised and are responded to in a timely manner.

### AREAS FOR DEVELOPMENT

- Existing channels of contacting the IT Help Desk could be improved to include a self-service portal. **Issue 1.**
- There are a number of unresolved calls on the Service Manager system that are over a year old, and some have not been reviewed or updated within the last year. **Issue 2.**
- A customer pledge is in place which includes target service levels for the IT Help Desk, but performance against the target service levels is not assessed, monitored or reported. **Issue 3.**
- There is currently no process in place to confirm or notify users that their call is being closed. **Issue 4.**
- There is currently no process in place for users to provide feedback on the quality of service provided by the IT help desk. **Issue 5.**

### OPINION & ISSUES RAISED

Assurance Opinion	Prospect for Improvement	High	Medium	Low
Substantial	Very Good	0	2	3

## FS07-2022 Vehicle & Equipment Replacement Plan

### ENGAGEMENT OBJECTIVE

As part of the 2021/22 Audit Plan, it was agreed that Internal Audit would undertake a review of the Vehicle and Equipment Replacement Programme (VERP). The overall objective of the audit was to provide assurance that the VERP has been appropriately developed and approved, is supported by appropriate governance arrangements regarding monitoring procedures and controlling amendments and additions to the VERP and ensuring that appropriate consideration is given to how the budgeted expenditures are incorporated into the KFRS Medium Term Financial Plan (MTFP)

Audit work undertaken includes a review of relevant procedural documentation and project records, together with interviews with key officers.

### KEY STRENGTHS

- Terms of Reference provide appropriate detail regarding VERP governance procedures, the Terms of Reference are supported by an accurate and adequately detailed process flow document providing guidance regarding the annual approval process and the process to follow if amendments or additions to the VERP are required.
- Evidence was seen to confirm that the VERP plan had been presented to and approved by Environment and Assets Strategy Board and Corporate Project Board.
- There was clear evidence that the “business case” process is being followed and appropriate approval sought prior to making any amendments or additions to the VERP.
- There are Monthly VERP project meetings, the standard agenda for these meetings includes reviews of risks, issues, and actions as well as a comprehensive programme update, the VERP project plan and Programme logs are updated following each meeting.
- Access to the live project plan file is suitably restricted to appropriate persons however it is ensured that all project team members have access to up to date versions of the project plan and other documents via the SharePoint location.
- The project Board includes a Senior Finance Officer who monitors any changes to budgeted spend and slippage and reports back to Finance regarding the likely impact on MTFP.
- Regular updates are provided to CPB regarding VERP activity.

### AREAS FOR DEVELOPMENT

- Neither the VERP Terms of Reference, or the VERP Planning Approval process flow document, adequately detail the version number, document review date or owner name. **(Issue 1)**
- VERP project meetings do not include an agenda point for lessons learned, despite this being detailed in the Terms of Reference as a standard agenda point. **(Issue 2)**
- Internal Audit reviewed several business case documents and found that not all used the Corporate Management Board (CMB) template format. The information provided for business cases was therefore not always in a consistent format and provided differing levels of detail for each proposal. **(Issue 3)**

### OPINION & ISSUES RAISED

Overall, Internal Audit are satisfied that the VERP programme has been developed and approved based on appropriate analysis of KFRS current and future vehicle requirements, and that any changes to VERP are managed and approved through a well-controlled process. Sufficient monitoring is in place to ensure that the programme activity is delivered as expected, and that budgets or forecast spend remain aligned with the MTFP. As a result of our findings, we have awarded an opinion of “Substantial” and prospects for improvement as “Very Good”.

Assurance Opinion	Prospect for Improvement	High	Medium	Low
Substantial	Very Good	0	0	3

