





## AGENDA

### KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

#### AUDIT AND GOVERNANCE COMMITTEE

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

Ask for: Marie Curry  
Telephone: (01622) 692121

#### **UNRESTRICTED ITEMS**

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

#### **A Routine Business**

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

#### **B For Decision**

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

#### **C For Information**

- C1. Internal Audit Progress Report 2022/23

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

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

Marie Curry  
Clerk to the Authority

6 April 2023

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

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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 Monday, 28 November 2022 at Kent Fire and Rescue Service Headquarters, The Godlands, Tovil, Maidstone, Kent, ME15 6XB.

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

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

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

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

### UNRESTRICTED ITEMS

#### 14. Chair's Announcements

*(Item A1)*

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

#### 15. Membership

*(Item A2)*

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

#### 16. Minutes

*(Item A3)*

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

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

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

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

.....

28 November 2022

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

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

#### **18. External Auditors' Findings Report 2021/22**

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

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

**19. Audit Committee Update**

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

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

**20. Corporate Risk Register**

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

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

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

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

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

28 November 2022

(2) RESOLVED that:

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

**22. Internal Audit Mid-Year Update 2022/23**

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

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

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

## **FOR DECISION**

### **SUMMARY**

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

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

### **RECOMMENDATIONS**

Members are requested to:

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

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

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BACKGROUND PAPERS: None

## COMMENTS

### Background

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

### Summary of Progress

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

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

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

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

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

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

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

### **IMPACT ASSESSMENT**

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

### **RECOMMENDATIONS**

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

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Summary Risk Register

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

2	<p><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</p>	Major Loss of life or property	AD Response	Very Unlikely	Catastrophic	Severe	<p>Reduction in risk No change</p>	Review and test Disaster Recovery arrangements for current contract	Completed			
		Fines or claims against the Authority						Public and media condemnation of the Service	Annual Audit Held and regular meetings established with incumbent supplier, with regard to operational continuity of supply of good and services.	In Progress		
		Increased financial costs									Monitor and respond to govt guidance with regard to the monitoring of supply chain impact	In Progress
		Government intervention in the management of the Service										

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

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

8	<p><b>IF</b> customer and premises information cannot be made available to operational staff <b>THEN</b> there is an increased risk that an inappropriate response to an emergency might be delivered</p>	Increased health and safety risk to staff and customers	Dir Resp & Res	Fairly Unlikely	Significant	Material	No Change	CRM/PRM project in progress to address this	In Progress
		Adverse comments from public and media						MDT replacement project in progress	Completed
		Legal action against the authority							
		Intervention by HSE or other agencies							
9	<p><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/ stakeholders	In Progress
		Higher procurement costs						Establish clear mechanisms to monitor delivery of arrangements	Completed
		Legal action against the Authority						Review and improve standard terms and conditions	Completed

10	<p><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 Term or Long Term	AD Resilience	Fairly Unlikely	Significant	Material	No Change	Transport disruption planning to be completed as part of EU exit preparation	Completed
		Loss of Premises - including access to site						Annual exercise completed and learning identified	Completed
		Loss of Information and Communication Technology (ICT) services						Review section business impact analysis	Completed
		Loss of Utilities						Review impacts of National Power Outage (NPO) on KFRS	In Progress
		Loss of critical suppliers/contractors							
		Loss of vehicles and essential equipment							
		Transport disruption-including severe weather							
		Shortage of fuel supply							

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

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

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

		Public dissatisfaction with the Service						Resolve primary gaps in body repairs and fire pump repairs	In Progress
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By: Director of Finance and Corporate Services  
To: Audit and Governance Committee - 20 April 2023  
Subject: EXTERNAL AUDITORS DRAFT AUDIT PLAN FOR 2022/23  
Classification: Unrestricted

## FOR DECISION

### SUMMARY

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

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

### RECOMMENDATIONS

Members are requested to:

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

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

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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.

### Audit Plan for 2022/23

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

(g) **Audit Fees** – This section sets out the proposed external auditors fee for the work they propose to undertake in reviewing the 2022/23 financial statements and their value for money assessment.

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

#### **IMPACT ASSESSMENT**

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

#### **RECOMMENDATIONS**

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

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# Kent and Medway Fire and Rescue Authority audit plan

Year ending 31 March 2023

April 2023



# Contents



## Your key Grant Thornton team members are:

### Paul Cuttle

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Section	Page	
Key matters	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
Introduction and headlines	4	
Significant risks identified	6	
Other matters	9	
Our approach to materiality	10	
IT Audit Strategy	12	
Value for Money Arrangements	13	
Audit logistics and team	14	
Audit fees	15	
Independence and non-audit services	17	
Communication of audit matters with those charged with governance	18	

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# Key matters



## National context

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

## Financial management

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

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

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

## Our Responses

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

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

# Introduction and headlines

## Purpose

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

## Respective responsibilities

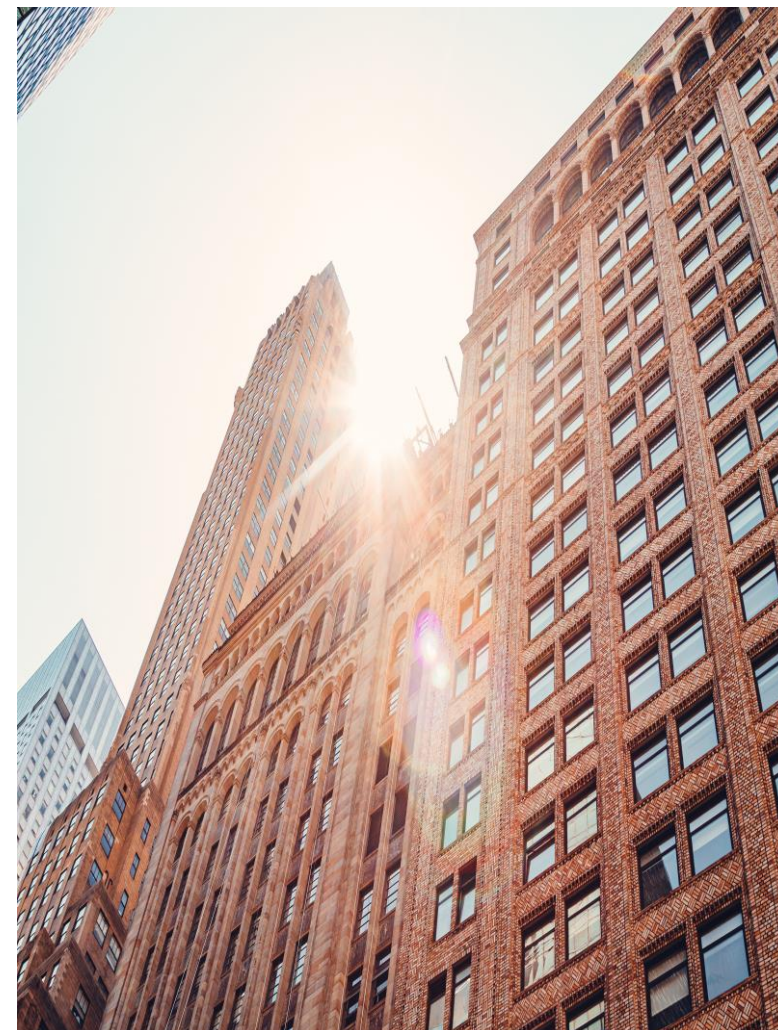
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement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

## Scope of our audit

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

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

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



# Introduction and headlines

## Significant risks

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

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

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

## Materiality

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

## Value for Money arrangements

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

## New Auditing Standards

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

## Audit logistics

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

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

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

# Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue recognition	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> <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 framework for the Kent and Medway Fire and Rescue Authority mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We have therefore identified management override of control, in particular in relation to journals, management estimates and transactions outside the course of business, as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <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

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>Property valuations represents a significant estimate by management in the financial statements due to the values involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified the valuation of land and buildings as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <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>

# Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liabilities (Local Government Pension Scheme and Firefighters' Pension Schemes) represent a significant estimate in the financial statements.</p> <p>Due to the values involved and the sensitivity of the estimates to changes in key assumptions we have identified valuation of the Authority's pension fund net liabilities as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <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>

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# Other matters

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## Other work

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

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

## Other material balances and transactions

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

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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

# IT audit strategy

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

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

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

# Value for Money arrangements

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

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



## Improving economy, efficiency and effectiveness

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



## Financial Sustainability

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



## Governance

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

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

# Audit logistics and team



## Paul Cuttle, Engagement Lead

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

## Trevor Greenlee, Audit Manager

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

## Audited body responsibilities

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

## Our requirements

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

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

# Audit fees and updated Auditing Standards including ISA 315 Revised

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

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

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

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

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

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

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

# Audit fees

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

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

## Assumptions

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

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

## Relevant professional standards

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

# Independence and non-audit services

## Auditor independence

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

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

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

## Other services

No other services provided by Grant Thornton were identified

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	<b>Respective responsibilities</b>
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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

## FOR DECISION

### SUMMARY

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

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

### RECOMMENDATIONS

Members are requested to:

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

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

## COMMENTS

### Background

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

### Informing the Audit Risk Assessment 2022/22

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

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

### **Audit and Governance Committee Response for 2022/23**

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

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

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

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

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

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

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

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

#### **IMPACT ASSESSMENT**

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

#### **RECOMMENDATIONS**

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

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



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

# Table of Contents

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

## Purpose

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

## Background

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

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

## Communication

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

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

## Purpose

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

## General Enquiries of Management

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

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Currently we are not aware of any impairments.
6. Are you aware of any guarantee contracts? If so, please provide further details	<p>As far as we are aware the Authority is not party to any guarantee contracts. However, you may wish to note that when a public sector body (e.g. KMTFA) creates framework agreement(s) against which it and other FRs can enter into contracts, there is a law that could mean in the event of a failure or legal challenge the named Authority could be liable.</p> <p>Kent is named as lead authority on the following national framework agreements –</p> <ul style="list-style-type: none"> <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>
8. Other than in house solicitors, can you provide details of those solicitors utilised by appropriateness of the accounting policies adopted by Kent and Medway Fire and Rescue Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>We have no in-house solicitors. External legal advice is sought from the following:</p> <p>DLA Piper UK LLP– Procurement and Contract Advice            Invicta Law – Property &amp; HR            Stotesbury/Red Lion Chambers – Technical Fire Safety</p>



# Fraud

## Matters in relation to fraud

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

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

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

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

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

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



## Fraud risk assessment

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



# Fraud risk assessment

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



# Impact of laws and regulations

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



## Impact of laws and regulations

Question	Management response
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.
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
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

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



# Accounting estimates

## Matters in relation to accounting estimates

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

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

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

Specifically do Audit Committee members:

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

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

# Accounting Estimates - General Enquiries of Management

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

# Accounting Estimates - General Enquiries of Management

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



## Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation uncertainty - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Land and buildings valuations	<p>Previous years have relied on historic measurements of buildings.</p> <p>For 22/23 accounts. All material stations have been re-measured with new drawings of measurements provided.</p>	<p>Full year valuation every 5 years on the whole portfolio. Properties material in value are subject to a full valuation each year and have had a full re-measurement and new plans. The remaining properties are subject to a 25% of portfolio rolling full valuation with the other 75% subject to a desktop valuation.</p>	<p>A review of the information provided by experts is undertaken. Comparisons to the previous year's valuation is made and the percentage increase reviewed. Large increases in values are reviewed and further clarification from the expert is requested to understand increases over and above those expected.</p>	Yes	<p>The following measurement basis are applied:-</p> <ul style="list-style-type: none"> <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- Actual Cost</b></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

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	What control activities are in place over the calculation? How do management monitor these controls, including those at service organisations or experts?	Has there been use of an expert or specialised skills?	How do management assess the degree of - estimation uncertainty - sensitivity to alternative methods or assumptions?	Has there been a change during the year in (i) the accounting method or model (ii) the assumptions and source data (iii) key control activities? If so please explain any changes.
Provisions	No	<p><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>	<p>Estimates for the settlement figures are provided by REGIS (FRIC claims management company). The Authority then reviews its financial exposure to those claims and sets funds asides.</p> <p>The information is provided by the District Councils and is subject to External Audit</p>	Yes	<ul style="list-style-type: none"> <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 change following Audit sign off.</li> </ul>	No



## Appendix A Accounting Estimates

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

## Appendix A Accounting Estimates

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

## Appendix A Accounting Estimates

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

## Appendix A Accounting Estimates

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





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

## **FOR DECISION**

### **SUMMARY**

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

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

### **RECOMMENDATIONS**

Members are requested to:

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

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

## COMMENTS

### Background

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

## **IMPACT ASSESSMENT**

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

## **RECOMMENDATIONS**

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

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



## **Introduction**

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

## **Internal Audit Plan**

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

## **Resourcing**

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

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

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

## **Internal Audit Charter**

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

## **Performance of Internal Audit**

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

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

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

## **Conclusion**

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

### **Contact Details:**

Frankie.smith@kent.gov.uk  
03000 419434

## Annex 1

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

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





























**Appendix 1 to  
Item No: B5**

**Prudential and Treasury Management Indicators**

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

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

## **FOR DECISION**

### **SUMMARY**

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

### **RECOMMENDATIONS**

Members are requested to:

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

LEAD/CONTACT OFFICER: Clerk to Authority – Marie Curry

TELEPHONE NUMBER: 01622 692121 ext 8291

EMAIL: marie.curry@kent.fire-uk.org

BACKGROUND PAPERS: None

## RECOMMENDATIONS

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

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

### **Role of Independent Member Audit and Governance Committee**

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

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

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

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

If you are interested in this position, please send a CV to [recruitment.hr@kent.fire-uk.org](mailto:recruitment.hr@kent.fire-uk.org)

#### **Remuneration:**

An allowance and remuneration for expenses will be paid.

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

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

### **Provide the Authority with:**

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

### **Oversee:**

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

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

### **Job Purpose:**

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

### **Key Responsibilities**

As an Independent Member you are required to

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

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

### **Knowledge and Skills**

The Candidate for this position will ideally have

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

### **What level of Commitment is required**

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

#### **You should not:**

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

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

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

## **FOR INFORMATION**

### **SUMMARY**

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

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

### **CONCLUSION**

Members are requested to:

1. Consider and note the content of the report.

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

## COMMENTS

### Background

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

### Internal Audit Progress Update

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

### Outstanding Management Actions from Previous years Audit Reviews

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

### Counter Fraud

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

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

## **IMPACT ASSESSMENT**

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

## **CONCLUSION**

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

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## ANNEX A – AUDIT SUMMARIES

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

## ANNEX A – AUDIT SUMMARIES

### FS04-2023 Business Continuity Planning

#### ENGAGEMENT OBJECTIVE

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

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

#### KEY STRENGTHS

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

#### OPINION & NUMBER OF ISSUES RAISED

#### AREAS FOR DEVELOPMENT

Assurance Opinion	Prospect for Improvement	High	Medium	Low
<b>High</b>	<b>Very Good</b>	<b>0</b>	<b>0</b>	<b>0</b>

- None

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

## ANNEX A – AUDIT SUMMARIES

### FS06-2023 Use of Mobile Data Terminals (MDT), Companion Devices and Risk Data

#### ENGAGEMENT OBJECTIVE

As part of the 2022/23 Audit Plan, it has been agreed that Internal Audit would undertake a review of Use of Mobile Data Terminals (MDT), Companion Devices and Risk Data.

The aim of the audit was to determine the adequacy and effectiveness of controls over the use of Mobile Data Terminals (MDT), Companion Devices and risk data to enable safe and effective command decisions.

In forming conclusions, the Fire Standards and internal policies and procedures were considered.

#### OPINION & NUMBER OF ISSUES RAISED

Assurance Opinion	Prospect for Improvement	High	Medium	Low
<b>High</b>	<b>Very Good</b>	<b>0</b>	<b>0</b>	<b>0</b>

The findings from this review have demonstrated that there are robust controls over the use of MDTs, Companion Devices and risk data that facilitates effective incident management and decisions.

#### KEY STRENGTHS

- There is a comprehensive range of process documentation, including MDT and Companion Device manuals, Site-Specific Risk Information (SSRI), Site Safety Checklists and Response Assessment Visit (RAV) Intelligence.
- There is appropriate training for the Dynamics (Risk Management Platform), MDTs and Companion Devices.
- There are processes in place, including Quality Assurance, which ensures Information on MDTs and Companion Devices is up-to-date, accessible and usable during incidents.
- There are robust business continuity arrangements should MDTs and Companion Devices fail, including: Grab packs, Remote support via the Resilience Direct system, SharePoint, the use of tablets and laptops remotely and phoning officers.
- There are effective maintenance arrangements in place.
- Post-incident debriefs are undertaken and best practice, lessons learned and areas for improvement are recorded on an Action Tracker.
- There is a monthly Evaluation Board at the Response and Resilience meeting where actions are allocated, risk rated and put on the Action Tracker.
- The various ongoing related projects, including the MDT and Risk Management Platform, continue forward in line with Project Management Methodology, in order to yield optimal benefits.

#### AREAS FOR DEVELOPMENT

- None

## **ANNEX A – AUDIT SUMMARIES**

## ANNEX A – AUDIT SUMMARIES

### FS07-2023 Safeguarding

#### ENGAGEMENT OBJECTIVE

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

#### KEY STRENGTHS

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

#### AREAS FOR DEVELOPMENT

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

#### OPINION & ISSUES RAISED

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

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









