

Safest People, Safest Places

Local Government Act 1972

A Meeting of the Combined Fire Authority for County Durham and Darlington Audit and Finance Committee will be held in the County Durham and Darlington Fire and Rescue Service Headquarters on Wednesday 10 April 2024 at 10.00 am to consider the following business:-

PART A

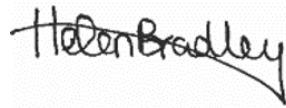
1. Apologies for absence
2. Minutes of the previous meeting - Report of the Chair (Pages 3 - 6)
3. Letter from Department for Levelling Up, Housing & Communities (Pages 7 - 8)
4. Auditors Annual Report 2022 2023 - Report of External Audit (Pages 9 - 38)
5. Internal Audit Progress Report - Report of Head of Internal Audit (Pages 39 - 44)
6. Internal Audit Charter - Report of Head of Internal Audit (Pages 45 - 70)
7. Internal Audit Plan 2023/24 - Report of Head of Internal Audit (Pages 71 - 78)
8. Corporate Risk Register - Position at 31 March 2024 - Report of Deputy Chief Executive (Pages 79 - 86)

PART B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

9. Outstanding Audit Recommendations March 2024 - Report of Head of Internal Audit (Pages 87 - 88)

PURSUANT to the provisions of the above named Act, **I HEREBY SUMMON YOU** to attend the said meeting

A handwritten signature in black ink that reads "Helen Bradley". The signature is written in a cursive style with a long, sweeping underline.

Helen Bradley
Clerk to the Combined Fire Authority
for County Durham and Darlington

County Hall
Durham
DH1 5UL

**TO: The Members of the Combined Fire Authority for County Durham
and Darlington Audit and Finance Committee**

Durham County Councillors:

Councillors A Batey, R Bell, J Blakey, N Jones and B Kellett

Darlington Borough Councillors:

Councillors A Anderson

Minutes of the **County Durham and Darlington Fire and Rescue Service Audit and Finance Committee meeting** held at Fire HQ on **23 January 2024 at 10:00hours**.

Present:	Cllr R Bell (Chair)
Durham County Council:	Cllr N Jones Cllr J Blakey Cllr Bill Kellett
Darlington Borough Council:	Cllr Amanda Riley (Substitute for A Anderson)
Officers:	Tony Hope Keith Lazzari Joanne Whitfield
Internal Audit:	Nicola Cooke
External Audit (Mazars):	Gavin Barker Campbell Dearden
Independent Person:	Alan Foster

Part A

1 Apologies

Apologies were received from Cllr Alison Batey and Cllr Andrew Anderson. It was noted that Cllr Amanda Riley was substituting for Cllr Andrew Anderson.

2 Minutes of the Previous Meetings

The minutes of the previous meeting held on 30 November 2023 were agreed as a true record.

Matters arising were discussed and Cllr R Bell confirmed that a letter had been sent to Michael Gove MP outlining concerns around delays to the signing of external audit certificates.

T Hope noted that a response had been received from Clive Betts MP outlining the position and proposed backstop dates for the completion of audits.

G Barker gave a further update regarding the proposals to address audit backlogs and confirmed that Mazars would meet the timescales provided. There was also work ongoing to streamline some of the requirements around technical accounting areas such as infrastructure, PPE and pensions which would assist with delays in the sector. Further details were to be received.

In relation to the delays with signing external audit certificates, G Barker noted that the National Audit Office (NAO) reserve the right to request additional procedures in connection with Whole Government Accounts and the request has been made due to the low volume of returns being received. Audit certificates cannot be issued until clearance is received from NAO and clearance is expected by March 2023 for the 2021/22 accounts. Timescales are unknown for the 2022/23 accounts.

3 Follow up Letter to the Audit Completion Report

G Barker and C Dearden provided an overview of the report which provided an update on the matters that were marked as outstanding within the Audit Completion Report dated 18 September 2023 and any other matters arising since that date.

The outstanding matters and conclusions were discussed in turn.

Cllr R Bell queried the impact of the increase in overall pension liability. G Barker confirmed there would be no increase in contributions and therefore no impact on the Authority as figures were based on estimates and change regularly.

An unqualified opinion of the 2022/23 accounts would be issued however timescales were unknown for the certificate to formally close the audit.

External audit noted that they hold a high opinion of the Authority.

The report was **considered** and **agreed**.

4 Statement of accounts for the year ended 31 March 2023

T Hope introduced the report which sought Members' approval of the Statement of Accounts for County Durham and Darlington Fire and Rescue Authority, for the financial year ended 31 March 2023.

Cllr B Kellett questioned the increase in short term borrowing. G Barker explained that the Authority has one of the lowest levels of borrowing across the audits they undertake.

A Foster requested an update around the new accounting policy regarding operational leases. J Whitfield confirmed that the finance team were looking into the policy and any potential impacts, however it had not been included in the 2022/23 accounts.

Members noted their thanks to T Hope, J Whitfield and the wider finance team.

The committee **approved** the Statement of Accounts of County Durham and Darlington Fire and Rescue Authority for the financial year ended 31 March 2023.

5 Corporate Governance Action Plan Update

K Lazzari introduced the report which provided an update on the progress being made in relation to the actions arising from the development of the Authority's corporate governance arrangements.

Members **noted** the contents of the report and the ongoing work in relation to the corporate governance arrangements of the Authority.

6 Corporate Risk Register

K Lazzari presented the report which provided details of the Corporate Risk Register at 31 December 2023.

A Foster requested clarity around firefighter pension grants being included in mainstream funding and questioned whether firefighter pension liabilities were met by Government. T Hope confirmed that firefighter pension deficits were met by Government, however risk FIN08 was referring to a separate grant relating specifically to employers contributions.

Cllr B Kellett commented on the status of FIN152 and noted that it would not be sustainable to use reserves to balance the budget. T Hope confirmed that reserves had not been used following the identification of further savings and additional interest in investments.

The Committee **noted** the report.

7 Short-Term Investments and Long-Term Borrowing – Period to 31 December 2023 (Quarter 3)

K Lazzari introduced the report which provided an update on the performance of the Authority's short-term investments and long-term loans for the period ended 31 December 2023.

The Committee **noted** the current position regarding the Authority's short-term investments and long-term borrowing.

8 Forecast of Outturn 2023/24 – Estimate Based on Expenditure and Income to 31 December (Quarter 3)

K Lazzari presented the report which provided an indication of the Service's revenue and capital financial outturn position based upon expenditure and income to the 31 December 2023.

A Foster queried whether any of the Authority's estate were affected by RAAC concrete. K Lazzari confirmed they were not and noted that an assessment had been conducted as outlined by Government. Guidance had been prepared and issued to staff who may need to go into affected properties.

Cllr R Bell questioned whether supply issues had caused the slippage on vehicles. K Lazzari confirmed there had been some issues with supply however noted that the process for officers cars had been delayed to allow further consideration of options.

The Committee **noted** the forecast revenue and capital outturn position.

9 Revenue and Capital Budgets 2024/25 and Medium-Term Financial Plan

T Hope introduced the report which set out details of the provisional local government finance settlement for 2024/25, asked members to consider the revenue and capital budgets and medium-term financial plan and sought members agreement on a firm recommendation on the level of council tax to the meeting of the Fire Authority on 16 February 2024.

A Foster stated that the inflation rate was likely to be higher than the assumption in the report and queried whether the service use solar panels. K Lazzari confirmed solar panels were now in place on a number of sites.

Cllr B Kellett questioned whether the service had electric vehicles in the fleet. K Lazzari stated that it was something the service were looking to increase and work was ongoing to identify viable options.

Members **noted** the risks identified as part of the budget setting process and **considered** the proposed council tax increase for 2024/25. Following a vote it was **agreed** to recommend a 2.99% increase to the Fire Authority meeting on 16 February 2024.



Department for Levelling Up,
Housing & Communities

Simon Hoare MP
Minister for Local Government
2 Marsham Street
London
SW1P 4DF

Our reference: MC2024/02054

Cllr Richard Bell
County Durham and Darlington Fire and
Rescue Authority
County Hall
Durham
DH1 5UL

19th

February 2024

Dear Cllr Bell

Thank you for your letter of 5 January addressed to the Secretary of State, the Rt Hon Michael Gove MP, about the backlog of audits which are outstanding for local authorities. I am replying as the Minister responsible for this policy area.

The Government recognises the vital role played by our systems of local authority financial reporting and audit. Accurate and independently audited financial information, delivered on time, enables authorities to effectively plan, make informed decisions and manage services.

We acknowledge the exceptional circumstances of the current backlog and have been working to find a solution. Since the Cross-System Statement made by my predecessor in July 2023 we have worked with system partners to develop a proposal that will clear the backlog.

Supported by the Financial Reporting Council (FRC), we intend to consult on proposals to set a backstop date of 30 September 2024, by which point local bodies will need to publish audited accounts for all financial years up to and including 2022-23. This is intended to allow those who prepare and audit local body accounts to focus on more current financial periods.

The National Audit Office will also be consulting in tandem on potential changes to the Code of Audit Practice to support this approach. Subject to the outcome of these consultations, we intend to bring forward legislation to implement the backstop proposals.

We expect preparers and auditors to continue undertaking existing work to produce and audit local authority financial statements while the consultations take place. To ensure that delays don't re-emerge once the backlog has been cleared, we are also proposing backstops for the five subsequent years, so that assurance can be gradually rebuilt, and the system reset. Further details of the Government's proposals will be set out in these consultations which will be launched in the coming weeks.

Clearing the backlog is not the sole focus. All parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting. While the Government's priority is to clear the backlog of local audit opinions, it is important that we address longer term systemic challenges also.

Thank you for writing on this important matter. I hope this letter has been helpful.

Yours sincerely
Simon Hoare

SIMON HOARE MP
Minister for Local Government

Auditor's Annual Report

County Durham and Darlington Fire and
Rescue Authority – year ended 31 March
2023

February 2024



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[Appendix A: Further information on our audit of the financial statements](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for County Durham and Darlington Fire and Rescue Authority ('the Authority') for the year ended 31 March 2023. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 23 January 2024. Our opinion on the financial statements was unqualified.



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Authority's arrangements



Wider reporting responsibilities

In line with group audit instructions issued by the National Audit Office (NAO), on 29 January 2024 we completed our work on the Authority's Whole of Government Accounts return and reported to the group auditor in line with their instructions. However, we will be unable to issue our audit certificate until the NAO has informed us whether the Authority will be a sampled component.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 23 January 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 30 June 2023 and were of a good quality.

Reporting responsibility	Outcome
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Page 16

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Authority ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

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Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	17	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

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



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

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How the Authority identifies significant financial pressures that are relevant to its short and medium-term plans

The Authority approved its Medium Term Financial Plan (MTFP) in February 2022 covering a 4 year timeframe from 2022/23 to 2025/26. There was a balanced budget in place for 2022/23 with remaining deficits of circa £3m in the three years up to 2025/26 subject to further review. The initial 2022/23 financial plan required a contribution from reserves of £0.5m.

The Combined Fire Authority (CFA) holds a Strategic Planning Day where budget pressures are considered as well as the priorities within the Authority's Community Risk Management Plan (CRMP). This is supported by consultation with the public, staff, partners and other stakeholders. The plan recognises the risks and uncertainties facing the Authority in terms of cost pressures, future funding arrangements, volatile income levels and potential variations in the costs of the delivery of demand led services. Our review of the MTFP and associated assumptions identified no evidence of significant weaknesses in arrangements and sensitivity analysis is undertaken to determine the impact of changes in the key assumptions. The Authority recognises that it faces a number of significant pressures including uncertainty over the long term funding arrangements from Government, increased pay demands and inflation.

Budgets are assigned to operational managers who monitor budgets on a monthly basis and this is reported to Members on a quarterly basis via the Audit and Finance Committee. At the end of the 2022/23 financial year, the Authority reported a small surplus of £95k. The level of general fund balances and earmarked reserves available to the Authority as at 31 March 2023 was £5.5m which is a reduction of £0.25m on the balance for 2021/22 of £5.75m. The level of general fund balances is £1.605m which is the agreed minimum level of 5% of the Authority's net budget provision and this has increased slightly from the balance of £1.51m in 2021/22. Earmarked reserves have reduced from £4.24m to £3.9m in 2022/23.

There has been a planned reduction of reserves in previous years to finance capital and avoid the need for borrowing. However, the Authority has recognised that additional borrowing is required to support the capital programme rather than draw on the Authority's reserves any further. The costs of the additional borrowing is factored into the MTFP.

The Authority has a good record of delivering against budget each year.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Authority plans to bridge funding gaps and identifies achievable savings

As noted above, the 2022/23 MTFP recognised the risks and uncertainties facing the Authority and they have completed scenario planning to consider the impact of changes in assumptions including pay and inflation, council tax and service grants.

Whilst there were some gaps in the MTFP in later years, the Authority's 'Service Emergency Response' programme highlighted a number of options for service delivery which would generate savings up to £7.7m if required to balance the MTFP although some of these would be more difficult to implement than others. The Authority has a good record of delivering on its savings plan in previous years including the rationalisation of fire stations, revision of shift patterns and crewing levels and reductions in the senior management team.

The MTFP has been updated for 2023/24 and we will consider this in more detail as part of our work on our 2023/24 value for money commentary. However, a balanced financial plan was agreed in 2023/24 with total deficits of £4.2m for future years up to 2026/27. To balance the 2023/24 financial plan, the Authority has implemented a number of the savings options set out in the 'Service Emergency Response' programme totalling circa £0.7m and this has been incorporated into the MTFP for 2023/24 and future years.

As at quarter 2 (September 2023), the Authority is reporting an anticipated year-end underspend of £1.211m for 2023/24 which included a planned contribution from reserves of £0.57m which will no longer be required. To assist in balancing the budget in future years, members agreed to consult the public on the option of riding with a crew of 4 on all fire appliances. This change was implemented from 01 July 2023 saving £0.608m in staffing costs in the current financial year and £0.78m in each of the future years of the MTFP. This will significantly reduce any deficits across the MTFP.

The Authority is still aware of the financial challenges it faces but has taken decisive action to deliver savings and ensure it can continue to deliver balanced financial plans each year. There is no evidence of significant unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan. The Authority has delivered a small surplus of £95k in 2022/23 and is on track to deliver a surplus of £1.2m in 2023/24.

The total capital expenditure for 2022/23 was £0.956m compared with an original budget of £3.116m. The total underspend for the year was £2.160m - mainly due to changes to the planned timing of the replacement of some items of vehicles, plant and equipment. These have been included as part of the 2023/24 capital programme.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

How the Authority ensures that its financial plan is consistent with other plans

The MTFP report highlights the implications on the workforce, equality, legal, human rights and risks. Saving plans are risk assessed to advise Members of the impact of implementation on the community and service delivery. The plan also considers the impact on the Community Risk Management Plan.

The Treasury Strategy is updated on an annual basis and sets out how the Authority manages risks and benefits associated with cash-flow and treasury management.

Risk management is also considered in terms of financial plans and Corporate and Operational risk-registers are regularly updated and reported to the Audit and Finance Committee and CFA throughout the year.

The Audit and Finance Committee and CFA consider the updated financial position at various stages throughout the year and allows for Member scrutiny and challenge. The financial plans for 2022/23 and 2023/24 were considered in February 2022 and February 2023 respectively.

The annual budget process includes reviewing the Authority's reserves. We confirmed a review was completed in 2022/23 and 2023/24 to ensure funding set aside remains in line with strategic and statutory priorities. This is evidenced in the outturn reports presented to the Audit and Finance Committee and CFA during the financial year.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Authority identifies and manages risks to financial resilience

The financial plan recognises the risks and uncertainties facing the Authority in terms of cost pressures, future funding arrangements and potential variations in the costs of the delivery. Our review of the financial plan shows that there is no evidence that assumptions are unrealistic or that reserves are below the minimum required although they are at a relatively low level for an Authority of this size. The Authority has recognised that it cannot continue to draw on its reserves to manage the capital programme and has taken out additional borrowing with costs factored into the MTFP.

The Authority has an established risk management framework and the Audit and Finance Committee receives regular risk management updates. These reports contain evidence of a clear summary of the Authority's performance, detailing significant variances and providing adequate explanation of the causes.

As set out on the previous page, we note that the Authority has implemented savings in 2023/24 resulting in a projected surplus of £1.2m. We also recognise that further savings of £0.78m have been implemented in 2023/24 in respect of riding with a crew of 4 on all fire appliances which significantly reduces the deficit in the future years of the MTFP up to 2026/27 and improves the financial resilience of the Authority.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

3. Commentary on VFM arrangements

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Governance

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



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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

County Durham and Darlington Fire and Rescue Authority has approved and adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government.

The Authority operates a risk management framework which is linked to the achievement of its strategic priorities and designed to support its decision-making processes and protect the Authority's reputation and other assets. This creates a framework within which risks are identified and evaluated prior to mitigation plans being put in place. The Audit and Finance Committee has responsibility for monitoring and reviewing the risks, control and governance processes and associated assurance processes to ensure Internal Control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance. The Service Management Team and the Service Leadership Team (SLT) also scrutinise risks monthly to ensure a corporate and cross cutting approach.

The role of the Audit and Finance Committee also includes considering the work of External Audit, Internal Audit and Finance Management and making recommendations concerning relevant governance aspects of the Constitution. The Authority has outsourced its internal audit and counter-fraud services to Durham County Council. The Internal Audit Plan (April 2023) and Head of Internal Audit Report (September 2023) is reviewed by the Audit and Finance Committee. As detailed in the plan, Internal Audit uses a risk-based approach to determine the priorities of the internal audit activity, consistent with objectives.

The Head of Internal Audit issued a 'Moderate' overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2022/23 (Moderate in 2021/22). The moderate opinion provides assurance that whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk.

The Authority has a framework of written procedures and controls. Central to these are detailed rules for decision making, and rules of procedure, including; a Constitution, Standing Orders, Contract Procedure Rules, Financial Regulations, Member and Officer Codes of Conduct, and a Whistleblowing Policy. The Authority has a dedicated counter fraud response and strategy which includes fraud governance and arrangements to prevent, detect and pursue fraud including Anti-Fraud, Anti-Bribery & Anti-Corruption Policies.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Authority approaches and carries out its annual budget setting process

Financial regulations contain details on the overall annual budget preparation and a timetable is put in place. The financial plan recognises the risks and uncertainties facing the Authority in terms of future cost pressures, funding arrangements and potential variations in the costs of delivery. We have reviewed the budget setting arrangements and we have not identified a significant weakness in arrangements.

The plan is supported by consultation with other partners and stakeholders. The CFA holds a Strategic Planning Day where budget pressures are considered as well as the priorities within the Authority's Community Risk Management Plan. The plan is supported by consultation with the public, staff, partners and other stakeholders.

The Finance Committee meets regularly throughout the budget setting process to monitor progress against timetable and consider savings options to ensure a balanced budget.

How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Authority produces a monthly budget monitoring reports to all budget holders and regular meetings are held with finance to discuss variances. Quarterly forecasts of outturn reports are presented to the Senior Leadership Team (SLT) and to the Audit and Finance Committee.

Regular reports on performance are presented to Performance and Programme Board (PPB), SLT, Performance Committee and the CFA. A suite of performance indicators (PIs) is employed to measure both operational and corporate performance. Targets are set on an annual basis against SMART criteria and take account of longer-term trends and the potential for spikes in performance. In addition to setting a target level for relevant PIs, the Service also employs a system of tolerance limit triggers that allow under or over performance to be highlighted to the PPB when the PI goes beyond set tolerances, which vary depending on the indicator. Each PI has a total of four tolerance limit triggers, two each for both under and over performance. The performance report is by exception and highlights areas where performance was strong or required improvement.

The financial statements were submitted for audit in 2022/23 on 30 June 2023. Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

We have reviewed the Authority's minutes and confirmed there was regular reporting of the financial and performance position during the 2022/23 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

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

County Durham and Darlington Fire and Rescue Authority's governance arrangements are set out in its Constitution. The Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to help ensure that decisions are efficient, transparent, and accountable to local people. This includes the financial procedures and the scheme of delegation. There is evidence to demonstrate that the Authority seeks legal, financial, and other professional advice as part of the decision-making process and observes specific requirements of legislation.

The Authority demonstrates transparency in its decision-making by:

- Ensuring that decisions are made in public and recording those decisions and relevant information and making them available publicly; and
- Having rules and procedures which govern how decisions are made.

The Authority has adopted a confidential reporting policy, details of which have been communicated to staff and are available electronically.

There is evidence to demonstrate that the Authority has transparent and accessible arrangements in place for dealing with complaints. The website includes facilities for complaints to be made against the Authority by the public and processes are in place to progress any complaints that are made. Information on Transparency is published on the Authority's website and includes areas such as expenditure exceeding £500, register of contracts, policies, grants to voluntary, community and social enterprise organisations for example. The Authority also publishes relevant information relating to salaries, business interests and performance data on its website.

The Authority publishes the outcomes from external reviews and inspections from regulatory bodies and monitor the implementation of any recommended actions through the performance management framework.

The Authority has an Audit and Finance Committee which meets on a quarterly basis and there is evidence that it acts upon the findings/recommendations of Internal Audit and External Audit Reports and is committed to the publication of transparent performance information. This includes but is not limited to:

- Budget reports;
- Operational performance reports;
- Medium-Term Financial Plan;

- Statement of Accounts;
- Annual Governance Statement;
- Statement of Assurance; and
- Information required under the Local Government Transparency Code.

Financial monitoring is completed throughout the period including outturn against budget and forecasting for the remainder of the period.

Our work did not identify any evidence to indicate a significant weakness in arrangements

How the Authority monitors and ensures appropriate standards are maintained

As noted previously, the Constitution sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. The Authority has in place a framework of written procedures and controls. Central to these are detailed rules for decision making, and rules of procedure, including; a Constitution, Standing Orders, Contract Procedure Rules, Financial Regulations, Member, Officer Codes of Conduct, and a Whistleblowing Policy.

There is evidence that the Authority seeks appropriate legal, financial, and other professional advice as part of the decision-making process and observes both specific requirements of legislation and general responsibility by Law. Other arrangements in place include:

- Contract Procedure Rules which require procurement decisions to comply with basic principles;
- Written codes of conduct for Members and Employees and a register of gifts and hospitality;
- An Annual Governance Statement (AGS) is published and reviews the effectiveness of the Authority's Governance Framework; and
- A Treasury Management Strategy is approved each year with the current version approved in February 2022. There is no history of non-compliance with laws and regulations and treasury management activity.

We did not identify any areas of significant non-compliance with the CIPFA Code in terms of the financial statements.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

3. Commentary on VFM arrangements

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



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

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

There are established processes in place for reviewing financial and performance information and using this to inform areas for improvement. Forecast of Outturn reports to the Senior Leadership team and the Audit and Finance Committee highlight variances for discussion including both revenue and capital.

The Authority’s Community Risk Management Plan (CRMP) underpins the vision ‘to deliver a professional, innovative and effective Fire and Rescue Service’ with the communities that they serve.

The Performance Committee and the Authority consider reports on performance on a quarterly basis detailing performance against a suite of performance indicators and information on corrective action being taken. The indicators measure both operational and corporate performance and targets are set on an annual basis against SMART criteria and take account of longer-term trends and the potential for spikes in performance.

In addition to setting a target level for relevant indicators, the Service also employs a system of tolerance limit triggers that allow under or over performance to be highlighted to the PPB when tolerances are exceeded. Performance is presented from two perspectives, by comparison against the annual target levels, and by comparison with performance at the same point last year.

An overview across both operational and corporate key PIs at the end of quarter four for 2022/23 shows 43% of the strategic PIs met or exceeded their target level, while 61% of the strategic PIs either maintained or improved when compared to performance last year. The performance report is by exception and highlights areas where performance was strong or required improvement. Performance is mixed but this is not unusual and is not indicative of significant weaknesses in arrangements.

In addition, the Authority undertakes periodic budget revisions that are presented to the Authority. These identify where there are under / overspends and highlight mitigating activity where appropriate. Areas of adverse performance feed into the Authority’s risk register where relevant. Our review of the risk register and attendance at the Audit and Risk Committee confirms that it covers areas such as MTFP assumptions, service transformation savings, insufficient government funding.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

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

The Authority monitors detailed performance through the Performance Committee and also receives regular summary reports on performance. Quarterly performance reports are provided to the Performance and Programme Board, the senior Leadership Team, the Performance Committee and the CFA.

The Authority is subject to review by Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The 2021/22 report was published in January 2023 and covered the following criteria:

- **Effectiveness** - *How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?*
- **Efficiency** – *How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks? and*
- **People** - *How well does the fire and rescue service look after its people?*

The Authority was rated as follows:

Effectiveness	Good
Efficiency	Good
People	Good

There was only one area out of 14 which ‘required improvement’ in relation to ‘protecting the public, through fire regulation’. The report found that the Authority does not always have the ability to investigate alleged fire safety offences with a view to prosecution; and that once prohibition notices are served, most aren’t followed up regularly to check compliance.

The other areas were all rated as ‘GOOD’. The report noted that overall, the service has improved since the last inspection, which is reflected in the gradings.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

The Authority won the 'Fire and Rescue Service of the Year' at the iESE Public Sector Transformation Awards in March 2023 for the second year running. iESE is an organisation which works with local authorities to identify and support improvements and efficiencies in local government.

In addition, the Authority's 'Operational Assurance Section' won the Resilience & Learning from Major Incidents award at the Excellence in Fire and Emergency Awards 2022.

Our work did not identify any evidence to indicate a significant weakness in arrangements

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

The Service is a member of County Durham Partnership and Darlington Partnership and has a seat on each board. A collaboration register is in place to record and monitor progress of collaboration initiatives with partners. Partnerships and collaboration initiatives are monitored through PPB. The Authority actively pursue collaboration opportunities with the Police, Ambulance and other Fire Services.

Collaboration with neighbouring FRS's continues - establishing a regional collaboration group which has been broadened out to include Cleveland FRS. This includes an agreement to share specialist appliances and promote additional opportunities for collaboration.

The Authority has a strong track record of collaboration with partners including:

- The building of the first quad station in the country at Barnard Castle, providing a joint facility for the Fire, Police, Ambulance and Mountain Rescue services;
- The provision of Community Safety Tri Responders at Stanhope where staff work for the Fire, Police and Ambulance services according to demand;
- Working with the Durham Constabulary Forensic Investigation team under a new agreement and forensic science standard, to combat deliberate fire setting and arson across County Durham and Darlington;
- Durham Constabulary, the Great North Air Ambulance Service (GNAAS), Hazardous Area Response Team (HART) and other partners use the Fire's state-of-the-art training centre at Bowburn, and the Authority share several of its Service estates' premises with Durham Constabulary and North East Ambulance Service (NEAS);

- The Authority undertook a training exercise at Tanfield Railway in 2022/23. Crews were given a simulation of a collision between two cars and a locomotive with multiple casualties and the Authority, together with colleagues from the police and North East Ambulance Service practiced their rescue techniques;
- The Authority use a collaborative approach with police colleagues for Fire Investigation, implementing the International Standardisation Organisation (ISO)17020 standard;
- In last year's 'Royal Life Saving Society UK Drowning Prevention Week' the Authority joined up with their partners in Durham Constabulary and Darlington Borough Council to raise awareness of the dangers of water; and
- The Authority is among leading members of emergency services in assisting the Home Office to deliver new technological solutions for emergency service communications on a new Emergency Services Network (ESN).

The Authority won the Public Service Award at the Northern Echo County Durham Together Awards in 2022/23.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

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

County Durham and Darlington Fire and Rescue Authority has adopted procurement approval procedures to comply with its contract procurement rules. The Service has adopted a Whole Life Cycle Approach for managing the purchase of assets. The key aims of the procurement strategy are:

- Efficiency – to help ensure that the Authority obtains maximum value from every pound that is spent through consistent and innovative procurement practice;
- Governance - to help ensure that the Authority has appropriate and proportionate controls, systems and standards to manage procurement risk and to comply with legal requirements; and
- Improvement - Seeking new ways to develop and improve the Authority's procurement activities and exploring how those activities can deliver the Authority's ambitions.

This is supported by a Procurement Policy which helps to ensure conformity and consistency in procurement - ensuring that all goods and services entering the Service are subject to the appropriate checks, risk assessments, certification, documentation and staff training requirements. There are also procurement procedures which underpin the policy and strategy.

Any relevant professional standards are also asked for in the tender process and subject to checks by the contract manager to make sure they are still in date.

All contracts are subject to legal review and the purchasing system helps to ensure that procurement is carried out in a way which complies with all relevant legislative requirements.

All tenders have between 10% and 20% of the scoring set aside for social value and this is subject to monitoring by the contract manager and through contract meetings. In addition, the Authority seeks to address ethical supply chain issues through Sustainable Buying Standards, which are mandatory in all relevant Authority contracts.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 29 January 2024. However, we will be unable to issue our audit certificate until the NAO has informed us whether the Authority will be a sampled component. The NAO timetable for 2022/23 WGA is for completion by the end of October 2024, so we anticipate receiving the clearance which will enable us to issue our audit certificate by this date.

4. Other reporting responsibilities and our fees

Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Finance Committee in September 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 fees	2022/23 fees *
Scale audit fee	£22,235	£28,459
Additional fees in respect of group consolidation (recurring) - note that £1,477 of the fee in 2021/22 has been incorporated into the 2022/23 scale audit fee by PSAA	£1,846	£369
Recurring increases in the base audit fee arising from regulatory pressures (as originally agreed in the 2019/20 audit); note that £4,747 of the fee in 2021/22 has been incorporated into the 2022/23 scale audit fee by PSAA	£5,934	£1,187
Additional fees in respect of the new VFM approach (recurring)	£5,000	£5,000
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring, as agreed from the 2020/21 audit)	£1,900	£1,900
ISA 315 revised – additional work in relation to understanding the entity, including documenting risks, risk assessments, and an additional focus on IT general controls (new standard applied from 2022/23 for the first time) (non-recurring)	£Nil	£5,000
Additional fee relating to Government Actuaries Department (GAD) revised pension disclosures (non-recurring)	£nil	£1,000
Total fees	£36,915	£42,915

* The 2022/23 fee is subject to a 5.2% inflationary increase, not included in the table above. As set out in the PSAA's 'Consultation on 2022/23 audit fee scale' published in August 2022, PSAA will fund the inflationary increase using "surplus funds not required for PSAA's operations, which would otherwise be distributed to opted-in bodies" (p8 of the consultation).

Fees for non-PSAA work

We confirm that we have not undertaken any non-audit services for the Authority in 2022/23.



Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk by carrying out audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates and judgements impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. <p>Overall findings</p> <p>We did not identify any material issues to report.</p>
<p>IAS19 Pensions – net defined benefit valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> • discussing with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally; • reviewing the appropriateness of the key assumptions included within the valuations, comparing them to expected ranges and reviewing the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements; and • We also sought assurance from the auditor of the Durham County Council Pension Fund. <p>Overall findings</p> <p>The Government Actuaries Department (GAD) revised its assumptions in December 2023, and this led to an increased pensions liability of £5.5m in the firefighters' pension disclosures. The financial statement were revised for this. We did not identify any other material issues to report.</p>

A. Further information on our audit of the financial statements

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Significant risks and audit findings - continued

Risk

Our audit response and findings

Valuation of land and buildings

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of PPE. Although the Authority uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations.

We have therefore identified the valuation of PPE to be an area of significant risk.

We addressed this risk by

- assessing the Authority's arrangements for ensuring that land and building valuations are reasonable;
- assessing the methodology and basis of the valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by Valuer including those assets not subject to valuation in 2022/23;
- considering the competence, skills and experience of the Valuer; and
- testing a sample of valuation movements to gain assurance that the accounting treatment is appropriate and there is sufficient evidence to support source data.

Overall findings

We did not identify any material issues to report.

A. Further information on our audit of the financial statements

Summary of uncorrected misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension liability Cr: Pension reserve Dr: Movement in reserves statements Cr: Re-measurement of the net defined pension liability As part of our review of the Pension Fund Auditor's letter, we noted an increase in net assets total totalling £10.4m following an audit adjustment. We have extrapolated the Authority's share, totalling £0.08m based on the Authority's share of overall fund assets. Management has determined not to amend the financial statements because this adjustment is not material.	80	-80	80	-80
1	Dr: Revaluation reserve Cr: PPE Land and buildings Overstatement of land and buildings in the financial statements due to an incorrect BCIS indices being used in the revaluation. Management has determined not to amend the financial statements because this adjustment is not material.			130	-130
	Total unadjusted misstatements	80	-80	210	-210

A. Further information on our audit of the financial statements

Internal control observations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the Governance Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

Significant deficiencies in internal control – Level 3

Description of deficiency

There were 2 officer and 1 member declarations that were not completed.

Potential effects

There could be undisclosed related party transactions.

Recommendation

Officers and members should return their declaration of interest forms as soon as possible to avoid delays in accounts preparation and audit.

Management response

Every effort is made to obtain a 100% return of related party transactions declarations however despite repeated requests 3 individuals failed to submit a return. Two of the individuals were members of staff, one who retired six days into the financial year in April 2022 and the other is absent on long term sick. The third individual was an elected member who resigned from the Fire Authority on 24 November 2022. All three individuals submitted a Nil response in prior years.

Gavin Barker

gavin.barker@mazars.co.uk

Mazars

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

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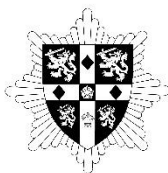
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County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

10 April 2024

Internal Audit Progress Report

Report of the Head of Internal Audit

Purpose of the Report

1. The purpose of this report is to advise Members on work undertaken by Internal Audit between 01 April 2023 and 31 March 2024.
2. The report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operated across the Authority that have been subject to audit
 - Advise the Committee of significant issues where controls need to improve to effectively manage risks
 - Advise the Committee of any amendments to the approved Internal Audit plan
 - Advise the Committee of changes to audit processes and terminology
 - Track progress on the response to internal audit reports and the implementation of agreed internal audit recommendations
 - Provide an update on our performance indicators comparing actual performance against planned.
3. The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).

Appendix 1 Progress against the Internal Audit Plan
Appendix 2 Internal Audit Performance Indicators
Appendix 3* Overdue Actions

Progress against planned work

4. A summary of the agreed plan (which covers the 12-month period 01 April 2023 to 31 March 2024) showing the status of each audit as at 15th March 2024 is attached at Appendix 1.

5. The Appendix shows that 19 reviews including three that were carried forward from 2022/23 are scheduled to be completed in 2023/24, of these:
 - Five assurance reviews are in progress;
 - Twelve assurance reviews at Draft or Final Report
 - One Counter Fraud review is in progress: and
 - One NFI review is complete
6. The assurance level, if applicable, for each piece of work where a final report has been issued is shown in Appendix 1.

Amendments to Annual Audit Plan

7. During the period, there have been no amendments made to the Internal Audit Plan.

Outstanding management response to draft reports

8. No management responses to outstanding Draft Reports are overdue.

Response to Audit Recommendations

9. To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within actions plans within individual audit reports are followed up by internal audit. In addition, listings of all recommendations outstanding at the end of each month are produced and issued to a nominated representative to assist the Service in its own internal monitoring processes.
10. To allow progress made at the operational level to be tracked and monitored, the numbers of all recommendations made arising from each audit complete, and evidenced as implemented, are shown in Appendix 1. It should be noted that Internal Audit will not follow up Best Practice matters raised.
11. A summary of outstanding audit recommendations, i.e. those not implemented within original agreed or revised target dates, as evidenced through Internal Audit follow up, for period ended 15 March 2024 is given in the table below:

Risk Category	Actions Raised	Total Due	Actions Implemented	Overdue Original	Target Revised	Overdue Revised
2020/21						
High	8	8	8	0	0	0
Medium	11	11	10	1	1	0
Total	19	19	18	1	1	1
2021/22						
High	0	0	0	0	0	0
Medium	17	17	17	0	0	0
Total	17	17	17	0	0	0
2022/23						
High	0	0	0	0	0	0
Medium	17	17	17	0	0	0

Total	17	17	17	0	0	0
2023/24						
High	0	0	0	0	0	0
Medium	16	3	3	0	0	0
Total	16	3	3	0	0	0

12. 1 medium priority recommendation is overdue against original target implementation date. Details of the recommendation is shown in Appendix 3 as a Part B Agenda Item.

Reports issued with a Limited Assurance Opinion

13. No reports have been issued that resulted in a Limited Assurance Opinion.

Corporate Governance

14. The Annual Governance Statement was approved at the November 2023 meeting of the Committee. The Corporate Governance action plan will now be updated as a means of informing the Authority's Annual Governance Statement 2023/24.

Counter Fraud

15. The Audit and Finance Committee considered the Annual Fraud and Corruption report at its meeting of 27 September 2023. Internal Audit will continue to work with the Authority through the year in ensuring the robustness of arrangements in place.

Performance Indicators

16. A summary of agreed target performance indicators is given in Appendix 2.

Recommendation

17. Members are **asked to**
- **consider** the outturn position in delivering the internal audit plan for 2022/23 together with that made by managers in responding to the work of internal audit to gain assurance on the adequacy and effectiveness of the internal control environment.

Nicola Cooke, Audit Manager, Tel: 03000 269665

Appendix 1: Summary of the status of work undertaken and recommendations made and implemented

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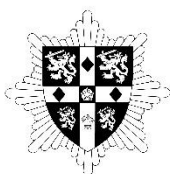
INTERNAL AUDIT SERVICES							High		Medium		Best Practice
Reviews – 2023-24	Work Schedule	Planned Days	Revised Days	Actual Days	Status	Assurance Opinion	M	I	M	I	M
Planned Work											
Assurance Management – AGS	Q1-4	1	1	0.5	In Progress						
Key Financial Systems	Q3	10	10	13.8	Final Report	Substantial	0	0	1	0	1
Payroll	Q4	8	8	7.9	In Progress						
Treasury Management	Q4	4	4	4.8	Final Report	Substantial	0	0	0	0	0
Performance – Data Quality	Q4	6	6	5	In Progress						
Catering Arrangements	Q3	8	8	8.7	Final Report	Moderate	0	0	4	0	7
Stocks and Stores	Q3	5	5	5.6	Final Report	Substantial	0	0	1	0	1
Home Fire Safety Visits	Q2	5	5	6.9	Final Report	Substantial	0	0	2	0	1
Strategic Risk Management	Q1-4	1	1	0.5	In Progress						
Partnerships	Q4	5	5	7.8	Draft Report						
Change Management	Q3	5	5	7	Draft Report						
Active Directory	Q3	5	5	11	Draft Report						
Data Destruction	Q3	5	5	8.9	Draft Report						
Counter Fraud											
Counter Fraud Awareness	Q1-4	1	1	0.5	In Progress						
NFI	Q1-2	2	2	2	Complete	N/A					
Audit Planning and Reporting											
Service Support	Q1-4	12	12	9.5	In Progress						
Brought Forward Reviews – 2022-23											
Payroll	Q1	8	8	8.5	Final Report	Substantial	0	0	0	0	0
Device Build Process	Q1	0.5	0.5	0.5	Final Report	Substantial	0	0	0	0	0
ICT Business Continuity	Q1	0.5	0.5	1.5	Final Report	Moderate	0	0	4	0	0
TOTAL		92	92	110.9			0	0	12	0	10

Appendix 2 Performance Indicators for 2022/23

Efficiency	Objective: To provide maximum assurance to inform the annual audit opinion		
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 March 2024	90%	63% (12 out of 19 reviews completed)
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90%	100% (12 out of 12 Draft Reports issued)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also to be reported for information	95%	100% (8 out of 8 Final Reports issued)
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95%	100% (12 TOR's issued)
Quality	Objective: To ensure that the service is effective and adding value		
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95%	100% (22/22 recommendations agreed)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good Average score is also reported for information	100%	100% (average score 4.5 out of 5)
Customers providing feedback Response	% of Customer returning satisfaction returns	70%	71% (5 out of 7 surveys issued)

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County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

10 April 2024

Internal Audit Charter

Report of the Head of Internal Audit

Purpose of the Report

1. The purpose of this report is to Audit and Finance Committee approval to the Internal Audit Charter to be applied to all reviews undertaken as part of the Internal Audit plan for 2024/25.

Background

2. The Public Sector Internal Audit Standards (PSIAS) as revised from 01 April 2017, define internal audit as,

‘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.’

Internal Audit Charter

3. The Internal Audit Charter defines the Internal Audit Service’s purpose, authority and responsibility. It establishes Internal Audit’s position within the organisation, including the nature of the Chief Internal Auditor and Corporate Fraud Manager’s functional reporting relationship with the Audit and Risk Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the Service Leadership Team and Audit and Finance Committee.
4. The Charter was considered by the Service Leadership Team on 21 March 2024. The Charter is subject to annual review by the Chief Internal Auditor and Corporate Fraud Manager. On this occasion, with no new revisions made to the PSIAS, it is considered that no amendments to the Charter are required.

Recommendation

5. It is recommended that, in considering the content of the report, the Committee:
 - **agrees** the Internal Audit Charter attached at Appendix 1

Nicola Cooke, Audit Manager, 03000 269665



County Durham and Darlington
Fire and Rescue Service

INTERNAL AUDIT CHARTER

**For the Provision of an Internal Audit Service to the County
Durham and Darlington Fire and Rescue Authority**

**April
2024**

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Introduction

1. The purpose of this Charter is to establish the terms of reference for the provision of the Durham County Council Internal Audit Service to the County Durham and Darlington Fire and Rescue Authority. The Charter outlines how the service will be delivered and developed. It sets out the purpose, authority and responsibility of Internal Audit.

Statutory Basis

2. Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which state that:

“A relevant authority must undertake an effective internal control audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
3. The Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note, which came into effect April 2013, constitute proper practices to satisfy the requirements for larger relevant local government bodies as set out in the Accounts and Audit Regulations 2015. The PSIAS were updated on 01 April 2017 and the Charter reflects these changes.
4. Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include ‘compliance with the statutory requirements for accounts and internal audit’.
5. The CIPFA Statement on the Role of the Chief Financial Officer states that the CFO must:
 - Ensure an effective internal audit function is resourced and maintained
 - Ensure that the authority has put in place effective arrangements for internal audit of the control environment
 - Support internal audit arrangements and
 - Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively
6. This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Mission of Internal Audit, the Code of Ethics and the Standards themselves.

7. As required by the PSIAS, the group or body determined to fulfil the roles and responsibilities of the 'board' and 'senior management', as referred to in individual standards, are as set out in Appendix C of this Charter.

Definition

8. 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.

Mission

9. The mission of the Internal Audit Service is "enhance and protect the Authority's organisational values by providing risk based and objective assurance, advice and insight".

Code of Ethics

10. Internal Auditors in the UK public sector organisations must conform to the Code of Ethics, (the Code), as set out in the PSIAS. The Code applies to both individuals and entities that provide internal auditing services.
11. The Code consists of 4 principles that are relevant to the profession and practice of internal auditing and set out the rules of conduct that describe behaviour norms expected of internal auditors to guide their ethical conduct. The four principles are integrity, objectivity, confidentiality and competency.
12. Internal auditors must also have regard to the Committee on Standards in Public Life, "Seven Principles of Public Life", those being:
 - Selflessness
 - Integrity
 - Objectivity
 - Accountability
 - Openness
 - Honesty
 - Leadership

Strategic Aims

13. Our overall strategy is to support the Authority in achieving its aims and objectives through the provision of a high quality internal audit service that gives management reasonable assurance on the effectiveness of the Authority's internal control environment and acts as an agent for change by making recommendations for continual improvement.

14. The service aims to be flexible, pragmatic and to work in collaboration with management to suit organisational needs. Through a risk based approach to audit planning, the service will make a positive contribution to corporate governance arrangements and assist management in developing a framework for achieving objectives within acceptable levels of risk.

Objectives of Internal Audit

15. Our primary objective is the provision of reasonable, not absolute, evidenced based assurance on the effectiveness of the whole of the Authority's risk management, control and governance environment to the Service Leadership Team and the Audit and Risk Committee.

16. The provision of our annual assurance opinion will be in compliance with professional guidelines and in accordance with the Accounts and Audit Regulations and will be included in the Authority's Annual Governance Statement which forms part of the Authority's published annual Statement of Accounts.

17. To determine the audit opinion the Internal Audit Service will review, appraise and report upon:

- The adequacy of risk identification, assessment and mitigation
- The adequacy and application of controls to mitigate identified risk
- The adequacy and extent of compliance with the Authority's corporate governance framework
- The extent of compliance with relevant legislation
- The extent to which the Authority's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money
- The quality and integrity of financial and other management information utilised within the Authority.

18. When presenting the annual audit opinion, the Head of Internal Audit will:

- Disclose any qualification to that opinion, together with the reasons for that qualification
- Present a summary of the audit work undertaken from which the opinion is derived, including reliance placed on the work of others
- Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken to the work that was planned and summarise the performance of the internal audit service
- Present a statement on conformance with the PSIAS and the results of a Quality Assurance and Improvement Programme (QAIP) required by the PSIAS.

19. Other objectives include:

- Supporting the Section 151 Officer (Chief Finance Officer) in discharging his statutory duties for ensuring proper administration of the Authority's financial affairs.
- Championing good governance by helping to improve the Authority's risk management, control and governance processes by providing management with timely advice and guidance.
- Supporting the Audit and Risk Committee in fulfilling its governance responsibilities as detailed in the Committee's terms of reference set out in the Authority's Constitution.
- Supporting Officers and Members in identifying and understanding exposure to risk and providing advice on control design, techniques and strategies.
- Working with other assurance and review bodies to ascertain the extent to which reliance can be placed on the work of other auditors and inspectorates to maximise assurance and the effectiveness of audit resources available.
- Helping to promote a strong counter fraud culture across the Authority, through the development and effective implementation of the Authority's Anti-Fraud, Anti-Bribery and Anti-Corruption Policy.
- Providing quality services through the highest standards of professional practice, quality assurance systems and investment in staff.
- Be future focussed and continually add value to the organisation.

Outcomes of Internal Audit

20. Our main outcome is the provision of independent assurance to "those charged with governance", which within the Fire Authority is the Audit and Risk Committee, and Service Leadership Team on the effectiveness or otherwise of the Authority's risk management, control and governance arrangements and in so doing we contribute to:

- Improved identification and management of risks contributing to improved performance management and the successful achievement of the Authority's vision and priorities.
- Improved corporate governance through helping to support compliance with relevant legislation, the Authority's policies, plans and procedures.
- Improved accountability, safeguarding of Authority assets and interests and use of public resources
- Improved quality and reliability of financial and other management information used to support informed decisions

Independence, Objectivity and Authority

21. To be effective Internal Audit must operate independently and have unrestricted access to all records deemed necessary in the course of its work.
22. We have a right of access to all Members, employees, and agents of the Authority, including direct access to the Chief Fire Officer.
23. Internal Audit will remain free from interference by any element in the organisation including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of the necessary independent and objective standards.
24. Objectivity is maintained by ensuring that all internal auditors are free from any conflicts of interest and being free from direct management responsibility for the development, implementation or operations of any of the activities audited.
25. Internal Auditors will not be allocated to assurance reviews in areas where they have had a responsibility for, or have undertaken any significant advice and consultancy work.
26. The Head of Internal Audit can report directly to those charged with governance, officers or Members, at any level.
27. We have a right of access to all information relevant to the Authority's functions and services which is necessary to meet our responsibilities. This includes Authority information held by or managed by third parties on the Authority's behalf.
28. Our independence is achieved by reporting in our own name, ensuring that all Internal Auditors are free from any conflicts of interest and being free from direct management responsibility for the development, implementation or operations of systems.
29. As the Chief Internal Auditor and Corporate Fraud Manager also has responsibility within Durham County Council for corporate risk management, counter fraud and insurance services, arrangements will be made for any audit work to be carried out in these areas by a suitably experienced and qualified auditor. In these cases the Chief Internal Auditor and Corporate Fraud Manager will remove themselves from the review process of these audits and all findings and draft reports will be shared at their conclusion with both the Chief Internal Auditor and Corporate Fraud Manager and the Corporate Director, Resources in order to apply the necessary safeguards as set out in PSIAS standard 1112 where the Chief Audit Executive has roles beyond Internal Auditing.

Scope of Audit Work

30. Our role applies to all functions and services for which the Authority is responsible, including those delivered by its partners where appropriate.
31. In addition to the regular review of all key systems of internal control which forms the bulk of our assurance work, we will:
- Respond to requests for support, advice and guidance on implementing and/or improving best practice control procedures for current and new systems.
 - Promote the development and effective implementation of Control and Risk Self Assessments
 - Provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems and processes.
 - Provide assistance on key projects, including attendance on project boards, and conduct specialist consultancy and value for money reviews. The scope of this work is agreed with management and is subject to having the necessary resources, skills and ensuring suitable assurance over our independence and objectivity.
 - Be alert in all our work to risks and exposure that could allow fraud or corruption to occur and to any indications that a fraudulent or corrupt practice may have been occurring.
 - Determine the most appropriate course of action by which fraud and irregularities should be investigated.
 - Review the effectiveness of the Authority's, and wherever possible its partners', corporate governance and risk management arrangements.
32. It must be noted that whilst Internal Audit will promote the Authority's Anti-Fraud policy to deter and prevent fraud, for example participating in the National Fraud Initiative, it does not have responsibility for the prevention and detection of fraud and corruption. We cannot guarantee that fraud or corruption will be detected in our work. Managing the risk of fraud and corruption is the responsibility of managers.

Strategic Audit Planning

33. The level of Internal Audit resources required to examine all of the Authority's activities exceeds those available each year. It is, therefore, essential that the work of internal audit is properly planned to ensure that sufficient work is undertaken each year to draw reasonable conclusions and assurance on the effectiveness of the Authority's risk management, control and governance arrangements.
34. Our strategic planning process aims to provide a reasonable level of independent review of the Authority's risk management, control and governance systems through periodic audit plans in a way which affords suitable priority to objectives and risks.

35. The starting point for our strategic planning is understanding the Authority's strategic aims and objectives, its corporate governance arrangements and the assurance framework in place by which those charged with governance gain confidence that any risks which may impact on the achievement of those aims and objectives are effectively identified, assessed and managed.

36. In consultation with service managers we will;

- Consider the Authority's risk across two categories:
 - a. **Strategic Risks** - these are the business risks that may arise both internally and externally from the Authority and should be included in Corporate and Service Strategic Risk Registers
 - b. **Tactical Risks** - these are the risks that arise directly from the core activities of delivering services that may not always be documented
- Identify key service delivery activities, and their objectives in supporting the delivery of Authority's strategic aims and objectives, on which assurance is required by those charged with governance (the Audit Universe)
- Review the Authority's assurance arrangements in place to clearly map out an integrated assurance framework of all known sources of assurance, independent or otherwise, and identify any gaps and duplication
- Assess the reliability of other assurance sources
- Regularly risk assess each key service activity, and key systems that supports the delivery of service objectives, to determine our priorities for reviewing tactical risks.

37. Strategic risk registers will inform but not drive the internal planning process and we will audit those risks where controls have been identified as the means of managing the risk. Priority will be given to those risks which have a high gross score and a low net score, where the effective management of the risk is heavily dependent on the identified controls, and there is little or no other source of assurance.

38. Assurance on the strategic risk of fraud and corruption will be provided each year with some specific targeted fraud prevention and detection reviews as part of a risk assessed counter fraud programme of work.

39. Tactical risks relating to key service activities and key systems will be audited over a 3, 4 or 5 year period dependent on an audit assessment of known risks and the reliability of other assurance sources. Some key risks where a high level of assurance is required to demonstrate the continuous effectiveness of internal controls, for example those associated with key financial systems, may be subject to annual review.

Annual Audit Plans

40. Annual audit plans will be developed to provide a reasonable level of independent assurance on both strategic and tactical risks to enable an annual opinion on the entire control environment to be given.
41. The preparation of the annual plan will also consider certain reviews at particular frequencies to fulfil statutory requirements.
42. In addition to our risk based assurance reviews, our annual audit plans will also include provision for our advice and consultancy role. This provision covers time set aside for reactive, proactive and value added work and may include:
- Proactive, responsive and innovative solutions to problems and opportunities to help the Authority achieve its business objectives
 - Timely response to ad hoc requests for advice on the identification, assessment and mitigation of risks through effective controls
 - Timely response to ad hoc requests for advice on the impact of proposed policy initiatives, programmes and projects as well as responses to emerging risks
 - Planned involvement in new initiatives or working groups established to help identify and access risk and design suitable controls
 - Undertaking VFM reviews.
 - Investigation of irregularities and suspected fraud and corruption
 - Grant certification work requiring independent assurance that grant terms and conditions have been met.
43. The level of audit resources required to deliver, at the very least, both a minimum level of independent assurance and adequate provision for advice and consultancy will be considered by the Head of Internal Audit. Minimum assurance levels will be informed by the maturity of the Authority's risk management arrangements and its risk appetite and the reliance that can be placed on other assurance sources. Any concerns the Head of Internal Audit has over the quantity and quality of skills available to deliver the required level of assurance, or to add value through its advice and consultancy work, will be referred to the Section 151 Officer, (Chief Financial Officer), and the Audit and Risk Committee for consideration.
44. Strategic and annual plans will be endorsed by the Service Leadership Team and approved and monitored by the Audit and Risk Committee.

Audit Approach

45. We will adopt a risk based approach to all our assurance work as outlined below:

Strategic Risk

Our reviews of strategic risks will provide assurance that:

- Risk management processes, defined by the Authority's risk management strategy and policy, are in place and are operating as intended
- Managers are responding to risks adequately and effectively so that those risks are reduced to an acceptable level
- The controls that managers have in place are successful in managing those risks

Tactical Risk

46. Our reviews of key service delivery activities and key systems will provide assurance on the effectiveness of

- Compliance with corporate governance arrangements
- Risk identification, assessment and business continuity
- The control environment to manage identified risks and to ensure that the Authority's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money
- Information governance (quality and integrity of financial and other management information and how it is used and communicated)

47. We will adopt a risk based approach to evaluate the effectiveness of controls designed to mitigate risks through substantive testing and/or compliance testing. Compliance testing will confirm if a control actually exists and substantive testing will provide assurance that the control is effective and / or is consistently applied. The level of testing will be relative to the impact and likelihood of the risk occurring due to a control weakness.

48. We will work with service managers to help embed effective risk management of tactical risks by supporting them to carry out a control and risk assessment (CRA) for each audit area subject to review in advance of each assurance audit.

49. We will agree the objectives and risks associated with each key system or service delivery area to be reviewed with the relevant service manager/key contact prior to the start of any audit to ensure that the scope and objectives of each review are focused on providing assurance on the high or significant risks identified through the CRA. Terms of reference will be issued to key contacts to formally agree the scope of each review, identify key risks, potential impact and expected key controls.

50. The key contact is the person who is authorised by the Principal Officers to agree resultant draft reports and the implementation of any proposed audit recommendations.
51. Terms of reference will confirm the scope of each review and the audit approach to be applied. This latter may vary due to the nature of the risk upon which assurance is required and the extent of reliance on other assurance sources.

Audit Reporting

52. All audit assignments will be the subject of formal reports and all assurance reviews will include an audit opinion.
53. Our reporting structure is designed to ensure that final versions of reports are agreed with managers and are both accurate and practical.
54. Towards the end of an audit we will arrange an exit meeting with the key contact where we will share and discuss our initial findings. The discussion will seek to eliminate any inaccuracies in our findings so that these can be resolved before a formal draft report is issued.
55. Draft reports will ask the key contact to provide a management response to the recommendations made and agree target implementation dates and responsible officers.
56. To assist managers in their response we categorise the importance of our recommendations as High, Medium, or Best Practice. Details of how we assess the importance of audit findings leading to these recommendation rankings are given in Appendix A.
57. It is the responsibility of managers to accept and implement internal audit findings and recommendations, or accept the risk resulting from not taking action.
58. We will also provide an overall assurance opinion on each audit review to help us inform our overall opinion required to support the Authority's Annual Governance Statement.
59. The determination of our audit assurance opinion is derived from the overall level of assurance, positive as well as negative, of the effectiveness of controls operating in each specific area reviewed and is informed by risk identified through our recommendation rankings.
60. Where a Limited assurance opinion is given controls are overall considered to be ineffective and require improvement to maintain an acceptable level of control. Further details of how we arrive at our assurance opinions are given in Appendix A.
61. Managers' responses to recommendations made in draft reports will be incorporated and reissued as finals. Copies of all final reports are shared with our External Auditors on request.

62. Wherever possible the circulation of audit reports will be agreed at the outset and will have due regard to confidentiality and legal requirements. Any information gained in the course of audit work remains confidential without limiting or preventing internal audit from meeting its reporting responsibilities to the wider organisation.
63. We will follow-up progress made by managers in responding to draft reports and on the implementation of all high and medium priority recommendations in final reports.
64. Progress on the implementation of agreed recommendations will be reported to the Audit and Risk Committee. Any significant recommendations overdue will be reported on an exception basis each quarter.
65. To ensure that adequate progress is made by management we request that management response is provided with 20 working days. If a response has not been received within this timescale the following escalation process will then be invoked
- A reminder will be sent to the key contact, and copied into the Head of Corporate Resources, requesting a response within the next 10 days
 - If a response is still not forthcoming, a second reminder will be issued direct to the relevant Principal Officer, advising that if a response is not received within the next 5 days the matter will be reported to the Chief Fire Officer.
 - All draft reports remaining outstanding at the end of each quarter will be reported to the Audit and Risk Committee.
66. We will report quarterly to the Head of Corporate Resources on progress made on delivering the agreed annual plan, overdue responses to draft reports, any significant issues arising from work and progress made by managers in implementing audit recommendations. An annual report will be presented to the Service Leadership Team summarising the position for the year.
67. To help focus attention on areas of significant risk, quarterly progress reports will include by exception details of all audits which provided limited assurance.
68. Where a limited assurance opinion is given, it is the intention of Internal Audit to follow up the audit within six months of issue to verify that the recommendations have been made in line with the agreed actions. A follow up report detailing progress made and any actions that are still to be completed will be prepared on completion of the review.
69. In accordance with the PSIAS, to maintain organisational independence, Internal Audit will report on the functionality of the audit service to Audit and Risk Committee:

Annual Audit Plan

Quarterly Internal Audit Progress reports:

- To consider progress made in delivering the agreed annual plan
- To inform members of significant issues arising from audit assurance work and the impact this may have if control weaknesses identified are not addressed
- To inform members of other audit work carried out or planned
- To consider progress made by managers in the implementation of audit recommendations drawing attention to significant risks not being effectively managed

Annual Audit Report to:

- Compare actual activity with planned work
- Provide an overall opinion on the control environment
- Provide a summary of work undertaken to formulate the annual opinion on the entire control environment, including reliance placed on work by other assurance bodies
- Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement.

Responsibilities of Managers

70. Internal Audit is involved in a wide range of internal and external relationships. The quality of these relationships impacts on the effective delivery of the service, its reputation and independence.

71. We strive to build effective working relationships with all our stakeholders, internal and external, by encouraging an environment of mutual trust, confidence and understanding.

72. A key relationship is with managers. Managers at all levels need complete confidence in the integrity, independence and capability of internal audit.

73. Managers' role is to manage the risks facing their service and to maintain an adequate and effective system of internal control to mitigate these risks. Managers are also responsible for ensuring that staff are aware of the processes and procedures required to operate the control systems in place.

74. It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of fraud and irregularities. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

75. We will endeavour to plan our work so that it has a reasonable expectation of detecting significant control weaknesses and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

76. We encourage managers to maximise the effectiveness of the outcome of internal audit work by:

- Commenting on, and inputting to, strategic and annual audit plans.
- Carrying out control and risk self-assessments (CRSA) prior to each audit
- Agreeing terms of reference for each audit assignment to ensure attention is focused on areas of greatest risk or concern.
- Giving information and explanations that are sought during audit reviews.
- Providing access at all reasonable times to premises, personnel, documents and assets as necessary.
- Giving early notification of plans for change, including potential new initiatives, operational systems and processes.
- Ensuring key contacts provide responses to draft audit reports within the required timescales.
- Ensuring agreed actions arising from audit recommendations are carried out efficiently and on a timely basis
- Notifying internal audit of any suspected fraud, irregularity, improper use or misappropriation of the Authority's property or resources.
- Pending investigations and reporting, take all responsible steps to prevent further loss and to secure records and documents against removal or alteration.
- Acting in line with the Authority's disciplinary procedures.

Relationship with the Audit and Risk Committee

77. The Authority has adopted best practice in implementing an Audit and Risk Committee. This committee reports directly to the Fire Authority on matters it feels are relevant. Terms of Reference, reflecting best practice, have been agreed.

78. The existence of an independent and effective Audit and Risk Committee helps to convey to staff and the public the importance Members and Officers attach to risk management, corporate governance and internal control.

79. The Audit and Risk Committee is not just the concern of auditors as it has responsibility for ensuring that the Authority has good corporate governance arrangements in place to help deliver the best services to support the Authority's priorities, aims and objectives and ensure excellent use of resources.

80. Internal Audit is one of a number of areas of assurance that contribute to the Authority's corporate assurance framework. It does this by providing an opinion on the level of assurance the Authority can place upon the entire internal control environment and by making recommendations to improve it. This includes Internal Audit's evaluation of the effectiveness of the Authority's risk management and corporate governance arrangements.

81. It is important that the Authority seeks independent assurance about the mechanisms underpinning the various aspects of governance and one of the responsibilities of the Audit and Risk Committee is to review the functionality and effectiveness of Internal Audit.

Audit Resources, Skills and Service Quality

82. In order for Internal Audit to demonstrate high standards of professional conduct, the Internal Auditor must be impartial in discharging all responsibilities. Bias, prejudice or undue influence must not be allowed to limit or override objectivity.

83. The service is required to operate in compliance with both the PSIAS and the LGAN. Policies and standard working practices have been put in place to ensure audit staff understand and comply with the PSIAS. An important element of the PSIAS is the requirement to undertake regular quality assurance assessments and maintain a (QAIP). A quality assurance framework, detailing the policies, procedures and working practices under which the service operates has been defined and documented in an Audit Manual.

84. The Head of Internal Audit is responsible for providing periodically a self-assessment on the effectiveness of the internal audit service and compliance with agreed procedures to ensure professional standards are maintained. Any areas of non-compliance with the standards and or the LGAN will be reported as part of the Annual Audit Report to the Service Leadership Team and the Audit and Risk Committee.

85. In accordance with the PSIAS, an external assessment will be carried out at least every five years. The results of this external assessment will also be reported to the Service Leadership Team and the Audit and Risk Committee.

86. The service is provided by Durham County Council's in house internal audit team. The staffing structure will, as far as possible, be comprised of a suitable mix of qualifications, experience and skills.

87. The Head of Internal Audit ensures internal audit resources are sufficient to meet its responsibilities and achieve its objectives. Resource requirements are reviewed annually in relation to draft annual audit plans. Resources will be considered in terms of available days and the skills and experience of audit staff.

88. Individual training needs are identified in accordance with the Council's Performance Appraisal Scheme and supplemented by regular audit skills assessments and post audit reviews. As well as basic training in audit techniques and the development of specialist skills, the service is committed to coaching and mentoring its staff and to providing opportunities for continuous professional development to all staff.

89. Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Better Governance Forum, Technical Information Service, Finance Advisory Network (FAN), County Chief Internal Auditor Network, the Institute of Internal Auditors as well as liaison with external audit and networking with other internal audit service providers.
90. The service will keep abreast of best audit practice by adhering to CIPFA's and the IIA's practice advisories and practice guides, where applicable, as well as networking with other internal audit service providers.
91. In this regard the service considers trends and emerging issues that could impact the Authority.
92. A suite of performance indicators (PI's) and targets has been developed to measure and monitor the performance and effectiveness of the service. The current PI's are detailed in Appendix B. PI's and targets will be reviewed annually.
93. In accordance with the requirements of the Accounts and Audit Regulations 2015, an annual review of the effectiveness of the internal audit service will be undertaken by the Audit and Risk Committee. This annual review will be informed by a service review carried out by the Head of Corporate Resources along with the outcome of the Quality Assurance and Improvement Programme and any internal or external assessments required by the PSIAS as reported by the Head of Internal Audit in the Annual Audit Report. By reviewing the service the Authority is able to gain assurance that the service maintains its independence and objectivity, that it is effective and conforms to the expected professional quality standards so that it can place reliance on its work and the annual audit opinion.
94. The outcome from the annual effectiveness review is reported to the Service Leadership Team and Audit and Risk Committee as part of the Annual internal Audit Report.

Approval and Review

95. The Head of Internal Audit will review this Charter annually to ensure that it is kept up to date and fit for purpose. The Charter is endorsed by the Service Leadership Team and approved by the Audit and Risk Committee. Any amendments will be reported to the Audit and Risk Committee for approval. A copy of the Charter will be made available on the Authority's intranet.

Key Contact

Head of Internal Audit

Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager

Tel: 03000 269 668

Email: tracy.henderson@durham.gov.uk

Address: Internal Audit, Risk and Corporate Fraud
Resources Directorate
Durham County Council
County Hall
Durham
DH1 5UE

Other Related Documents

Other related documents that should be read in conjunction with this Charter are the Authority's:

Code of Corporate Governance

Risk Management Strategy

Constitution – Financial Procedure Rules

Constitution – Codes of Conduct

Anti-Fraud and Anti-Corruption Policy

Confidential Reporting Code (Whistle Blowing Policy)

Findings

Individual findings are assessed on their impact and likelihood based on the assessment rationale in the tables below:

IMPACT RATING	ASSESSMENT RATIONALE
Critical	A finding that could have a:
	Critical impact on operational performance (Significant disruption to service delivery)
	Critical monetary or financial statement impact (In excess of 5% of service income or expenditure budget)
	Critical breach in laws and regulations that could result in significant fine and consequences (Intervention by regulatory body or failure to maintain existing status under inspection regime)
	Critical impact on the reputation of the Authority (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	Critical impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
Major	A finding that could have a:
	Major impact on operational performance (Disruption to service delivery)
	Major monetary or financial statement impact (1-5% of service income or expenditure budget)
	Major breach in laws, regulations or internal policies and procedures (non compliance will have major impact on operational performance, monetary or financial statement impact or reputation of the service)
	Major impact on the reputation of the service within the Authority and/or complaints from service users
Minor	A finding that could have a:
	Minor impact on operational performance (Very little or no disruption to service delivery)
	Minor monetary or financial statement impact (less than 1% of service income or expenditure budget)
	Minor breach in internal policies and procedures (non compliance will have very little or no impact on operational performance, monetary or financial statement impact or reputation of the service)

LIKELIHOOD	ASSESSMENT CRITERIA
Probable	Highly likely that the event will occur (>50% chance of occurring)
Possible	Reasonable likelihood that the event will occur (10% - 50% chance of occurring)
Unlikely	The event is not expected to occur (<10% chance of occurring)

Overall Finding Rating

This grid is used to determine the overall finding rating.

LIKELIHOOD			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	M
	Minor	Major	Critical
	IMPACT	IMPACT	IMPACT

Priority of our recommendations

We define the priority of our recommendations arising from each overall finding as follows;

HIGH	ACTION REQUIRED, THAT IS CONSIDERED IMPERATIVE , TO IMPROVE THE CONTROL ENVIRONMENT SO THAT OBJECTIVES ARE NOT EXPOSED TO UNACCEPTABLE RISKS THROUGH LACK OF OR WEAKNESSES IN CRITICAL OR KEY CONTROLS.
Medium	Action required to improve the control environment so that objectives are not exposed to risks through weaknesses in controls.
Best Practice	The issue merits attention and its implementation will enhance the control environment.

Overall Assurance Opinion

Based upon the ratings of findings and recommendations arising during the audit as summarised in risk matrix above we define the overall conclusion of the audit through the following assurance opinions:

SUBSTANTIAL ASSURANCE	THERE IS A SOUND SYSTEM OF CONTROL. ANY WEAKNESSES IDENTIFIED EXPOSE SOME OF THE SYSTEM OBJECTIVES TO MINOR RISK.
Moderate Assurance	Whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk.
Limited Assurance	There are weaknesses in key areas in the system of control, which expose objectives to unacceptable levels of risk.

PERFORMANCE INDICATORS

APPENDIX B

EFFICIENCY	OBJECTIVE: TO PROVIDE MAXIMUM ASSURANCE TO INFORM THE ANNUAL AUDIT OPINION	
KPI	Measure of Assessment	Target & (Frequency of Measurement)
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 st March	90% (Quarterly)
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure interview Average time taken is also reported for information	90% (Quarterly)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response Average time taken is also reported for information	95% (Quarterly)
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)
Quality	Objective: To ensure that the service is effective and adding value	
KPI	Measure of Assessment	Target & (Frequency of Measurement)
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good Average score is also reported for information	100% (Quarterly) Overall average score
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)

Public Sector Internal Audit Standards

Definition of the terms 'Board' and 'Senior Management' for the purpose of Internal Audit Activity

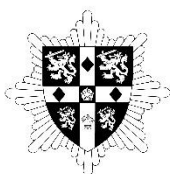
STANDARD		REFERENCE TO BOARD OR SENIOR MANAGEMENT	PROPOSED BODY/GROUP TO FULFIL ROLE	
<i>Ref</i>	<i>Title</i>		<i>Senior Management</i>	<i>Board</i>
1000	Purpose, authority and responsibility	Senior Management and the board must approve the Internal Audit Charter	Service Leadership Team	The Audit and Risk Committee
1110	Organisational Independence	<p>The Chief Audit Executive (Head of Internal Audit (HIA)) must report functionality to the board:</p> <p>Functionality includes: Approving the Internal Audit Charter Approving the Risk Based Internal Audit Plan Receiving communications from the HIA on Internal Audit's activity and performance</p> <p>Approving decisions regarding the appointment and removal of the HIA and remuneration of the HIA.</p> <p>In the case of the Fire Authority where the Internal Audit Service is bought in from an external provider, this aspect of functionality is not applicable. However the underlying principle of this standard is to safeguard the independence of the HIA and the Audit Service by ensuring that the appointment of Internal Auditors is not inappropriately influenced by those subject to audit.</p>	The Service Leadership Team will have responsibility for the appointment of the internal audit service provider, but all decisions, with reasons, will be reported to the Audit and Risk Committee.	The Audit and Risk Committee

1130.C2	Impairment to Independence or Objectivity	Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement		The Audit and Risk Committee
1312	Quality Assurance and Improvement Programme (QAIP)	<p>External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The HIA must discuss with the board:</p> <ul style="list-style-type: none"> • The form of external assessments • The qualifications and independence of the external assessor or assessment, including any potential conflict of interests <p>NB The Public Sector requirement of this standard states, “The HIA must agree the scope of external assessments with an appropriate sponsor e.g the Accounting/Accountable Officer or Chair of the audit committee as well as with the external assessor or assessment team”</p>	Service Leadership Team	The Audit and Risk Committee
1320	Reporting the results of QAIP	The HIA must communicate the results of the quality assurance and improvement programme to senior management and the board .	Service Leadership Team	The Audit and Risk Committee
1322	Disclosure of Non-Conformance	Instances of non-conformance with the definition of Internal Auditing, the Code of Ethics or the standards impacts the overall scope or operation of the Internal Audit Activity, must be reported to the board by the HIA. More significant deviations must be considered for inclusion in the Annual Governance Statement.		The Audit and Risk Committee
2020	Communications and Approval	The HIA must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior	Service Leadership Team	The Audit and Risk Committee

		<p>management and the board for review and approval.</p> <p>Where the HIA believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.</p>		
2060	Reporting to Senior Management and the Board	The HIA must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must include significant risk exposures and control issues, including fraud risks governance issues and other matters needed or requested by senior management and the board.	Service Leadership Team	The Audit and Risk Committee
2600	Communicating the Acceptance of Risk	When the CAE concludes that management has accepted a low level of risk that may be unacceptable to the organisation, the CAE must discuss the matter with senior management . If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the board .	Service Leadership Team	The Audit and Risk Committee

NB. The role of Chief Audit Executive referred to in the Standards is that undertaken by the Manager of Internal Risk (Head of Internal Audit) but in practice, as per the SLA, the role of the Head of Audit for the Fire Authority will largely be undertaken by an Audit and Fraud Manager who will act as client relationship manager.

County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

10 April 2024

Audit Plan 2024/25

Report of the Head of Internal Audit

Purpose of the Report

1. The purpose of this report is to provide the Audit and Finance Committee with an opportunity to view the content of the Internal Audit plan for the period 01 April 2024 to 31 March 2025.
2. The plan was considered and agreed by the Senior Leadership Team at its meeting on 21 March 2024.

Statutory Background to Internal Audit

3. The Treasurer as the Authority's Chief Financial Officer has a duty under S151 of the Local Government Act 1972 to maintain an appropriate framework of control over the Authority's financial affairs. Part of the process by which the S151 Officer meets that requirement is through assurances provided by Internal Audit.
4. Internal audit's function is established by the Accounts and Audit Regulations 2015, which are supported by professional standards for internal audit in the public sector and an advisory note specifically for local government in the United Kingdom.

Role of Internal Audit

5. Internal Audit is an assurance function that provides an independent and objective opinion to the Authority on governance, control, and risk management by evaluating their effectiveness in achieving the Authority's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
6. The Head of Internal Audit is required by professional standards to provide an opinion addressing governance, risk management and control and thereby to provide assurance that the risk to the objectives of County Durham and Darlington Fire and Rescue Authority are being adequately and effectively controlled.
7. The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Head of Internal Audit to provide an annual internal audit opinion

based on an objective assessment of the framework of governance, risk management and control. Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

8. The regulations therefore establish the requirement for an internal audit function and its provision of an opinion on governance, risk management and control processes, following public sector internal audit standards. Professional standards likewise mandate the provision of such an opinion. They also recognise that internal audit involves the provision of such an opinion. They also recognise that internal audit involves the provision of both assurance and consultancy services, but assurance is its primary function and any consultancy work must inform the assurance opinion.
9. The internal audit plan is designed to provide the evidence necessary to support an opinion on governance, risk management and control needs to encompass the following:
 - Coverage of the key components of each part of the opinion, namely, governance, risk management and control;
 - Sufficient coverage over operations as a whole so that a fair assessment may be made across the Service;
 - Coverage of the controls that serve to mitigate the most significant risks to an acceptable level;
 - Coverage of the controls that operate most broadly to mitigate the most significant risks in the greatest number of individual instances to an acceptable level; and
 - Follow up of the actions agreed by management to mitigate risks identified through previous audit activity.
10. Because the overall opinion covers a 12 month financial period, the evidence will relate to the controls in operation for that period.
11. External Audit also rely on the work of Internal Audit in terms of their own governance and assurance work, where applicable and also expect Internal Audit coverage to be adequate in terms of risk faced by the Authority.
12. The agreed aims and terms of reference for Internal Audit are included in the Internal Audit Charter, which is also being presented at this meeting. The Charter identifies the service standards our customers can expect, how areas for audit review are determined, our audit approach and how we agree and report upon recommendations.

Responsibilities of Management

13. Internal Audit is a review and assurance activity and should not be seen as a substitute for introducing and maintaining good internal procedures. Managers in the Authority are responsible for establishing and maintaining a proper and effective control environment and for managing risk in areas for which they have responsibility. Control is an integral part of managing operations and as such Internal Audit independently reviews how effectively management discharges this aspect of its responsibilities by evaluating the effectiveness of systems of internal control and providing objective analysis and constructive recommendations. Management retain full ownership and responsibility for the implementation of any such recommendations.

Resources Available in 2024/25

14. The Internal Audit plan, set out in Appendix 1 of this report, is based on the level of Internal Audit resource incorporated in the Service Level Agreement between Durham County Council and the Fire Authority covering the period 01 April 2024 to 31 March 2025 and will deliver 86 productive audit days in 2024/25.
15. In accordance with our agreed risk-based audit approach the scope of each review will be determined in discussion with a nominated key contact as part of the preparation stage of the audit in order to identify and agree key risks and expected controls and to ensure that audit resources are used as effectively as possible.

Recommendation

16. It is recommended that in considering the content of the report, the Audit and Finance Committee:
 - Agrees the Internal Audit Plan for 2024/25 attached at Appendix 1 subject to any recommendations that they might like to make to amend / reinforce the plan.

Nicola Cooke, Audit Manager, 03000 269665

Appendix 1: Internal Audit Plan 2024/25

STRATEGIC AUDIT PLAN	
Corporate Governance Risks	
Strategic Risk Management	1
Assurance Management - AGS	1
Data Quality	8
Ethics	5
Counter Fraud	
Counter Fraud Awareness	1
NFI	2
Financial Management	
Key Financial Systems e.g. Debtors, Creditors, Income, Bank Reconciliation and VAT	12
Payroll	8
Treasury Management	4
Operational Management	
Vehicle Plant Management	8
People Management	
Recruitment and Selection	8
ICT Systems Managements	15
Management	
Service Support	13
TOTAL	86

Appendix 2: Internal Audit Plan 2024/25 - Review Scopes

Review	RAG Rating	Scope	Days
Corporate Governance			
Strategic Risk Management	2023/24	<p>Internal Audit is required to place an annual assurance over the Authority's Risk Management arrangements. Attendance at the Performance and Programme Board and Service Leadership Team is considered the most effective mechanism to achieve this.</p> <p>In addition, monitoring of the content and revision of the Strategic Risk Register at Audit and Finance Committee together with reviews of specific risks / activities associated with each audit undertaken provide additional assurance over arrangements in operation.</p>	1
Corporate Governance - AGS	2023/24 N/A	This work is aimed at ensuring the Authority receives annual assurance required to be able to fulfil its statutory responsibility to publish an Annual Governance Statement (AGS) alongside its Annual Statements of Accounts, providing external accountability for how the Authority conducts its business. It includes a review of the AGS to ensure it remains current and tracking of action taken by the Service in response to significant corporate governance issues and is considered the most effective mechanism to achieve this.	1
Data Quality	Various	This review considers the extent to which the Authority's Data Quality Performance Management Framework is effective in ensuring that performance indicators are captured and reported accurately. An area for review needs to be determined	8
Ethics	Various	This review covers a number of activities under the generic heading of Ethical Governance and an area for review needs to be determined	5

Counter Fraud			
Counter Fraud Awareness	2023/24 N/A	An activity aimed to provide proactive support to the Authority in raising Corporate Fraud Awareness.	1
NFI	NFI 2023/24 N/A	The Authority takes a proactive approach in relation to the prevention and identification of potential irregularity through participation within the National Fraud Initiative. Internal Audit acting in capacity of key contact extracts payments data in relation to pensions, payroll and creditors for submission to the Cabinet Office ensuring that this is done in line with data protection requirements. Internal Audit reviews feedback received from the exercise to identify any potential irregularities for the service to investigate before ensuring that outcomes from the investigation of matches are recorded on the NFI web application promptly and accurately.	2
Financial Management			
Key Financial Systems	2023/24	Internal Audit is required to place an annual assurance over the Authority's Key Financial Systems. Review considers the management of risks associated with Income, Banking and Debtors, Ordering and Payments, Petty Cash, Company Credit Cards, Payroll, Treasury Management, Financial Planning and Budgetary Control arrangements.	12
Payroll	2022/23	Internal Audit is required to place an annual assurance over the Key Financial Systems. This review considers the management of risks associated with Payroll it includes starters and leavers processes, adjustments to payments for promotions and honoraria, statutory and other deductions, and that payment is made in accordance with agreed timescales to Officers, staff and external bodies such as HMRC.	8
Treasury Management	2023/24	An Assurance review that considers the management of risks associated with the Treasury Management function. It is an annual review that looks at evidence held in support of investments and loans processed in year, that these have been undertaken in accordance with the Treasury Management Policy and that transactions are correctly posted.	4
Operational Management			
Vehicle Plant Management	2019/20	This Assurance review will consider the effectiveness of Service arrangements in managing risk including some or all of the following: <ul style="list-style-type: none"> • Vehicle and plant failure or breakdown. • Unsafe vehicles and plant due to a lack of maintenance • DVSA and NFCC standards are not met. • Loss or unavailability of testing and maintenance records. • Costs not charged to appropriate vehicle or plant cost centre 	8

		<ul style="list-style-type: none"> • Parts are not cost effectively acquired • Purchase hire costs 	
People Management			
Recruitment and Selection	2019/20	An Assurance review that considers the extent to which Authority Recruitment & Selection arrangements ensure that future workforce needs are identified and that suitable qualified officers are recruited in a fair, efficient and cost effective manner.	8
ICT System Management	Various	Internal Audit is required to place an annual assurance over the Authority's IT Systems. Specific areas for review in 2024/25 are to be determined.	15
Planning and Reporting			
Audit Planning, Advice, Reporting and Follow Up	N/A	This activity supports the Authority through the provision of our quarterly progress and annual reporting arrangements to the Audit and Finance Committee. It includes regular progress meetings with the Head of Corporate Resources to discuss delivery of planned work and any issues of current importance and the verification of action taken by management in implementing agreed Internal Audit recommendations.	13
TOTAL			86

Note: RAG Rating References

Red - Limited

Amber - Moderate

Green - Substantial

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County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

10 April 2024

Corporate Risk Register – Position at 31 March 2024

Report of Deputy Chief Executive

Purpose of Report

1. To provide details of the Corporate Risk Register position on 31 March 2024.

Background

2. The Service actively manages risks at all levels of the organisation. The Authority's Risk Management Strategy sets out the framework for the reporting of risks and mitigating actions to members of the Fire Authority. This process also enables members to consider any risks that they have identified and their impact on the Authority.

Corporate Risk Register

3. The corporate risk register is a dynamic document that provides a summary of the high-level risks facing the Service. Officers review the risks facing the Service on an on-going basis as part of the overall control framework within individual sections. The Service Management Team and the Service Leadership Team also scrutinise risks monthly to ensure a corporate and cross cutting approach.
4. There are currently six risks on the corporate risk register. The register shows the original risk that has been identified, the gross risk score and the residual risk score after mitigating actions. A copy of the corporate risk register is attached at Appendix 1.

Recommendations

5. Members are requested to **note** the report.

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Corporate Risk Register – 31 March 2024

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
ER218	Heightened terrorist threat in County Durham and Darlington increasing the risk to CDDFRS staff and communities. This also includes the organisation not being able to provide critical services to the community due to a major disruption.	12 L=3 I=4	9 L=3 I=3	The score reflects the latest intelligence. The Chief Fire Officer and SLT members are embedded across the LRF. The lead National Incident Liaison Officer (NILO) provides updates to the Service on national counter terrorism issues. the Service is also involved in the counter terrorism strategy (CONTEST) and production of the counter terrorism local profile. Marauding terrorism attack (MTA) refresher training delivered each year for revalidation of competence.	NO CHANGE

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
ER224	Failure to respond effectively and provide services due to Industrial Action.	<p>15 L=3 I=5</p>	<p>8 L=2 I=4</p>	<p>No industrial action has been notified however the position regarding firefighters pay could escalate to industrial action in 24/25 if an acceptable offer is not made. Future national uncertainties could also impact on this risk such as governance changes.</p> <p>The residual score reflects the fact that we have effective management of industrial relations and a communications strategy to all stakeholders together with a business continuity plan relating to industrial action.</p>	NO CHANGE

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
FIN152	Failure to achieve the savings via the service transformation options outlined in the CRMP consultation leading to a greater budget deficit.	20 L=4 I=5	8 L=2 I=4	<p>The 2024/25 budget and MTFP was approved by the CFA in February 2024. Following the implementation of Riding with 4 and other savings the MTFP shows a balanced budget for 2024/25 and 2025/26 (without the need to draw from reserves) and a significantly reduced shortfall of £0.418M over the MTFP period.</p> <p>Several savings options have been developed to deal with any future shortfall in funding. These options have been discussed in detail with members at the Strategic Planning Days and further savings options are also being examined to assist in balancing the budget.</p>	NO CHANGE

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
FIN153	The actual position relating to pay awards, inflation and grant cuts etc, turns out to be different to the assumptions underpinning the MTFP leading to a greater budget deficit.	20 L=4 I=5	12 L=3 I=4	<p>The MTFP assumptions are monitored and updated on an on-going basis.</p> <p>The February 2024 MTFP is based upon increases in pay awards of 3% in 2024/25, 3% in 2025/26 and 2% thereafter. The MTFP deficit position could change dramatically if pay awards are agreed above this level.</p> <p>Whilst it is impossible to predict what might happen in the future, alternative MTFP scenarios have been modelled to illustrate the impact of changes to the assumptions.</p> <p>The situation regarding pay awards and inflation is monitored closely and any impact on the budget in the current year would normally be managed using contingencies and/or reserves. Members will be kept informed if further corrective action is required.</p>	NO CHANGE

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
FIN 225	Insufficient government funding to meet capital programme requirements which could impact on the revenue budget leading to an increased MTFP deficit.	12 L=3 I=4	9 L=3 I=3	The Authority no longer receives government funding for capital expenditure which was previously £1.3M per annum. Provision is made in the revenue budget going forward to meet the impact of borrowing and/or direct funding. Recent increases in interest rates will add further pressure on the revenue budget from increased debt repayment costs.	NO CHANGE
FIN 08	Changes to public sector pension schemes could lead to higher employer and employee contributions; increased turnover of staff; difficulty in recruiting and retaining high calibre staff and a reduction in staff morale and productivity.	20 L=4 I=5	9 L=3 I=3	<p>We have been informed by the Home Office that the original pensions grant has been implemented into the settlement funding. We will receive a further specific pensions grant in 2024/25 to cover the additional cost of the increase in employer contributions from April 2024. This provides some certainty on future funding for pensions.</p> <p>The proposals to address age discrimination in the Firefighters pension schemes resulting from the McCloud Sargeant case could lead to a significant increase in the level of employer's pension contributions and a range of staff retiring and accessing their pension earlier than anticipated. At the 16 February 2022 CFA meeting, members agreed to pause the processing of immediate detriment cases until the full extent of liabilities falling on the Authority are known. There is a risk that the Authority could be liable for the tax charges relating to individuals who have previously retired.</p>	NO CHANGE

<u>Risk Reference</u>	<u>Risk Description</u>	<u>Risk Score</u>	<u>Residual Score</u>	<u>Status</u>	<u>Change to Risk Score</u>
				The recruitment strategy includes options to bring in replacement staff quickly, if necessary, in order to maintain operational response.	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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