



KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Meeting of the Audit and Governance Committee

Thursday, 25 April 2024

2pm

AGENDA

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Thursday 25 April 2024 at 2pm
Kent Fire and Rescue Service Headquarters,
The Godlands, Straw Mill Hill
Tovil, Maidstone, ME15 6XB

Ask for: Marie Curry/Andreia Cobb
Telephone: (01622) 692121

UNRESTRICTED ITEMS

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

A Routine Business

- A1. Chair's Announcements *(if any)*
- A2. Membership Changes and Apologies for Absence
- A3. Declarations of Interest in Items on this Agenda
- A4. Minutes of the Audit and Governance Meeting held on Monday 29 January 2024 *(for approval)*

B For Decision

- B1. Strategic and Corporate Risk Registers
- B2. External Auditors Audit Findings Report for 2022/23
- B3. Internal Audit Annual Report and Audit Opinion for 2023/24
- B4. External Auditors Draft Audit Plan for 2023/24
- B5. External Auditors Audit Risk Assessment for 2023/24
- B6. Internal Audit Annual Plan for 2024/25 and the Audit Charter
- B7. Treasury Management Update for 2023/24

C For Information

No for information items on this agenda

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

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

Marie Curry
Clerk to the Authority
16 April 2024

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

MINUTES of the Meeting of the Audit and Governance Committee held on Monday, 29 January 2024 at Kent Fire and Rescue Service Headquarters, The Godlands, Tovil, Maidstone, Kent, ME15 6XB.

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

APOLOGIES: - Mr A Booth, Mr N Collor and Mr J McInroy

OFFICERS:- The Chief Executive, Miss A Millington MBE, QFSM; the Director, Finance and Corporate Services, Mrs A Hartley; Director Prevention, Protection and Customer Engagement, Mr J Quinn; Assistant Director, Operations, Mr M Deadman; Head of Finance, Treasury and Pensions, Mrs N Walker; Head of Finance, Treasury and Pensions, Mr B Fullbrook; Head of Policy, Dr O Thompson; Resilience Manager, Steven Lewis; 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

13. 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.

14. Membership

(Item A2)

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

15. Minutes

(Item A4)

- (1) RESOLVED that:
 - (a) The minutes of the Audit and Governance Committee held on 27 September 2023 be signed as a true and correct record.

16. Corporate Risk Register

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

- (1) The Committee considered the latest update on the Corporate Risk Register.
- (2) The Chief Executive gave an update on the proposed format of how risks will be identified and recorded in the Register in future. She explained that the Register will form two parts; Strategic Risks – risks identified that could prevent the Authority fulfilling its objectives against its strategic aims and then the Corporate Risks – these being the operational day to day risks that are identified in terms of their likelihood of occurring and their potential impact.

- (3) The Chief Executive explained that the Register will be summarised using a RAG rating system and will give Members more detail around the control measures in place. All of which will be beneficial in future for helping the Committee examine the information presented before them. The Committee will receive the Register in its new format at the next meeting.
- (4) Members discussed a new risk which has been identified in relation to the reduction of water pressure in the water networks, particularly in new development areas. This means that limited water pressure is being extracted from fire hydrants during an incident. The Resilience Manager explained that although this is a national issue, there are impacts on a number of geographical areas within Kent so has therefore been identified as a likely but critical risk for this Authority.
- (5) The Resilience Manager answered a number of questions posed by Members and also provided an update on the work the Authority is doing with local planners and water companies to try and resolve the situation.
- (6) It was agreed that a letter be sent from the Chair of A&G to the local planning authorities outlining the Authority's concerns and its willingness to engage to work collaboratively to find a resolution to the water supply issue.
- (7) The Chair asked that the Risk Register in its current form is brought back to the next meeting alongside the new format so Members can compare the two.
- (8) In relation to the discussions on other risks contained within the Register, the Chair requested that Members to be provided with a training / awareness session on Cyber Security.
- (9) RESOLVED that:
 - (a) the amendments to the Corporate Risk Register as shown in Appendix 1 to the report, be approved.
 - (b) The Chair of the Audit and Governance Committee writes to all local planning authorities to outline the impact and potential risks to frontline service delivery, particularly at incidents, of reduced water pressure impacting on the Authority and the need to work collaboratively to resolve, be approved.
 - (c) The contents of the report be noted.

17. Treasury Management and Investment Strategy 2024/25 – 2027/28

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

- (1) The Committee received the draft Treasury Management Strategy for the 2024/25 financial year to consider prior to this being presented to the Authority in February 2024.
- (2) The capital and reserve figures detailed within the draft Strategy provide current estimates of forecast spend but may be subject to refinement prior to the Authority's budget meeting as projects progress or slip and as more detailed work in costing and profiling are undertaken to ensure affordability.
- (3) In response to a question raised by Mrs Waterman around what the arrangements will be for an external Treasury Management Advisor once the current contract ends in September, the Head of Finance, Treasury and Pensions, Mrs Walker responded by saying that the intention will be to go out to tender but recognising the fact that there is limited provision in this market.

(4) RESOLVED that:

- (a) the Treasury Management and Investment Strategy for the 2024/25 financial year, be approved in principle.

18. External Auditors Audit Findings Report for 2022/23 and Letter of Representation

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

(1) The Committee considered the External Auditors Audit Findings Report in relation to the 2022/23 financial year, the audit work that has been undertaken to date as well as the Letter of Representation.

(2) Mr P Cuttle provided an update on the areas that are yet to be concluded within the Auditors review, these are detailed in Appendix 1 to the report.

(3) RESOLVED that:

- (a) the matters raised within the annual Audit Findings Report for 2022/23, as attached at Appendix 1 to the report, were considered and approved.
- (b) the draft Letter of Representation in relation to the 2022/23 accounts, as attached at Appendix 2 to the report, be approved.

19. Internal Audit Progress Update 2023/24

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

(1) The Committee was provided with an update on the progress of the audit undertaken to date in relation to the 2023/24 Audit Plan, as agreed by the Committee in April 2023, as well as a summary of the recent Internal Audit follow up work.

(2) Ms F Smith, Head of KCC Internal Audit was in attendance to answer questions posed by Members.

(3) To support the work on audit, the Chief Executive offered the Committee a briefing session to a future meeting to give an overview of the Authority's current project programme.

(4) RESOLVED that:

- (a) the contents of the report be noted.

20. External Auditors Audit Findings Report for 2021/22

(Item C2 – 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. There was a delay in the conclusion of the audit review for the 2021/22 accounts due to pension revaluation issues. The External Auditors formally concluded their review of the Authority's financial statements on 27 November 2023.

(2) Mr P Cuttle was present at the meeting to answer any questions posed by Members. Mr Cuttle reported that the Authority's accounts were of good quality and were received within the required timeframe.

(3) RESOLVED that:

29 January 2024

- (a) the Audit Findings Report for 2021/22 as attached at Appendix 1 to the report, be noted.

By: Chief Executive
To: Audit and Governance Committee – 25 April 2024
Subject: STRATEGIC AND CORPORATE RISK REGISTERS
Classification: Unrestricted

FOR DECISION

SUMMARY

The Audit and Governance Committee last received an update on the Corporate Risk Register at its meeting on the 29 January 2024. Since then, work has been ongoing to enhance our approach to strategic and corporate risks. Consequently, this report now provides not only an update against the agreed action plans, which will help mitigate or reduce potential risks, but it also sets out the enhanced approach, which now incorporates a risk appetite statement and risk tolerance matrix.

RECOMMENDATIONS

Members are requested to:

1. Agree the new approach to Strategic and Corporate Risk Register management as shown in **Appendix 1**
2. Agree the refreshed Risk Management Policy in **Appendix 2**
3. Agree the Risk Appetite Statement attached as **Appendix 3**
4. Agree the Risk Tolerance Matrix attached as **Appendix 4**
5. Review and agree the new Strategic and Corporate Risk Registers with fully detailed controls, as shown in **Appendix 5**
6. Note the creation of a Corporate Risk Manager (paragraph 10 refers)
7. Note the content of the report.

LEAD/CONTACT OFFICER: Corporate Risk Manager - Paul Goodwin
TELEPHONE NUMBER: 01622 692121 ext.: 7822
EMAIL: Paul.Goodwin@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Background

1. Members last received an update on the Corporate Risk Register at the January 2024 Audit and Governance meeting. Since then, we have undertaken a significant refresh of our approach to risk management. We have researched approaches in other organisations, consulted with the Institute of Risk Management and liaised with our External Auditors on our updated approach.

Outlining the new approach to Integrated Risk Management

2. A detailed document outlining our approach to both internal risks and the Community Risk Management Plan (CRMP) risks is attached as **Appendix 1**.
3. We have refreshed our Risk Management policy, and this is attached at **Appendix 2**.
4. We have developed a Risk Appetite Statement for the first time at **Appendix 3** along with a Risk Tolerance Matrix **Appendix 4**. The Corporate Management Board determine and continuously assess the nature and extent of the principal risks that the organisation is exposed to and is willing to take, to achieve its objectives – its risk appetite – and ensure that planning and decision-making reflects this assessment. The Audit and Governance Committee provide a scrutiny role in relation to highlighted risks and as such monitor the delivery of the action plans. Effective risk management should support informed decision-making in line with this risk appetite, ensure confidence in the response to risks, transparency over the principal risks faced and how these are managed.
5. Having sought advice from the Institute of Risk Management we have separated our risks into the top strategic risks and other significant corporate risks. The two full Risk Registers are for Members' information and approval and can be viewed at **Appendix 5** on the Authority's area of the website https://www.kent.fire-uk.org/sites/default/files/dam/documents/kmfra/ctte_papers/kmfra_ag_2024-03-28_agenda-and-reports_item-b1_appendix-5_risk-register.xlsx
6. We are presenting the necessary and appropriate controls required against each risk.
7. Whilst we have always used Internal Audit to scrutinise aspects of the Service, alongside the relevant controls that were in place to manage the risk, we are now planning a more systematic approach. Over the medium term the focus of setting the plan of work for internal reviews, will be based on the necessary controls set out in the strategic and corporate risk registers, so Internal Audit can provide an independent evaluation of the effectiveness of risk management and our internal control arrangements.

8. This approach is very much in line with best practice described as the Three Lines Model set out below.

Three Lines Model

9. The Institute of Internal Auditors have updated the Three Lines of Defence Model (2013) with the Three Lines Model (2020)¹. This model is designed to help organisations to identify structures and processes that can assist achieving organisational objectives and facilitate strong governance and risk management.



The first and second lines are provided by management and incorporate responsibility to achieve organisational objectives whilst managing risk. Second line roles may be complementary and focus on specific objectives of risk management. Internal audit provides the third line of defence, and external audit provides external assurance.

10. In recognition of the work required to fully assess, evaluate, and manage the enhanced risk management approach, there will be a dedicated Corporate Risk manager post established. This new role will effectively be an enhanced role for the current officer who manages the risk aspects in the Response and Resilience Team. One of the fundamental aspects of this role will be to oversee the new risk management approach, but also to work alongside Finance colleagues to provide the necessary risk management information which is required to enable the Finance Team to manage all aspects of Insurance related work effectively.

IMPACT ASSESSMENT

11. Officers regularly review the action plans that underpin each strategic and 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

12. Members are requested to:
 - 12.1 Agree the new approach to Strategic and Corporate Risk Register management as shown in **Appendix 1**.
 - 12.2 Agree the refreshed Risk Management Policy in **Appendix 2**
 - 12.3 Agree the Risk Appetite statement attached as **Appendix 3**
 - 12.4 Agree the Risk Tolerance matrix attached as **Appendix 4**
 - 12.5 Review and agree the new Strategic and Corporate Risk Registers with fully detailed controls, as shown in **Appendix 5**
 - 12.6 Note the creation of a Corporate Risk Manager (paragraph 10 refers).
 - 12.7 Note the content of the report.

Kent Fire and Rescue Service Integrated Risk Framework, Policies and Procedures

Introduction

This is the integrated approach to risk assessment, management and reporting by Kent Fire and Rescue Service.

The Fire Authority's Audit and Governance Committee is required to review and ratify, on an annual basis, the processes for identification, assessment, prioritisation, escalation, and management of risk, together with internal controls to manage and respond to risks. This paper serves to provide an overview of these key areas.

The Kent and Medway Fire Authority scrutinise and ratify the risks to customers through the CRMP process.

Developing a Good Risk Culture

We are going to develop a Good Risk Culture. This means:

1. Distinct and consistent tone from the top
2. Commitment to ethical principles
3. Common acceptance of the importance of continuous management of risk
4. Transparent and timely risk information flow
5. Encouragement of risk event reporting
6. Risks understood despite complexity, obscurity or size of process or activity
7. Appropriate risk-taking behaviours rewarded and encouraged
8. Risk management skills and knowledge valued, encouraged and developed
9. Consistent and rigorous challenge of the status quo
10. Alignment of culture management with employee engagement and people strategy

We are seeking to ensure that all the elements of practice in Fig1 below are included in our thinking – for instance we will seek to structure reviews of our risk register but also act dynamically when events happen such as Grenfell. At the centre is the concept of protecting our service but also managing risk in such a way that we can add value. Innovation and continuous improvement but mitigating risks where we can.

Fig 1. Elements of Practice we are developing in our approach to risk assessment and management.



Definitions

Risk – Risk is defined as an uncertain event or set of events, which should it occur, will have an effect upon (i.e. threaten) the achievement of the Service’s objectives. Risk consists of a combination of the likelihood of the ‘threat’ happening and the impact of that threat happening.

Risk Assessment - A risk assessment is the process of identifying what hazards exist, or may appear in the workplace, how they may cause harm and to take steps to minimise harm.

Risk management - Risk management is the process of identifying, assessing and controlling threats to an organisation's capital, earnings and operations.

Section 1. Risk identification and assessment

There are five fundamental types of risk that we manage as a Service.

- 1) Our external focus on reducing risk to our customers which is managed through the CRMP process. CRMP. Our main aims are to save lives and reduce harm. That means understanding risks in how people live their lives which could result in death, injury, or harm. The Community Risk Management Plan is our process for assessing, prioritising, and actioning risks.
- 2) The Service Strategic Risk Register comprises strategic risks as defined by CMB: the major risks that could prevent management from fulfilling the objectives in the service's agreed strategy. There are six categories we use to assess strategic/corporate risks (see below)
- 3) By contrast, the Corporate Risk Register comprises operational risks, mainly identified by teams across the service themselves. It does not include all the organisation's operational risks – an operational FRS will often have hundreds of these – just the most significant ones.
- 4) Risks associated with our main programmes and projects.
- 5) Operational risk management is described in the National Operational Guidance approach. Programme and project risks – Strategic Leadership team and the programme management office develop and review these risks regularly.

Six categories of Strategic and Corporate risk

- 1) Service delivery and business continuity risks
Those threats to the Service's ability to deliver some or all our services to customers. Those threats or opportunities that will materially affect the way in which the Service exists and the ability of the Service to survive. This includes reputational harm should the Service fail to meet the expectations of a specific stakeholder group.
- 2) Governance risks
Governance, or corporate governance, is the overall system of rules, practices, and standards that guide an organisation.
- 3) Financial risks
Those threats to the Service's ability to manage its finances, to generate sufficient revenue and manage expenditure.
- 4) Information risks
Those threats to the Service's ability to store information (information held electronically by the Service), safely, securely and with appropriate levels of consent.
- 5) Workforce risks
Those risks related to Service colleagues and volunteers.
- 6) Premises risks
Those risks relating to the main Service building and leased retail properties.

Community Risk Management Plan (CRMP)

Our first responsibility is to identify risks to our customers. This is managed through the Community Risk Management Planning process. This describes how we turn analysis of risks into plans.

We are mindful of the lessons learnt from the history of fires and the risks we all face. We constantly scan the changes which affect our lives to make sure we design new ways to reduce risk and help you in the most effective ways. We provide four main services to our customers:

- **Prevention**
We work with customers in their homes and in places of education to promote safer behaviours and messaging to help prevent fires, road crashes and drownings.
- **Protection**
We are the regulator for fire safety in Kent and Medway. Our specialist teams work with businesses to ensure buildings are designed to be safe and then kept safe for occupants, as well as looking at firefighting facilities for firefighters.
- **Response**
We respond to a wide range of incidents, including fires, road crashes, water rescues and working with other emergency services.
- **Resilience**
We work with partner agencies such as the police, ambulance, and councils to plan for major emergencies and events, such as large fires, flooding, and pandemics, to help keep people safe.

How we assess the risks to customers

We constantly gather feedback from customers, from incidents, our colleagues, fire services across the world and other agencies. This means that we have a thorough understanding of our historic demand, local risk profiles, and how well we are performing. We also want to ensure that we look at how the nature of the risks we face may change and what new risks may present themselves. To do this we adopt a seven-stage process which involves:

- Stage 1 – Risk identification
- Stage 2 – Risk analysis
- Stage 3 – Risk exclusion
- Stage 4 – Risk assessment
- Stage 5 – Risk prioritisation
- Stage 6 – Consultation and engagement
- Stage 7 – Control measures.

Stage 1 – Risk identification

To ensure we have as complete and accurate a risk picture as possible, we draw data from several different sources:

National risks

The Government monitors the most significant emergencies that the UK could face over the next five years through its National Risk Assessment. The [National Risk Register \(NRR\)](#) is the public version of this assessment. It provides advice on how people, businesses and the emergency services can better prepare for emergencies.

Kent and Medway area risks

Kent Local Resilience Forum: this forum brings diverse types of organisations together to actively work to prepare for, respond to and recover from any major emergency in Kent and Medway.

The [Community Risk Register \(CRR\)](#) sets out the risks facing our communities and how they are being dealt with and include, for example flooding, animal disease, adverse weather and pandemic flu.

Census and other data: we use census data to analyse changes in the makeup of our communities. We have also used the Kent Analytics population data used by Kent County Council (KCC) to plan services. By combining this with information from studies such as those by the National Fire Chiefs Council, we can see where and for who we need to target our activities. (The equality of access documents provides a range of information about diverse groups of people and ideas, and the actions which services could take to make a positive difference and ensure everyone can and does access our services.)

Growth and infrastructure frameworks: produced by local authorities these frameworks detail what building, and development is likely to take place in the medium to long term. They help us to identify possible future changes in the location of demand and the nature of the risks that we respond to.

Other studies: we also draw on other theme-specific studies – for example, KCC’s evaluation of the risks and impacts of climate change on Kent and Medway and their strategy ‘Framing Kent’s future 2022-26’.

Continuous learning

We learn from many other sources including:

1. National Operational Learning
2. Joint Operational Learning
3. Institution of Fire Engineers
4. In house debriefing and incident assurance
5. Professional debates and conferencing

Historic incident data

We collect data about every incident we attend. This is fed into a national database. We use this to identify what incidents we most frequently attend, which have the greatest impact on our customers, and where they most frequently occur. This allows us to align our resources and services to where the demand and risk is most likely to happen and to spot patterns and trends indicating how these factors may change in the future.

Stage 2 – Risk analysis

In this stage we cross-map the various risk data sources and produce a list of risks that we believe apply to fire and rescue service activities – either directly or indirectly.

In this Community Risk Management Plan (CRMP) we have identified 52 risks which we have assessed our services against. This broad range of risks are not limited to what have traditionally been fire and rescue activities and consider how we may use the capabilities we have to deliver better outcomes for customers in new areas of risk.

Stage 3 - Risk exclusion

The next step is to list all the risks we have excluded from our analysis. These are risks that are featured in places such as the National Risk Register, but which we feel neither directly nor indirectly affect our activities, for example a port blockade. We ask the public in our annual consultation if they think we have missed any risks.

Stage 4 – Risk assessment

We use accepted risk assessment methods to scrutinise the list of risks that we have identified. Using historic incident data, national trends and studies, we assess the likelihood of a risk being realised, comparative to another. This likelihood is assessed in relation to Kent and Medway, rather than nationally.

We then assess the impact, should the risk occur. While this is a subjective process, we use the following assessment criteria to improve consistency when looking at the impact on:

- the welfare of our customers
- firefighters and other emergency responders
- the environment
- local, regional, and national economies
- essential community services

To make these impact assessment decisions, we use local data from previous incidents and case studies from other incidents nationally and, where appropriate, internationally. We also consider

their impact against our current plans and capabilities, which helps to give a reflection of our current risk profile.

We then plot the outcome of our risk assessment on a '5 x 5 risk matrix' – a graph representing likelihood and consequence scores – enabling us to view risk outcomes relative to one another.

Stage 5 – Risk prioritisation

Some risks will always be classified as high risk – for example pandemic flu. However, this does not necessarily mean that we class them as a higher priority over other risks. It may be that the likelihood of a high risk occurring is difficult for us to reduce, or our current plans and capabilities to respond to the risk are current and robust.

We therefore give our risk assessment score a priority rating from one to five. This is based on our assessment of:

- our current capabilities and whether they need to be improved
- our ability to influence the likelihood of the risk occurring
- how we see the risk evolving over time

Priority	Descriptor
Priority 5	Risks that we don't understand well and have not developed or full capability in
Priority 4	Well understood risks that we know we need to develop our capability further to provide the best service but we can evidence the risk likelihood or consequences are likely to change over the next 5 years
Priority 3	Well understood risks that we know we need to develop our capability further to provide the best service but we can evidence the risk likelihood or consequences are unlikely to change over the next 5 years
Priority 2	Well understood risks that we are confident we have the capability to respond to but can evidence the risk likelihood or consequences are likely to change over the next 5 years
Priority 1	Well understood risks that we are confident we have the capability to respond to and can evidence the risk likelihood and consequences are unlikely to change over the next 5 years

To obtain the final list of risk priorities, we multiply the scores for likelihood, impact and priority.

From this list, we identify themes in the high priority risks and turn them into strategic challenges. These are the areas where we think we can develop our capabilities to have a positive impact.

Stage 6 – Engagement and consultation

Any changes we make to our services are driven by our risk assessment. Because we provide services for our customers, we want to make sure any changes are done with their consent.

It is therefore important that we engage with them as customers, community groups, colleagues, partner agencies and other stakeholders, when building our risk assessment. Accessibility and inclusion lie at the heart of this approach, providing us with the widest possible audience, a greater understanding of the risks, and ensures any proposed changes take your requirements into account.

Following our engagement, we take the results of what people have said and adapt our risk assessments accordingly.

Finally, we present the final version to the Fire Authority for sign off on behalf of the public.

Stage 7 – Control measures

Having a detailed and accurate picture of the risks enables us to put in place plans, or control measures, to improve our services and risk outcomes. In doing so, we identify what change we are trying to deliver and what benefits the change will provide. We take an integrated approach to managing the risk, with our departments working in partnership to achieve our strategic intentions.

Our approach to managing the Strategic Risk register and the Corporate Risk Register

The approach to risk management in KFRS is based on identifying the major strategic risks as defined by CMB: the major risks that could prevent management from fulfilling the objectives in the service's agreed strategy. This will typically have a list of ten to twelve risks. These will be identified and managed using the methods described below.

By contrast, the Corporate Risk Register comprises key operational risks, mainly identified by teams across the service themselves. It does not include all the organisation's operational risks – an operational FRS will often have hundreds of these – just the most significant ones. This list will typically have approximately thirty to forty key risks. These are identified through several mechanisms including evaluation of risks in the main strategic programme of projects.

In both strategic and corporate risk registers we follow this process:

1. Risk identification and assessment.
2. Risk prioritisation.
3. Risk escalation.
4. Risk management.
5. Internal controls to manage risk and assurance of our controls.
6. Good governance and risk management development.

1. Risk identification and assessment

We are vigilant for those risks that will affect how we deliver our services and there is a regular conversation at many levels of the Service focused on understanding risk. We carry our risk assessments against all new projects and current areas of work/new policy. These are agreed in many instances with the unions.

The six categories used to identify both strategic and corporate risks are listed below and are used to assess for emerging risks.

- ***Service delivery and business continuity risks***

Defined as: Those threats to the Service's ability to deliver some or all or some of its services to our customers. Those threats or opportunities that will materially affect the way in which the Service exists and the ability of the Service to survive. This includes reputational harm should the Service fail to meet the expectations of a specific stakeholder group.

Assessing risk: We have a robust approach to assessing risks to business continuity with a lead in place. Regular exercising of these risks highlights emerging risks. We also review risks for other services and collaborate to minimise impact on our Service.

Incidents: Our incident monitoring system is robust, and all incidents are logged on the database. Those logging, reviewing, and closing incidents (only the agreed formal meetings can close an incident for actions) assess them for risk and consequent

actions. Any trends relating to incidents are reviewed at the Response and Resilience meetings, Health and Safety Committee meetings and Critical Incident Board which are minuted meetings to identify any new risks for the Service.

At these meetings, discussions are held as to whether any new risks have been identified and should be added to the two types of register; whether the likelihood, impact, or speed of onset of any risk has changed or is likely to change; and any additional controls required for specific risks. Any changes made to the risk registers are shown as track changes and reported to the relevant Board committee at the next meeting.

The Response and Resilience team, the Prevention and Protection teams and Strategic Leadership team managing the main programme of projects monitor emerging issues and highlight strategic risks and corporate risks which need to be monitored.

- **Governance risks**

Defined as governance, or corporate governance, is the overall system of rules, practices, and standards that guide our organisation. Threats to the Service because of poor governance such as a judicial review if we don't examine issues and follow legislation appropriately.

Assessing risk: We review all our standards, policies, and procedures on a regular basis. These are managed through a Policy board and at Corporate Management Board (CMB) / Senior Leadership team (SLT) we test the governance of decisions. There is a set decision making process. We use Internal audit and other test mechanisms to evaluate our governance.

- **Financial risks**

Defined as: those threats to the Service's ability to manage its finances, to generate sufficient revenue and manage expenditure.

Assessing risk: we constantly monitor emerging legislative changes across the framework of statutes which affect us. All decisions are taken through a clear decision-making process which has controls built in at different stages including impact assessments on people, finance, and other risk areas.

- **Information risks**

Defined as: Those threats to the Service's ability to store information (in particular, information held electronically by the Service), safely, securely and with appropriate levels of consent. Threats to data and its misuse.

Assessing risk: Emerging legislative changes, societal changes in how people are seeking to breach our cyber security, internal data protection are all monitored by the Heads of Service for IT, Data and Policy. Issues are raised through SLT and CMB and regular auditing is in place. Regular updates are given to all colleagues on how to protect themselves and KFRS.

- **Workforce risks**

Defined as: Those risks related to Service colleagues and volunteers.

We carry out people impact assessments to quantify any differential impact and risk for our people.

Assessing risks: The People plan is continually updated with emerging issues and assessments of emerging legislation and best practice opportunities. This is monitored through the People Board and the Together Board.

- **Premises risks**

Defined as: Those risks relating to all the Service buildings and leased retail properties.

Assessing risk: This is managed for compliance between the Head of Property and Head of procurement. Regular liaison with finance and other departments ensures debate on emerging risks.

2. Risk prioritisation

A five-point rating system is established for all risks and ensures discussions do not just focus on risks rated as a 'high' likelihood and impact but also those with a high speed of onset. All risks are prioritised appropriately – for example, the risk of bad weather and pandemic is discussed in more detail in the run up to Autumn/Winter; summer issues such as wildfires are discussed and in preparation in the Spring.

Measuring/assessing risk

The Service has a 1-5 rating to measure Likelihood and a 1-5 rating to measure Impact.

Likelihood rating for risk

Score	Likelihood	Description	Illustrative
5	Almost certain	Expected to occur; probable this year and highly probable in the longer term.	>90% chance of occurrence
4	Likely	Will probably occur; it would be surprising if this did not happen.	65-90% chance of occurrence
3	Possible	Unlikely in the near future but reasonably likely in the longer term.	35-65% chance of occurrence
2	Unlikely	Do not expect it to happen in the near future but might occur in the longer term.	10-35% chance of occurrence
1	Remote	It would be surprising if this happened; may occur in exceptional circumstances.	<10% chance of occurrence

Impact rating for risk

Score	Impact	Description
5	Extreme	May cause key objectives to fail. Very significant impact on organisational goals. Legal or regulatory implications. Significant reputational impact.
4	Major	Risk factor may lead to significant delays or non-achievement of objectives.
3	Moderate	Risk factor may lead to delays or increase in cost.
2	Minor	Some impact of the risk, fairly minor.
1	Incidental	Fairly insignificant, may lead to a tolerable delay in the achievement of objectives or minor reduction in quality, quantity and/or an increase in cost.

Risk scale

The risk scale of a 1-5 Likelihood and 1-5 Impact rating can be illustrated in the heat map below. The risk rating ranges from 1 to 25 with four grades of risk rating:

Impact x Likelihood

1. Extreme 15-25
2. High 8-12
3. Moderate 4-6
4. Low 1-3

		Impact				
		Incidental	Minor	Moderate	Major	Extreme
Likelihood	Almost certain	5	10	15	20	25
	Likely	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Remote	1	2	3	4	5

Current and residual risk

We measure both current risk and residual risk:

- Current risk score is the level of risk occurring in the absence of any further actions taken to alter either the risk's impact or likelihood.
- Residual risk is the rating given to the risk after mitigations have been put in place and any further action need has been taken to alter the risk's impact and likelihood.

There may be instances where the mitigating actions identified have a minimal impact on the residual risk score as the factors influencing likelihood and impact are beyond our control. These are identified in the commentary on the risk registers.

Speed of onset

Speed of onset of a risk is highlighted so that the CMB can consider how quickly the Service may be impacted by a risk. Speed of onset is defined as below.

5	Very high	Very rapid onset, little or no warning, instantaneous
4	High	Onset occurs in a matter of days to a few weeks
3	Medium	Onset occurs in a matter of a few months
2	Low	Onset occurs in a matter of several months
1	Very low	Very slow onset, occurs over a year or more

Agreeing the organisational risk appetite

Risk appetite is the total impact of risk the Service is prepared to accept in the pursuit of its strategic objectives. We also need to balance risk and opportunity. So, we decrease threats but also prevent risk avoidance and therefore miss innovation and opportunity. CMB has a formal risk appetite statement that is ratified each December by the Fire Authority's Audit and Governance Committee.

The risk tolerance profile is aligned to business plans and our strategy and CMB annually agrees and the risk tolerance levels. This is achieved by using a risk tolerance heat map, an example of which might be depicted as follows:

	Incidental	Minor	Moderate	Major	Extreme
Almost certain	5	10	15	20	25
Likely	4	8	12	16	20
Possible	3	6	9	12	15
Unlikely	2	4	6	8	10
Remote	1	2	3	4	5

The Corporate Management Board (CMB) and the Audit and Governance Committee determine and continuously assess the nature and extent of the strategic risks and the corporate risks that the organisation is exposed to and is willing to take to achieve its objectives – its risk appetite – and ensure that planning and decision-making reflects this assessment.

Effective risk management should support informed decision-making in line with this risk appetite, ensure confidence in the response to risks, transparency over the principal risks faced and how these are managed.

Our view (in line with Government guidance) is that public sector organisations cannot be culturally risk averse and be successful. Effective and meaningful risk management remains more important than ever in taking a balanced of risk and opportunity in delivering public services.

Risk management is an integral part of good governance and corporate management mechanisms. Our risk management framework harnesses the activities that identify and manage uncertainty, allows us to take opportunities and to take managed risks not simply to avoid them, and systematically anticipate and prepare successful responses. A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses is the conscious and dynamic determination of the organisation’s risk appetite.

The risk appetite and tolerance statement will be refreshed and agreed annually by CMB and the Audit and Governance meeting. The risk appetite statement will also be changed as appetite changes as landscape or after a significant event.

CMB will also work to ensure strong links between the business continuity framework and strategic risk framework.

Zero tolerance

A list of risks the Service will not tolerate is approved by CMB as part of the risk appetite statement. It is important we outline these as they will influence policy such as when we would not accept the application of operational discretion. The Risk Tolerance Matrix outlines levels of tolerance.

Exceptions to the risk appetite levels

There may be occasions when the risk threshold needs to be exceeded by more than the agreed tolerance figure on an extraordinary basis to achieve a desired outcome. This may be particularly relevant in the event of a business continuity incident. Such incidences are discussed and agreed with CMB and need to be escalated to the Fire and Rescue Authority in accordance with our Scheme of Delegations.

3. Risk escalation

All risks are escalated as appropriate. Strategic risks and all risks rated as 'high' after mitigating actions are reported quarterly at CMB meetings.

Reporting risk - responsible person

The level of the risk should determine who will be responsible for overseeing the implementation of any control actions. However, all strategic risks, no matter what their rating, will be managed by the CEO and the CMB Team. In principle, the following will apply:

Risk Level	Accountable	Actions and responsibilities
Red	CEO/CMB Team	Urgent remedial action required by nominated Board member with progress reporting back into CMB team quarterly.
Orange	Director	Remedial action required and monitoring by Director or nominated Assistant Director. Periodic reporting back into CMB team.
Yellow	Head of Department	Remedial action and Departmental level monitoring required
Green	Manager	Low level monitoring required

Corporate Management Board oversight

- Risk registers of all strategic risks and all residual risks rated outside the agreed threshold.
- Heat maps of residual risks and speed of onset.
- Agreed risk tolerance level for reference.
- Corporate risk register, controls, and mitigation.
- Internal audit plan for assessment and auditing of all controls in both the Strategic and Corporate risk register on a cyclical basis.

The two risk registers are reviewed quarterly by CMB. Annually, and as and when it is agreed that changes are required, the Board will agree the risk appetite and risk tolerance level. We will also review the Business Continuity risk register.

Audit and Governance Committee oversight

The Audit and Governance committee will review and ratify the strategic risk register annually and the corporate risk register annually. The Audit and Governance committee will be made aware at any of its meetings of any major new risks added to the register or significant changes to risk ratings across all risk categories.

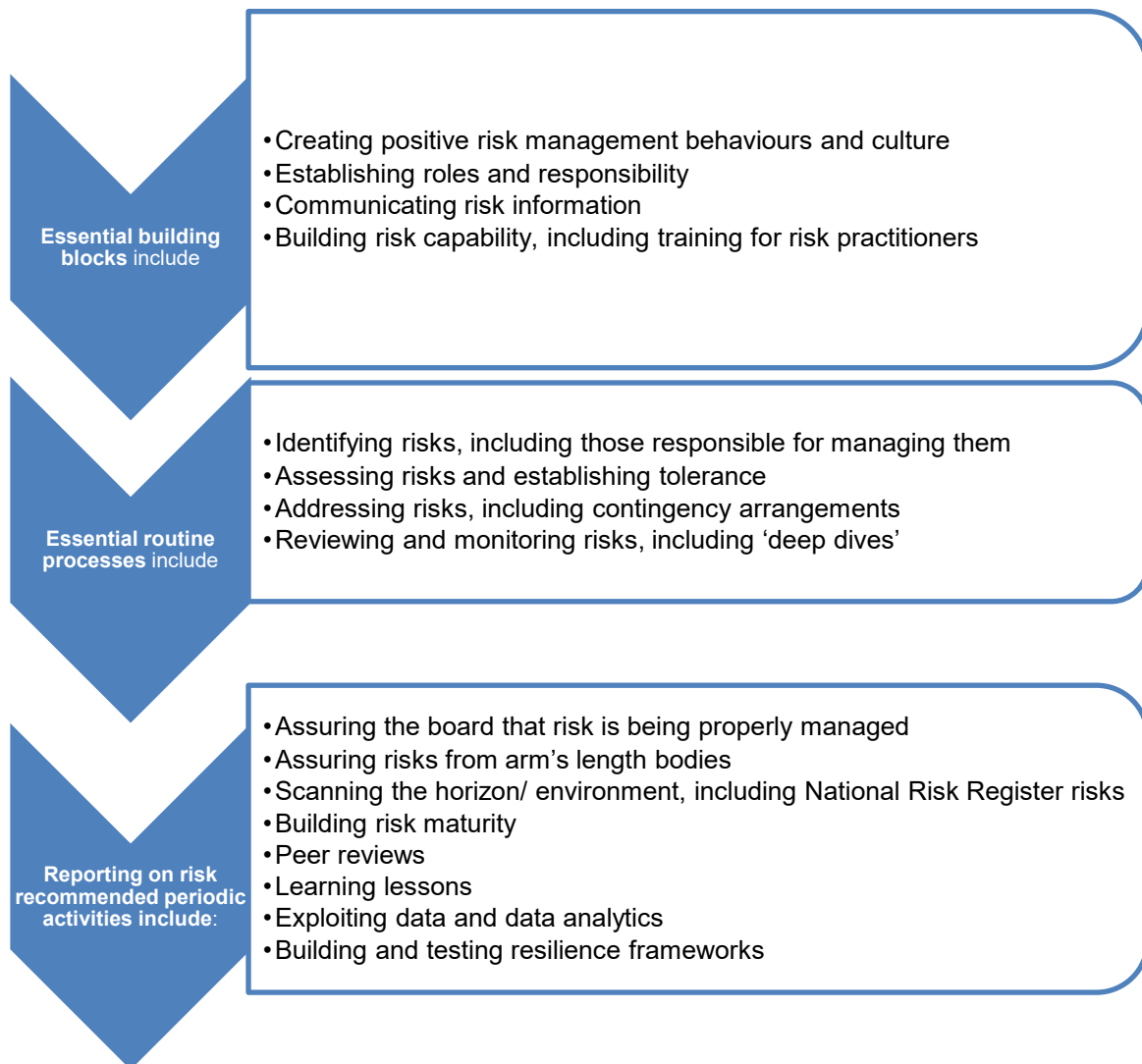
4. Terms of Reference for levels of risk owner

It is important that everyone understands their role in assessing and managing risk. It is important to also state that allocated individuals are not responsible for the risk itself but the process of managing the controls and process. We don't anyone to feel any blame or anxiety when risks materialise. It is essential that everyone in managing risk is clear on their terms of reference. Annex 1 has a statement of Terms of Reference for:

- Audit and Governance Committee
- Corporate Management Board
- Corporate Risk Manager
- Senior Risk Owners
- Risk Owners at Team level.
- Risk Owners at programme/projects level

5. Risk management

Managing risks. Our framework comprises three main elements. These elements – building blocks, routine processes, and periodic activities – are part of our effective risk management arrangements and encompass the three lines of defence. The table below provides examples of activities that make up the three main elements. Whilst this list aims to be reasonably comprehensive, the framework only requires each team to consider which activities it will adopt and prioritise under each heading. The list is provided to help risk practitioners decide what action to take. There is no requirement to use every item below.



Options for controlling risks

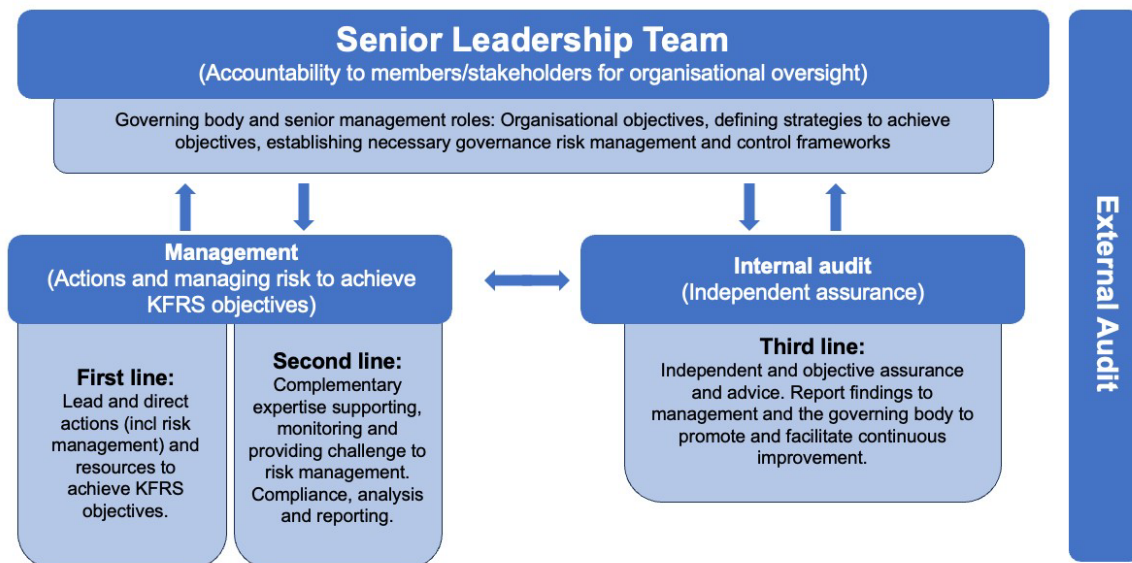
The following options will be considered when dealing with risk:

- **Transfer:** The Service transfers part of all the risk to other organisations (e.g., insurance, third party)
- **Tolerate:** If we cannot reduce a risk (or if doing so is out of proportion to the risk) we can tolerate the risk and do nothing further to reduce the risk.
- **Treat:** The Service takes action to reduce the risk by identifying and implementing mitigating actions to reduce the likelihood or impact of the risk.
- **Terminate:** The Service eliminates the risk where it is feasible to do so.

6. Internal controls to manage risks

Three lines model

The Institute of Internal Auditors have updated the Three lines of Defence Model (2013) with the Three Lines Model (2020)¹. This model is designed to help organisations to identify structures and processes that can assist achieving organisational objectives and facilitate strong governance and risk management.



The first and second lines are provided by management and incorporate responsibility to achieve organisational objectives whilst managing risk. Second line roles may be complementary and focus on specific objectives of risk management.

Internal audit provides the third line of defence, and external audit provides external assurance. The three lines model is illustrated on the following page.

Approach to controls

- There are three risk registers. Strategic risk register, Corporate Risk register, and business continuity risk register. Each of the registers lists the current controls in place to manage risk.
- We proactively seek assurance on whether our controls are effective. We use Internal audit to test different controls each year. We also use a range of external

and internal surveys, consultancy, and other forms of assessment to test gaps in our management of risk.

- Exercising – we carry out business continuity exercises and other tests of our current capability and management effectiveness.
- These result in gaps, and we consider the actions needed which are listed against the issue in one of the three risk registers.
- Those actions are then allocated and managed by a specific manager and process.
- As actions are completed, they become listed as a control so we are always aware of the all the control measures that should be in place and tested.

The following are examples of the core internal controls in place to manage risk.

Risk areas	Possible Controls
Service delivery and business continuity risks	<ul style="list-style-type: none"> • Incident recording database is used to record all incidents. • Discussions of incidents and accidents at monthly CMB meetings, quarterly Health and Safety Committee meetings, response and resilience meetings and critical incident boards. • Strong internal learning culture with debrief and review meetings following serious incidents. • Peer review of key strategies is sought. • Business continuity plan in place
Governance	<ul style="list-style-type: none"> • All our projects in the programme have a risk assessment which is actively managed. • Ongoing compliance procedures in place, such as spot checks and colleague policy acknowledgement. • Policies and procedures are in place and are reviewed at regular intervals. There is a Policy Board which controls new policies and procedures and application of new legislation or best practices. • We have a Response Assurance team who are assessing station performance and compliance to policy and procedures. • Compliance reviewed through a range of internal colleague meetings and Committee meetings.

	<ul style="list-style-type: none"> • Due diligence with suppliers, contractual and confidentiality agreements in place, references requested for evidence of conduct, mystery shopping conducted. • Safeguarding lead position in place. • Segregation of duties for key areas of compliance, such as finance and people services.
Finance	<ul style="list-style-type: none"> • Financial controls are discussed and reviewed quarterly by CMB and annually at Audit and Governance committee. • Fraud training and monitoring
Workforce	<ul style="list-style-type: none"> • Recruitment checks for colleagues, volunteers and Members are in place. • A robust out of hours on-call process to ensure issues are escalated to the appropriate person in an appropriate timeframe. This is through the duty system and FRCC. • Colleague culture engagement survey questions to ensure colleagues know what to do if they have concerns. • 'Freedom to Speak up Guardians' are in post and colleague training included as part of Statutory and Mandatory training requirements.
Information	<ul style="list-style-type: none"> • Clear management of external communications. • Statutory and mandatory training, the requirements of which are regularly reviewed and updated. This includes GDPR and safeguarding training. • IT disaster recovery plan in place
Premises	<ul style="list-style-type: none"> • Independent advisors used to review key areas e.g., Health and Safety of our buildings. • Compliance with regulation reviews

7. Communication plan

We ensure that in our calendar of campaigns and internal messaging we take opportunities to raise certain risk issues. We have previously used internal communications and e-learning to cover such risks as GDPR, Code of Ethical behaviour and use of social media. We will

continue to build in risk issues into our communications. We will also help everyone understand how risk assessment and management works in KFRS.

8. Good governance and risk management development

Every year we seek to improve our approach to good governance and management of risk. This process is managed by our corporate risk manager in liaison with finance and the business continuity team.

We will consider whether to seek externally accredited standard for good governance / charter mark etc. We will be using the Government Orange Book as a means of benchmarking our risk management maturity.

Annex 1

Terms of Reference (TORS) for each level of risk owner

TORS for Audit and Governance Committee

1. Review the strategic and corporate risk register and ratify that key risks are represented.
2. Scrutinise process of formulating risks and risk management approach.
3. Interrogate any concerns with controls and proposed actions.

TORS Responsibility at CMB level

1. Take the risk challenge function role within the organisation so that risk is taken seriously, and that top management see this as an important issue.
2. Identify the risks that will prevent KFRS from delivering its strategy.
3. Check key interdependent risks that cross organisational boundaries.
4. Take responsibility for setting KFRS's risk appetite for specific areas of risk.
5. Regularly consider the range of risks that the organisation is exposing itself to, to ensure that there is a well-judged balance between ambition and achievement (for example by ensuring that not everything we do is high risk). Challenge each other's view and management of risk.
6. Ensure that the effectiveness of KFRS's risk policy management is evaluated and quality assured on a regular basis.
7. How does the organisation's management of risk capture and learn lessons from past events?
8. When appropriate delegate risks downwards.
9. Ensure consistency across the Organisation in the ways that risks are evaluated and mitigated.

TORs for the Corporate Risk Manager

Be the organisation's primary risk manager, ensuring that risks which threaten our ability to effectively provide our services are planned for, minimised, and well understood. This will be achieved by:

1. Maintain a comprehensive risk management framework, including risk identification, assessment, mitigation, and monitoring strategies.
2. Conducting regular risk assessments and gap analyses to identify emerging risks and evaluate existing controls.
3. Collaborating with cross-functional teams to develop and implement risk mitigation plans and initiatives.

4. Monitoring and report on key risk indicators (KRIs) and key performance indicators (KPIs) to senior management and relevant stakeholders.
5. Staying abreast of industry trends, regulatory developments, and emerging risks to ensure the Service's risk management practices remain current and effective.
6. Supporting the Resilience Manager in the development and implementation of business continuity plans to minimise the impact of unforeseen events.
7. Developing crisis management plans to deal with non-business continuity related issues such as events effecting reputation and legal compliance.
8. Supporting the delivery of risk management training programs and workshops to promote a strong risk culture across the organisation.
9. Fostering strong relationships with internal and external stakeholders, including finance team, regulators, auditors, and industry peers, to share best practices and benchmark performance.

TORS for Senior Risk Owners

1. Lead in defining the risk management for the organisation and ensure that all colleagues see risk as a key aspect of delivery management.
2. Identify the risks that will prevent the organisation from reaching its operational level objectives.
3. Ensure a suitable monitor is identified for the risk.
4. Evaluate the risks (impact and probability) and ensure that this is regularly updated as circumstances change.
5. Put in place mitigation measures that move the level of risk to within CMB's risk tolerance levels.
6. Identify suitable responses to risk (tracking or management) and implement these should risks escalate.
7. Regularly review the risk strategy to assess the effectiveness of the management of risk processes.

TORS for Risk Owners at Team level

1. Identify the key risks to the achievement of annual plan objectives.
2. Evaluate the impact and probability of the risks including identifying areas of high and low risk where more (or less) management input will be needed
3. Set the acceptable levels of risk that the team can tolerate for each high-level risk and clarify areas where risks can be taken and where they cannot

4. Check the balance of the portfolio of challenge and risk. This will include tracking intervention risks (i.e. checking that all interventions are not high or low risk)
5. Identify and implement suitable responses to risk, including passing risk management upwards should the risk situation escalate
6. Regular checking of key interdependent risks that cross organisational boundaries.

TORS for Risk Owners at programme/projects level

1. Identify the risks that will prevent or delay the project/intervention from achieving the expected results set out in the business benefits, i.e. the outputs, outcome and Impact.
2. Evaluate each of the risks to establish their impact and probability.
3. Use the evidence/evaluation data to risk score the intervention.
4. Manage the risks when they occur, including passing escalating risks up to SLT level when appropriate.
5. Regularly review the risk strategy to assess the effectiveness of the management of risk processes and review the risk scoring of the intervention.

Document Audit Information	
Senior Officer Accountable	Paul Goodwin
Authorised by	Ann Millington
Direct enquiries to	Paul Goodwin
Date Implemented	25 April 2024
Review by	27 April 2025
Amendments required to	None
Related documents [if any]	Risk Appetite Statement Risk Tolerance Matrix

	Risk Management Policy Risk Register
Replaced documents	New document
Security classification	Not protectively marked
Version No	1
Version change summary	



Corporate Policy

Risk Management Policy

Author	Alison Kilpatrick	Director Finance and Corporate Services	
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Introduction

Kent and Medway Fire & Rescue Authority provides services to a diverse range of people and organisations. It operates in a dynamic environment, increasingly under public and government scrutiny and against a background of new legislation and regulation requiring new and innovative ways of achieving its vision and its objectives. In such an environment it is essential that the Authority takes appropriate action to minimise the potential for disruption to services and to maximise the opportunities for innovation through the active management of risk.

This approach confirms the commitment of the Authority to developing a positive risk management culture by ensuring that due regard to the management of risk, both in the policy making process and in the management of the Service, is taken. It recognises that some risks will always exist, and in many cases are necessary to enable innovation and continuous improvement of services and that not all risks can be avoided.

This order applies to all colleagues and Members of the Kent and Medway Fire and Rescue Authority.

Legal Consequences

The Policy is in accordance with the Accounts and Audit (England) Regulations 2015.

Service Policy

The Authority will encourage a culture where the managed taking of risk, deemed acceptable to support the achievement of the Authority's stated objectives and targets and innovation in the delivery of services, is accepted. It will however put in place processes to ensure that such action as is necessary to mitigate the effect of those risks that materialise will be taken.

The principles of risk management will be incorporated into all key policy development and major project management processes to ensure that the threats to delivery are identified and managed.

There will be an active management of both strategic and corporate risk registered risks and their mitigating controls.

We are going to develop a Good Risk Culture. That means:

1. Distinct and consistent tone from the top
2. Commitment to ethical principles
3. Common acceptance of the importance of continuous management of risk
4. Transparent and timely risk information flow
5. Encouragement of risk event reporting

6. Risks understood despite complexity, obscurity or size of process or activity.
7. Appropriate risk-taking behaviours rewarded and encouraged.
8. Risk management skills and knowledge valued, encouraged and developed.
9. Consistent and rigorous challenge of the status quo.
10. Alignment of culture management with employee engagement and people strategy.

Information

1. To meet the stated policy, the Authority will:
 - i. Agree and document its appetite for risk and ensure managers are made aware of these parameters.
 - ii. Identify the key strategic, corporate, operational and project risks it faces and assess these against its documented risk appetite.
 - i. Develop appropriate controls to ensure that as far as possible these risks are kept within acceptable tolerances whilst still enabling service improvement and innovation.
 - ii. Monitor, review and update risk information and report to the Audit and Governance Committee at least annually on the status of current risks.
 - iii. Ensure that the principles of risk management are embedded within all its key plans, policies and major projects, having due regard for the risks to which they are exposed, and the controls required to manage them.
 - iv. Provide managers with the necessary skills, processes, information, and support to manage risk effectively.
 - v. Ensure a proper balance is struck between managed risk taking and good governance to protect the Authority's stakeholders, employees, reputation and assets, and where appropriate, procure adequate insurance to meet perceived needs.
 - vi. Develop a risk financing strategy to deliver a cost-effective means of financing its risks including where appropriate the procurement of adequate insurance cover or other suitable external protection.
 - vii. Encourage and actively pursue a collaborative approach to the management of risk across its key strategic partnerships.

Roles and Responsibilities

2. The variety of risks to which the Authority is exposed is such that a multi-layered approach is needed to ensure full integration of the risk management culture into all levels of the Authority.
3. **The Authority** should have due regard to the risks facing the Authority in determining its policies and ensure a balance between managed risk taking to enable improved services and the achievement of objectives and risk control to protect the reputation and assets of the Authority. The Authority is responsible for approving the risk management policy, it has a responsibility to provide sufficient resources to meet agreed risk and insurance objectives.

4. **The Audit and Governance Committee** provides independent assurance to the Authority of the adequacy of the risk management framework and is responsible for approving the risk registers and for reviewing the effectiveness of the risk management process.
5. **Corporate Management Board** has overall responsibility for ensuring that the Authority manages risk effectively through the development of a comprehensive corporate risk management process and that decisions taken by both the Authority's Members and management consider the risks associated with those policies. It is also responsible for setting the Authority's risk appetite and for ensuring that the day-to-day management of identified risks is effective, including the proper evaluation and control of emerging risks and ensuring that risk management practices feature in all aspects of the Authority's performance and management processes.
6. **Formal meetings at all levels** have responsibility for monitoring and evaluating identified risks in their respective areas, whilst ensuring suitable controls are in place to reduce risk where possible to the Authority and for reporting and escalating newly emerging corporate risks to Corporate Management Board.
7. The **Corporate Risk Manager reporting to Director of Response and Resilience** is responsible for advising the Authority on its risk management arrangements including developing the processes to be used, setting out the specific programmes, procedures and risk management activities designed to ensure that the policy objectives set out above are met and ensuring that those involved have sufficient skills and information to fulfil their roles.
8. **Internal management teams, project teams, and other service management groups** are each responsible for ensuring that proper procedures are in place to identify, evaluate and manage risks within their service areas effectively and to communicate any issues identified to the appropriate management forum for further consideration.
9. **Individual managers and employees** are each responsible for the effective management of the risks associated with their roles and duties, and for ensuring that significant risks are identified to senior management as soon as they become known.

Document Audit Information	
Senior Officer Accountable	Paul Goodwin
Authorised by	Ann Millington
Direct enquiries to	Paul Goodwin
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Amendments required to	None
Related documents [if any]	None

Replaced documents	Risk Management Policy v3
Security classification	Not protectively marked
Version No	4
Version change summary	Refreshed to reflect new Job titles and A&G Committee

Risk Appetite Statement - Kent Fire and Rescue Service

Why we need a risk appetite statement

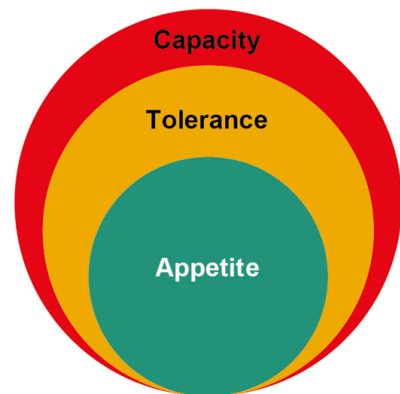
The Corporate Management Board determine and continuously assess the nature and extent of the principal risks that the organisation is exposed to and is willing to take, to achieve its objectives – its risk appetite – and ensure that planning and decision-making reflects this assessment. The Audit and Governance Committee provide a scrutiny role in relation to highlighted risks and as such monitor the delivery of the action plans. Effective risk management should support informed decision-making in line with this risk appetite, ensure confidence in the response to risks, transparency over the principal risks faced and how these are managed.

Our view (in line with government guidance) is that public sector organisations cannot be culturally risk averse and be successful. Effective and meaningful risk management remains more important than ever in taking a balance of risk and opportunity in delivering public services.

Risk management is an integral part of good governance and corporate management mechanisms. Our risk management framework harnesses the activities that identify and manage uncertainty, allows us to take opportunities and to take managed risks not simply to avoid them, and systematically anticipate and prepare successful responses. A key consideration in balancing risks and opportunities, supporting informed decision-making and preparing tailored responses, is the conscious and dynamic determination of the organisation's risk appetite.

The risk appetite and tolerance statement will be reviewed and agreed annually by CMB. The Audit and Governance committee will monitor and approve the effective development and operation of risk management in the Authority. Fig 1 describes the three concepts which we use in assessing risk when making decisions. This is supported by the risk tolerance matrix which guides consistent application of thinking for each decision (appendix1). Fig 1 below describes the three concepts.

Risk appetite	The amount and type of risk that an organisation is willing to pursue or retain.
Risk tolerance	The acceptable degree of variability, or deviation from the expected level of risk that an organisation is prepared to withstand , in order to achieve its objectives.
Risk capacity	The maximum level of risk to which the organisation should/can be exposed.



Who is responsible for risk appetite?

Implementing management of risk within an acceptable level of appetite is everyone's responsibility, from managers through to the Audit & Governance committee. Define, Govern, Oversee and Support the risk appetite statement in the context of delivering our services. The following roles implement/execute risk management:

Team - Monitor and Report:

- Identify if local risks have gone beyond appetite.
- Escalate any risks that have gone out of tolerance to the next level.
- Request additional resources for further mitigation activities to bring the risks into tolerance.

Risk Owners (Directors / Project Managers) - Identify, Assess and Mitigate:

- Facilitates the assessment of risk using the risk register and risk tolerance matrix criteria.
- Determine if the net level of risk is within tolerance.
- Collates data driven reports for discussion at the department and strategic leadership team meetings.

Corporate Management Board - Apply, Prioritise and action:

- Applies risk appetite against the risk tolerance matrix to identify what enterprise risks are above tolerance and applies additional controls or mitigation strategies.
- Makes strategic decisions based on risk information.
- Devolves responsibility for risks within tolerance.

Define:

- Defines overall appetite policies and appetite statement.

Position in 2024

We believe good risk management isn't just about avoiding all risks and so overall, KFRS is bold in thinking through innovative solutions to issues and driving significant change to our services to customers and colleagues.

That said, the nature of our core services has a high degree of risk from lone workers to operational response in hazardous circumstances.

We therefore approach risk in a controlled manner being very conscious of impact at all levels. The diagram below describes the balancing we need to do every day with operational response risk. Each key decision is assessed for risk and what we can do to mitigate the risk. In some cases, such as finances we are cautious in approach, in other areas we are more tolerant of the risks. The risk tolerance matrix has five levels – Incidental, Minor, Moderate, Major, Extreme and these are used to judge where we can set the tolerance to new work or in managing issues such as policy on operational discretion.

Fig 2

Risk Capacity and Risk Appetite (CISM)



<https://WentzWu.com>



We do this through fostering a strong culture and understanding of risk, so we can choose to take more risks in some parts of the organisation. This decision is always based on good information, making sure that the benefits of taking risks help us reach our goals and innovate as efficiently as possible. Our focus is still on protecting our customers and achieving our strategies.

Detailed appetite

We recognise that the operational activities a fire and rescue service provide carry with them a level of risk that cannot be eliminated. We will ensure we have an organisational culture which empowers colleagues to undertake well-managed risk-taking within the framework of sound policies and procedures. The safety of our customers, colleagues and volunteers is of utmost importance to us.

We will use the risk tolerance matrix criteria to judge appetite for risk and when we cannot go over that tolerance.

Using the Risk Tolerance Matrix

We will use the factors of Reputation, Safety, Legal, Financial, Information and Premises to judge our appetite for risk. The matrix sets out the tolerance levels.

Reputation – accept Moderate Risk.

The Service's reputation is crucial to its development. CMB will take a cautious approach to risk in this area. We are willing to accept a low level of reputational impact with stakeholders. For example, when making changes to services that are required to enable the service to function but may not be universally popular.

CMB will in the main avoid the risk of potential disruption of services, and will plan for these risks, ensuring the services critical to customers are maintained so far as is reasonably practicable. We recognise, however, that on some occasions we may need to tolerate the risk of industrial action as we need to make changes to our services which are not popular. This may involve the temporary loss of colleagues and so we a) manage change with as much involvement as we can to avoid industrial action and b) have a clear plan should it happen.

Safety – accept Minor risk though recognise this is when not if

When it comes to non-incident related activities, we will work to eliminate accident and injuries by ensuring that our processes are risk assessed and fully comply with Health and Safety legislation.

Legal – accept Minor Risk

We will be creating a list of all legislation which affects us and scoring compliance and performance.

Legally, we will not knowingly operate outside of the law and take an adverse risk appetite to behaving in a way that would give rise to a successful judicial review. But where legal boundaries are less clear, CMB is willing to accept the potential of minor legal action, although this must be resolvable within existing budgets. Where alternative options prevent us from delivering an effective response, a moderate

financial loss of up to £100k would be tolerated to pursue our objectives, as would minor concerns regarding confidentiality of information or use of data.

As the fire safety regulator for Kent and Medway, we take a cautious approach to enforcing fire safety legislation. We follow guidance outlined in the regulators' code, working with businesses to achieve compliance, taking enforcement action where the risk requires the Authority to act to ensure the safety of occupants.

Financial – accept minor to moderate risk as recognition of when not if on issues such as car accidents etc.

We take very seriously the importance of using public funds in the right way and controlling these funds. KFRS takes a cautious approach to investment decisions and aims to undertake a low level of risk whilst ensuring the security of the deposit, resulting in the best return possible. We are averse to fraud and corruption and will ensure that we have robust controls and sanctions in place to detect and deter this type of behaviour.

Information – accept Minor risk

We recognise that our customers place a high degree of trust in our colleagues. Our colleagues may have access to sensitive information or may be looked on by our customers to guide and support them when they are at their most vulnerable. So, it is vital that we ensure our colleagues meet the highest standards. We will take an approach to recruitment that seeks to find diverse talent whilst ensuring we have safeguards in place to screen potential colleagues so we do not take on those that may breach that trust and confidence. When it comes to misconduct among our colleagues, we will tackle this robustly and hold individuals accountable against the code of ethics that we expect them to demonstrate.

We recognise that KFRS may be the target of cyber-attacks to disrupt our services or exploit our data and resources. We will take an adverse approach to information security risks and will ensure that we have the right technical infrastructure and processes in place to mitigate this.

Premises – accept Moderate risk

Environment – accept Minor risk

KFRS seeks to respect the environment through our work and will attempt to always bring Environmental, Social and Governance (ESG) factors into our decision-making process to mitigate the risk of environmental and social damage.

Business Continuity – accept incidental risk.

Seek in some areas such as taking calls that we have no error and have clear ability to mitigate.

Document Audit Information	
Senior Officer Accountable	Paul Goodwin
Authorised by	Ann Millington
Direct enquiries to	Paul Goodwin
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Review by	27 April 2025
Amendments required to	None
Related documents [if any]	Integrated Risk Management approach Risk Tolerance Matrix Risk Management Policy Risk Register
Replaced documents	New document
Security classification	Not protectively marked
Version No	1
Version change summary	

Risk Impact	Incidental	Minor	Moderate	Major	Extreme
Reputation	Rumors. External reputation not affected, no media coverage. No impact on colleague turnover.	Minimal impact on external reputation. Little effort or expense required to recover. Minimal impact on colleague turnover.	External reputation damaged. Some effort and expense required to recover. Marked impact on colleague turnover.	Severe damage to external reputation. Adverse media coverage locally. Major impact on colleague turnover. Impact on HMICFRS rating.	Major reputational damage and adverse media coverage. Major stakeholder issues/longer lasting community concerns. Severe impact on colleague turnover.
Safety	Adverse event leading to minor injury not requiring first aid. On-site exposure immediately contained. No long-term effects.	Minor injury or illness, requiring first aid treatment on site. On-site exposure contained after prolonged effect.	Significant injury requiring medical treatment and possible. On-site exposure contained with outside assistance.	Major injury requiring medical treatment, and long-term incapacity and/or counselling. Prolonged/major incident with serious casualties.	Death or a life changing injury/major incident with fatalities.
Legal	Threat of minor legal action, resolvable within existing budgets. Minor internal breach.	Single minor case of legal action, requiring small additional budget. Reportable incident to regulator, no follow up.	Single moderate case of legal action or numerous minor cases. Report of breach to regulator with immediate correction to be implemented and threats of action if not resolved.	Single case of major legal action or numerous moderate cases, requiring significant resource. Breach of regulations leading to prosecution or fine.	Major case of legal action requiring extensive resource. Major breach, reportable to regulator, leading to prosecution/fines and requiring major corrective action.
Financial	Negligible financial loss <£1k. To be contained within existing budget.	Minor financial loss £1k - £10k. Requires internal management action by Budget Manager to address issue.	Moderate financial loss £10k - £100k. CMB informed and internal management action agreed. Members to be informed if virement exceeds £50k.	Major financial loss £100k - £500k. CMB informed and internal management action agreed for potential short-term reduction of reserves or major amendment of existing spending plans. Members to be informed.	Severe financial loss £500k+ CMB informed with Members to agree proposed action for rectification. Likely to result in a longer-term reduction to reserves.

Treasury Deposits	Negligible financial loss <£1k. To be contained within existing budget.	Minor financial loss £1k - £10k. BM to report to CMB and progress any mitigating action	Moderate financial loss £10k - £100k. BM to report to CMB and progress any mitigating action.	Major financial loss £100k - £500k. BM to report to CMB and progress any mitigating action. CMB to agree any mitigating action and inform Members.	Severe financial loss £500k+. BM to report to CMB and progress any mitigating action. May result in amendment of existing spend plans which will require Member approval.
Information	Minor concerns regarding confidentiality or use of data, resolvable within day-to-day operations.	Potential breach of confidentiality or data protection.	Significant breach of confidentiality or breach of data protection legislation.	Serious breach of confidentiality with particularly sensitive data, or serious breach of data protection legislation.	Serious break of confidentiality with potential for ID theft. Will possibly be reported in the media.
Premises	Reparable damage to resulting in minor disruption to service delivery.	Short term interruption to delivery of services.	Disruption of services for up to one week.	Major concerns with security and safety of main Service buildings leading to significant disruption.	The security and safety of the main Service buildings are compromised.
Environment	Small environmental incident resulting in no environmental damage.	Minor environmental damage. Rectified from existing budgets.	Some environmental damage requiring the allocation of some resources to rectify.	Extensive environmental damage requiring significant resources to rectify.	Irreparable harm to the environment leading to fine and significant resources to rectify.
Business continuity	Interruption in a service which does not impact on our ability to continue to provide service.	Short term disruption to service with minor impact on service delivery.	Some disruption in service with unacceptable impact on customers. Temporary loss of ability to provide service.	Sustained loss of service which has serious impact on customers resulting in business continuity plans being invoked.	Permanent loss of core service or facility.

AGREED RISK TOLERANCE THRESHOLD		
Risk Impact	Risk appetite statement – level of risk the Authority are willing to take in pursuit of our objectives. KFRS is willing to accept a risk where...	Will never accept a risk where...
Reputation	There will be a low level of reputational impact with some stakeholders where the Service's external reputation is not affected.	The Service's standing in the community or with partners is significantly compromised in the long-term
Safety	There may be an adverse event leading to minor injury not requiring first aid. On-site exposure would be immediately contained. No individual would suffer long-term effects.	The health and safety of Service customers are seriously compromised. The safety and wellbeing of any group of colleagues or volunteers is seriously compromised
Legal	There may be a threat of minor legal action, resolvable within existing budgets; or a minor internal breach of regulations.	The Service breaches its statutory responsibilities. Service activities are deemed to be unlawful
Financial	There may be a moderate financial loss between £10k - £100k.	The Service's financial sustainability is seriously compromised. Expenditure significantly exceeds limits agreed by the Board
Treasury Deposits	There may be a moderate financial loss between £10k - £100k.	The Service's financial sustainability is seriously compromised.
Information	Minor concerns regarding confidentiality or use of data, resolvable within day-to-day operations.	The Service is unable to guarantee the confidentiality of information
Premises	There would be potential disruption of services for up to one week.	The security and safety of the main Service buildings are compromised

Environment	Minor environmental damage could result, which could be rectified from existing budgets.	The Service's activities cause irreparable harm to the environment
Business continuity	There would be short term disruption to service with minor impact on our customers.	The Service's ability to sustain business continuity is seriously compromised

Document Audit Information	
Senior Officer Accountable	Paul Goodwin
Authorised by	Ann Millington
Direct enquiries to	Paul Goodwin
Date Implemented	25 April 2024
Review by	27 April 2025
Amendments required to	None
Related documents [if any]	Integrated Risk Management approach

	Risk Appetite Statement Risk Management Policy Risk Register
Replaced documents	New document
Security classification	Not protectively marked
Version No	1
Version change summary	

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By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 25 April 2024
Subject: EXTERNAL AUDITORS AUDIT FINDINGS REPORT FOR
2022/23
Classification: Unrestricted

FOR DECISION

SUMMARY

The reports' main purpose is to present the External Auditor's Audit Findings Report in relation to the 2022/23 financial year, in accordance with the requirements of the International Standard on Auditing (UK and Ireland) 260. The External Auditor's Findings report is attached at **Appendix 1** for Members' information and consideration.

Members of the Audit and Governance Committee previously considered and approved the Draft Financial Statements at the September meeting of this Committee and the first Findings report was presented to the meeting of this Committee in January 2024.

However, the Audit review has now been concluded and as a consequence the Financial Statements were signed by the Director of Finance and Corporate Services and the Chair of the Audit and Governance Committee on 28 March 2024 having received an unqualified opinion from Grant Thornton. This report summarises the changes between the Findings Reports, since that previously reported, with the final version being attached at **Appendix 1**. The External Auditors will attend the meeting to present their report.

RECOMMENDATION

Members are requested to:

1. Consider the matters raised in the Audit Findings Report for 2022/23 (paragraphs 1 to 4 and **Appendix 1** refer).

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

COMMENTS

Audit Findings Report

1. The Accounts and Audit (Amendment) Regulation 2021 changed the date that the Audit of the Financial Statements needed to be signed off by, which was delayed from 30 September 2022 to 30 November 2022, for the 2021/22 financial statements. This was a one year only change and as such the 2022/23 financial statements were then required to be signed off by 30 September 2023. However, due to the national shortage of Auditors, there is a backlog of financial statements that still need to be signed off for prior years nationally, which has impacted on the available resources to undertake the local audits for 2022/23. The initial Audit Plan submitted to Members to the Audit and Governance Committee in April 2023, suggested the Authority's Audit would take place during July, but subsequently Grant Thornton advised that the Audit had to be re-scheduled to a later date in the year, post September 30 due to their resourcing issues.
2. Having now concluded the audit of the accounts for 2022/23, the External Auditors' final Audit Findings Report for 2022/23 is attached at **Appendix 1**. This report provides a summary of the work that has been carried out by the External Auditors in relation to the financial year 2022/23 and highlights an overview of their audit findings. It also details the assessment that they have given having assessed the Accounts for 2022/23.
3. Since the Draft Financial Statements were published on the 26 May 2023, ongoing preliminary investigations in preparation for a Live Fire development at Ashford found that the land to be developed had some historic ground contamination due to its previous use. Our valuers, in light of this new information, were required to review the land values at Ashford and other fire stations and have applied an assumption in relation to the impact this has caused to the value of the land held on the balance sheet under Property Plant and Equipment, reducing it by £5.2m. Clearly, as this contamination, by its very nature, would have been present during 2021/22, it has resulted in the land values in relation to 2021/22 needing to be re-stated under IAS8, which requires that if more reliable information is available that a retrospective re-statement should be shown. As a result, the revised and final Audit Finding Report for 2022/23, informs members of the Prior Period Adjustment that has taken place during the Audit and prior to the Financial Statements being signed off.
4. In discharging the External Auditors' statutory responsibility to those charged with governance, the report also highlights the following key points: -
 - (a) The External Auditors have issued an unqualified audit report in respect of the Financial Statements for 2022/23 (**Appendix 1**, page 3).
 - (b) As previously reported, there is also an audit adjustment referred to in the Findings report in relation to pensions, and this has arisen as a result of the national issue that

was identified during the 2021/22 audit. The draft financial statements for 2022/23 were already published, when it was identified that a revised pensions report in relation to the 2021/22 accounts would be required. This provided further information in relation to the pension fund assumptions that ultimately resulted in the 2021/22 accounts needing to be re-opened and an adjustment made to pension figures. This resulted in the opening balances of the published, but unaudited 2022/23 financial statements, having to be adjusted and some in-year movements accounted for in the final version of the financial statements. The second adjustment is a minor disclosure note change in relation to the Audit fees.

(c) The External Auditors Code of Audit Practice was updated on 1 April 2020 and one of the biggest areas of change is in relation to Value for Money. External Auditors are required to assess against a revised criteria to ensure that the Authority has proper arrangements for financial sustainability, governance and securing economy, efficiency, and effectiveness in its use of resources. Audit work in relation to this was undertaken during the autumn months and the final report was presented to the Authority at the February 2024 meeting. (**Appendix 1**, page 4, 15 and 16 refers).

5. **Audit Fees** - The Public Sector Audit Appointments published fee for the work in relation to the 2022/23 financial year is £33,669. However, due to the increased audit work required following changes to accounting treatments in previous years, since the fee was set, the Auditors have set out their proposed fee at page 21 of the Audit Findings Report, taking into account the increased workload as a result of the changes in the land values in relation to ground contamination, (**Appendix 1**). The final audit fee for the year was £51,669.
6. **Summary** - Despite the unprecedented challenges of having two financial years of accounts audited in the same year, the Finance Team and the External Auditors have worked well together during the whole closedown process. All work was successfully completed remotely by both parties, and we are appreciative of the timely turnaround of information by the External Auditors.

RECOMMENDATION

7. Members are requested to:
 - 7.1 Consider the matters raised in the annual Audit Findings Report for 2022/23 (paragraphs 1 to 4 and **Appendix 1** refers).

The Audit Findings for Kent and Medway Fire and Rescue Authority

Year ended 31 March 2023

Updated 28 March 2024



Contents



Your key Grant Thornton team members are:

Paul Cuttle

Key Audit Partner

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Lucy Nutley

Senior Audit Manager

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Section

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3. [Value for money arrangements](#)
4. [Independence and ethics](#)

Appendices

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Name: Paul Cuttle
For Grant Thornton UK LLP

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kent and Medway Fire and Rescue Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and the Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely during November 2023 – March 2024. Our findings are summarised on pages 5 to 15.

Audit adjustments are detailed in Appendix B.

Our work is complete and we issued a unqualified opinion on 28 March 2024.

We have concluded the other information to be published with the financial statements, is consistent with our knowledge of the organisation and the financial statements we have audited.

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

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

Our work on the Authority's value for money (VFM) arrangements is complete. The outcome of our VFM work is reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR). part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. No risks were identified.

1. Headlines

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

We have not exercised any of our additional statutory powers or duties.

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have completed our audit of your financial statements and have issued an unqualified audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



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.

In our audit plan we reported a materiality level of £1.95m. Based on the total expenditure reported in the draft financial statements we updated our materiality to £2.0m.

Authority Amount (£) Qualitative factors considered

Materiality for the financial statements	2,000,000	This is approximately 2% of gross expenditure
Performance materiality	1,500,000	Calculated as 75% of headline materiality. This is a measure used in audit testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	100,000	Calculated as 5% of materiality.



2. Financial Statements: Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

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.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.

To address this risk we;

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk or unusual journals;
- identified and tested high risk and unusual journals for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.

Our audit work has not identified any issues in respect of this 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.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

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:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of Fire and Rescue Authorities mean that all forms of fraud are seen as unacceptable.

Our audit work has not identified any issues in respect of this risk.

Fraud in expenditure recognition

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Authority may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

To address this risk we;

- inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period.
- inspected a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year. We also compared listings of accruals to the previous year to ensure completeness of accrued items.

Our audit work has not identified any issues in respect of this risk.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability

The Authority's net defined benefit liability represents a significant estimate in the financial statements. The estimate is complex given the large number of scheme members and the sensitivity of the estimate to key assumptions.

To address this risk we :

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated, and evaluated the design of the associated controls;
- evaluated the instructions issued by management to the actuary as management's expert, and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary;
- tested the consistency of the pension fund disclosures in the financial statements with the actuary's report;
- confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our audit work has not identified any issues in respect of this risk.

Valuation of land and buildings

The valuation of the Authority's land and building assets represents a significant estimate by management in the financial statements.

We designed our work to address the risk that the valuation of land and building assets was materially misstated.

To address this risk we;

- evaluated management's processes and assumptions for the calculation of the estimate, including the instructions issued to the Authority's external valuer and the scope of their work;
- evaluated the competence, capabilities and objectivity of the external valuer;
- challenged the information and assumptions used by the valuer; and
- tested, on a sample basis, revaluations made during the year to ensure they had been input correctly into the Authority's asset register.

After the Audit Findings Report was presented to those charged with governance, management identified contamination potential on fire station land, where PFOS foam had been used in training exercises. The Authority's external valuer then revalued the land at fire stations, to include the potential for decontamination costs. This has caused a downward revaluation of land of £5.2m. As this is material, management have adjusted for this – see appendix B for details.

Our audit work has not identified any other issues in respect of this risk.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £107.814m	<p>The Authority's asset base largely comprises specialised assets such as fire stations and training facilities. These are valued at Depreciated Replacement Cost (DRC). The valuations are based on the cost of a modern equivalent asset delivering the same service provision.</p> <p>The remaining land and building assets are not specialised in nature and are valued at Existing Use Value (EUV) .</p> <p>Full valuations including physical inspections are performed;</p> <ul style="list-style-type: none"> -for all material assets annually ; and -for 25% of the remaining assets on a four year cyclical basis. For these assets desktop valuations are completed in other years to ensure that the carrying value of assets is not materially misstated. <p>The Authority engaged an external valuer, Avison Young, to complete the valuation of properties as at 31 March 2023.</p> <p>All assets are assessed annually for evidence of impairment.</p>	<p>The information disclosed in the financial statements was consistent with the information provided by the external valuer. We confirmed that the updated area measurement information, obtained for the 2021/22 audit, was appropriately used in the March 2023 valuations.</p> <p>As noted on page 8 of this report, due to a potential impairment indicator being identified on land at fire stations where PFOS foam is used to extinguish fires in training situations, the land valuations have been revalued at 31 March 2023 and 31 March 2022.</p> <p>Our work in this area is complete, there is no indication that the value of land and buildings in the financial statements are materially misstated.</p>	<p style="text-align: center;">●</p> <p style="text-align: center;">Light Purple</p>

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																																				
<p>Net pension liability</p> <p>LGPS £0.242m surplus</p> <p>Firefighters scheme £643.301m</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>Where the value of the surplus is significant, IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The limitation was not applied to the LGPS due to the size of surplus.</p>	<p>At 31 March 2023 the Authority has a net pension liability of £643.301m relating to the Firefighters Pension Schemes and a £0.137m surplus relating to the Local Government Pension Scheme as administered by Kent County Council.</p> <p>The Authority uses an external actuary, Barnett Waddingham, to provide an actuarial valuation of the Authority's assets and liabilities deriving from these schemes. A full valuation is required every three years. A roll forward approach is used in intervening periods. The valuations are based on key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements.</p> <p>For 2022/23 contribution rates for the LGPS scheme were based on the triennial valuation as at 31 March 2022. The latest actuarial valuation for the Firefighters schemes was at 31 March 2016.</p>	<p>We engage an auditor's actuary to assess the work of management's actuary and the reasonableness of the approach used. The auditors' actuary has provided us with indicative ranges for assumptions, which we report below.</p> <p>Our work to review the Authority's net pension liability is substantially complete, although our sample testing of transactions relating to the Firefighters' pension scheme is still in progress. We have agreed minor changes to the disclosure note on the Firefighter's pension scheme. Our work to date has not identified any other issues.</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Within range?</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.80%</td> <td>4.80% - 4.85%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.90%</td> <td>2.65% - 2.95%</td> <td>●</td> </tr> <tr> <td>Salary growth - LGPS</td> <td>3.90%</td> <td>CPI + 1%</td> <td>●</td> </tr> <tr> <td>Salary growth - FFPS</td> <td>3.90%</td> <td>CPI + 1%</td> <td>●</td> </tr> <tr> <td>Life expectancy - Males currently aged 45</td> <td>LGPS FFPS</td> <td>20.9 - 23.4 21.8 - 22.4</td> <td>●</td> </tr> <tr> <td>aged 65</td> <td>LGPS FFPS</td> <td>19.5 - 22.1 20.5 - 21.1</td> <td></td> </tr> <tr> <td>Life expectancy - Females currently aged 45</td> <td>LGPS FFPS</td> <td>24.3 - 25.9 22.9 - 24.5</td> <td>●</td> </tr> <tr> <td>aged 65</td> <td>LGPS FFPS</td> <td>22.9 - 24.5 21.2 - 23.5</td> <td></td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Within range?	Discount rate	4.80%	4.80% - 4.85%	●	Pension increase rate	2.90%	2.65% - 2.95%	●	Salary growth - LGPS	3.90%	CPI + 1%	●	Salary growth - FFPS	3.90%	CPI + 1%	●	Life expectancy - Males currently aged 45	LGPS FFPS	20.9 - 23.4 21.8 - 22.4	●	aged 65	LGPS FFPS	19.5 - 22.1 20.5 - 21.1		Life expectancy - Females currently aged 45	LGPS FFPS	24.3 - 25.9 22.9 - 24.5	●	aged 65	LGPS FFPS	22.9 - 24.5 21.2 - 23.5		<p>●</p> <p>Light Purple</p>
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aged 65	LGPS FFPS	22.9 - 24.5 21.2 - 23.5																																					

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Net pension liability</p> <p>LGPS £0.242m surplus</p> <p>Firefighters scheme £643.301m</p>		<p>Triennial revaluation of the Kent Pension Fund (LGPS)</p> <p>The latest triennial valuation for the Kent Pension Fund was published in late 2022. This valuation, which is at 31 March 2022, provides updated information for the net pension liability (LGPS) on the Authority's balance sheet, particularly in respect of membership data and demographic assumptions.</p> <p>The delay to the audit of the 2021/22 financial statements means updated triennial valuation containing more recent information better reflecting the conditions that existed as at 31 March 2022 was available. We therefore requested management to obtain a revised report from the Authority's actuary, detailing what impact this updated information had on the Authority's net pension liability disclosures at 31 March 2022.</p> <p>A revised report was obtained by management in July 2023. The report clarified that the impact of the triennial valuation was to reduce the Authority's net pension liability by £153,000. However, the impact on individual disclosure lines in the financial statements was material, for example with liabilities arising from "experience items" increasing by £5,775,000 and liabilities arising from changes to demographic assumptions reducing by £2,729,000. Management therefore amended the 2021-22 financial statements to reflect the impact of the March 2022 Triennial revaluation. This work was not completed by the point that the 2022-23 financial statements required to be published and subsequently, the Authority have had to adjust the opening balances in the 2022-23 accounts to match the closing balances in the 2021-22 accounts. A summary of those changes is included in Appendix B.</p>	<p>●</p> <p>Light Purple</p>

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with management. We have not been made aware of any significant incidents in the period. No other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Authority's year end cash and investment balances. We have received positive confirmations for all other balances.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations / significant difficulties	We have not experienced any difficulties obtaining audit evidence during the audit.

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
<p>Going concern</p>	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Authority and the environment in which it operates the Authority's financial reporting framework the Authority's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work to date has not identified any inconsistencies.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed work is not required as the Authority does not exceed the threshold specified by NAO.</p>
Certification of closure of the audit	<p>We have certified the closure of the audit as the same time as issuing the Audit Opinion.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

We have completed our VFM work and issued our Audit Finding Report in February 2024. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant weaknesses from our initial planning work or the work completed to date.

4. Independence and ethics

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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of 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.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

Appendices

- A. Communication of audit matters to those charged with governance
- B. Audit Adjustments
- C. Fees
- D. Auditing developments

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Pension Liability		153		
Pensions Reserve	153	(153)	153	0
<i>Being the correction of the opening pension liability balance following the updated IAS19 report for the triennial valuation of the LGPS.</i>				
Overall impact	153	0	153	0

Impact of prior period adjustment

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
CIES – Deficit on provision of services	634			
Revaluation Reserve		4,652		
Property, Plant and Equipment (land valuations)		(5,286)		
<i>Being the correction of the closing balance of land valuations to reflect downward revaluation of potentially contaminated land at fire stations</i>				
	634	(634)	634	(634)

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure issues	Adjusted?
Note 25: Defined Benefit Pension Scheme A number of disclosure changes were required following receipt of the updated IAS19 report for as at 31 March 2023, taking into account the triennial valuation of the LGPS as at 31 March 2022 that impacted opening balances and therefore in-year movements.	✓
Note 19: External Audit Costs Disclosure changes were required to report the audit fees payable by the Authority	✓

Unadjusted misstatements

There are no unadjusted misstatements to report to those charged with governance.

C. Fees

We confirm below our final fees charged for the audit.

Audit fees	2021/22 Fee	2022/23 Fee
	£	£
Scale fee	29,818	33,679
Ongoing increases to scale fee – agreed in prior years by PSAA but to be approved through formal variation process.	15,500	14,000
Additional pension liability work for triennial valuation	5,000	
Additional work relating to PPA of land and buildings		4,000
Total audit fees (excluding VAT)	50,318	51,669

We confirm that we have not undertaken, or charged fees for non-audit services. All fees other than the scale fee will require approval by the PSAA.

D. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 25 April 2024
Subject: INTERNAL AUDIT ANNUAL REPORT AND AUDIT OPINION
FOR 2023/24
Classification: Unrestricted

FOR DECISION

SUMMARY

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

As part of the Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion to Members on the adequacy and effectiveness of the Authority's framework of governance, risk management and control. Their annual opinion is largely informed by work undertaken as part of the Internal Audit Plan for the 2023/24 financial year. The opinion also considers the results of audits for the previous two financial years, and the subsequent follow-up work undertaken.

Attached to this report is the final Internal Audit Annual Report for 2023/24 for Members to review. The Head of Internal Audit will be presenting this report at the Audit and Governance Committee meeting.

RECOMMENDATION

Members are requested to:

1. Consider and agree the final Internal Audit Annual Report 2023/24 (paragraphs 5 -12 and **Appendix 1** refers);

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

COMMENTS

Background

1. Section 5 of the Accounts and Audit Regulations (England) 2015 requires the Authority to undertake an adequate and effective internal audit of its risk management, control and governance processes. The Authority discharges its Internal Audit function under a Service Level Agreement to Kent County Council (KCC). Annually the Head of Internal Audit provides an opinion on the adequacy and effectiveness of the Authority's Framework of Governance, Risk Management and Control. The annual opinion presented in this report is largely informed by work undertaken as part of the Internal Audit Plan for 2023/24 but also considers the subsequent follow-up work undertaken for audits of the previous two financial years.
2. The Head of Internal Audit's opinion is one of the key independent means of assurance available to Members in discharging their role of overseeing the internal control processes implemented by officers and ensuring that a sound system of governance of the Authority's business is in place.
3. The assurance given on individual audits is at the time of issue of that report, but before full implementation of any agreed management action plan. The Authority maintains its own internal follow-up process for audits with assurance levels of "Adequate" and above which are then reviewed by Internal Audit and verified, if necessary, prior to being closed. Internal Audit however undertake full follow-up reviews for all 'limited' and 'no' assurance audits.
4. This final report would normally be presented at the September meeting of this Committee as part of the suite of four final reports (Final Outturn, Annual Governance Statement and the Treasury Management), that lead up to the fifth report which is the Financial Statements for the 2023/24 financial year. However, given that all internal audit reviews have now been concluded and that the Head of Internal Audit for Kent Fire and Rescue (Ms F Smith), is leaving this role, it felt more appropriate for her to present this final report for the year, to this Committee, before her departure at the end of April 2024.

The Internal Audit Annual Report 2023/24

5. The Annual Report for 2023/24 is attached at **Appendix 1** for Members to review and agree. The Head of Internal Audit will attend the Audit and Governance Committee to present this report.
6. In line with the Plan, there have been six compliance audits and three consultancy reviews completed during the year. The six compliance audits have resulted in one

high and five substantial opinions. Based on their resultant action plans, Internal Audit have evaluated the audits as follows: four audits obtaining very good prospects for improvement, one obtaining good prospects for improvement and one with adequate prospects for improvement.

7. All internal audit actions for the 2023/24 audit year have been logged and managed via the Authority's internal Action Tracker system. This ensures all actions are regularly monitored and progressed in an efficient, less labour intensive way which enables a speedier sign off by Internal Audit in many cases.
8. 'Areas for Development' identified in the three consultancy reviews have also been added to the Authority's internal Action Tracker system with a completion date set based on the potential level of risk identified by Internal Audit.
9. Members will be pleased to see that the overall opinion for 2023/24 is 'Substantial' and KFRS have achieved 100% on the three key performance indicators for all audits.

Counter Fraud

10. During 2023/24, the KCC Counter Fraud Team have developed two bespoke fraud awareness videos for circulation within the Authority.

Conformance with Public Sector Internal Audit Standards

11. The Public Sector Internal Audit standards are mandatory for the internal audit practice. They require Internal Audit to maintain a Quality Assurance and Improvement Programme (QAIP) which includes internal and external assessments of their compliance. An External Quality Assessment (EQA) of Internal Audit Services was completed in early 2021 by an independent assessor of which all twenty-one actions identified have been implemented. An internal self-assessment for 2023/24 has also been completed and confirms that all internal audit work has been conducted in accordance with the standards.
12. The Institute of Internal Auditors' (IIA) Global Internal Audit Standards has recently been updated, with compliance required by 9th January 2025. A self-assessment against the new standards is planned during 2024/25 to ensure the target date is met.

IMPACT ASSESSMENT

13. Sufficient resources were available to enable the programme of work to be delivered in 2023/24. The annual audit opinion provides Members with assurance that the Authority has robust internal control processes in place.

RECOMMENDATION

14. Members are requested to:

14.1 Consider and agree the final Internal Audit Annual Report 2023/24 (paragraphs 5 to 12 and **Appendix 1** refers).

ANNUAL REPORT 2023/24
Kent and Medway Fire and Rescue Authority

**Internal Audit Annual Report & Head of
Internal Audit Opinion**

2023/24

Date: 25 April 2024

Frankie Smith
Chief Audit Executive

Email: Frankie.Smith@Kent.Gov.UK
Telephone: 03000 419434

ANNUAL INTERNAL AUDIT REPORT 2023/24

1. Purpose and Background

1.1 The Annual Report provides a summary of the work completed by the Internal Audit service during 2023/24.

1.2 Public Sector Internal Audit Standards (PSIAS) require that an annual report on the work of Internal Audit should be prepared and submitted to those charged with governance, to support the Authority's Annual Governance Statement (AGS), as required by the Accounts and Audit Regulations (England) 2015. This report should include the following:

- An annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework.
- A summary of the audit work from which the opinion is derived.
- Any issues which the Head of Internal Audit judges relevant to the preparation of the Annual Governance Statement.
- A comparison of the work undertaken, with the work that was planned.
- A summary of the performance of the Internal Audit function against its key performance indicators.
- A statement of conformance with the PSIAS.
- The outcomes from the Internal Audit Quality Assurance and Improvement Programme (QAIP).
- Disclosure of any qualifications to the opinion, with justifications.
- Disclosure of any impairments or restrictions in scope.

1.3 The purpose of this report is to satisfy these requirements.

2. Annual Opinion

2.1 Internal Audit concludes that '**Substantial**' assurance can be assigned in relation to the Authority's corporate governance, risk management and internal control arrangements. There are no significant matters which need to be included within the Annual Governance Statement.

2.2 This opinion is derived from the findings, conclusions and assurances from the work undertaken by Internal Audit during 2023/24 and the progress to implement agreed actions from previous audit reviews. Furthermore, our opinion acknowledges that there have been no instances of material internal or external fraud detected or reported during 2023/24.

2.3 There have been no limitations to the scope of Internal Audit work during 2023/24. Internal Audit provides this assurance based on the scope of the work performed and at the time of the audit.

2.4 The ability of Internal Audit to remain independent is fundamental to the robustness of the opinion provided. There has been no impairment to our audit work and reporting during 2023/24.

2.5 Members are reminded that they can contact Internal Audit directly for further information on any audit or to discuss any other matter. Contact details are given at the front of this report.

3. Summary of Internal Audit Work 2023/24

3.1 The original 2023/24 Internal Audit Plan was agreed by Authority in April 2023.

3.2 The 2023/24 Audit Plan included 6 audit and 3 consultancy reviews. All work has been completed. **Table 1** summarises the outcomes from the 2023/24 Audit Plan. Audit summaries are provided at **Annex A** for those reviews highlighted below.

TABLE 1
Overview of 2023/24 Audit Plan

Audit	Audit Opinion	Prospects for Improvement	Date Reported to Audit & Governance Committee
Health & Safety	SUBSTANTIAL	GOOD	January 2024
Operational Response – Competency Training Programme (consultancy)	N/A	N/A	April 2024
Operational Response – Welfare	SUBSTANTIAL	VERY GOOD	January 2024
Project Management	HIGH	VERY GOOD	January 2024
Compliance with Code of Ethics	SUBSTANTIAL	VERY GOOD	January 2024
Climate Change (Carbon Neutral)	SUBSTANTIAL	ADEQUATE	April 2024
KFRS Response to Manchester Arena Outcomes (consultancy)	N/A	N/A	April 2024
Prevention – Anti-Social Behaviour	SUBSTANTIAL	VERY GOOD	April 2024
Purchasing Review (consultancy)	N/A	N/A	January 2024

3.3 **Annex B** provides the definitions for the Audit Opinions and Prospects for Improvement.

3.4 **Annex C** provides a summary of several Customer Satisfaction Questionnaire received during 2023/24.

3.5 **Table 2** provides a comparison of the Assurance Opinions and Prospects for Improvement allocated to audit reviews since 2020/21. This illustrates consistency in the opinions and prospects for improvement allocated over the last 3 years, and further supports the 2023/24 Substantial opinion:

TABLE 2			
Comparison of Assurance Opinions and Prospects for Improvement since 2021/22			
	Audit	Assurance	Prospects for Improvement
2022/23	KFRS Response to Grenfell Tower Inquiry	N/A	N/A
	Purchasing Cards	SUBSTANTIAL	VERY GOOD
	Clinical Governance	LIMITED	GOOD
	Business Continuity Planning	HIGH	VERY GOOD
	Prevention – Safe & Well Visits	HIGH	VERY GOOD
	Use of Mobile Data Terminals, Companion Devices and Risk Data	HIGH	VERY GOOD
	Safeguarding	HIGH	VERY GOOD
	People Plan	HIGH	VERY GOOD
	(On Call) Duty System Management	SUBSTANTIAL	GOOD
2021/22	Operational Response Training	ADEQUATE	VERY GOOD
	Treasury Management	ADEQUATE	GOOD
	Workforce Planning	HIGH	VERY GOOD
	Collaborations	SUBSTANTIAL	VERY GOOD
	Equality, Diversity & Inclusion	SUBSTANTIAL	VERY GOOD
	IT Helpdesk	SUBSTANTIAL	VERY GOOD
	Vehicle & Equipment Replacement Programme	SUBSTANTIAL	VERY GOOD
	Fire Standards	N/A	N/A
	Cyber Security	N/A	N/A

4. Implementation of Agreed Actions

4.1 **Table 3** highlights the outcomes of all the agreed actions followed up during 2023/24.

TABLE 3			
Implementation of Agreed Actions			
Audit	Date	Original Assurance Opinion	Status
Contract Management	September 2021	SUBSTANTIAL	Not yet due
Equality, Diversity & Inclusion	December 2021	SUBSTANTIAL	Not yet due
Clinical Governance	April 2023	LIMITED	Complete
Health & Safety	August 2023	SUBSTANTIAL	Not yet due
Compliance with the Code of Ethics	January 2024	SUBSTANTIAL	Not yet due
Climate Change - Carbon Neutral	March 2024	SUBSTANTIAL	Not yet due
Prevention – Anti-Social Behaviour	March 2024	SUBSTANTIAL	Not yet due

4.2 Good progress is being made to implement agreed actions arising from audits. The overall response to implement all agreed actions due during 2023/24, by the original, or revised implementation date is 100%.

5. Summary of Counter Fraud Work 2023/24

- 5.1 There were no fraud or irregularities identified, reported or investigated by Internal Audit during 2023/24.

6. Conformance with Public Sector Internal Audit Standards (Standards)

- 6.1 The Public Sector Internal Audit Standards (Standards) are mandatory for all public sector internal audit functions. The Standards require Internal Audit functions to maintain a Quality Assurance and Improvement Programme (QAIP), which should include both internal and external assessments of compliance against the Standards.
- 6.2 The last external quality assessment (EQA) was completed in February 2021. The EQA concluded that the service 'Generally Conforms' with the Public Sector Internal Audit Standards, which is the highest possible assessment available and was inline with our own internal self-assessment. The outcomes from this EQA were reported to Audit and Governance Committee on 22 September 2022. All actions from the EQA have now been fully implemented.
- 6.3 The internal self-assessment for 2023/24 has been completed and has confirmed the Internal Audit function continues to be generally conformant with the Standards. It also confirmed that all internal audit work completed during 2023/24 has been conducted in accordance with the Standards, our agreed Internal Audit Manual and Quality and Assurance Improvement Programme as required in Attribute Standard:1300 – Quality Assurance and Improvement Programme.
- 6.4 The Institute of Internal Auditors' (IIA) Global Internal Audit Standards has recently been updated. Compliance with the new Standards is required by 9th January 2025. A self-assessment against the new Standards is planned during 2024/25. The outcomes from this self-assessment and further details of the new Standards will be reported to Audit & Governance Committee later in the year,

7. Internal Audit Performance

7.1 In April 2023, Members agreed the following performance indicators would be tracked and monitored throughout the year on all audit engagements completed. **Table 4** provides the year-end performance outturn against each indicator:

TABLE 4			
Internal Audit Performance Indicators			
	Indicator	Target	Actual
1.	Engagement Plan issued 2 weeks prior to commencement of fieldwork start date	90%	100%
2.	Verbal feedback to be provided within one week of completion of audit fieldwork	100%	100%
3.	Draft Reports to be issued by the date specified in the Engagement Plan	90%	88%
4.	Final Report to be issued within 5 working days of receiving management response	90%	100%
8.	% Completion of Annual Internal Audit Plan @ 31 March 2024	90%	100%
KMFRA			
	Indicator	Target	Actual
1.	Agreement of Engagement Plan to be provided prior to fieldwork start date	100%	100%
2.	Response to Draft Report and Action Plan to be provided within 10 working days of issue	90%	100%
3.	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%	100%

7.2 The draft report for **FS05-2024 Compliance with the Code of Ethics** was slightly delayed due to client availability, auditor leave and work pressures.

ANNEX A – AUDIT SUMMARIES

FS02-2024 OPERATIONAL RESPONSE – COMPETENCY TRAINING PROGRAMME (CONSULTANCY)

ENGAGEMENT OBJECTIVE

The next KFRS inspection by His Majesty's Inspectorate (HMI) is likely to focus on Operational Response Competency Training.

Within the 2023/24 Internal Audit Plan, KFRS commissioned a consultancy review to support preparedness for the upcoming inspection.

This consultancy review covered the following elements in relation to station based and competency training:

- Identifying training not completed during 2023;
- Identifying gaps in Moodle training records; and
- The adequacy of monitoring arrangements to identify gaps / lapses in training.

CONCLUSION

Overall completion rates for SBT exceeded the 80% threshold during 2023, but completion rates vary by station. Safeguarding training had the lowest engagement rates.

FirePro (FP) assessments had been completed for 80% of officers. However, the completion rates for FP assessments did not exceed 80% at 7 of the 25 stations.

Gaps in Moodle training records can occur when activities are completed as a group and individual records are not subsequently updated.

If an exercise is not required because competency has been demonstrated elsewhere, then this would appear as a gap in the statistical data.

Firefighters and Station Management can monitor 'live' Station Based Training (SBT) completion data.

Station Management cannot see the overall completion rate for the station month by month.

The Performance Team are in the process of streamlining the data and will follow up on stations that are low on completion.

There are aspirations to build a PowerBI dashboard using 'live' data to make it easier for Station Management to monitor SBT completion rates.

Firefighters are booked onto Competency courses before expiry dates, or within the specified 'grace period' for the course.

Where Competency courses have expired and new courses have either not been booked in or have been booked in later, this is for good reasons.

FS06-2024 CLIMATE CHANGE (CARBON NEUTRAL)

ENGAGEMENT OBJECTIVE	OPINION & NUMBER OF ISSUES RAISED				
<p>As part of the 2023-24 Audit Plan, it was agreed that Internal Audit would undertake a review of Climate Change.</p> <p>The aim of the audit was to identify and evaluate the adequacy and effectiveness of controls in place to assess, monitor and report progress against the Kent Fire and Rescue Service (KFRS) Climate Action Plan</p>	<p>Assurance Opinion</p>	<p>Prospect for Improvement</p>	<p>High</p>	<p>Medium</p>	<p>Low</p>
<p>KEY STRENGTHS</p> <ul style="list-style-type: none"> • The KFRS Climate Action Plan was approved by Members in July 2021 as part of the Environmental and Assets Strategy 2021-25. • All actions have a clear measure of success. • LASER (energy management consultants) were commissioned to provide a science-based carbon budget which contributed to the formulation of the KFRS Climate Change Action Plan. • Climate actions are sufficiently monitored with progress reported and discussed at quarterly Green Forum meetings. 41% of actions have been implemented to date. • KFRS have been successful in securing funding to deliver several actions. • The Climate Change Lead Officer verifies the status of actions with owners prior to them being closed with sufficient information of the action taken recorded. • LASER have been commissioned to undertake a carbon reduction options review workshop for KFRS officers scheduled for February 2024. • The service has been proactive in producing an early draft sustainability report in readiness for mandatory reporting. 	<p>SUBSTANTIAL</p>	<p>ADEQUATE</p>	<p>1</p>	<p>1</p>	<p>1</p>
<p>The findings from this review found on the whole controls were operating effectively. However, improvements are required to reporting the current position with achieving the carbon neutrality 2030 target. Prospects for improvement have been assessed as adequate based on capacity issues with procuring specialist resources.</p>	<p>AREAS FOR DEVELOPMENT</p> <ul style="list-style-type: none"> • There is no independent oversight of Property Services Climate actions. ISSUE 1 (LOW) • Whilst progress is being monitored the Climate Action Plan is not being kept up to date. ISSUE 1 (LOW) • Specialist resources need to be procured to assess the requirements for two actions to identify required funding and assure there is no funding gap. ISSUE 2 (MEDIUM) • Climate Action Plan progress and updates on the position with achieving the strategic priority to achieve carbon neutrality by 2030 are not formally reported to Senior Management / Members. ISSUE 3 (HIGH) 				

FS07-2024 KFRS RESPONSE TO MANCHESTER ARENA OUTCOMES (CONSULTANCY)

ENGAGEMENT OBJECTIVE

The consultancy review considered the adequacy and effectiveness of the management / oversight of the implementation of the Manchester Arena Inquiry recommendations / actions. It included the following elements:

- Allocation and resourcing of actions;
- Adequacy of records to support action progress;
- Management, monitoring and tracking of the recommendations / actions; and
- Progress reporting and escalation on implementation of recommendations / actions.

SUMMARY OF FINDINGS

A significant amount of work has been undertaken by officers to ensure that the Manchester Arena Inquiry report recommendations are implemented to affect change.

KFRS has gone beyond the Inquiry's formal recommendations and used the Inquiry as an opportunity to identify additional actions.

The key findings from this review were as follows:

- Actions are allocated and tracked appropriately.
- Officers and Senior Management have constant visibility of the status of each action via a central database.
- Implementation of actions are challenged and scrutinised to provide additional and reliable assurance that actions have been implemented as planned.
- Evidence to support the implementation of actions are retained on a central database and are accessible to KFRS officers in the event of a query or scrutiny. However, there are a small number of actions (specifically operational policies) where the type of supporting evidence retained on file could be improved to provide greater reliability and assurance that the agreed action has been fully implemented.
- The progress reporting to the Response and Resilience Management Group is in place, with reports being prepared and submitted bi-monthly, this commenced in November 2023. However, the reports do not contain sufficient details or explanation of progress of open actions (or actions that have been extended). Furthermore, Internal Audit were unable to confirm when the last progress update was reported to Corporate Management Board.

FS08-2024 PREVENTION – ANTI-SOCIAL BEHAVIOUR

ENGAGEMENT OBJECTIVE	OPINION & NUMBER OF ISSUES RAISED				
<p>As part of the 2023/24 Audit Plan, it was agreed that Internal Audit would undertake a review of Prevention - Anti-Social Behaviour (ASB).</p> <p>The aim of the audit was to evaluate the adequacy and effectiveness of the Authority's collaboration arrangements with local Community Safety Partnerships (CSPs) / Community Safety Units (CSUs) and wider partners to identify, manage, reduce and prevent ASB related fires.</p>	Assurance Opinion	Prospect for Improvement	High	Medium	Low
	SUBSTANTIAL	VERY GOOD	0	1	3
KEY STRENGTHS	AREAS FOR DEVELOPMENT				
<ul style="list-style-type: none"> The weekly FireStoppers report is automated and includes all deliberate fires identified on the incident reporting system. The highest risk ASB deliberate fire trends are identified and acted upon using a partnership approach. The Community Insights and Partnership Team plan to work with Business Intelligence, to maximise the use of existing mapping software, to view the geographical area of deliberate fires in detail and establish root cause. Roles and responsibilities are clearly defined. Specific officers are accountable for supplying ASB data and the identification of suitable ASB initiatives. For lower priority (yellow) trends identified, officers have appropriately acted beyond minimum requirements, to contact the police or local councils in addition to the relevant fire station. For high priority cases a multi-agency approach is taken along with community outreach initiatives. An operational debrief will be used in the coming months to review the process introduced in December 2023. The Management oversight of cases is agile as it can be adapted according to the severity of cases and high priority cases are transferred to the Management Co-ordination Group (MACG). 	<ul style="list-style-type: none"> There are inconsistencies in the identification of ASB deliberate fire trends. ISSUE 1 (LOW) Prevention Plans are not documented upfront to evidence the approach to prevent further fires. ISSUE 2 (MEDIUM) Evolving actions and the outcome of meetings are not being consistently recorded or tracked and there is a lack of criteria for when it is appropriate to close cases. ISSUE 2 (MEDIUM) ASB deliberate fire statistics at county & district level, and on a case-by-case basis, are not reported to illustrate the effectiveness of reducing ASB fires. ISSUE 3 (LOW) The guidance does not include a definition of ASB fires. ISSUE 3 (LOW) The criteria for reporting to CSPs, Corporate Management Board (CMB) and Fire Authority has not yet been agreed. ISSUE 4 (LOW) The quality assurance and management oversight arrangements in place have not yet been sufficiently documented. ISSUE 4 (LOW) 				

ANNEX B - DEFINITIONS

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

ANNEX B - DEFINITIONS

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

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

ANNEX C – CUSTOMER SATISFACTION QUESTIONNAIRE OUTCOMES (2023/24)

Audit	Client Overall Experience	Client Comments
FS01-2024 Health & Safety	Very Good	Very informative
FS02-2024 Operational Response – Competency Training Programme	Good	Professional and easy to work with and a clear desire to work together to benefit the organisation
FS03-2024 Operational Response Welfare	Good	<p>A good working relationship was built which allowed a smooth process from start to finish. Good communication around meetings and issues as and when they arose.</p> <p>My only reflection was the auditor was working full-time on the audit where I had my day job to continue. There were some short notice meeting requests which was difficult to accommodate. Not a huge problem but consideration for future audits.</p>
FS04-2024 Project Management	Very Good	Auditors were at all times friendly and well organised. They explained the purpose of the audit and the process we were going to follow very clearly from the start. They were curious and interested in learning about our processes and practices and pragmatic when we pointed out the reasons why some practices have not been implemented fully in-line with best practice to adapt our level of maturity. They were very clear and specific on what evidence needed to be provided and allowed sufficient time for us to collect and provide the information.
FS05-2024 Compliance with Code of Ethics	Very Good	Auditor was switched on, knew what they were talking about, asked the right questions and was inquisitive.
FS07-2024 KFRS Response to Manchester Arena Outcomes	Very Good	<p>We had to be clear on the scope of the audit throughout the process i.e. this was solely about the Manchester Arena Inquiry Report and not the earlier Kerslake report.</p> <p>On occasion, there appeared to be a lack of recognition of the workload / time pressures KFRS staff were under, e.g. requests to meet within the same week and some surprise when staff were not able to do so. Some management of those expectations for future audits would be helpful.</p>
FS09-2024 Purchasing Review	Very Good	The audit addressed the key areas and provided an objective report.

By: Director of Finance and Corporate Services
To: Audit and Governance Committee - 25 April 2024
Subject: EXTERNAL AUDITORS DRAFT AUDIT PLAN FOR 2023/24
Classification: Unrestricted

FOR DECISION

SUMMARY

In preparation for the External Auditor's review of the 2023/24 accounts, Members are presented at this meeting, with the External Auditors' Draft Audit Plan for the 2023/24 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 2023/24 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.

RECOMMENDATION

Members are requested to:

1. Consider and approve the External Auditor's Draft Audit Plan for 2023/24 (paragraphs 2 to 4 and **Appendix 1** refers).

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 2023/24

2. At this time of year, the External Auditors prepare their Draft Audit Plan for the year ended 31 March 2024. 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 2023/24, 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 2023/24 financial statements and their value for money assessment.

3. The Draft Audit Plan for 2023/24 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 2023/24. As in previous years, 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.

RECOMMENDATION

6. Members are requested to:
 - 6.1 Consider and approve the draft External Audit Plan for 2023/24 (paragraphs 2 to 4 and **Appendix 1** refers).



Kent and Medway Fire and Rescue Authority Audit Plan

Year ending 31 March 2024

April 2024



Contents



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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.
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Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services. Fire and Rescue Authorities (FRAs) are experiencing inflationary pressures, pay demands and energy price rises. The consequence is pressure on budgets and a requirement to identify challenging saving plans.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

As your auditor, in planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Authority Finances

Kent and Medway Fire and Rescue Authority (the Authority), like all other local authorities, continues to operate within a challenging and uncertain financial environment. Despite the pressures, the Authority continues to have a good record for managing its finances. The month 9 monitoring of spend and forecast against the budget reported a forecast underspend of £2.752m. The underspend being largely driven by pay budget which has an underspend of approximately £1.996m, owing primarily to the difficulties in the recruitment and retention of on-call members of the staff.

Our Responses

- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit and Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Governance Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of 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. **The NAO is in the process of updating the Code.** This audit plan sets out the implications of the revised code on this audit. Our respective responsibilities are also set out in the agreed engagement letter/in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA). We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authorities financial statements that have been prepared by management with the oversight of those charged with governance (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 Authorities business and is risk based.

The CIPFA/LASAAC Local Authority Code Board has issued a consultation on short term England-only measures in the Code. These would affect the 2023/24 and 2024/25 Codes, by providing an option to simplify measurement of operational property plant and equipment using specified indexation, and reduced disclosures for pensions reporting, by aligning that reporting with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This audit plan has been prepared whilst the consultation window is still open and as such does not take into account changes that may be made to the Code. Should the Code change, we'll discuss the impact on our audit approach with management and communicate this with the Audit and Governance Committee.

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

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

We will revisit our identification of significant risks should there be a change to the Code as explained on page 4.

Materiality

We have determined planning materiality to be £2m (PY £2m) for the Authority, which equates to 2% of your 2022/23 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 £100k (PY £100K) for the authority.

We design our procedures to detect errors in specific accounts at a lower level of precision, therefore we have determined lower materiality for cash and cash equivalents at £500k.

We will review our materiality throughout the audit and on receipt of the draft financial statement audit and report to management and members of the Audit and Governance committee any changes.

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.

Audit logistics

Our planning visit will take place in March 2024, and our final visit will take place in July-August 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our proposed fee for the audit will be £108,605 for the Authority, subject to the Authority delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 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
Risk of fraud in revenue recognition	<p>Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; and • opportunities to manipulate revenue recognition are very limited. 	We do not consider this to be a significant risk for the Authority.
Risk of fraud in expenditure recognition	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We were satisfied that this did not present a significant risk of material misstatement in the 2023/24 accounts as:</p> <ul style="list-style-type: none"> • The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; • We have not found significant issues, errors or fraud in expenditure recognition in the recent audits; and • Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. 	We do not consider this to be a significant risk for the Authority.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non rebuttable presumed risk that the risk of management override of controls is present in all entities. You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings	<p>The authority revalues high value fixed assets on an annual basis and the remainder of assets on a rolling four yearly basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved, being £107m in 2022/23 draft financial statements.</p> <p>We therefore identify valuation of land and buildings, particularly revaluations and impairments, as a significant risk. Should any changes to the Code in relation to the valuation of land and buildings we will reconsider our testing strategy.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; • test revaluations made during the year to see if they had been input correctly into your asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of the pension fund net liability/asset - assumptions applied by the professional actuary in their calculation</p>	<p>The Authority's pension fund net liability (Local Government Pension Scheme and Firefighters' Pension Schemes) , as reflected in its draft 2022/23 balance sheet as the net asset and liability respectively on defined pension scheme, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£643.3 million in the Authority's draft balance sheet 22/23) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net asset/liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net asset/liability.</p> <p>We therefore identified valuation of the pension fund net asset/liability as a significant risk. Should any changes to the Code in relation to disclosures for pensions reporting we will reconsider our testing strategy.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

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

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

Other matters

Other work

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

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

Other material balances and transactions

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

Our approach to materiality

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

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. Materiality at the planning stage of our audit is £2m for the authority, which equates to 2% of your 2022/23 gross operating costs for the year</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
3	<p>Other communications relating to materiality we will report to the Audit and Governance Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</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 £100k. 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>

Our approach to materiality

	Amount (£)	Qualitative factors considered
Materiality for the Authority financial statements	2,000,000	This benchmark is determined as a percentage of the Authorities Gross Cost of Services Expenditure in 2022/23, which has remained at approximately 2%.
Performance Materiality	1,500,000	Performance Materiality is based on a percentage of the overall materiality.
Materiality for specific transactions, balances or disclosures (Cash)	500,000	To detect errors at a lower level of precision to ensure that any errors or misstatements are addressed.
Trivial matters	100,000	This balance is set at 5% of overall materiality

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:

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

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

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.

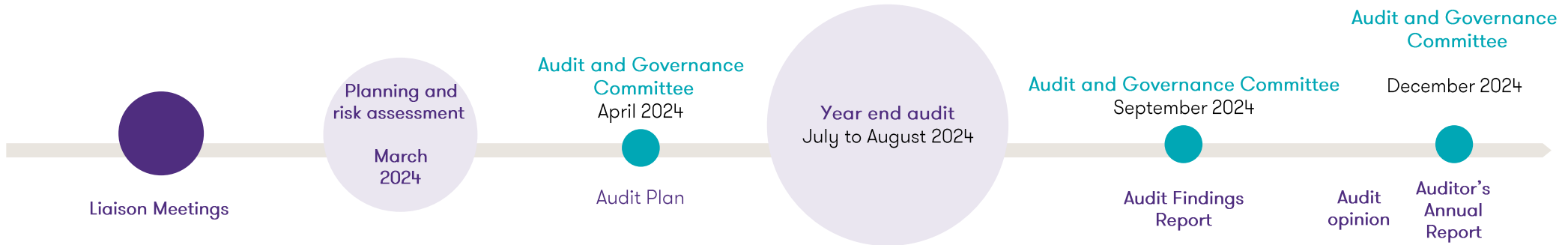


Governance

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

Our work on the authority's value for money arrangements for 23/24 has not commenced yet. We will continue to provide members of the Audit and Governance Committee with progress and update reports on the status of the value for money throughout the audit.

Audit logistics and team



Paul Cuttle, Key Audit Partner

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

Muneeb A Khan, Audit Manager

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

Ali Hamza, Assistant Manager

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

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 the engagement. 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 including all notes, the Narrative Report and the Annual Governance Statement.
- Ensure good quality working papers are available at the start of the audit, in accordance with the working paper requirements that we have shared with you.
- Ensure 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. These reports should be cleansed so that reversing transactions are removed.
- 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

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Kent and Medway Fire and Rescue Authority to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £103,585.

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

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

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

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

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

Updated Auditing Standards

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

Audit fees

	Proposed fee 2023/24
Scale Fee	£103,585
ISA 315 (application of revised auditing standard not included within scale fee)	£5,020
Total audit fees (excluding VAT)	£108,605

IFRS 16 – leases

CIPFA have deferred the mandatory implementation of IFRS 16 until 2024/25. If the authority implements IFRS 16 in the 2023/24 financial statements, this will require additional work from the audit team. Even if the authority is not adopting the implementation until 1 of April 2024, the authority will need to consider the impact of its adoption for the disclosure in the 2023/24 financial statements. Any work required in relation to the standard is not included within the scale fee.

Relevant professional standards

In preparing our fees, 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.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the authority to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

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

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

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

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

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Authority’s systems and processes

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

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx](#)
([publishing.service.gov.uk](#))

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 we have implemented policies and procedures to meet the requirements of 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.

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	•	
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	•	•
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	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

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

Respective responsibilities

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

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

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By: Director of Finance and Corporate Services
To: Audit and Governance Committee - 25 April 2024
Subject: EXTERNAL AUDITORS AUDIT RISK ASSESSMENT FOR
2023/24
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 External Auditors. As such this committee is asked to consider if the responses set out in this Appendix, are consistent with their understanding and whether there are any further comments the Members of this Committee wish to make.

RECOMMENDATIONS

Members are requested to:

1. Consider and approve the Audit Risk Assessment (paragraphs 3 to 4 and **Appendix 1** refers).

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

COMMENTS

Background

1. Expectations placed on External Auditors, by the Financial Reporting Council (FRC) are increasing each year. There is an increased focus on the accounting estimates applied by management in the accounts as well as the risk of misstatement arising from fraud. Therefore, 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.

Informing the Audit Risk Assessment 2023/24

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

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

IMPACT ASSESSMENT

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

RECOMMENDATION

- 6. Members are requested to:
 - 6.1 Consider and approve the Audit Risk Assessment (paragraphs 3 to 4 and **Appendix 1** refers).

Informing the audit risk assessment for Kent and Medway Fire and Rescue Authority 2023/24

Muneeb A Khan
Manager
muneeb.a.khan@uk.gt.com



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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Kent and Medway Fire and Rescue Authority's external auditors and Kent and Medway Fire and Rescue Authority's Audit & 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 & Governance Committee under auditing standards.

Background

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

This two-way communication assists both the auditor and the Audit & 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 & Governance Committee and supports the Audit & 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 Kent and Medway 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 & 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 2023/24?</p>	<p>High inflation, a significant increase in the cost of utilities and, higher than budgeted pay awards mean that additional expenditure has been incurred in these areas. This has been offset by a substantial increase in the interest received on cash balances and reserves. Additionally, land valuations have had an impairment adjustment to reflect the impact of contamination issues identified through an independent review.</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 in 2022/23.</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?	Ground contamination was identified as part of the preparation for groundworks at the Ashford site. Subsequent to this finding, a report was commissioned to review a number of sites for potential land contamination. The impact of the review resulted in asking our Valuers to reassess land values, based on the risk analysis review, which has resulted in a downward revaluation of land values to the accounts for 21/22, 22/23 and 23/24. Grant Thornton are aware of the impact of this issue.
6. Are you aware of any guarantee contracts? If so, please provide further details	As far as we are aware the Authority is not party to any guarantee contracts. However, you may wish to note that when a public sector body (e.g. KMTFA) creates framework agreement(s) against which it and other FRSS can enter into contracts, there is a law that could mean in the event of a failure or legal challenge the named Authority could be liable. Kent is named as lead authority on the following national framework agreements – PPE Training Workwear Specialist PPE Ladders Framework Energy Consultancy – via call off from Pagabo Cleaning – via call off from YPO WAN Network Provision for the NFSP Control – via CCS/G-Cloud
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	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. 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.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Kent and Medway Fire and Rescue Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	We have no in-house solicitors. External legal advice is sought from the following: DLA Piper UK LLP– Procurement and Contract Advice Invicta Law – Property & HR Stotesbury/Red Lion Chambers – Technical Fire Safety

General Enquiries of Management

Question	Management response
<p>9. Have any of the Kent and Medway Fire and Rescue Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>No reports have been made</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The Authority's insurers provide estimates of outstanding liabilities (reserves) in respect of insurance claims pending against the Authority which are used to calculate any insurance provisions necessary in the accounts. Avison Young advise on property valuations for accounting purposes and Barnet Waddingham LLP provide the information in relation to IAS 19 disclosures. Link Asset Services provide the Authority with Treasury and Leasing advice and daily updates. PSTax have provided specific tax advice in relation to flexible working arrangements, lease implications on partial exemption and have set up a consortium of Fire Authorities to discuss specific issues in relation to Immediate Detriment pension cases, they continue to be engaged as our general tax advisors. DLA Piper have also provided various contract advice in other areas such as Control Tender, Channel Tunnel exit, contract novation and legal support for Building Safety enforcement activity. BDO have provided support in reviewing the financial strength horizon scanning on critical suppliers. Invicta Law and Gartner Research Services were used for HR advice and consultancy. Laser were consulted on carbon footprint modelling and consultancy.</p> <p>Within the NFCC Procurement hub DSTL have provided a research commission into the future firefighter(PPE), VicLab Pty Ltd – an independent test house for structural PPE testing</p> <p>For the Ashford Live Fire Project – during 2022/23, we were working with ISG for both advice and discussion on the Pre Construction Service Agreement (PCSA) and they were our main contractor – although we have moved away from them now on this project. During that time though advice would also have been acquired and provided via sub-consultants/contractors Faithful & Gould who are now Atkins Realis and have provided advice to KFRS in several respects of the ALP project. Further to this we have also sought advice from Morgan Sindall. Arthur J Gallagher have been used to provide independent advice with regard to insurance requirements in the Ashford pre-construction services early works and the build phases. Bond Byan Architects were appointed in relation to the Ashford Live Fire project.</p>

General Enquiries of Management

Question	Management response
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	We have considered those assets for which an expected credit loss provision may be required under IFRS 9. The debtors and loans of the authority are low in number and the credit loss provision is below triviality and materiality levels.

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

Fraud risk assessment

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

Fraud risk assessment

Question	Management response
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	The risk of fraud can be either internal or external with the internal attempts potentially being through claiming for pay/overtime or expenses or in the misuse of assets and thus we would expect robust controls to be in place to mitigate this risk. Regular training takes place to ensure teams are aware of potential issues. However, the attempted risk of theft / fraud still remains a threat from external sources. Vigilance and strong controls in the team help identify erroneous / fraudulent emails purporting to be from any one of our suppliers.
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 2023? If so, please provide details	We are not aware of any instances of actual, suspected or alleged fraud, errors or other irregularities.
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Responsibility for Governance arrangements and for agreeing and receiving reports on Internal and External Audit plans rests with the Audit and Governance committee. Members of the Committee periodically receive training, as part of the committee process, in order to support them in their role in overseeing this process. The Annual Governance Assurance Report is produced setting out any changes, identifies weaknesses or planned amendments to the governance framework. The KCC Audit Manager assigned to the Authority's contract fulfils the role of Head of Internal Audit for the Authority and provides Members with an annual report on the outcomes of the audit plan, including any fraud investigations undertaken.

Fraud risk assessment

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

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Kent and Medway Fire and Rescue Authority, including:</p> <ul style="list-style-type: none">• the existence of internal controls, including segregation of duties; and• the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The Authority operates an effective control environment, policies set out the controls and delegations for the operation of the organisations. The Authority has a Service Level Agreement in place with Kent County Council, for the provision of an Internal Audit Service to Kent Fire and Rescue. They provide an independent and objective assurance on the effectiveness on the controls that are in place. Their reports are reviewed by the responsible Corporate Management Board (CMB) Member and where improvements have been identified an action plan is agreed and monitored for implementation. The CMB (at KFRS) receive regular quarterly internal reports and monitor the progress against action plans. The Head of Internal Audit provides independent reports to the Audit and Governance meeting on the outcomes of the reviews undertaken and progress made on identified actions. The Head of Internal Audit has independent access to the Chief Executive, and should they so wish, to any Member of Audit and Governance Committee.</p> <p>Discussions are usually undertaken with Internal Audit on proposed system control changes. The Authority operates a range of controls to prevent and detect fraud, theft and misuse of funds. This includes arrangements to ensure that employees and stakeholders can raise any concerns or complaints about the way finance is utilised, including where necessary independent access to the Authority's auditors. A fraud register has 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>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>No not as far as we are aware.</p>

Fraud risk assessment

Question	Management response
<p>9. How does Kent and Medway Fire and Rescue Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Authority has policies underpinned by regulations and procedures that set out arrangements for financial planning, financial management and financial systems and procedures as well as the management of risk. The Anti-fraud and Corruption procedure contains within its guidance any action that should be taken should an employee suspect a fraud or irregularity. All such policies are considered and approved by Corporate Management Board and where significant updates are required, these are reported to the Authority for approval. Regular staff seminars, staff focus groups, an internal intranet and a monthly Chief's update (One Team) are a selection of the number of ways in which we communicate and discuss key issues with staff. Towards the end of 2021 we developed a Code of Ethical Conduct, which every single employee in the organisation signed up to. We continually encourage all employees to engage in discussion about doing the right thing and about types of ethical behaviour. Dialogue amongst employees is actively encouraged.</p> <p>In relation to Contracts there is a specific reference to the inclusion of EDI and modern slavery in all contracts. We expect all of our suppliers to sign up to the Government portal and be transparent in their approach. We also specify a requirement of suppliers to ensure free movement of employees and ensure they have equal rights. All of which is referenced in our Supplier Code of Conduct.</p> <p>Staff are expected to report any activity where deception is used for personal gain to cause a loss to another. There are a number of ways that employees can report suspected fraud, they can raise it with their Line Manger, direct to the Director, Finance and Corporate Services, through the Speak Up Policy.</p> <p>No significant issues have been reported this Financial year.</p>

Fraud risk assessment

Question	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk posts are determined as those that have authorisation access to the Authority's bank accounts and financial systems, and those posts that have authority to sign off large items of expenditure, expenses, overtime claims and with authority to enter into large contractual commitments.</p> <p>Risks in relation to those posts are determined through their job description and job role and the access available to them. Senior Finance staff with banking access are expected to undertake a DBS check to ensure there is no prior history of fraudulent activity. Roles and processes are set up to ensure a separation of duties in that no one person can process a transaction from start to finish.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any to date.</p> <p>As part of the year end processes all Members, Senior Officers, Budget Managers are required to submit a related party declaration. Members are asked to make any declarations of interest known prior to the commencement of each Authority meeting. We ensure separation of duties within the organisation so no one individual can progress a transaction from start to finish. The Authority has issued a procurement policy and guidance for Colleagues when purchasing items which sets out the process in the event of conflict of interest and bribery and corruption.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit & Governance Committee?</p> <p>How does the Audit & Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Head of Internal Audit provides independent reports to the Audit and Governance meeting on the outcomes of the reviews undertaken and progress made on identified actions. The Head of Internal Audit has independent access to the Chief Executive, and should they so wish, to any Member of the Fire Authority and the Chair of the Audit and Governance Committee.</p> <p>The Audit and Governance Committee reviewed the Anti-Fraud Framework and supporting policies including the "Fighting Fraud Corruption Locally" checklist in line with best practice to give further clarity of the controls and measures in place within the Authority at its meeting in April 2022 and received training from the Counter Fraud Manager at KCC prior to the November 2022 meeting. This discussed the latest current issues in relation to fraud and sources of documentation available to them externally. This will help to broaden awareness of the key risks and areas of concerns emerging to enable them to increase their knowledge of emerging issues independently.</p> <p>The Audit and Governance Committee was formed in November 2021 to provide an extra level of independent review of the Governance and Risk arrangements for the Authority, it is Chaired by a member of the opposition party (Labour). A report from the Chair of Audit and Governance Committee was submitted to the Authority at the October 2023 meeting (kmfra_auth_2023-10-19_agenda-and-reports.pdf (fire-uk.org)). The Audit and Governance Committee will receive the Authority's Annual Governance Statement for review and the Head of Internal Audit's opinion at its September 2024 Committee.</p>

Fraud risk assessment

Question	Management response
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	To date the Authority has not had any reported whistle blowing tips or complaints.
14. Have any reports been made under the Bribery Act? If so, please provide details	To date the Authority has not had any reports made under the Bribery Act

Law and regulations

Matters in relation to laws and regulations

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

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

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

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

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Kent and Medway Fire and Rescue Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Kent and Medway Fire and Rescue Authority's regulatory environment that may have a significant impact on the Kent and Medway 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 for 2023/24 (although the provision of this service will change to be delivered by Mid Kent Services from April 24). As has always been the case, the Monitoring Officer continues to receive all draft reports so that they are able to advise the Chief Executive should a potential breach of law or regulation be suspected. Officers of the Authority would of course seek legal advice where there was any uncertainty surrounding a particular course of action or question of interpretation of law or regulation and include any issues relevant to the decision in reports to the Authority / Audit and Governance committee.</p> <p>As part of the annual governance assurance self-assessment, senior managers assess the compliance with internal controls, including those designed to ensure compliance with the law. These assessments are validated independently. A system for identifying and considering changes in the law is in place to ensure any implications are picked up and complied with. Policies list relevant legislation applicable to the subject matter.</p> <p>The Audit and Governance Committee also receives annual reports on the level of assurance around the Authority's governance controls, supported by assessments from Internal and External Audit, which includes compliance with relevant legislation.</p> <p>Changes to the Fire Safety Regulations took place during 2022, with recommendations coming into force from 23 January 2023. This has not had a significant impact on the Fire and Rescue Authority's financial statements</p>

Impact of laws and regulations

Question	Management response
2. How is the Audit & Governance Committee provided with assurance that all relevant laws and regulations have been complied with?	<p>The Audit and Governance Committee receives the Annual Governance Statement annually for consideration, which includes compliance with internal controls, including those designed to ensure compliance with the law. The Authority's Monitoring Officer receives a copy of all draft reports to ensure compliance with the law. The Committee also receive annual reports on the level of assurance around the Authority's governance controls, supported by assessments from Internal and External Audit which includes compliance with relevant legislation.</p> <p>The Clerk to the Authority oversees all Committee meetings and would have a role in advising Members and Officers of any potential breach of law or regulation particularly in relation to committee procedures.</p>
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details	<p>To date we are not aware of any such instances</p>
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	<p>The Authority continues to be a member of the Fire and Rescue Indemnity Company (FRIC), one of eleven FRA's that are in the insurance mutual for cover.</p> <p>At the end of each financial year a review of the insurance reserve and outstanding claims is undertaken and where appropriate a provision is made within the accounts. We also write to our legal advisors to ascertain if there are any legal cases outstanding at the end of financial year and an assessment is made on their impact in the financial statements is undertaken.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Kent and Medway 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 Kent and Medway 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 Kent and Medway Fire and Rescue Authority, or of any body that is a related party of the Kent and Medway 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 Kent and Medway Fire and Rescue Authority must disclose it.

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

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Kent and Medway Fire and Rescue Authority's 2023/24 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Kent and Medway Fire and Rescue Authority whether Kent and Medway Fire and Rescue Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>We have recently been accepted as a member of the Network Fire Services Partnership, to work alongside Devon and Somerset, Dorset and Wilts, and Hampshire and Isle of Wight fire services to procure one control system across all four organisations and to also collaborate on fire investigation services.</p> <p>The Police and Crime Commissioner for Kent is a voting member of the Fire Authority and is Chair of the Bluelight Commercial Board. Membership is open to any organisation with a purpose or interest in the delivery of efficient and effective commercial services in support of blue light services. The Authority is named as a Participating Organisation on a Bluelight Commercial Contract and has placed an order for 29 x Peugeot Partner Professional Vans at a cost of £453,613 and 3 x Peugeot Boxer Professional Vans at a cost of £66,503 through the BLC contract in 2023/24</p> <p>Members of the Procurement Team have both KFRS responsibilities as well as sitting on the NFCC, one is also the vice chair of the NFCC PPE and Clothing Board, whilst another leads the National Procurement of PPE for all fire services in the country.</p>
<p>2. What controls does Kent and Medway Fire and Rescue Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Authority has a register of Member interests' and all staff are required to declare if they have any secondary employment. Members, Senior Officers, Budget Managers and all those involved in procurement are required to complete an annual return providing details of any possible related party transactions.</p> <p>Enquiries are made to the Committee Clerk for details of changes in Members appointed to the Authority from the previous year and during the year</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>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.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>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.</p>

Going Concern

Matters in relation to Going Concern

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

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

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

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

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Kent and Medway Fire and Rescue Authority will no longer continue?</p>	<p>Towards the end of 23/24 Officers undertook a review of the approach to effective risk management and its relevant reporting processes. Previously Strategic Boards maintained a relevant service risk register which identified any risks or events that could impact on the mission critical services of KMFRA. The Chair of the Strategic Board who is a CMB member then escalated 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. However, a more extensive approach has been developed, which will presented to the Audit and Governance committee in April 24 for their approval.</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 KMFRA</p>
<p>4. Are management satisfied that the financial reporting framework permits Kent and Medway Fire and Rescue Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Whilst the Government Grant settlement has been on a rolling basis, the Authority endeavours to ensure that it remains in a healthy financial position. The Authority approved a Customer Safety Plan, under pinned by key strategies which is supported by the 4 year Medium Term Financial Plan. In order to mitigate a potential risk associated with reductions in public spending the Authority has set aside a healthy level of reserves to help resource any short term cost impact.</p> <p>As part of the Capital Strategy the Authority has modelled a 10 year Capital plan that is prudent, affordable and sustainable.</p> <p>The above processes have not cast any significant doubt on the Authority's ability to continue as a going concern.</p>

Accounting estimates

Matters in relation to accounting estimates

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

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

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

Specifically do Audit & Governance Committee members:

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

We would ask the Audit & Governance 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?	New pension regulations in relation to the McCloud and separately the Matthews court case, became effective in October 2023. The majority of additional costs arising from the application of the revised legislation, in both cases, will likely fall on the Firefighters' Pension Fund, with the financial impact in the main likely to be reflected in the actuarial valuations. Only relatively small elements of the costs are likely to fall to the respective FRA directly.
2. How does the Kent and Medway Fire and Rescue Authority's risk management process identify and address risks relating to accounting estimates?	The Authority's financial management team review current risks to the accounting estimates by keeping abreast of emerging issues through regular meetings with other Chief Financial Officers, Fire Finance Network, regular CIPFA briefings and workshops, regular financial news alerts. Regular dialogue is undertaken with the Authority's property valuers, pension actuaries and Treasury advisors.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Authority obtains advice for specialist areas of valuation, for Property we appoint Avison Young, 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 2023/24 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 Kent and Medway Fire and Rescue Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Inevitably accounting estimates are required at the year end when 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 the year end when final information is not available. Estimations are invariably made based on a combination of past experience and costs incurred in the respective year. Reasonableness checks are undertaken when the estimate is determined. Any estimates provided by service providers for the year end process will be supported by the necessary evidence and narrative around the basis of their calculation, so this can be considered by officers.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The calculation of all estimates is clearly documented. The methodology used for each type of significant estimate is documented in the accounts. There is a review process established within the team for independent reviews of the calculations performed.</p>

Accounting Estimates - General Enquiries of Management

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

Appendix A - Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	How do management select the assumptions used in respect of this accounting estimate?	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 (iii) source data (iv) 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>In 2022/23 accounts. All material stations were re-measured with new drawings of measurements provided.</p> <p>An estimate of the impairment for ground contamination has been carried out by the Valuer.</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 had a full re-measurement and new plans during 2022/23. The remaining properties are subject to a 25% of portfolio rolling full valuation with the other 75% subject to a desktop valuation.</p>	<p>As directed in the CIPFA code of practice and the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards</p>	<p>A review of the information provided by experts is undertaken. Comparisons to the previous year's valuation is made and the percentage increase reviewed. Large increases in values are reviewed and further clarification from the expert is requested to understand increases over and above those expected.</p>	Yes	<p>The following measurement basis are applied:-</p> <ul style="list-style-type: none"> - Fire Stations and specialised buildings – Current Value using a depreciated replacement cost methodology - Houses and non specialised buildings – Current Value based on existing use - Assets under construction- Actual Cost - Surplus and Held for Sale Assets – Fair Value based on the price that would be received on the sale. 	(i) 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?	How do management select the assumptions used in respect of this accounting estimate?	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 (iii) source data (iv) key control activities? If so please explain any changes.
Depreciation	The useful lives of assets used are an estimate. They are reviewed each year by our valuers and the Fleet Manager.	Straight Line Method	Engagement with Valuers and Fleet Manager who have experience in this area	The methodology as per CIPFA Code of Practice is applied. The calculation is performed on a pre-populated spreadsheet and values are compared to previous years and similar properties for reasonableness	For useful life review only	<ul style="list-style-type: none"> - Estimation of Useful Life reviewed annually - A sensitivity analysis is undertaken and reported within the financial statements. 	No

Appendix A - Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	How do management select the assumptions used in respect of this accounting estimate?	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 (iii) source data (iv) key control activities? If so please explain any changes.
Provisions	No	<p>Insurance and General Provisions - An estimate is made of the excess that could be payable for claims notified but not yet settled.</p> <p>Non-domestic Rate Appeals – Shows the Authority's share of the amounts provided for by the Kent billing authorities.</p>	<p>Estimates for the settlement figures are provided by Thomas Miller (FRIC claims management company).</p> <p>Assumptions with regard to provisions for check and challenge appeals are determined by the District Council's based on the guidance issued by DHLUC</p>	<p>The Authority reviews its financial exposure to outstanding claims and sets funds asides.</p> <p>The information is provided by the District Councils and is subject to External Audit</p>	Yes	<ul style="list-style-type: none"> - Insurance settlement estimates are based on the latest information available at that time in relation to each individual claim. - Non domestic rate appeals are taken from the billing authorities NNDR3 returns from central government and subject to external audit later in year. Figures may be subject change following Audit sign off. 	No

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?	How do management select the assumptions used in respect of this accounting estimate?	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 (iii) source data (iv) key control activities? If so please explain any changes.
Valuation of defined benefit net pension fund liabilities	<p>LGPS - The Fund asset statement (or investment return information) <u>as at the accounting date</u> is used in calculations.</p> <p>LGPS – The remeasurement approach is applied to remeasure past service costs <u>for all special 'events'</u>.</p>	A full actuarial valuation is carried out by the appointed actuary every three years with a roll forward approach taken in other years. Membership data is reviewed annually and updated when necessary.	The Actuaries set out the assumptions used in relation to this estimate. But a number of the assumptions are discussed with the FRA to determine that the approach is reasonable.	CIPFA Code of practice IAS 19	Yes	<ul style="list-style-type: none"> -Continuous Mortality Investigation's model -Discount rate set using Single Equivalent Discount Rate approach -RPI set using a Single Equivalent Inflation Rate approach -CPI based on adjustment to RPI 	No

Appendix A Accounting Estimates

Estimate	Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	What method / model was used to make the estimate? How did management select the source data and assumptions used?	How do management select the assumptions used in respect of this accounting estimate?	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 (iii) source data (iv) 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>	Engagement with our Treasury Advisors.	CIPFA Code of Practice	Yes	Calculations are based on market information as at 31 March 2024	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?	How do management select the assumptions used in respect of this accounting estimate?	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 (iii) source data (iv) key control activities? If so please explain any changes.
Fair value estimate	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>	Engagement with our Treasury Advisors and follow CIPFA Code of Practice.	CIPFA Code of Practice	<p>Yes</p> <p>Yes</p>	<ul style="list-style-type: none"> - Calculations will be based on new borrowing discount rates as at 31 March 2024 - The Debt Management Office provides details of the exit costs for PWLB loans, the Authority uses this for disclosure comparison only. - Calculations will be based on the mid price value as at 31 March 2024 	<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?	How do management select the assumptions used in respect of this accounting estimate?	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 (iii) source data (iv) 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	Investment credit risk assumptions follow IFRS9 best practice and CIPFA guidance. Debtors impairment allowance is based on the age of the debt and the likelihood for repayment.	CIPFA Code of Practice	Yes	Expected losses are based on historic default information.	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?	How do management select the assumptions used in respect of this accounting estimate?	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 (iii) source data (iv) 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 support estimates in relation to payroll accruals and the annual leave accrual.	See Previous answer.	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



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By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 25 April 2024
Subject: INTERNAL AUDIT PLAN FOR 2024/25 AND THE AUDIT CHARTER
Classification: Unrestricted

FOR DECISION

SUMMARY

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

Attached to this report is the proposed Internal Audit Plan for 2024/25, Audit Charter and Key Performance Indicators for Members to consideration and agreement. The Head of Internal Audit will be present at this meeting to present the report.

RECOMMENDATIONS

Members are requested to:

1. Agree the Internal Audit Plan for 2024/25 (paragraph 2 and 3 and **Annex 1 of Appendix 1** refers);
2. Agree the Internal Audit Charter 2024/25 (paragraph 4 and **Annex 2 of Appendix 1** refers);
3. Agree the Key Performance Indicators (paragraph 5 and **Annex 3 of Appendix 1** refers).

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

TELEPHONE NUMBER: 01622 692121 ext. 8262

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

BACKGROUND PAPERS: None

COMMENTS

Background

1. Under the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to develop a risk-based internal audit plan. It is intended that the audit work will be completed within the year in order to inform the overall annual assurance opinion. The Internal Audit Plan is produced prior to the start of each financial year but remains under review throughout the year to ensure continued relevance and alignment with corporate risks and objectives.
2. The Internal Audit Plan 2024/2025 - (**Annex 1 of Appendix 1**) has been created through consultation with Senior Management and key officers, where significant risk areas and priorities have been identified alongside the Corporate Risk Register, review of strategies and horizon scanning. Each audit engagement will incorporate the Authority's Fraud and Bribery risk assessments as a matter of course.
3. There are eight assurance audits currently planned for 2024/25 focusing on Standards in Public Life, Disaster (Cyber Security) Recovery and Back up Arrangements, Communication and Engagement KFRS Website and Social Media, Building Safety Enforcement, Tax, Incident Command Training, Control Room and Risk Management.
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 2024/25 is attached at **Annex 2 of Appendix 1** for Members review and agreement.
5. **Key Performance Indicators (KPI's)** - in order to facilitate the Authority's responsibility to monitor the performance and effectiveness of Internal Audit within the organisation, a suite of Key Performance Indicators (KPIs) have been created as a measurement of performance. **Annex 3 of Appendix 1** sets out the proposed KPI's for 2024/25, and as such Members are asked to agree the KPIs.

IMPACT ASSESSMENT

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

RECOMMENDATIONS

7. 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 5 and **Annex 3 of Appendix 1** refers).

Kent and Medway Fire and Rescue Authority
2024/25 Internal Audit Annual Plan
and Audit Charter



Introduction

1. This report details the 2024/25 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 2024/25 (**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 2024/25.
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 2024/25, the Internal Audit Plan will be kept under regular review to ensure the coverage is reactive to any emergent findings from the inspection, and the Authority's key priorities and risks. Any amendments to the Internal Audit Plan will be reported to Members at the earliest possible opportunity.

Resourcing

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

Category	Days
Audit projects	80
Counter Fraud support	3
Follow ups	4
Audit management	5
Contingency	3
TOTAL	95

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

Internal Audit Charter

11. Under the Public Sector Internal Audit Standards (PSIAS) which are mandatory for internal audit practice in the public sector, the nature of Internal Audit activity must be formally defined in an Audit Charter (Charter). The Charter sets out the purpose and scope of internal audit within KFRS; it also confirms the independence of the service, defines reporting arrangements and authorises Internal Audit access to all systems, records, personnel and assets that are deemed necessary in order to undertake Internal Audit and Counter Fraud work. The Charter was last approved by the Authority in April 2023.
12. For 2024/25, 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**. The Charter will be reviewed during 2024/25 in-line with the new [Global Internal Audit Standards](#) and updates will be communicated back to the Audit and Governance Committee later in the year,

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.

Conclusion

14. 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 2025.

Contact Details:

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Annex 1

DRAFT 2024/25 INTERNAL AUDIT PLAN							
Audit	Audit Owner	Key Contact(s)	Link to Corporate Risk Register	Scope	Nature of Work	Days	Timing
FS01-2025 Standards in Public Life	Ann Millington Chief Executive	Matt Deadman Assistant Director - Response	N/A	Communicating expected behaviours and leading by example on the following elements: <ul style="list-style-type: none"> - How do people across KFRS know that we care about the Principles of Public Life? - What do we do to help people understand the Principles of Public Life? - How do we address behaviour that is not consistent with the Principles of Public Life? - How do we know that people across the organisation are hearing a consistent tone in relation to expected behaviour? 	Assurance	10	Q1
FS02-2025 Disaster (Cyber Security) Recovery + Back Up Arrangements	Ann Millington Chief Executive	Jon McGonigal Head of IT	14. Cyber Attacks	Review of business continuity arrangements in relation to a sample of business critical Software as a Service (SaaS) applications to assess the Authority's resilience in the event of network / application outage (for example, due to a cyber incident).	Assurance	10	Q1
FS03-2025 Communication and Engagement KFRS Website + Social Media	Jon Quinn Director of Prevention, Protection and Customer Experience	Ant Nigliazzo-Masters Head of Engagement, Customer Engagement & Safety	14. Cyber Attacks	Resilience / arrangements in place to prevent or minimise cyber attacks, including denial of service. Contract arrangements with external providers. Security of personal data shared on website and social media.	Assurance	10	Q2

DRAFT 2024/25 INTERNAL AUDIT PLAN							
Audit	Audit Owner	Key Contact(s)	Link to Corporate Risk Register	Scope	Nature of Work	Days	Timing
FS04-2025 Building Safety Enforcement	Jon Quinn Director of Prevention, Protection and Customer Experience	Leanne McMahon Assistant Director – Customer and Building Safety	Regulations	Compliance with Regulations + Standards(INL. Competency Framework). Adequacy and effectiveness of procedures to ensure proportionate and consistent enforcement arrangements, including quality assurance.	Assurance	10	Q2
FS05-2025 Tax	Alison Hartley Director of Finance and Corporate Services	Nikki Walker Head of Finance, Treasury & Pensions	Finance Regulations	To assess adequacy of procedures / controls relating to tax/.	Assurance	10	Q3
FS06-2025 Incident Command Training	Mark Rist Director of Response and Resilience	Chris Else Assistant Director - Resilience	3. Unable to mobilise emergency responses	Timeliness and quality of Incident Command training. Compliance with Incident Command training.	Assurance	10	Q3
FS07-2025 Control Room	Mark Rist Director of Response and Resilience	Chris Else Assistant Director - Resilience	3. Unable to mobilise emergency responses	Effectiveness of Control procedures post move to Cold Harbour Control. Maintaining positive working relationships with key stakeholders (including Police)	Assurance	10	Q4
FS08-2025 Risk Management	Alison Hartley Director of Finance & Corp Services and Mark Rist, Dir of Response and Resilience	Paul Goodwin Corporate Risk Manager	KFRS Governance	Risk Management process for the escalation and de-escalation of risk and Risk Appetite.	Assurance	10	Q4
SUB TOTAL						80 DAYS	

DRAFT 2023/24 INTERNAL AUDIT PLAN					
Audit	Audit Owner	Key Contact(s)	Link to Corporate Risk Register	Days	Timing
Counter Fraud Support To provide adhoc advice / support as needed	Alison Hartley	Nikki Walker	IACF Fraud & Bribery Risk Assessment	3	Ongoing
Follow-ups To complete follow ups to issues raised with audit reports.	N/A	N/A	N/A	4	Ongoing
Audit Management Attendance at Audit and Governance Committee meetings Preparation of the Annual Internal Audit Plan Review / update of Audit Charter Preparation of the Interim Progress reports Preparation of Annual Report & Audit Opinion Periodic liaison with client lead Periodic liaison with External Audit	N/A	N/A	N/A	5	Ongoing
Contingency	N/A	N/A		3	
Total				95	

Annex 2 – Audit Charter



KENT COUNTY COUNCIL

Internal Audit Charter – Kent and Medway Fire and Rescue Authority

INTRODUCTION

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

PURPOSE AND MISSION

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

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

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

AUTHORITY

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

STATUS OF INTERNAL AUDIT WITHIN THE ORGANISATION

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

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

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

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

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

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

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

RESPONSIBILITY

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

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

PROFESSIONAL STANDARDS

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

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

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

following ethical standards are observed:

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

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

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

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

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

INDEPENDENCE AND OBJECTIVITY

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

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

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

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

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

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

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

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

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

SCOPE & NATURE OF INTERNAL AUDIT

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

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

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

issues.

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

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

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

ADDITIONAL ROLES / RESPONSIBILITIES

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

PROVISION OF ASSURANCE TO THIRD PARTIES

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

FRAUD AND IRREGULARITY

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

RIGHT OF ACCESS

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

INTERNAL AUDIT RESOURCES

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

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

REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

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

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

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

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

Annex 3 – 2024/25 Key Performance Indicators

Internal Audit		
	Key Performance Indicator	Target
1.	Engagement Plan issued 2 weeks prior to commencement of fieldwork start date	90%
2.	Verbal feedback to be provided within one week of completion of audit fieldwork	100%
3.	Draft Reports to be issued by the date specified in the Engagement Plan	90%
4.	Final Report to be issued within 5 working days of receiving the management response	90%
5.	% Completion of Annual Internal Audit Plan @ 31 March 2025	90%

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

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By: Director, Finance and Corporate Services
To: Audit and Governance Committee - 25 April 2024
Subject: TREASURY MANAGEMENT UPDATE FOR 2023/24
Classification: Unrestricted

FOR DECISION

SUMMARY

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

This report provides the indicative outturn position for the year, but further year-end adjustments will be required as part of the year end closure process. As such the final report will be reported as part of the suite of documents to support the approval of the 2023/24 Financial Statements at the September meeting of this Committee.

The Authority continued to prioritise security and liquidity over potential yield in line with CIPFA guidance. Interest rates on deposits continued to rise throughout year and stabilised for the last quarter as the Bank of England voted to maintain the rate at 5.25%. The Authority is forecasting a total investment income of £2,472k on an average cash balance of £48.5m compared to the budgeted income of £1,392k. The average rate of interest on balances for the year was 5.09% compared to the 12-month SONIA (Sterling Overnight Index Average) rate of 5.07%.

RECOMMENDATION

Members are requested to:

1. Approve this provisional year-end report on Treasury Management activity for 2023/24.

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

COMMENTS

Introduction

1. The Authority approved the Annual Treasury Management and Investment Strategy for 2023/24 at its meeting on 21 February 2023 (Minute 32) and received a mid-year update at its meeting on 19 October 2023 (Minute 26). The report reviewed the main aspects of the Authority's Treasury Management up to the end of August 2023 (mid-year), as required by the Local Government Act 2003 and the CIPFA Code on Treasury Management and Capital Finance.
2. The regulatory environment places a responsibility on Members for the review and scrutiny of the Treasury Management Policy and related activities. This report, is therefore, important in providing details of the 2023/24 provisional outturn position (as at the 31 March 2024) for treasury activities during the year and highlights compliance with the Authority's policies previously approved by Members.

Annual Treasury Management Review 2023/24

3. **Economy and Interest rates** - The Bank of England's Monetary Policy Committee increased interest rates at three meetings this year, starting with a 0.25% increase to the base rate in May, increasing it to 4.50%, and the most recent coming in August 2023, resulting in a base rate of 5.25%. The Monetary Policy Committee (MPC) voted to maintain the rate at 5.25% in every meeting since. This meant that although opportunities for investment returns have been greater than in previous years, the Authority has seen the interest rates available stabilise more recently, but in some areas reduce, reflecting a possible rate reduction from September 2024 onwards.
4. **Inflation** - The Bank of England has for some time had an inflation target of 2%. The Consumer Price Index (CPI) is currently at 3.4%; the lowest level since September 2021. It is expected to continue falling in 2024, though more gradually than 2023, due to lower energy prices and reduced inflation in consumer goods and food.
5. **Treasury Position as at 31 March 2024** - The Capital Financing Requirement (CFR) at 31 March 2024 is the net amount of capital expenditure not yet fully funded. The difference between the CFR and the amount of outstanding loans is the element of capital expenditure being temporarily funded from internal cash balances (under-borrowing). **Table 1** shows this comparison to the previous year.

Table 1 – Treasury Position Compared to Previous Year

	31-Mar-23	31-Mar-24
	£'000	£'000
Capital Financing Requirement (CFR)	1,654	2,008

External PWLB Borrowing	-701	-400
Internal Borrowing (Under-borrowing)	953	1,608
Total Deposits	45,535	43,189
Less PWLB Borrowing	-701	-400
Net Deposits	44,834	42,789

6. **Strategy for 2023/24** - The Investment Strategy for 2023/24, agreed at the February 2023 Authority meeting, saw no changes from the 2022/23 Strategy.
7. The Authority deposits cash balances in a number of different bank deposit and call accounts, money market funds and makes use of the Debt Management Office Treasury Bills. This provides a spread of risk across the accounts and enables the Authority to make the best use of the available rates whilst still prioritising security and liquidity over yield. Treasury Bills started off the year with an average interest rate of 3.82% and ended the year with an average of 5.28%. The Authority has continued to make use of the Agency Treasury Service provided by the Authority's Treasury Advisor Link Asset Services Group. This gives access to a number of fixed term and notice accounts that we currently do not have access to due to the minimum deposit requirements set by some banks or are able to access a higher deposit rate than we can access directly. The Treasury team continue to meet with our Bank Relationship Managers to identify new products and available rates.
8. **Borrowing in 2023/24** - The 2023/24 Treasury Management Strategy identified that some borrowing may be required from 2024. Expenditure has been incurred in this financial year in relation to the Ashford Live Fire development and it was agreed this project will be funded from internal borrowing whilst interest rates remained high. During 2023/24, the Authority maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority's reserves, balances and cashflow was used as an interim measure.
9. **Borrowing outturn for 2023/24** - During 2023/24 the Authority repaid one loan totalling £301k, which had an interest rate of 4.66%. The balance of outstanding loans at 31 March 2024 is £400k. **Table 2** below details the maturity structure of the remaining loans held by the Authority as at 31 March 2024, all of which are provided by the PWLB at a fixed rate interest.

Table 2 – Maturity Structure of Remaining Loan Portfolio

	31-Mar-24
	£'000
Less than one year	400

Total	400
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10. **Ratio of Financing Costs to Net Revenue Stream** - This indicator shows the impact of the capital plans on the Authority's overall finances (borrowing costs net of investment income), as shown in **Table 3**. **Table 4** details how the net borrowing figure is calculated.

Table 3 – Borrowing Costs net of Investment Income

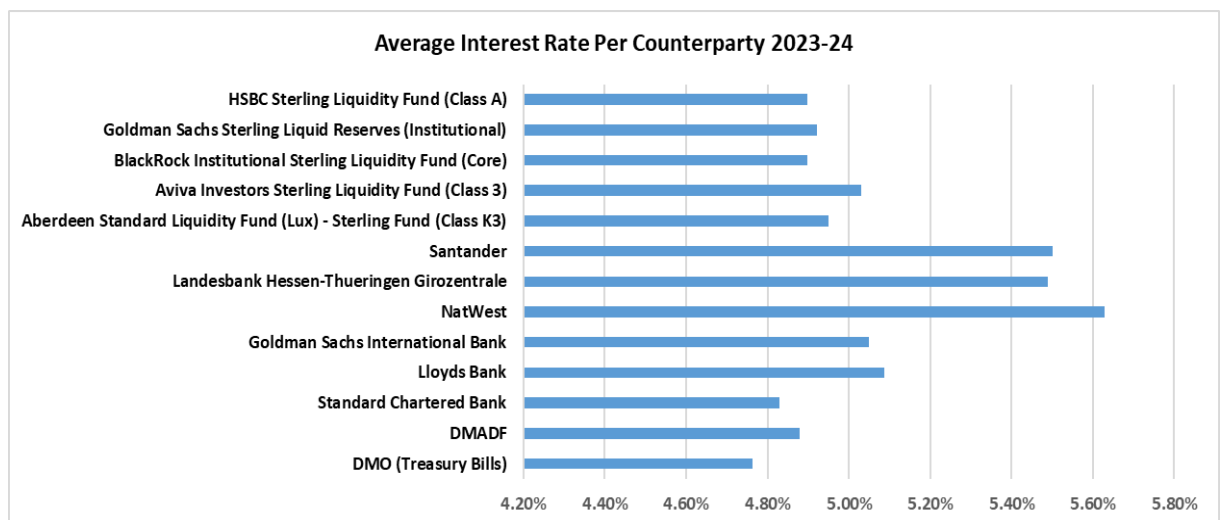
	2023/24 Outturn
	£'000
Net Revenue Forecast Outturn	82,540
Net Borrowing *see Table 4 below for calculation	593
Ratio	0.72%

Table 4 – Calculation of Net Borrowing Figure

	2023/24 Outturn
	£'000
Minimum Revenue Provision and Voluntary Revenue Provision*	573
Interest paid for borrowing	20
Net Borrowing	593

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

11. **Investment Rates in 2023/24** - The Authority maintained an average cash balance of £48.5m which when deposited earned an average annual rate of return of 5.09%. **Graph 1** below shows the average annual rate of interest earned per counterparty on deposits placed over the year.



12. **Prudential and Treasury Indicators** - The Table in **Appendix 1** shows the original Prudential and Treasury indicators for 2023/24 together with the actuals for 2022/23 and provisional outturn for 2023/24. There were no breaches of limits in 2023/24.
13. **MIFID II Regulations** - These regulations govern the relationship that financial institutions conducting lending and borrowing transactions have with local authorities from 2018. Members will recall that the Authority 'opted up' to become a professional client to ensure that it continued to receive the same level of advice on investments and borrowing, and access to the same instruments.
14. **Treasury Management Training** - The Treasury Code of Practice states that authorities should ensure that the appropriate level of training is delivered to both Members and staff who participate in the delivery and scrutiny of the treasury management function. Audit and Governance members received a presentation from Link Asset Group, the Authority's Treasury Advisor on the latest economic forecast and Treasury Management practices before the September 2023 Audit and Governance meeting. The Finance team with direct responsibility, regularly attend seminars and conferences to ensure specialist Treasury and Investment knowledge is kept up to date and a number of them have also completed their CIPFA Treasury e-learning modules. One team member is currently studying for the full membership qualification for the Association of Corporate Treasurers and direct line managers that oversee Treasury activity are CIPFA qualified accountants.
15. All financial implications associated with servicing the Treasury Management functions can be contained within the overall budget.

RECOMMENDATION

16. Members are requested to:
 - 16.1 Approve this provisional year-end report on Treasury Management activity for 2023/24.

Prudential and Treasury Management Indicators

	2022/23	2023/24	2023/24
	Outturn	Original Forecast	Forecast Outturn
Prudential Indicators for affordability, prudence and capital expenditure			
	£'000	£'000	£'000
Revenue Expenditure	78,247	85,292	82,540
Revenue Provision for debt repayment	828	1,263	573
Capital expenditure	4,235	16,492	5,033
CFR as at 31 March	1,654	12,167	2,008
Total loans outstanding as at 31 March	701	400	400
Ratio of Financing Costs to Net Revenue Stream	0.34%	1.50%	0.72%
Treasury Indicators			
Assumed Operational Boundary for external debt	21,000	23,500	23,500
Assumed Authorised Limit for external debt	25,000	27,500	27,500
Interest rate exposure for borrowing at fixed rates	100%	100%	100%
Interest rate exposure for borrowing at variable rates	20%	20%	20%
Interest rate exposure for investing at fixed rates	100%	100%	100%
Interest rate exposure for investing at variable rates	75%	100%	100%