

# Auditor's Annual Report on Kent and Medway Fire And Rescue Authority

**2020-21**

November 2021



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Service has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Service's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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. 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 Service 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.

# Executive summary

## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether Kent and Medway Fire and Rescue Authority (the 'Authority') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risks in respect of any of the three criteria:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness



### Financial sustainability

We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses.

We note the Authority is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Authority will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance that it has a track record of delivering its financial position.



### Governance

We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses.

The Authority is making changes to its governance structure in 2021/22 but this is being done to further develop historically robust arrangements rather than due to concerns around the effectiveness of arrangements.



### Improving economy, efficiency and effectiveness

We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses.

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

## Opinion on the financial statements

We have audited the financial statements of the Authority for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and the notes to the Statement of Accounts, including a summary of significant accounting policies, and include the firefighters' pension fund financial statements comprising the Fund Account and the Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.



# Commentary on the Service's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Fire and Rescue Services are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Service's responsibilities are set out in Appendix A.

Fire and Rescue Services report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Service has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

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



## Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on the following pages.

# Financial sustainability



## We considered how the Authority:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The covid-19 pandemic has been the largest peace time emergency seen in this country for many years. The knock-on effects on local government finance have meant shortfalls in income due to cessation of services and reduction in collection of both Council Tax and Business rates. While government grants have covered part of this shortfall, many Authorities have been left out of pocket.

The financial arrangements relating to Fire Authorities have meant the impact has not been as challenging. Precepts for 2020/21 were set in February 2020 before the effects of the pandemic were realised and as such income streams for the Kent and Medway Fire and Rescue Service were significantly untouched.

Additionally, some services such as home visits were suspended during the height of the pandemic and the reduced general economic activity meant a reduction in some classes of operational incidents. This and other non -Covid related savings has meant that the Authority has been able to deliver against its financial targets for 2020/21. The final outturn on the revenue budget is a net underspend of £2.837m against a budget of £74.258m.

The future financing of local government is still unclear. A planned government long term spending review has been postponed from 2020 due to the pandemic and the current settlement only covers 2021/22.

The Authority has agreed a medium-term financial plan up to 2024/25. Given the uncertainty of the financial regime, the Authority's plans have been drawn up on prudent assumptions of future income streams. Advice is taken from local councils as to the movements in the local Council Tax base and budget pressures and potential savings have been identified to produce a balanced budget.

Lack of information on future funding is a national issue but we note the Authority's long track record for strong financial planning and budget management.

Financial plans are discussed at Authority. The Authority has a history of transparency in financial matters and financial plans are discussed with stakeholders. Review of Authority papers indicate the assumptions used for the financial planning for 2020/21 and 2021/22 are sound. We have seen no evidence that short term measures are being used to relieve current pressures.

## How the body plans to bridge its funding gaps and identifies achievable savings

Separate savings plans are not prepared. As part of the budget plan, possible savings are identified and then when agreed are built into the base budget. The final budget is then approved by Authority. Budget managers are delivering savings by delivering their budget. The Authority has a history of delivering on savings and on its overall budget.

The budget report to Members in February 2021 highlighted a saving requirement of £0.989m as part of the 2021/22 budget. We note that in a situation where no immediate savings could be identified within the base budget that the Authority have the option to draw down Earmarked Reserves to bridge that gap. The Authority currently holds a healthy level of reserves that would allow it to cover any shortfalls in budgets in the short to medium term.

There is evidence that savings plans are developed in conjunction with departments across the organisation. Changes identified are incremental rather than transformational so there is no need for extensive consultation with staff and other key stakeholders.

# Financial sustainability

## How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We note there is a robust financial planning process in place which ties in with corporate objectives, service plans and workforce plans. There is extensive consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Authority has the necessary resources for financial management including a financial system, updated in 2019/20 able to provide timely financial information, the necessary financial skills, experience or capacity of the finance team and budget holders in the services, clearly defined responsibilities for budget management and the Corporate Management Team and Authority challenge of performance, holding budget holders to account, and making decisive interventions where necessary. The Finance team is well established with significant experience of managing the Authority's finances. The Authority has a positive financial culture and an appropriate 'tone from the top'. The ongoing management of the Authority's financial position over recent years is evidence of this.

Budgets are monitored on a monthly cycle and the financial position is reported to every Authority meeting so any deviations from plan are quickly identified and appropriate actions taken to rectify.

The capital programme is overseen by the Corporate Portfolio Board (CPB) and individual projects are subject to a robust planning and approval process. Capital funding is targeted at service improvement and providing improved facilities be that building new stations, replacing the vehicle fleet or purchasing improved IT facilities. A new fire station has recently been built at Ramsgate and planning is now underway to improve facilities at Ashford Fire station. Significant expenditure is planned for the replacement of pool and emergency response vehicles.

The understanding of drivers of risk in the Authority budget are strong and variances from budget are understood. A review of management accounts during the year indicate variances during the year but this inevitable as the service is demand led and is difficult to predict. The Covid-19 pandemic has also made it more difficult to predict future costs and demand on the Authority.

## How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

Planning for 2021/22 has been challenging as the pandemic has provided increased uncertainty regarding future funding. In November 2020, a one year funding settlement was announced. The Home Office and Ministry of Housing, Communities and Local Government continue to work collaboratively with the Fire Sector and the Local Government Association to develop evidence on the future requirements for Fire and Rescue Services. It is clear the Government expects Fire and Rescue Authorities (FRAs) to continue to actively consider opportunities for collaboration with other services, to ensure arrangements are in place to effectively evaluate opportunities and to review and monitor collaboration activities to ensure continued benefits and cost-effectiveness. The Authority has been at the forefront of collaboration and leads the fire service national collaboration project in regards to procurement. The Authority demonstrates a robust financial planning process which ties in with corporate objectives, service plans and workforce plans. There is evidence of staff working collaboratively across the Authority as opposed to silo working. Service provision is aligned to the funding envelope.

## How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

The pandemic has created challenge to routine financial management in 2020/21, with the temporary cessation of some services to deal with Covid demands and a changing profile of demands on the service. We are aware the Authority has used reserves, sensitivity analysis and scenario planning to manage financial uncertainty.

Within the corporate risk register, the Authority has identified the risk of reductions in funding or increased costs leading to financial unsustainability. It is noted the year end risk score for these items indicated a material risk. Ways in which the Authority is managing this risk include use of reserves and regular review of the medium-term financial plan. Budget reports are monitored on a monthly basis and finance reports are subject to scrutiny and challenge at Authority meetings.

## CONCLUSION

We found no evidence or indication of significant risks to your financial sustainability as such no further risk-based work has been undertaken in this area.

# Governance



## We considered how the Service:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Authority meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all fundamental elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

From our review of risk management, it is clear appropriate arrangements are embedded within the Authority's operations. The Authority has a comprehensive risk management policy, last reviewed in April 2020 and a separate document outlines the risk scoring process and the Authority's risk appetite. The policy defines responsibilities for risk. Risk Management was last reviewed by Internal Audit in 2020/21 and received "Substantial Assurance".

For 2020/21 the Authority was responsible for managing risk and received a summary Risk Register for discussion at each meeting. The summary Risk Register is underpinned by a detailed framework which includes a Corporate Risk Register. The purpose of the summary Risk Register and accompanying risk report were to ensure the Authority could understand the risks being actively managed by management. It doesn't provide detail of controls in place for each risk or detail the full actions or timescale for implementation of these actions.

As there were 20 risks identified the level of detail seems appropriate for a Committee with a busy work plan. The creation of a Audit and Risk Committee from 2021/22 does provide a opportunity to consider whether the existing reporting is appropriate. The existing proposal is the Audit and Risk Committee will receive the summary Risk Register rather than the more

detailed Corporate Risk Register. We also note a risk score will be added to make the comparison of risks clearer.

We also note that 16 of the 20 risks in the April 2021 Corporate Risk Register were assessed as 'no change'. There will be instances where scores remain static due to the scale of work required to implement actions. However when an organisation has finite resources it needs to ensure it has visibility so possible resources and effort are being applied to the appropriate risk areas and whether they could be better directed in achieving other things that would benefit the organisation.

The Authority should consider whether the number of risks included is appropriate. A dedicated Audit and Governance Committee will likely have sufficient time available to it to meaningfully discuss and challenge a Corporate Risk Register with this many risks.

With increased time and specialism (benefitting from training, members more interested in risk and governance etc) the Audit and Governance Committee may benefit from expanding the summary Risk Register slightly to provide more detail around the risks listed.

The Authority should also consider whether the Corporate Risk Register should identify a target score for each risk aligned to the Authority's risk appetite. This would help provide visibility on the success of existing controls in reducing the likelihood (and possibly the impact) of risks crystallising and help provide clarity on which risks are closer to being mitigated and which need more work.

Internal Audit and Counter Fraud services are provided by Kent County Council. The agreed plan had to be adjusted because of the pandemic, the Internal Audit fieldwork was completed within the year and all reports and the Head of Internal Audit Opinion provided to the Authority by June 2021. Progress reports highlighting key issues and findings on reviews are reported to Authority periodically. The Head of Internal Audit Opinion concludes that the Authority has an adequate and effective framework for risk management, governance and internal control.

# Governance

Internal Audit work has identified further enhancements to the framework of risk management, governance and internal control to ensure it remains effective and adequate. Review of the Annual Internal Audit Opinion indicates a wide breadth of work during the year covering governance, financial and operational processes and including a flexible approach which allowed adjustments to the plan in year.

Counter fraud operations are underpinned by a code of conduct, anti-bribery anti-money laundering, anti-fraud and corruption and whistleblowing policies. There were no fraud or irregularities identified, reported or investigated by Internal Audit during 2020/21. There are various examples of the Authority demonstrating proactive anti-fraud initiatives. These include annual training provided by Internal Audit, procurement card fraud courses for card holders and the sharing of common scams and phishing exercises to alert staff to new and emerging fraud risks.

Internal audit presented no limited assurance reports in 2020/21 and only one (business continuity) in 2018/19. However, three reports were given limited assurance in 2019/20 namely Information Governance (in relation to physical information security), Building Compliance and Fire Setters. It is clear from Authority minutes that actions have been taken to address the issues identified and that findings from internal audit are given appropriate attention.

The annual work plans for internal audit are currently approved and overseen by Authority. There are plans to establish an Audit and Governance Committee in 2021 who will assume this responsibility. From our attendance at Authority, we consider it to robustly review the work of internal audit, providing appropriate challenge but we applaud the establishment of a separate audit committee where additional time may be available for more detailed scrutiny of risk, governance and internal control issues.

## How the body approaches and carries out its annual budget setting process

The financial landscape due to Covid-19 has made this a unique year for financial planning. The Authority has a robust approach to financial planning and assumptions made appear reasonable. While future funding is unclear, a medium-term financial plan has been produced based on prudent assumptions about future income streams. We've previously concluded the Authority has effective arrangements in place, using sensitivity analysis and scenario planning to understand its financial position and identify saving and investment options. Despite the pandemic there is no evidence the arrangements in place have been compromised. Budgets are discussed with budget holders, senior leadership and other stakeholders prior to approval at Authority level.

Investments and Borrowings are included within the financial plan, but the effects are minimal given the current rates of return on investments and the Authority's plan to be debt free by 2025.

## How the body ensures effective processes and systems are in place to ensure budgetary control;

Budget managers have access to finance system and can review budgets at any time. There is regular contact between budget managers and finance contacts. The Authority has a strong history of financial control.

Budgets are reviewed at each meeting of the Authority and review of minutes indicates that variances are adequately identified and explained.

## How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

There is no evidence to suggest that Authority's decision-making processes are not open or transparent. The Authority meetings are well attended by the Chief Executive and Directors to help provide sufficient support and explanation to the members in discharge of their function.

Our attendance at this meeting and review of papers indicates that sufficient information is provided to Members and they hold senior management to account. The Authority is engaged and provides appropriate levels of scrutiny to external and internal audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.

Covid-19 did impact on many organisation's ability to make decisions in line with existing delegations (e.g. decisions often having to be made outside of Committee cycles) however we have not identified any indication that existing arrangements were overridden at the expense of appropriate scrutiny and challenge.



# Governance

## How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Various internal and external mechanisms are used to ensure that the Authority meets the necessary standards and legislative requirements.

The Authority is subject to external inspection from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services. In the last inspection report issued in June 2019, the Authority was rated as Good reflecting the high standard of service provided by the Authority.

Our work has not uncovered any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Authority.

Officer and Member conduct is set in codes of ethical conduct and via the declaration gifts and hospitality code of practice. These were last updated in 2020. Members interests are published on the Authority Website and there is an opportunity for Members to declare interests at every Authority meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and Senior officers for their completion. We found no evidence of adverse outcomes of interests not being declared.

## CONCLUSION

**We found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken in this area.**

# Improving economy, efficiency and effectiveness



## We considered how the Service:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## How financial and performance information has been used to assess performance to identify areas for improvement

The Fire and Rescue National Framework states “Fire and rescue authorities must manage their budgets and spend money properly and appropriately and ensure the efficient and effective use of their resources, pursuing all feasible opportunities to keep costs down while discharging their core duties effectively. Fire and rescue authorities should regularly review the numbers and deployment of firefighters and other staff to ensure that their fire and rescue service has a workforce that is commensurate with the risks that they face”.

This challenge to public services across the county in 2020/21 due to the pandemic was unprecedented particularly to those operating in Kent. Kent was the first to see the Alpha variant of Covid-19 and this meant the county has been particularly hard hit by the pandemic. The first six months of the year were spent getting to grips with the unique challenges of the pandemic, as services adapted to this unknown threat and challenges of the first lockdown.

The Director - Operations and Resilience provides Authority with regular performance updates. These report on numbers of calls received and incidents attended along with performance data around response times. The update does highlight areas of good and poorer performance and minutes indicate wide ranging and robust discussions.

Data is collected on incidents via the Steria Storm command and control system in real time. This is supplemented on the system by an incident report written by the incident commander after the event. Additional data may also be added at this stage and the data on file is also reviewed for accuracy at this point. The data is independently quality assured by the business change team.

The Authority has a Performance and Data Strategy last approved in 2018. This Strategy covers the period to 2022 and

sets out how the Authority is delivering transparency in a way which is both safe and secure, and which complies with the relevant transparency regulations as well as the General Data Protection Regulations and the Data Protection Act 2018. The Strategy also defines how good quality data is being collected and handled to inform evidence-based decision making.

The National Fire Chiefs Council (NFCC) brings together the operational leadership of the UK’s fire and rescue services to provide coordinated professional, operational and technical leadership of the sector, advising and supporting central and local government, and other stakeholders. The NFCC has a role to drive continuous improvement and development throughout the sector. Fire and rescue services consult the NFCC for advice and support when developing improvement plans, particularly in response to inspections.

Her Majesty's Inspectorate of Constabulary and Fire & Rescue services (HMICFRS) has statutory powers to inspect and intervene in the affairs of Fire and Rescue Services. Fire and Rescue was only added to the body’s responsibilities in 2017. The last report from HMICFRS indicates performance is broadly in line or better than the national average. KMFRA was inspected in 2018/19 and was rated "Good" in all three pillars of the inspection process – effectiveness, efficiency and people. Two areas were highlighted in the report which required improvement. These were ‘protecting the public through fire regulation’ (part of the effectiveness pillar) and get the ‘right people with the right skills’ (part of the people pillar). These recommendations were made as the Authority was identified as needing to invest more in its statutory regulation role to meet the challenges of responding to building consultations and to ensure it had in place a consistent recording system for station based training. Additionally, HMICFRS carried out a narrative review of the Authority’s Covid arrangements in 2020 - no rating was attached to this report although it does report the service in a generally positive light. The next inspection will take place in 2022.

# Improving economy, efficiency and effectiveness

## How the body evaluates the services it provides to assess performance and identify areas for improvement

Little benchmarking is undertaken as there is a consensus that different fire services are incomparable as each has their own unique setting. Measures used look more at internal effectiveness such as reduction in repeat calls and staff utilisation. This is done by risk assessment and identification of characteristics.

Nevertheless, we note that pre-Covid performance at the Authority is generally of a high standard with this being recognised in the last HMICFRS report providing the Authority with an overall “Good” rating.

We note from Authority minutes and performance reports that there have been improvements over recent times in the number of fatalities and casualties in fires and deliberate fires. This has shown how attention to meeting targets has driven effective services.

There is no evidence of failure to meet minimum service standards in core service areas. The Authority challenges strategic priorities and cost-effectiveness of existing activities. The last major change the service underwent was in 2012 when 11 fire stations were closed. This followed an in-depth analysis of coverage and calls. It was found one fire station that was closed had only attended four incidents in the previous year. No location in Kent is more than 25 minutes from a fire station and the service also analyses where the next fire engine is coming from if the nearest appliance is busy.

In July 2021 the Authority approved a new Customer Safety Plan. The Customer Safety Plan is the Authority’s corporate plan and is supported by a suite of corporate strategies. It is also supported by the Safety and Wellbeing Plan process which highlights to customers new and emerging issues the Authority needs to react to. The key priorities and key actions from each of the underlying strategies are supported by a suite of key performance indicators in the form of a balanced scorecard which will be used to measure the Authority’s overall delivery of service to customers.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The Authority is a key partner in the Kent Resilience Forum (KRF). The KRF is a partnership of organisations and agencies who work together to improve the resilience of Kent and Medway, and to ensure a coordinated response to emergencies that could have a significant impact on communities. The Authority also works with other agencies to co-ordinate and improve responses and value for money in such areas as estates, operational alignment and procurement.

KMFRA runs the National Fire Commercial Transformation Programme now known as the National Procurement Hub. This is a collaboration project for procurement. The Hub purchases over six categories and has an annual spend in excess of £500m. There is a virtual team of procurement staff spread across fire services and there is a category manager for each category. Each category also has a sponsoring chief fire officer/Chief Executive. The Hub is led by the Chief Executive at KFRS as Chair of the Strategic Commercial Board and the Strategic Board report to the NFCC. The Home Office has a seat on the board. The Head of Commercial and Procurement has regular meetings with the Home Office and the Hub provided the Home Office with regular performance reports. We were informed the hub to date has saved £36m.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Authority has a Commercial and Procurement Strategy as one of the backing strategies to the Customer Safety Plan. We found no evidence that appropriate procurement processes were not followed during 2020/21. The Authority has no commercial ventures and has no material relationships with external service providers for key functions.

We discussed the Authority’s approach to major projects with key staff and obtained copies of key documents. All projects have their own project board and they feed information up on a monthly basis to the Corporate Portfolio Board (CPB). The CPB consists of all Corporate Management Board members plus all Area Managers and Section Heads. The CPB also includes representation from the Project Management Office.

## CONCLUSION

We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements as such no further risk-based work has been undertaken in this area

# COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Service's arrangements have adapted to respond to the new risks they are facing.

## Financial sustainability

As the 2020/21 precept had been agreed in February 2020, the pandemic has had relatively little financial effect on the Authority and income levels have been generally maintained. However, operational changes have led to a change in expenditure profile. The service attended fewer incidents than it did during 2019/20. The overall availability of fire engines was better during the pandemic than it was during the same period in 2019/20. This was due to lower sickness levels among crews and an increased number of on-call firefighters being available to respond to emergencies as a result of being furloughed from their primary employment.

Nevertheless, there is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Authority has, in conjunction with local councils, commenced some scenario modelling on the potential impact on the Council Tax base for the number of households from which full Council Tax can be collected, to understand how this may affect the Authority's core funding in the immediate future. In the short term any unexpected shortfall in funding will be met from reserves

The Authority received additional grant funding of £1.6m to cover costs incurred as a result of Covid-19. This funding was utilised in a variety of ways, for example covering additional staffing costs incurred by providing support to partner organisations to help deliver additional support to those in need, purchases of personal protective equipment, changes required to the estate in order to comply with Covid-19 guidelines and extra costs incurred purchasing IT hardware and software in order to facilitate better remote working. The Government also announced a support package to partly cover the irrecoverable council tax and business rate loss of income in 2020/21, whereby 75% of losses incurred (estimated at £619k) will be funded by Government Grant.

## Governance

In response to the covid-19 pandemic, the multi-agency Strategic Coordination Group declared the coronavirus pandemic a major incident on 24 March 2020 and Kent and Medway went into a national

lockdown on that date. These measures did not significantly change through the whole financial year 2020/21. Business continuity arrangements were put in place to ensure that the control team functioned as usual and that there were no interruptions to fire cover and operational response. Many corporate support staff transitioned to working from home. A pandemic flu exercise in 2018 (Operation Domino) simulated the challenges that COVID-19 has brought to fire and rescue services. The learning from that exercise assisted the Authority in being able to adapt quickly to the crisis, not least the success of the transition to IT-enabled home working.

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

The Authority was kept up to date with the situation through regular updates at each quarterly meeting. The Authority strategic risk register has also been updated to include Covid related risks.

A HMICFRS Covid-19 themed inspection took place in September 2020 and a letter outlining findings was published in January 2021. This letter was not scored or rated. The letter reflected a positive result from the inspection.

## Improving economy, efficiency and effectiveness

During the pandemic the Authority has supported partners with deliveries of PPE and hot meals sourced 3.5 million items of consumable PPE for the sector nationally and driving ambulances and assisting in the opening of mass vaccination sites in Folkestone, Tonbridge and Gravesend. Covid-19 related restrictions meant there was a reduction in the number of Safe and Well visits and Home Fire Safety visits carried out in 2020/21 and precluded the undertaking of some normal property maintenance activities. The pandemic also saw various training venues close during 2020/21 resulting in some courses being cancelled altogether and others delivered in a different way, at a reduced cost to the Authority.

## CONCLUSION

**We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area**



# Improvement recommendations

As part of our review we have raised one improvement recommendation. This relates specifically to the Governance criteria. The range of recommendations that external auditors can make is explained in Appendix B

## Recommendation 1 – Risk reporting

### Auditor judgement

For 2020/21 the Authority was responsible for managing risk and received a summary Risk Register for discussion at each meeting. The summary Risk Register is underpinned by a detailed framework which includes a Corporate Risk Register. The purpose of the summary Risk Register and accompanying risk report were to ensure the Authority could understand the risks being actively managed by management. It doesn't provide detail of controls in place for each risk or detail the full actions or timescale for implementation of these actions. As there were 20 risks identified the level of detail seems appropriate for a Committee with a busy work plan. The creation of an Audit and Governance Committee from 2021/22 does provide an opportunity to consider whether the existing reporting is sufficient. The existing proposal is the Audit and Governance Committee will receive the summary Risk Register rather than the more detailed Corporate Risk Register. We also note a risk score will be added to make the comparison of risks clearer.

16 of the 20 risks in the April 2021 Corporate Risk Register were assessed as 'no change'. There will be instances where scores remain static due to the scale of work required to implement actions. However when an organisation has finite resources it needs to ensure it has visibility so possible resources and effort are being applied to the appropriate risk areas and whether they could be better directed in achieving other things that would benefit the organisation.

### Summary recommendation

The Authority should consider the following:

- Determine whether the number of risks included is appropriate. A dedicated Audit and Governance Committee will likely have sufficient time available to it to meaningfully discuss and challenge a Corporate Risk Register with this many risks.
- Undertake a review of the detail contained within the Summary Risk Register to ensure that members are able to understand the likelihood and impact of risks and the resultant actions and progress undertaken to mitigate/or reduce them.
- Consider whether it would be helpful to identify a target score for each risk aligned to the Authority's risk appetite. This would help provide visibility on the success of existing controls in reducing the likelihood (and possibly the impact) of risks crystallising and help provide clarity on which risks are closer to being mitigated and which need more work.

### Management comment

Corporate Management Board welcome this new report format of the annual report, which now provides an opportunity for a broader comment from yourselves, on the Authority's approach to providing value for money, by exploring the economy, efficiency and effectiveness in our use of resources. Corporate Management consider that this is a strong and positive report. In all the aspects covered in your report, we are pleased to have gained your independent assurance that you have not identified or seen any indication of significant risks, in relation to governance, financial sustainability, vfm areas of activity and covid-19 related work. We note your one relatively minor recommendation in relation to the Corporate Risk register, but that is something we plan to explore with the newly formed Audit and Governance committee

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements in September 2021.

## Audit Findings Report

More detailed findings can be found in our Audit Findings Report (AFR), which was published and reported to the Authority in July 2021.

## Preparation of the accounts

The Authority provided draft accounts in line with the national deadline and provided a good set of working papers.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Service. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

As in previous years we expect the Authority to be below the threshold requiring audit procedures however at the time of issuing this report the Group Instructions have not been issued by the NAO to confirm the approach for 2020/21.



# Appendices

# Appendix A - Responsibilities of the Fire and Rescue Service



## Role of the accountable officer:

- Preparation of the statement of accounts
- Assessing the Service's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Service's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Service will no longer be provided.

The Service is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.





# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Authority auditors as follows:

Type of recommendation	Background	Raised within this report
Statutory	Written recommendations to the Service under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Service to discuss and respond publicly to the report.	No
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Service. We have defined these recommendations as 'key recommendations'.	No
Improvement	These recommendations, if implemented should improve the arrangements in place at the Service, but are not a result of identifying significant weaknesses in the Service's arrangements.	Yes, see 13

# Appendix C - Use of formal auditor's powers

The following are formal powers that can be used by auditors:

Formal power	Used by auditor in 2020/21
<p><b>Statutory recommendations</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	Not required.
<p><b>Public interest report</b></p> <p><b>Under Schedule 7 of the Local Audit and Accountability Act 2014</b>, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	Not required.
<p><b>Application to the Court</b></p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	Not required.
<p><b>Advisory notice</b></p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> <li>• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>• is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or</li> <li>• is about to enter an item of account, the entry of which is unlawful.</li> </ul>	Not required.
<p><b>Judicial review</b></p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	Not required.



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