

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 Thursday 26 September 2024 at 1.30 pm to consider the following business:-

PART A

1. Apologies for absence
2. Minutes of the previous meeting (Pages 5 - 8)
3. Annual Internal Audit Opinion and Report 2023/24 - Report of Head of Internal Audit (Pages 9 - 22)
4. Annual Review of the System of Internal Audit 2023/24 - Report of Head of Internal Audit (Pages 23 - 30)
5. Fraud and Corruption Annual Report 2023/24 - Report of Head of Internal Audit (Pages 31 - 36)
6. Internal Audit Year end Progress Report 2023 - Report of Head of Internal Audit (Pages 37 - 42)
7. Auditors Progress Report 2023/24 - Report of External Audit (Pages 43 - 56)
8. Actions to tackle the local audit backlog - letter from Ministry of Housing, Communities and Local Government (Pages 57 - 58)
9. Revenue and Capital Outturn for the Year end 31 March 2024 - Report of Deputy Chief Executive (Pages 59 - 64)
10. Annual Governance Statement - Report of Deputy Chief Executive (Pages 65 - 76)
11. Short -Term Investments and Long Term Borrowing - Period to 31 March 2024 (Quarter 4) - Report of Deputy Chief Executive (Pages 77 - 78)
12. Short -Term Investments and Long Term Borrowing - Period to 30 June 2024 (Quarter 1) - Report of Deputy Chief Executive (Pages 79 - 80)

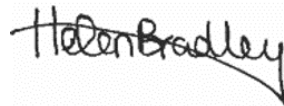
13. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgent to warrant consideration
14. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

PART B

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

15. Outstanding Audit Recommendations March 2024 - Report of Head of Internal Audit (Pages 81 - 82)
16. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration

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



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 R Bell, A Batey, B Kellett, N Jones and J Cairns

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 **10 April 2024 at 10:00hours**.

Present: Cllr R Bell (Chair)
Durham County Council: Cllr A Batey
Cllr J Blakey
Darlington Borough Council: Cllr A Anderson
Officers: Tony Hope
Internal Audit: David Mitchell
External Audit (Mazars): Gavin Barker
Independent Person: Alan Foster

Part A

1 Apologies

Apologies were received from Cllr Neville Jones and Cllr Bill Kellett.

2 Minutes of the Previous Meetings

The minutes of the previous meeting held on 23 January 2024 were agreed as a true record.

3 Letter from Department for Levelling Up, Housing and Communities

Cllr R Bell summarised the response received from the Department for Levelling Up, Housing and Communities (DLUHC) regarding the concerns raised by the Audit and Finance Committee in relation to the backlog of audits which are outstanding for local authorities.

Cllr R Bell noted that the DLUHC have acknowledged the exceptional circumstances of the current backlog and have been looking into finding a solution, working with partners to develop a proposal to clear the backlog.

4 Auditors Annual Report 2022-2023

G Barker noted that this will be his last meeting of the Audit and Finance Committee as the 5-year rotation period has come to an end for himself and Campbell Deardon. G Barker expressed his thanks and appreciation for CDDFRS Finance Team's cooperation when going through the required processes to complete audits and sign off of accounts during this time.

G Barker noted that the 2021/22 accounts have been signed off and the audit certificate will be signed in the next two weeks. The audit certificate for the 2022/23 accounts has been held up by the Whole of Government Accounts requirements; this is now expected to be issued towards the end of November

2024. The opinion for the 2022/23 accounts has been issued well in advance of the September 2024 deadline.

G Barker advised Mazars did not identify any evidence to indicate a significant weakness in Value for Money arrangements. G Barker noted that CDDFRS are in a good position with no concerns to flag with Members.

Cllr J Blakey thanked G Barker and C Deardon for all their work over the past 5 years, making reports easy to understand.

A Forster asked if the backstop dates are known. G Barker explained that details including backstop deadlines are set out in the DLUHC consultation.

Cllr A Batey and Cllr R Bell thanked the Mazars team for their work over the past 5 years.

5 Internal Audit Progress Report

D Mitchell introduced a report advising Members on the work undertaken by Internal Audit between 1 April 2023 to 31 March 2024.

D Mitchell noted that since the time of producing the report, 3 out of the 5 assurance reviews are now complete. Data Quality is due to be completed this month and Payroll will be completed in May.

Cllr R Bell queried the meaning of the Audit Assurance opinions.

ACTION: N Cooke/D Mitchell to add Assurance Opinion definitions to future reports.

Members **considered** and **noted** the outturn position in delivering the Internal Audit Plan for 2023/24.

6 Internal Audit Charter

D Mitchell introduced a report seeking Members approval of the Internal Audit Charter to be applied to all reviews undertaken as part of the Internal Audit Plan for 2024/25.

D Mitchell noted that no amends have been made to the previous charter.

Members **agreed** the Internal Audit Charter.

7 Internal Audit plan 2024/25

D Mitchell introduced the report providing the Audit and Finance Committee with the opportunity to view the content of the Internal Audit Plan for the period 1 April 2024 to 31 March 2025.

A Forster asked if the number of days are increasing. D Mitchell advised that they weren't but that key areas within ICT and Finance do take up the majority of audit days. T Hope explained that the audit days are directed to areas we think would be beneficial in terms of improvements that can be made.

Members **agreed** the Internal Audit Plan for 2024/25.

8 Corporate Risk Register

T Hope presented details of the Corporate Risk Register (CRR).

T Hope noted there have been no change to the risk scores. There has been a significant improvement financially although the Firefighter Pay Award may be a risk in future if this turns out to be more than 3% included in the budget.

Cllr R Bell queried if cyber security should be added to the CRR. T Hope explained that Cyber Security is logged on the ICT risk register with sufficient controls in place. There is also regular testing of all our systems also. T Hope noted that it would be escalated to the CRR if it became a significant risk.

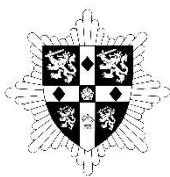
Members **noted** the report.

9 Outstanding Audit Recommendations March 2024.

D Mitchell noted there are no outstanding audit recommendations.

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County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

26 September 2024

Annual Internal Audit Opinion and Report 2023/24

Report of the Head of Internal Audit

Purpose of the Report

1. The purpose of this report is to present the Annual Internal Audit Report for 2023/24 which is attached as Appendix 1.

Background

2. The Public Sector Internal Audit Standards (PSIAS) 2017 state that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control but still contribute to the overall opinion however each review does not deliver individual assurance opinions.
3. Based on the work undertaken, we are able to provide a **Moderate** overall assurance opinion on the adequacy and effectiveness of the governance, risk management and internal control arrangements operating across the Authority in 2023/2024. The level and nature of internal audit work undertaken has not required the Chief Internal Auditor and Corporate Fraud Manager to provide a formal Limitation on the Opinion to be delivered and as such there are no qualifications to this opinion.
4. This moderate opinion provides assurance that whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk.
5. All Internal Audit work carried out in 2023/24 was in accordance with proper internal audit practices as described within the Public Sector Internal Audit Standards (PSIAS).

6. This report fulfils the requirements of PSIAS and the CIPFA Local Government Application note for the Chief Internal Auditor and Corporate Fraud Manager to deliver an annual audit opinion and a report on the effectiveness of the Internal Control environment.
7. The Annual Internal Audit Report should therefore be considered in the context of fulfilling the above requirement.
8. The opinion on the control environment and any significant issues arising will be reflected in the Authority's Annual Government Statement (AGS) which will be published alongside the Authority's Annual Statement of Accounts for 2023/24. It is specifically timed to be considered as part of the annual review of governance and internal control and is reported alongside the Review of Effectiveness of Internal Audit.
9. Internal Audit therefore has a professional duty to provide an unbiased and objective view of the Internal Control environment. Internal Audit is independent of the processes that it evaluates and as such reports to the Senior Leadership Team and Audit and Finance Committee.
10. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
11. As a result, there are no adverse implications for the Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2023/24. All of the risks raised within Internal Audit reports have been accepted. Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issues, have been agreed to be implemented. Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report. Internal Audit will follow up the implementation of its recommendations, or any agreed alternative actions, with the relevant responsible officers, as soon as is practically possible, after the target implementation dates. Progress on the implementation of audit recommendations will be reported through to this Committee in future progress reports on the 2024/25 Internal Audit work.

Recommendation

12. Members are **asked to:**
 - **consider** the Annual Internal Audit Report and the overall opinion provided on the adequacy and effectiveness of the Authority's control environment for 2023/24.

Nicola Cooke, Audit Manager, Tel: 03000 269665



COUNTY DURHAM AND DARLINGTON FIRE AND RESCUE AUTHORITY

Internal Audit

Annual Report 2023-2024

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Appendices

- Appendix A: Performance Indicators
- Appendix B Key Advice and Consultancy Work Undertaken in 2023/2024
- Appendix C Assurance Opinion Methodology
- Appendix D Summary of Assurance Work

Introduction

1. This report summarises work carried out by Internal Audit during 2023/24 and provides assurance on the effectiveness of the Authority's control environment, risk management and corporate governance arrangements in place during the year.
2. The requirement for an internal audit function is implied by Section 151 of the Local Government Act 1972 which requires all relevant bodies to, "make arrangements for the proper administration of their financial affairs and ensure that one of its officers has responsibility for the administration of those affairs".
3. The Accounts and Audit Regulations 2015 require those bodies to, "undertake an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control".
4. The Public Sector Internal Audit Standards (PSIAS) define the proper internal control practice for internal audit alongside the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note.
5. This report fulfils the requirements of PSIAS and the CIPFA Local Government Application Note for the Chief Internal Auditor and Corporate Fraud Manager to deliver an annual audit opinion and a report that can be used by the Committee to inform its Annual Governance Statement.
6. The report sets out:
 - The annual internal audit opinion on the overall adequacy and effectiveness of the governance, risk and control framework (the control environment).
 - A summary of the audit work carried out from which the opinion is derived.
 - Details of the quality assurance arrangements in place during 2023/2024.

Service Provided and Audit Methodology

7. Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
8. The primary objective of Internal Audit is to provide an independent and objective opinion on the Authority's control environment which is comprised of the systems of governance, risk management and internal control.
9. The Internal Audit Charter, agreed by the Senior Leadership Team and Audit and Finance Committee, establishes and defines the terms of reference and strategy for how the service is to be delivered.

10. The agreed audit strategy to provide independent assurance, is summarised as follows:
- To carry out planned assurance reviews of the effectiveness of the management of operational risks in all key service activities/systems.
 - To carry out assurance reviews of the management of strategic risks where the effective management of risk is heavily dependent on identified controls.
 - To carry out annual reviews of 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 and non-financial systems.
 - To use a Control Risk Assessment (CRA) methodology to focus audit resources on providing assurance on key controls where there is little or no other independent assurance on their adequacy or effectiveness.

Types of Audit Work Carried Out in 2023/24

Assurance Reviews

11. Assurance reviews are those incorporated into annual audit plans where the CRA methodology is to be applied. They also include service requests to provide assurance on more specific risks within a particular service activity.
12. On completion of each assurance review an opinion on the adequacy and / or the effectiveness of the control framework in place is provided to inform the annual audit opinion.
13. The audit methodology for arriving at audit opinions on individual assurance reviews is attached at **Appendix C**.

Advice and Consultancy Work

14. In addition to planned assurance reviews, provision is also made in annual audit plans to support service managers by undertaking advice and consultancy type work. The outcomes from this work can also provide assurance on the control framework even though an assurance opinion is not provided on the completion of this work.

Counter Fraud Work

15. Provision is made in annual audit plans to support service managers at an operational level to mitigate the strategic risk of fraud and corruption. Control weaknesses identified when fraud is suspected or proven also impacts on the overall opinion on the adequacy and effectiveness of the internal control system.

Audit Quality Assurance framework

16. The Internal Audit Charter sets out the performance and quality framework for the service. This reflects the requirements of the PSIAS.
17. Key elements of the quality assurance framework operating during 2023/24 include:
 - Independent quality reviews undertaken by Audit Managers as a matter of routine and periodically by the Chief Internal Auditor and Corporate Fraud Manager to ensure consistent application of agreed processes and procedures and to ensure expected quality standards are maintained.
 - Key contacts, determined by the Authority, agree the Terms of Reference for each audit review and are able to challenge the findings and content of draft reports prior to them being finalised.
18. A summary of performance against agreed indicators is given in **Appendix A**.
19. The PSIAS require that an annual review of the effectiveness of Internal Audit is carried out, with an external assessment every five years. Following a self-assessment by the Interim Chief Internal Auditor and Corporate Fraud Manager, in 2023/24, which established that the service continues to conform with the PSIAS, an external quality assessment of the Internal Audit Service's conformance to the Public Sector Internal Audit Standards (PSIAS) and CIPFA Local Government Application Note during 2021/22 was carried in February 2022 by the Chartered Institute of Public and Finance and Accountancy (CIPFA).
20. For 2023/24, with regards to compliance with the key elements of the PSIAS the following matters were considered:
 - The structure and resourcing level, including qualifications and experience of the audit team;
 - The extent of conformance with the PSIAS in producing quality work;
 - Ensuring audit work was successfully delivered in the most appropriate areas on a prioritised (risk) basis;
 - The overall performance of the Internal Audit team.
21. The opinion delivered by CIPFA's external assessment is that '**Durham County Council's Internal Audit Service's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**' and the outcome of the review was reported to County Council's Audit Committee at its meeting on 01 July 2022.

Summary of audit work carried out

Assurance Work

22. Our work programme for the year was determined by the approved Internal Audit Plan. A summary of all assurance opinions provided in year together with the most recent opinion for those activities not included in the plan to provide a better informed opinion on the entire control environment, is attached at **Appendix D**.

Advice and Consultancy Work

23. All planned reviews are designed to add value as they provide independent assurance, through evaluation and challenge, on the adequacy and effectiveness of arrangements in place to manage risks. This evaluation and challenge supports the effective and efficient use of resources and VFM.
24. Through our advice and consultancy work we are able to add value pro-actively and reactively.
25. Reactive work involves responding to ad-hoc requests for advice and reviews added to the plan to address new or emerging risks. It also includes responding to potential fraud or irregularities and we ensure that all such incidents are properly investigated and that appropriate action is taken by managers, whether or not fraud or malpractice is proven.
26. A summary of key advice and consultancy work completed during the year is attached at **Appendix B**.

Key Areas for Opinion

27. The key areas of the control environment where assurance is required to inform our overall opinion are:
 - Financial Management
 - Risk Management
 - Corporate Governance
28. Assurance has been provided on some aspects of key financial systems during the year. Reviews undertaken include Headquarters (income and expenditure), Payroll, and Treasury Management,
29. Assurance on the effectiveness of the Authority's risk management arrangements has been provided through the identification of operational risks and effectiveness of mitigating controls within each review undertaken. In addition, a review of Service Strategic Risk Management arrangements that considered the Service Leadership Team's consideration of the content, scoring and refreshing of activities included in the strategic risk register was undertaken.
30. Internal Audit has worked with key officers from the Authority to complete the Annual Governance Statement. An action plan is to be completed to enable significant areas identified for improvement in the 2023/24 Annual Governance Statement to be monitored and which will be reported to the Audit and Finance Committee during the year to come.

Audit Opinion Statement

31. The Authority has responsibility for maintaining a sound system of internal control that supports the achievement of its objectives.
32. Internal Audit is required to provide an opinion on the Authority's risk management, control and governance process.

33. In giving this opinion it should be noted that assurance can never be absolute and therefore only reasonable assurance can be provided that there are no major weaknesses in these processes.
34. In assessing the level of assurance to be given, we based our opinion on:
- All audits undertaken during the year
 - Follow up action on audit recommendations
 - Any significant recommendations not accepted by management and the consequent risk
 - The effects of any significant changes in the Authority's systems
 - Matters arising from previous reports to the Audit and Finance Committee
 - Limitations which may have been placed on the scope of the internal audit
 - The reliability of other sources of assurance when determining the scope of audit reviews.
35. Based on the work undertaken, Internal Audit is able to provide a Moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2023/24.
36. The moderate opinion provides assurance that there is a sound system of control in place however there are some weaknesses and evidence of ineffective controls.
37. Where Internal Audit has identified areas for improvement, recommendations are made to minimise the level of risk, and action plans for their implementation were drawn up and agreed by management. Whilst the % of actions implemented within target dates is high, in many cases there is a time gap between a control weakness being reported and the date determined by management for when the action can practically and realistically be implemented. Consequently, the added assurance provided on implementation cannot always be recognised and evidenced in arriving at our overall annual assurance opinion. Work is ongoing with management with regards to timely and realistic implementation dates for actions being agreed.

PERFORMANCE INDICATORS

Efficiency	Objective: To provide maximum assurance to inform the annual audit opinion		
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Q4 Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 March 2023.	90% (Quarterly)	89.5% (17 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% (Quarterly)	100% (12 reports issued)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also reported for information	95% (Quarterly)	100% (11 reports issued)
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100% (14 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% (Quarterly)	100% (34 accepted out of 34 made)
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)	100% (5 out of 10 returned) Overall average score 4.7
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	50% (5 returned from 10 surveys issued in 2023/24)

KEY ADVICE AND CONSULTANCY WORK UNDERTAKEN IN 2023/24

Whilst no formal advice and consultancy reviews have been undertaken for the Authority during 2023/24, Internal Audit has maintained its links with the Authority's key officers to discuss ongoing matters on an ad hoc / informal basis.

Findings

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

Impact Rating	Assessment Rationale
Critical	A risk 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 risk 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 risk 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 of 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 Risk Rating

This grid is used to determine the overall risk rating.

LIKELIHOOD			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	M
	Minor	Major	Critical
		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 the 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.

SUMMARY OF ASSURANCE WORK CARRIED OUT	
Audit Area	Latest Opinion
Risk Management	2022/23
Ethics - Transparency / Gifts and Hospitality and Register of Interests/FOI/Members Allowances and Expenses	2022/23
Partnerships	2023/24
Business Continuity Planning	2021/22
General Data Protection Regulation (GDPR) - Community Risk Management	2019/20
Absence Management	2021/22
Recruitment and Selection - GDPR and HMG Baseline Personnel Security Standard	2019/20
Key Financial Systems – Creditors, Debtors, Income	2023/24
Payroll	2021/22
Treasury Management	2023/24
VAT	2019/20
Catering Arrangements	2023/24
Stocks and Stores	2023/24
Home Fire Safety Visits	2023/24
Procurement and Contracts	2020/21
Asset Management / Building Maintenance	2019/20
Vehicle / Plant Management	2019/20
Vital Fire Solutions	2020/21
Mobile Working	2019/20
Security Incident Management	2018/19
Removeable Media	2019/20
Cloud Security	2018/19
Network Management	2022/23
Change Management	2023/24
Firewall	2017/18
SQL Server	2017/18
Data Destruction	2023/24
ICT Systems Management - Identity and Access Management	2020/21
Performance – Data Quality	2021/22
User Education and Awareness	2021/22
ICT Procurement	2020/21
ICT Budget Management – Capital Planning	2021/22
COUNTER FRAUD	
National Fraud Initiative	N/A
Fraud and Corruption Survey	N/A
Overall Opinion	2022/23
Assurance Opinion Key	Substantial Moderate Limited

County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

26 September 2024

Annual Review of the System of Internal Audit 2023/24

Report of the Deputy Chief Executive

Purpose of the Report

1. The purpose of this report is for Members of the Audit and Finance Committee to consider and comment on the Annual Review of the System of Internal Audit.

Background

2. The Accounts and Audit Regulations 2015 require that “a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit” and confirm that the findings of the review “must be considered as part of the consideration of the system of internal control”.
3. Internal Audit is defined as the means by which the Authority assesses its governance and assurance requirements, ensuring that an effective internal control system is in place. Outcomes from the current governance process are evaluated and reported in the Authority’s Annual Governance Statement.
4. To address the Accounts and Audit Regulations requirement, an assessment of Internal Audit has been carried out and is presented for consideration by those charged with governance.
5. The review, attached as Appendix 1, has been considered by the Deputy Chief Executive and it is our opinion that the service is effective.

Recommendation

6. Members are asked to consider the findings and conclusions of the 2023/24 review of the effectiveness of the system of Internal Audit contained within this report.

Tony Hope Deputy Chief Executive, 0191 3755558

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ANNUAL REVIEW OF THE SYSTEM OF INTERNAL AUDIT REPORT OF THE HEAD OF INTERNAL AUDIT

Current Arrangements for Internal Audit

1. A dedicated Internal Audit Service forms part of the system of Internal Audit for the Authority. The Service is part of the Internal Audit, Risk and Corporate Fraud Division of Durham County Council. Service delivery is by way of a Service Level Agreement that is in place through to 31 March 2024. The Service is led by the Chief Internal Auditor and Corporate Fraud Manager with day to day provision being overseen by an Audit Manager. The Service works closely with those Officers and staff of the Authority tasked with governance, assurance and risk management.
2. The Audit Manager reports directly to the Deputy Chief Executive but also has direct access to the Chief Fire Officer and Audit and Finance Committee.
3. At the start of 2023/24 the team comprised of 17 approved posts (16.10 FTE) plus the Chief Internal Auditor and Corporate Fraud Manager.
4. The vision for the Internal Audit Service is described in the Annual Internal Audit Plan, the Service Terms of Reference (TOR) within the Internal Audit Charter and defines the principles of how it operates in delivering the Service to the Authority. The TOR provides appropriate arrangements to ensure the Service is sufficiently independent and objective and that there is access to all information and people required to discharge its responsibilities. The Charter and TOR were last presented to the then Audit and Finance Committee on 10 April 2024.
5. Arrangements for investigation work are defined in the policies and procedures for Counter Fraud and Confidential Reporting (Whistleblowing) and the Audit Manager works closely with the Deputy Chief Executive. A summary of work undertaken is provided for the Audit and Finance Committee in the Annual Fraud and Corruption Report.

Effectiveness of the Internal Audit Service

6. To examine the effectiveness of the Internal Audit Service for the past year, this annual review considered several key elements and assessed their contribution to enabling the Service to fulfil its responsibilities. These were:
 - The structure and resourcing level, including qualifications and experience of the audit team.
 - The extent of conformance with the PSIAS in producing quality work.
 - Ensuring audit work was successfully delivered in the most appropriate areas on a prioritised (risk) basis.
 - The overall performance of the Internal Audit team.

Resourcing, Structure, Training and Experience

Resourcing

- Audit work was actively managed within the resource available and progress toward delivery of the agreed Annual Internal Audit plan was reviewed regularly. The focus was maintained on clear scoping and coverage for assurance activity; timing of work and availability of nominated officers and staff; and control over the allocation of resources for in-year requests for support. Alternative means for gaining assurance were assessed and used where appropriate to support audit opinions. Progress and outcomes were regularly reported to the Deputy Chief Executive and the Audit and Finance Committee.

Structure

- The structure of the Internal Audit Service is intended to remain the same going forward into 2024/25 thereby allowing the opportunity for auditors to continue to develop a depth of knowledge and client relationships. This, wherever possible, offers continuity to clients who can then regularly deal with the same auditors over a period of time. We consider this approach continues to be successful in building a better understanding of the business needs and objectives of the Authority. However this does need to be balanced against a need for staff rotation for development purposes and to maintain objectivity.

Training and Experience

- Training and development within the Service is progressed through the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Internal Auditors (IIA), the Association of Accounting Technicians (AAT) and Continuing Professional Development (CPD).
- During the year, one auditor further progressed their IIA studies and all other employees hold at least one audit qualification. For CPD all employees have access to and attended events selected from internal and external training events. Formal internal CPD sessions are held for all employees with individuals keeping records of their CPD based on their professional requirements.
- The following information about qualifications and experience of employees available for audit work demonstrates the experience and qualification mix.

Experience 2023/24

Auditing Experience	No	%	Public Sector Auditing	%
Up to 1 Year	2	11.8	2	11.8
1 to 5 Years	3	17.7	3	17.7
5 to 10 Years	1	5.8	1	5.8
Over 10 Years	11	64.7	11	64.7
Total Employees	17	100	17	100

Qualifications

Accountants (CCAB)	3
Institute of Internal Auditors	3
Institute of Internal Auditors – Training	1
Certified Information System Auditor	1
Association of Accounting Technicians	6
Association of Accounting Technicians - Training	2
Other Qualifications	1
Total	17

12. The level of experience of audit employees was increased in year with skills level available remaining high based on the substantial number of employees with over 10 years' experience and competencies in specific areas.

Conformance with UK Public Sector Internal Audit Standards (PSIAS)

13. Internal Audit has completed a self-assessment against the key elements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Local Government Application Note during 2023/24 which demonstrated that the service was conforming with the requirements.
14. It is a requirement for the service to be externally assessed once every five years. The last external assessment, carried out by the Chartered Institute of Public and Finance and Accountancy (CIPFA), in February 2022, concluded that 'Durham County Council's Internal Audit Service's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note'.
15. The service must be externally assessed once every five years, with the next external review being due in the Internal Audit Year 2026/27.
16. All employees comply with ethics requirements (as described in PSIAS) in relation to the professional role of an auditor. All employees provided an annual declaration of interests for consideration to enable management to ensure that there was sufficient information to address any potential conflicts of interest which arise during audit activities. Employees are obliged to raise any conflicts or issues with management during the year. Records are maintained for this.
17. Quality of audit work was actively managed in year and the achievement of quality standards enabled the Chief Internal Auditor and Corporate Fraud Manager to confirm work has been completed in conformance with PSIAS. Individual audits had agreed and clear scope; activity was reviewed and assessed for its effectiveness and quality during and after completion of work; and customer feedback was received from post audit questionnaires.

Ensuring the Effective Prioritisation of Internal Audit Work

18. Prioritisation of the work of the Service is achieved by the development and delivery of an annual risk based audit plan. This describes the assurance plans for the Service and includes capacity for flexibility to adjust to changing circumstances and for demand led and urgent work if appropriate.

19. The plan is based on a mix of different types of audit and work to ensure that assurance over the systems of governance, risk management and internal control is obtained from a number of different directions and sources.
20. The Service's methodology for establishing audit priorities is aligned with governance and risk management systems. Audit plans are developed through an assessment of risk and assurance needs.
21. It is considered that the 2023/24 Internal Audit Plan represented a reasonable view of critical areas for audit review and assurance needs when it was constructed and agreed with Senior Management and the Audit and Risk Committee. It was based on reasonable estimates of available resources and when also taking into account work that was completed further to the onset of the coronavirus pandemic.
22. The Internal Audit Plan for 2024/25 was presented to the Audit and Finance Committee at its meeting on 10 April 2024 and the Service Leadership Team at its meeting on 21 March 2024.

Performance Measures

23. Performance Management of the Service and for individual auditors is focused on deployment of auditor time to best effect. This has three main elements related to how much time is spent auditing, completion of audits within set timescales and effectiveness of time deployed. The key deliverable for the Service is the completion of the Internal Audit Plan within the year.
24. Performance and progress are monitored through Key Performance Indicators (KPIs). These are agreed with the Service Leadership Team and Audit and Risk Committee as part of the Internal Audit Charter.
25. The key performance measures for the Service over the last 12 months are:

KPI	Measure of Assessment	Target	Actual as at 31 March 2022
Planned audits completed	% of planned assurance work from original plan complete to draft report stage	90% (Quarterly)	89.5% (17 out of 19 reviews completed)
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure	90% (Quarterly)	100% (12 reports issued)
Timeliness of Final Reports	% of final reports issued within 14 Calendar days of receipt of management response	95% (Quarterly)	100% (11 reports issued)
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	100% (34 accepted out of 34 made)
Post Audit Customer Surveys	% of customers scoring at least 3 out of 5	100% (Quarterly)	100% (5 out of 10 returned)

			Overall average score 4.7
Customers providing feedback	% of customers returning satisfaction returns	70% (Quarterly)	50% (5 returned from 10 surveys issued in 2023/24)

26. The main performance indicator shows how many planned assurance reviews have been completed against a target of 90% within the audit year. With two reviews in progress, the service has delivered 89.5% of the Internal Audit plan. Work undertaken in year is considered to be sufficient to enable an overall opinion to be provided when taken in conjunction with work undertaken previously from the Strategic Plan.
27. For customer satisfaction there has been positive feedback on a number of specific jobs and this is reflected in the results from customer satisfaction questionnaires. The Service carried out a programme of follow up in respect of questionnaires with the aim of maximising the number returned.
28. The issuing of draft reports is an assessment of the timeliness of the audit activity from the completion of a piece of work to the issuing of a draft report for consideration and response.
29. No concerns have been raised in relation to the application of professional standards for audit work and there have been no formal complaints.

Implementation of Recommendations

30. The process for monitoring implementation of recommendations continued to build on improvements from previous years and there are good levels of engagement across the Authority. Working closely with managers allowed for greater understanding of the challenges faced and in ensuring practical recommendations were made and alternative solutions considered in order to address risk.
31. The Service maintained regular contact with the Deputy Chief Executive throughout the year and provided key reports and information to the Audit and Finance Committee, which with regular updates from the Service has the opportunity to challenge progress and outcomes. This includes asking senior managers to provide updates as necessary where there is considered to be a significant risk or concern. This process has provided an effective method for obtaining assurance during 2023/24.

Audit Committee

32. The system of Internal Audit includes the role of the Audit and Finance Committee and in particular its role in the receipt and evaluation of audit reports, both in terms of assurance opinions and in the ensuring that appropriate arrangements are in place for the delivery of an effective service. The arrangements for the Audit and Finance Committee were unchanged in 2023/24.

Summary and key priorities

33. The Service continues to build on its strengths and enhance its reputation. Service delivery remains a key priority in support of the Authority's priorities and to help identify

and address any risks to the delivery of objectives. The Service delivered a comprehensive plan for the year and it is considered that the Service has a sound base for carrying out its audit activities and meeting its objectives to provide audit assurance and advisory support.

Recommendation

34. Members are asked to consider the findings and conclusions of the 2023/24 review of the effectiveness of the system of Internal Audit contained within this report.

Contact: Nicola Cooke	Tel: 03000 269665
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Safest People, Safest Places

Audit and Finance Committee

26 September 2024

Fraud and Corruption Annual Report 2023/24

Report of the Head of Internal Audit

Purpose of the Report

1. The purpose of this report is to advise and provide assurances to Members of the Audit and Finance Committee of the results of work being undertaken within the Authority in seeking to identify, control and prevent fraud and corruption.

Background

2. Public accountability, a reputation for honesty and the exposure of misconduct are key features of the approach taken in combating potential fraud and corruption from within and outside the Authority.
3. The Fraud Act 2006 describes the following three methods of committing fraud;
 - Fraud by misrepresentation
 - Fraud by failing to disclose information
 - Fraud by abuse of position
4. Corruption is defined as “the offering, giving, soliciting or acceptance of any inducement or reward which may improperly influence the action of any person”.

The Authority’s Responsibilities in relation to Fraud and Corruption

5. In administering its responsibilities, the Authority has in place a framework of written procedures and controls to help ensure the highest standards of conduct are practised.
6. 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 (Confidential Reporting Code).
7. The Authority has also approved a number of other policies in relation to the prevention, detection and investigation of fraud as follows:

- Anti-Fraud, Anti-Bribery & Anti-Corruption Policy
 - Regulation of Investigatory Powers Act (RIPA) 2000 Policy
 - IT Security Policy
 - Disciplinary Procedures
8. Internal Audit has a key role in providing assurance that the Authority's procedures and policies are adhered to and in helping to detect fraud through its testing. All Internal Audit staff are aware to the risk of fraud and corruption and help prevent this through evaluating the effectiveness of internal controls and recommending improvements to management to help manage risk.
 9. It is the responsibility of the Section 151 Officer to develop, maintain and review the Authority's Anti-Fraud, Anti-Bribery & Anti-Corruption Policy. Senior Officers are responsible for promoting the Policy within their Department and ensuring that all suspected irregularities are reported to the Head of Internal Audit.
 10. It is the responsibility of Senior Officers to establish sound systems of internal control in its arrangements for planning, appraising, authorising and controlling operations within their areas. In doing so Officers must be aware of the risk of fraud and corruption within their areas of operation and should seek advice from Internal Audit as considered necessary. Where possible this advice should be sought during the development of systems so that Internal Audit can be pro-active in helping management establish appropriate controls pre-implementation, thereby increasing their effectiveness and minimising risk.
 11. Publication of related policies on the Authority's website and intranet is a further way in which the Authority seeks to be pro-active in this area. Policies are also incorporated into Employee Handbooks and are identified during officer and member induction.
 12. Internal Audit will look to advise / work with the Section 151 Officer in determining the relevant course of action to be pursued, in the event of fraud or corruption including, where it is considered appropriate, to involve the Durham Constabulary. To help manage this process the Council has a dedicated Counter Fraud Team within the Internal Audit Service who hold appropriate professional qualifications in Fraud Investigation.

National Fraud Initiative NFI

13. Internal Audit also supports management pro-actively in the prevention and identification of potential irregularity through membership of the National Anti-Fraud Network (NAFN) and directly through participation within the National Fraud Initiative (NFI).
14. The NFI is the Cabinet Office's data matching exercise that runs every two years. Data from Authority systems was submitted in October 2022 and was matched across systems and against data submitted by other organisations to identify potential fraud and / or error.
15. The exercise focused upon payments made in relation to pensions, payroll and creditors and generated various reports containing a total of 143 data matches for

further investigation.

16. All 143 data matches were reviewed and investigated as appropriate with no instances of fraudulent or irregular activity, being perpetrated by Service employees, pensioners or their representatives identified.

Fraud and Corruption Survey

17. Internal Audit adapted the former Audit Commission's fraud and corruption survey attached as Appendix 1 for use as a reference point against which fraud can be analysed and categorised. Through discussion with the Deputy Chief Executive and Treasurer no incidences of fraud were identified as occurring during 2023/24.

Recommendation

18. Members are requested to note the progress made and assurances provided in relation to the Authority's anti-fraud and anti-corruption arrangements.

Nicola Cooke, Audit Manager, 03000 269665

Fraud cases

Procurement, Insurance and Economic/ third sector fraud

Note: all cases in this survey where management authorised action has been taken, such as an investigation or enquires made, and as a result an officer with management authorisation has determined that on the balance of probabilities a fraud or act of corruption has occurred. As such, cases do not require a sanction or prosecution to be determined as fraudulent.

If you have cases but do not record the number and/or the value please answer 'yes' and record 'NR' in Number of cases and/or Value (£'s)

Procurement fraud

Note: this is any fraud linked to the false procurement of goods and services for the organisation either by internal or external persons or companies including but not limited to: violation of procedures; manipulation of accounts: records or methods of payment failure to supply; failure to supply to contractual standard.

Did you have any cases of procurement fraud? **No**

Fraudulent insurance claims

Note: this is any insurance claim against your organisation or your organisation's insurers that proves to be false.

Did you have any cases of fraudulent insurance claims? **No**

Economic and third sector support fraud

Note: this is any fraud that involves the false payment of grants, loans or any financial support to any private individual or company, charity, or non-governmental organisation including, but not limited to: grants paid to landlords for property regeneration; donations to local sports clubs; loans or grants made to a charity.

Did you have any cases of economic and third sector support fraud? **No**

Debt, Pensions and Investment fraud

If you have cases but do not record the number and/or the value please answer 'yes' and record 'NR' in Number of cases and/or Value (£'s)

Debt Fraud

Note: This is any fraud linked to the avoidance of a debt to the organisation including, but not limited to false declarations; false instruments of payment or documentation,

Did you have any cases of debt fraud? **No**

Pension Fraud

Note: this is any fraud relating to pension payments including, but not limited to: failure to declare changes of circumstances; false documentation; or continued payment acceptance after the death of the pensioner.

Did you have any cases of pensions fraud? **No**

Investment fraud

Note: this is any fraud relating to investments including, but not limited to: the fraudulent misappropriation of assets; or loss through breach of procedures

Did you have any cases of investment fraud? **No**

Payroll and Expenses fraud, Abuse of position and Other fraud

Payroll and employee contract fulfilment fraud

Note: this includes, but is not limited to: the creation of non-existent employees; unauthorised incremental increases; the redirection or manipulation of payments; false sick claims; not working required hours; or not undertaking required duties.

Did you have any cases of payroll and contract fulfilment fraud? **No**

Number of cases

Value (£'s)

In the Payroll and employee contact fulfilment detected fraud cases you have reported is there any evidence to suggest they have resulted from organised crime?

Expenses fraud

Note: this includes, but is not limited to: false declarations of mileage allowances; breaches of authorisation and payment procedures.

Did you have any cases of employee expenses fraud? **No**

Did you have any cases of councillor expenses fraud? **No**

Abuse of position

Note: this could include frauds not reported elsewhere (the financial gain could be for the fraudster or other) including, but not limited to: the misappropriation or distribution of funds by someone taking advantage of their position such as payments officers, bursars or finance managers; or fraudulently securing a job for a friend or relative.

Did you have any cases of abuse of position for financial gain? **No**

Did you have any cases of manipulation of financial or non-financial data? **No**

Note: this includes, but is not limited to: the falsifying of statistics to ensure performance targets are met; or the adjustment of accounts to remain within set financial limits for the benefit of an individual or the organisation.

Other fraud

Did you have any other types of fraud? **No**

Recruitment fraud and fraud reporting

If you have cases but do not record the number and/or the value please answer 'yes' and record 'NR' in Number of cases and/or Value (£'s)

Recruitment Fraud

Note: this could involve any applications, including attempts, to gain employment or subsequently where any of the details prove to be false, including but not limited to: false identity, immigration (no right to work or reside); false qualifications; or false CVs.

Did you have any cases of recruitment fraud? **No**

Not included in figures elsewhere in the survey, how many incidents of corruption did you have involving a councillor? **None**

Not included in figures elsewhere in the survey, how many incidents of corruption did you have involving an employee? **None**

Prosecutions

Fraud and Corruption Prosecutions

If you have cases but do not record the number and/or the value please answer 'yes' and record 'NR' in Number of cases and/or Value (£'s)

Fraud

Did you prosecute any cases of fraud? **No**

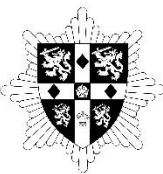
Did you have any fraud prosecutions that resulted in a guilty outcome? **No**

Corruption prosecutions

Did you prosecute any cases of corruption? **No**

Did you have any corruption prosecutions that resulted in a guilty outcome? **No**

County Durham and Darlington
Fire and Rescue Authority



Safest People, Safest Places

Audit and Finance Committee

26 September 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 31 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:
 - Two assurance reviews are in progress;
 - Fifteen assurance reviews at Draft or Final Report
 - One Counter Fraud review is complete 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 were 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 quarter 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 31 March 2023 is given in the table below:

Risk	Actions	Total	Actions	Overdue	Target	Overdue
Category	Raised	Due	Implemented	Original	Revised	Revised

2020/21						
High	8	8	8	0	0	0
Medium	11	11	11	0	0	0
Total	19	19	19	0	0	0
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	18	11	8	3	2	0
Total	18	3	3	3	2	0

12. Three medium priority recommendations are overdue against original target implementation dates. Details of the three recommendations are 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 is due to be approved at the November meeting of the Committee. Once approved the Corporate Governance action plan will 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 26 September 2024. 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 2021/22 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	1	Complete	N/A					
Key Financial Systems	Q3	10	10	13.8	Final Report	Substantial	0	0	1	0	1
Payroll	Q4	8	8	8	In Progress						
Treasury Management	Q4	4	4	4.8	Final Report	Substantial	0	0	0	0	0
Performance – Data Quality	Q4	6	6	6	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	1	Complete	N/A					
Partnerships	Q4	5	5	9	Final Report	Substantial	0	0	1	0	2
Change Management	Q3	5	5	12	Final Report	Moderate	0	0	4	0	2
Active Directory	Q3	5	5	12	Draft Report						
Data Destruction	Q3	5	5	10	Final Report	Moderate	0	0	1	0	2
Counter Fraud											
Counter Fraud Awareness	Q1-4	1	1	1	Complete	N/A					
NFI	Q1-2	2	2	2	Complete	N/A					
Audit Planning and Reporting											
Service Support	Q1-4	12	12	12	Complete	N/A					
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	124.30			0	0	18	0	16

Appendix 2 Performance Indicators for 2023/24

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 2023	90% (Quarterly)	89.5% (17 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% (Quarterly)	100% (12 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% (Quarterly)	100% (11 reports issued)
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100% (14 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% (Quarterly)	100% (34 accepted out of 34 made)
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)	100% (5 out of 10 returned) Overall average score 4.7
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	50% (5 returned from 10 surveys issued in 2023/24)

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Audit Progress Report

County Durham and Darlington Fire and Rescue Authority

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September 2024

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01

Audit progress

Audit progress

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Purpose of this report

This report provides the Audit and Finance Committee with an update on progress in delivering our responsibilities as your external auditors. It also includes, at Section 3, a summary of recent national reports and publications for your information.

The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO).

Update on the 2023/24 Financial Statements Audit

Our audit of the 2023/24 financial statements audit is due to start in November 2024. We are working towards completing most of our work ahead of the February 2025 deadline.

The following section of this report provides an update on the Audit timelines on the 2023/24 financial statements. We will provide further reports to future Audit and Standards Committee meetings.

At this stage we anticipate our audit risks to be similar to those reported in the previous year (management override of controls, property valuations and pension asset/liability valuations).

02

Audit Timeline

Audit Timeline

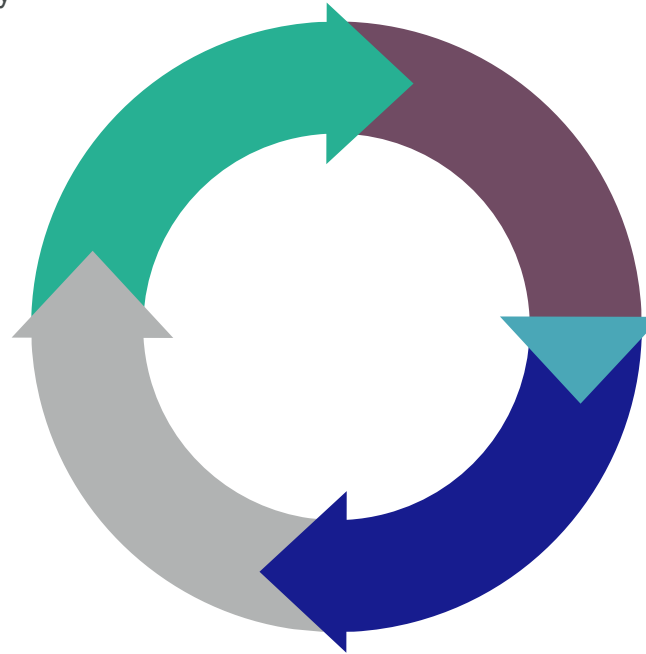
Planning and Risk Assessment October - November 2024

- Planning visit and developing our understanding of the Authority
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion February 2025*

- Final review and disclosure checklist of financial statements
- Final Director review
- Agreeing content of letter of representation
- Reporting to the Audit and Finance Committee
- Reviewing subsequent events
- Signing the independent auditor's report

* Subject to receipt of Pension Fund auditor assurance



Fieldwork November –February 2025

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

03

National Publications

National Publications

Page 48	Publication/update	Key points
1	Measures to tackle backlog in local audit	Reforms announced to clear the significant backlog in the auditing of local bodies' accounts in England
National Audit Office		
2	Overcoming challenges to managing risks in government, December 2023	The NAO has published a guide Overcoming challenges to managing risks in government aimed at senior leaders and risk practitioners across government.
3	NAO report: Use of artificial intelligence in government, March 2024	The NAO has published a report considering how effectively the government has set itself up to maximise the opportunities and mitigate the risks of Artificial Intelligence (AI) in providing public services.
Department for Levelling Up Homes and Communities (DLUHC)		
4	Capital finance: guidance on minimum revenue provision, April 2024	Statutory guidance on the Minimum Revenue Provision.
CIPFA		
5	Code of Practice on Local Authority Accounting in the UK 2024/25, May 2024	Code of Practice for 2024/25 financial statements.
6	IFRS16 Leases: A Guide for Local Authority Practitioners 2023 Edition, May 2023	Guidance for Local Authorities in implementing IFRS16, lease accounting.
Other		
7	FRC report on the quality of major local audits, December 2023	Annual report from FRC inspections of local audits.

National Publications

NAO Publications

1. Measures to tackle worsening backlog in local audit

In August 2024, following consultation in April, the Government published its proposals to address the significant backlog in local government annual accounts audits. These measures include both legislative changes to the Accounts and Audit Regulations 2015 and the introduction of several statutory deadlines ('backstop dates') aimed at helping to clear the backlog of local government annual accounts audits.

Local government entities are required to publish their audited annual accounts by each backstop date, which are:

- Financial years up-to-and-including 2022/23: 13 December 2024 (changed from proposed 30 September 2024).
- Financial year 2023/24: 28 February 2025 (previously 31 May 2025).
- Financial year 2024/25: 27 February 2026 (previously 31 March 2026).
- Financial year 2025/26: 31 January 2027.
- Financial year 2026/27: 30 November 2027.
- Financial year 2027/28: 30 November 2028.

Where the backstop dates now mean the auditor cannot complete all necessary audit procedures to obtain sufficient appropriate audit evidence to support the audit opinion a modified opinion may be necessary – usually referred to as a disclaimed opinion or a qualified opinion.

Auditors will still be required to discharge their value for money (VFM) responsibilities, which requires VFM work to be completed by the date of the audit opinion.

On 9 September, the Government laid before Parliament the Accounts and Audit (Amendment) Regulations 2024 as required to enact the proposals previously announced. At the same time, the Comptroller and Auditor General (C&AG) of the National Audit Office (NAO) laid before Parliament a draft revised Code of Audit Practice (the Code) On 10 September, the NAO, on behalf of the C&AG, also published Local Audit Reset and Recovery Implementation Guidance notes (LARRIGs) 1-5 to support auditors in meeting the requirements of the Local Audit and Accountability Act 2014 (the Act). The LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

The initial focus of this guidance is on supporting the reset for incomplete audits up to and including the 2022/23 financial year and the implementation of the backstop dates for the publication of audited accounts. The NAO will issue further guidance to support the recovery phase in due course. Whilst the guidance is primarily aimed at supporting auditors, it makes clear the requirements on local authorities to prepare good quality accounts, clear and comprehensive working papers and supported by knowledgeable finance teams.

As noted in the previous section we are currently auditing the Authority's 2023/24 accounts and are working to complete our audit before 28 February 2025.

<https://www.gov.uk/government/news/significant-measures-to-tackle-worsening-backlog-in-local-audit#:~:text=The%20proposed%20backstop%20dates%20are,2024%2F25%3A%2027%20February%202026>

2. NAO Insight: Overcoming challenges to managing risks in government, December 2023

The NAO has published a guide *Overcoming challenges to managing risks in government* aimed at senior leaders and risk practitioners across government.

The guide outlines 10 approaches to overcome these challenges and each approach is supported by an outline of why this is a priority for government; case studies and quotes; and practical tips.

The guide has been drawn from insights from NAO's reports and insight teams, as well as the thoughts of a range of leaders and practitioners from NAO audited bodies and external organisations across industry and academia.

<https://www.nao.org.uk/insights/overcoming-challenges-to-managing-risks-in-government/>

3. NAO report: Use of artificial intelligence in government

The NAO has published a report considering how effectively the government has set itself up to maximise the opportunities and mitigate the risks of Artificial Intelligence (AI) in providing public services. The primary focus for this report is the role of the Cabinet Office and DSIT in supporting the adoption of AI in the public sector. Specifically, the report looks at:

- the government's strategy and governance for AI use in public services (Part One).
- how government bodies are using AI and how government understands the opportunities (Part Two).
- central government's plans for supporting the testing, piloting and scaling of AI; and progress in addressing barriers to AI adoption (Part Three).

<https://www.nao.org.uk/reports/use-of-artificial-intelligence-in-government/>

National Publications

DLUHC Publications

4. Capital finance: guidance on minimum revenue provision, April 2024

Following its consultation, DLUHC has published its response to the consultation, and a revised, 5th edition of its guidance for local authorities on determining a prudent level of minimum revenue provision when investing in their capital assets. This 5th edition of the guidance applies for accounting periods starting on or after 1 April 2025, with the exception of paragraphs 74 to 77 of the guidance which apply from 7 May 2024. The guidance is issued under section 21(1A) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to this guidance.

<https://www.gov.uk/government/consultations/changes-to-the-capital-framework-minimum-revenue-provision/outcome/government-response-to-the-consultation-on-changes-to-statutory-guidance-and-regulations-minimum-revenue-provision>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition/capital-finance-guidance-on-minimum-revenue-provision-5th-edition>

5. Code of Practice on Local Authority Accounting in the UK 2024/25, May 2024

CIPFA has published its 2024/25 Code of Practice. This 2024/25 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2024.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.

This edition of the Code introduces mandatory adoption of IFRS 16 Leases. Other amendments include:

- a suggestion that narrative reporting could reflect on the risk that a Section 114 notice might be issued
- recent changes to the IFRS treatment of sale and leaseback arrangements
- specifying the treatment on initial application of IFRS 16 where service concession arrangements provide for variable payments that depend on an index or rate.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202425-online>

6. IFRS16 Leases: A Guide for Local Authority Practitioners 2023 Edition, May 2023

This publication provides guidance on IFRS 16 Leases for 2022/23, which is applicable to those authorities deciding to voluntarily implement the requirements of Appendix F of the Code (which includes the specifications applicable to those entities implementing IFRS 16 as of 1 April 2022). It will also be of interest to those intending to apply as of 1 April 2023 and those mandatorily implementing as of 1 April 2024.

This guidance on IFRS 16 provides comprehensive coverage of the proposed requirements for lessees. Although there have not been significant changes to the requirements for lessors, the guidance also includes extensive commentary on this area.

<https://www.cipfa.org/policy-and-guidance/publications/i/ifrs-16-leases-a-guide-for-local-authority-practitioners-2023-edition>

7. FRC report on the quality of major local audits, December 2023

The Financial Reporting Council (FRC) has published its report on the quality of major local audits which summarises the FRC's regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.

There were six health and four local government audits selected for inspection in the 2022-23 cycle. The audits inspected had year-ends in March (or in one case May) 2021 (local government) and March 2022 (health). For local government audits, inspections were selected from those finished in the 2022 calendar year (regardless of the financial year the audit related to) due to the challenges brought on by the backlog.

Therefore, more audits were inspected from the health sector and as a result, the findings in the report are more indicative of audit quality in the health sector. All financial statement audits were assessed as good or limited improvements required. Areas requiring limited improvements included:

Audit procedures regarding completeness and accuracy of expenditure.

On the audit of one NHS Trust, the inspection concluded that audit procedures were not sufficiently tailored to address the impact of backlog maintenance.

In terms of value for money (VfM) inspections, six related to health and three local government bodies. This is less than the number of financial statement audits inspected because the auditor's work on VfM arrangements was not complete on one audit that was inspected. All VfM inspections were assessed as good or limited improvements required. Areas requiring limited improvements included:

Risk assessment procedures not being performed in a timely manner.

Not considering the arrangements in place at the body to manage, monitor and oversee its subsidiaries.

The audit team not updating their initial risk assessment or reporting to consider how the body had achieved its outturn financial position.

[FRC publishes report on the quality of major local audits amid delays in local government](#)

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Ministry of Housing, Communities & Local Government

Jim McMahon OBE MP

Minister of State
2 Marsham Street
London
SW1P 4DF

To All Chief Executives, Chief
Financial Officers, Local Authority
Leaders and Local Audit Firm Partners

30 July 2024

Dear all,

ACTION TO TACKLE THE LOCAL AUDIT BACKLOG IN ENGLAND

I am writing to you today to inform you that I have, today, provided Parliament with a written update on the decisive action I have taken to tackle the local audit backlog in England. The statement can be found here: <https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46>.

Effective local audit ensures transparency and accountability for public money spent on these vital services and builds public confidence. The Government inherited a broken local audit system in England, with a significant and unacceptable backlog of unaudited accounts, which will likely rise again to around 1,000 later this year. This situation undermines trust and transparency in the way taxpayers' money is being spent. The delays that were seen under the last government mean that local bodies and their auditors cannot focus on up-to-date accounts, where assurance is most valuable.

To tackle the backlog, I intend to lay secondary legislation when parliamentary time allows to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates:

Financial Year	Backstop date
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Subject to parliamentary approval, for financial years 2024/25 to 2027/28, the date by which local bodies should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate. This will give those preparing accounts more time to ensure they are high-quality accounts. A new suite of guidance is planned by the NAO and Financial Reporting Council (FRC) on these measures, and we continue to work with other organisations to consider what guidance would be most constructive and helpful for local bodies.

We expect that there will be full assurance, with “clean” opinions for many bodies by the first backstop date of 13 December 2024. However, due to the time constraints, auditors are likely to issue ‘disclaimed’ audit opinions (no assurance) on many accounts – early indications are that this could be several hundred in this first phase which may, in the short term, cause additional concern. I recognise that aspects of these proposals are uncomfortable, however, given the scale of the failure in the local audit system the Government inherited meant that we have had to take this difficult decision to proceed. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance.

The Ministry will continue to work with the FRC and other key organisations across the local audit sector to support local bodies, auditors and the wider world to understand what the different types of modified opinions mean. As I set out in my statement, local bodies should not be unfairly judged based on disclaimed or modified opinions caused by the introduction of backstop dates that are largely beyond their control and auditors will be expected to clearly set out the reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

The Government will communicate the necessity of these steps and emphasise the context for modified or disclaimed opinions and all the key organisations. This will include some Q&A drop-in sessions followed by a webinar. Dates and invitations for these will be circulated shortly, and I hope you will all be able to attend to hear directly about the measures.

I recognise the commitment and hard work of all your finance teams to continue and strengthen their essential work to produce high quality accounts in a timely manner. I also recognise the commitment and hard work of auditors working to provide quality external assurance, as we move to restore a system of high-quality, timely financial reporting and audit, while managing the impact of this in a sustainable way.

It is my aspiration, and one I know is also supported by all the key organisations in the audit world, that it is in the public interest for the audit system for local public bodies in England to recover as quickly as possible once the backlog has been cleared. This means disclaimed opinions driven by backstop dates should in most cases be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026), with only a small number of exceptional cases, due to specific individual circumstances, continuing thereafter.

This action to tackle the backlog, while vital, does not provide a long-term, sustainable solution to the wider, broken local audit system. The Government will need to undertake significant reform to overhaul the system, as we committed to in our manifesto. This will allow us to get the house in order, open the books, and repair the foundations of local government, and I will work with partners over the coming months to explore how best to achieve this.

Finally, I know the hard work is often unseen and too often not acknowledged, can I ask that you relay my appreciation to finance teams, key audit partners and others for the work they have done so far in what has been an extremely demanding period, and for the work they will do in the coming months and years.



Jim McMahon OBE MP

Minister of State for Housing, Communities and Local Government

Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



Audit and Finance Committee

26 September 2024

Revenue and Capital Outturn for the Year Ended 31 March 2024

Report of Deputy Chief Executive

Purpose of the Report

1. To provide information on the 2023/24 revenue and capital outturn compared with the original budget. The comparison with the **original** budget is a requirement for the published statement of accounts and differs from the information provided during the year which compared actual expenditure and income with the **revised** budget.

Background

2. During 2023/24, members received regular reports comparing actual expenditure and income with the budget, together with explanations for variances. This report provides further detail on the actual outturn position for the year ended 31 March 2024.

Comparison of Revenue Outturn with Budget

3. The total net revenue expenditure for 2022/23 after transfers to and from reserves was in line with the original budget of £32.101M.
4. The reasons for significant variations from the budget are set out below and an analysis of expenditure and income over subjective budget headings is set out in Appendix 1.
5. **Employees - £0.665M Underspent**

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. The change to riding with 4 was implemented from 01 July 2023 saving £608,000 in staffing costs in the current financial year. Further savings were also achieved from vacant corporate staff posts and a number of firefighter retirements during the year.

6. **Premises - £0.333M Overspent**

Expenditure on repairs and maintenance exceeded the budget due to the need to carry out essential repairs. Expenditure on electricity exceeded the budget mainly due to inflation. This was partially offset by savings in business rates which were realised following a rating review of all premises.

7. **Transport - £0.133M Underspent**

Expenditure on vehicle running costs was below budget mainly due to a reduction in the cost of fuel.

8. **Supplies and Services - £0.322M Underspent**

To assist in balancing the budget a full review of all budget headings was undertaken to identify savings and correct any shortfalls in current budgets. The review identified net savings across a number of budget heads which together with strict control of non-essential expenditure resulted in an underspend of £322,000.

9. **Contingencies - £0.500M Underspent**

The contingencies budget includes an allowance for inflation and pay awards which has helped offset the increased costs within other headings.

10. **Capital Financing - £1.342M Overspent**

A contribution was made from the revenue account to finance capital expenditure which was not included in the original budget. Financing capital expenditure from revenue avoids the need to budget for loan interest and principal repayments in future years and will assist in balancing the medium-term financial plan going forward.

11. **Provisions and Write-Offs - £0.009M Underspent**

The underspend is due to the release of an insurance provision in excess of requirement following the settlement of claims.

12. **Government Grants - £0.014 Less than Original Budget**

Government grant income was slightly less than the amount included in the original budget.

13. **Other Income - £1.172M In Excess of Original Budget**

The increase in other income was due to work carried out for third parties, the contribution to the service from Vital Fire Solutions for work carried out by service employees, additional investment income due to increased interest rates and additional income from training.

14. **Transfers to / from (-) Earmarked Reserves - £1.112M variance from Original Budget**

The original budget included a contribution of £0.571M from reserves to balance the budget which was not required due to efficiency savings

achieved during the year. The following transfers to (+) / from (-) reserves took place on 31st March 2024:

Reserve	Opening Balance at 01/04/23	Transfer to Reserve	Transfer from Reserve	Closing Balance at 31/03/24
	£M	£M	£M	£M
General Reserve	1.605	+0.168	-	1.773
Earmarked Reserves				
Pensions	0.500	-	-	0.500
Community Safety	0.084	-	-0.002	0.082
Insurance	0.285	-	-	0.285
Resilience	1.000	-	-	1.000
Modernisation	0.862	+0.378	-	1.240
ESMCP	0.599	-	-0.534	0.065
Training	0.200	-	-	0.200
Strategic Finance – Funding Pressures	0.372	-	-0.046	0.326
IT Projects	-	+0.534	-	0.534
Total Earmarked Reserves	3.902	+0.912	-0.582	4.232
Total Reserves	5.507	+1.080	-0.582	6.005

- **General Reserve**

A transfer of £0.168M was made to the General Reserve to increase it to 5% of 2024/25 net revenue expenditure. This is in line with the Reserves Policy agreed by the Authority at its meeting in February 2024.

- **Community Safety Reserve -£0.002M**

A transfer of £0.002M was made from the Community Safety reserve to finance expenditure incurred during the year.

- **Modernisation Reserve +£0.378M**

A transfer of £0.0378M was made to the Modernisation Reserve to fund future capital expenditure.

- **Emergency Services Mobile Communication System (ESMCP) Reserve -£0.534M**

A transfer of £0.534M was made from the ESMCP reserve to the IT Projects reserve to fund future expenditure on the Fire Control project.

- **Strategic Finance Reserve -£0.046M**

A transfer of £0.046M was made from the Strategic Finance Reserve which is used to facilitate the smoothing of the council tax collection fund deficit between financial years.

- **IT Projects Reserve + £0.534M**

A transfer of £0.534M was made to the IT Projects reserve from the ESMCP reserve to fund future expenditure on the Fire Control project.

Comparison of Capital Outturn with Budget

15. The total capital expenditure for 2023/24 was £2.166M compared with an original budget of £3.708M. The total underspend for the year was £1.592M. The reasons for significant variations from the budget are provided below and further details are set out in Appendix 2:

16. **Vehicles, Plant and Equipment - £1.712M Underspent**

The underspend was due to changes to the planned timing of the replacement of some items of vehicles, plant and equipment.

17. **Estates Improvement Programme - £0.120M Overspent**

Additional minor improvements to premises were carried out during the year which were not included in the original budget, including invest to save solar PV installations on fire stations.

Recommendation

18. Members are **RECOMMENDED** to **note** the outturn position for the financial year ended 31 March 2024.

Appendix 1

FIRE AND RESCUE AUTHORITY REVENUE OUTTURN 2023/24

Budget Heading	Original Budget	Actual	Variance	
	£000	£000	£000	%
Expenditure				
Employees	27,864	27,199	-665	-2.39
Premises	3,293	3,626	333	10.10
Transport	790	657	-133	-16.78
Supplies & Services	4,611	4,289	-322	-6.98
Contingencies	500	-	-500	-100.00
Capital Financing	1,721	3,063	1,342	77.98
Provisions & Write-Offs	-	-9	-9	-100.00
Total Expenditure	38,779	38,825	46	0.12
Income				
Government Grants	-5,263	-5,249	14	-0.27
Other Income	-801	-1,973	-1,172	146.32
Total Income	-6,064	-7,222	-1,158	-19.10
Net Transfer to / from (-) Reserves	-614	498	1,112	181.11
Net Expenditure	32,101	32,101	-	-
Taxation and Non-Specific Grant Income	-32,101	-32,101	-	-
Outturn	-	-	-	-

Variations follow this convention:

- + positive variance means an overspend or reduced income.
- negative variance means an underspend or increased income.

FIRE AND RESCUE AUTHORITY CAPITAL OUTTURN 2023/24

Budget Heading	Original Budget	Actual	Variance	
	£m	£m	£m	%
Vehicles, Plant and Equipment	3.027	1.315	-1.712	-56.56
Land and Buildings	0.681	0.801	0.120	17.62
Total Expenditure	3.708	2.116	-1.592	-42.93

Variances follow this convention:

- + positive variance means an overspend.
- negative variance means an underspend.



Audit & Finance Committee

26 September 2024

Annual Governance Statement 2023/24

Report of Deputy Chief Executive

Purpose of the Report

1. The purpose of this report is to provide members with details of the 2023/24 Annual Governance Statement (AGS) for approval.

Annual Governance Statement

2. The AGS sets out the Authority's approach to corporate governance and identifies the key governance risks that have been identified throughout the year. Identification of governance risks is informed by the work of internal audit and managements own assessment of the key risks that may impact on the effective governance of the Authority.
3. The AGS reflects the requirements of the Delivering Good Governance in Local Government Framework (2016), which replaced the corresponding 2007 Framework.
4. The Audit and Finance Committee has delegated authority to approve the Annual Governance Statement.

Recommendations

5. Members are requested to **approve** the 2023/24 Annual Governance Statement.

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ANNUAL GOVERNANCE STATEMENT 2023/24

SCOPE OF RESPONSIBILITY

1. County Durham and Darlington Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. It must also ensure that public money is used economically, efficiently, and effectively.
2. The Accounts and Audit Regulations 2015 require the Authority to prepare an annual governance statement, which must accompany the statement of accounts. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
3. In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
4. The Authority has approved a code of corporate governance, which is consistent with the seven principles of good governance as identified in the CIPFA/SOLACE 2016 Framework – “Delivering Good Governance in Local Government”. This statement explains how the Authority has complied with the code and meets the requirements of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. The governance framework comprises the systems processes, culture, and values by which the Authority is directed and the activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services.
6. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
7. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

8. The governance framework has continued to be in place at the Authority for the year ended 31 March 2024 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

9. The Annual Governance Statement (AGS) provides a summary of the extent to which the Authority meets the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016.

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The Authority fosters a culture based on shared values, high ethical principles, and good conduct. The Authority does this by establishing and keeping under review:

- The Authority's own values on Leadership as enshrined in the Three-Year Strategic Plan and evidenced in Codes of Conduct that set standards for behavior.
- A Member Code of Conduct.
- An Officer Code of Conduct.
- A Register of Interests and declarations of Gifts and Hospitality accepted.
- Equality and Diversity arrangements.
- A Confidential Reporting policy.
- The roles of Members and Officers in decision-making.
- Appropriate and timely advice, guidance, and training for both Members and Officers.
- Systems for reporting and dealing with any incidents of fraud and corruption.

The Authority ensures that appropriate legal, financial, and other professional advice is always considered as part of the decision-making process and observes both specific requirements of legislation and general responsibility by Law.

The Authority is transparent about how decisions are taken and recorded. The Authority does this by:

- Ensuring that decisions are made in public and recording those decisions and relevant information and making them available publicly (except where that information is exempt under the provisions of the Freedom of Information Act or determined as being confidential by Government or otherwise exempt by the Authority).
- 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.

The Authority ensures that effective, transparent, and accessible arrangements are 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.

Principle B - Ensuring openness and comprehensive stakeholder engagement.

The Authority responds to the views of stakeholders and the community. The Authority does this by:

- Forming and maintaining relationships with the leaders of other organisations.
- Ensuring partnership arrangements demonstrate clear and appropriate governance accountabilities.
- Producing plans for service delivery within the community.
- Providing access to a range of consultation methods, particularly to those groups which are harder to reach.
- Using an approach that recognises that people are different and gives everyone the same or an equal opportunity to information, advice and support in ways that are suited to the needs or circumstances of the individual.
- Encouraging and supporting the public in submitting requests for aspects of the Authority's Service to be scrutinised.
- Providing and supporting ways for Citizens to present community concerns to the Authority.
- Providing for the public the opportunity to ask questions or make representations to the Authority.
- Publishing a Three-Year Strategic Plan and Community Risk Management Plan (CRMP) providing information in relation to the Authority.
- Continually developing clear channels of communication.
- Providing a modernised Information Communication and Technology Service that meets the needs and aspirations of the organisation and the communities we serve.

The Authority recognises the key role it has to play in supporting partnership working within County Durham and Darlington and the role partners have to play in assisting the Authority to deliver on its objectives.

The Authority ensures good governance in respect of partnerships by:

- Reviewing and evaluating partnerships on a regular basis.
- Auditing partnership strategies and policies through the internal audit function.
- Ensuring partnerships offer value and contribute to the Authority's strategic objectives.
- Maintaining a partnership register.

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

The Authority published its Strategic Vision and corporate priorities for County Durham and Darlington as part of its Three-Year Strategic Plan. The vision and priorities are focused on community needs and aspirations.

In delivering its vision and corporate priorities, the Authority explains and reports regularly on activities, performance and the Authority's financial position. Timely, objective and understandable information relating to the Authority's activities,

achievements, performance and financial position is provided through the publishing of:

- A Three-Year Strategic Plan incorporating the Community Risk Management Plan.
- A Medium-Term Financial Plan.
- An Efficiency Plan.
- Externally audited accounts.
- Detailed performance information.

The Authority considers the governance implications of its actions and has established its Code of Corporate Governance to be consistent with the principles of the CIPFA/SOLACE Framework – “Delivering Good Governance in Local Government”.

The Authority is committed to delivering quality services to the public in an efficient and effective way. The Authority does this by:

- Delivering services to meet local needs through the Three-Year Strategic Plan and the Integrated Risk Management Plan and putting in place policies and processes to ensure that they operate effectively in practice.
- Developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors.
- Actively pursuing collaboration opportunities with the Police, Ambulance and other Fire Services.
- Responding positively to the findings and recommendations of external auditors and statutory inspectors and putting in place arrangements for the implementation of agreed actions.
- Comparing information about services with those provided by similar organisations, assessing why levels of efficiency, effectiveness and quality are different and considering other alternative means of service provision and procurement to maximise opportunities and improve value for money where appropriate.

Principle D - Determining the interventions necessary to optimize the achievement of the intended outcomes.

To achieve this, the Authority:

- Has a detailed medium-term financial plan which includes actions to ensure financial sustainability.
- Has a performance management framework, to ensure plans are met and remedial action taken.
- Has processes in place to ensure data quality is high, to enable objective and rigorous decision making.
- Has regular monthly Service Leadership Team (SLT) meetings together with weekly SLT catch up meetings where issues are raised, and actions agreed upon.
- Has a risk management process to identify where interventions may be required.
- Has a sound understanding of demand (current and future) which informs resource allocation decisions.
- Maintains a collaboration register to record individual collaboration initiatives.

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

The Authority ensures that the necessary roles and responsibilities for effective Governance are identified and allocated through its Constitution so that it is clear who is accountable for decisions that are made. The Authority does this by:

- Electing a Chair, establishing Committees and nominating Member Champions with defined responsibilities.
- Agreeing a scheme of delegated responsibilities to the Senior Management.
- Undertaking a regular review of the operation of the Constitution.
- Having in place effective and comprehensive arrangements for the scrutiny of services.
- Making the Chief Fire Officer responsible and accountable for all aspects of operational management.
- Always ensuring arrangements are in place for the proper administration of its financial affairs (S151 Officer).
- Always ensuring arrangements are in place for ensuring actions are taken in accordance with Statute and Regulation (Monitoring Officer).
- Developing protocols that ensure effective communications between Members and Officers.
- has robust performance management arrangements which enables each officer's needs, training, and development requirements to be identified.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

The Authority ensures that those charged with governance have the skills, knowledge and experience they need to perform well. The Authority does this by:

- Consistent application of the People Strategy
- Operating robust and transparent recruitment and selection processes.
- Implementing Member Development strategies.
- Cascading regular information to Members and staff.
- Investing in Member and Officer Leadership training.
- Providing resources that support Member and Officer development.
- Promoting schemes supporting ongoing professional development.
- Undertaking the annual appraisal of the Chief Fire Officer and setting objectives that contribute to the Authority's vision, strategy and plans and that incorporate key development needs.

The Authority is fully compliant with the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The Treasurer to the Authority is professionally qualified and suitably experienced. He plays a key role in providing a strategic insight to the direction and control of Authority business decisions affecting financial resources. He ensures compliance with financial standards and gives due consideration to the economic, efficient, and effective use of resources. He works closely with the Chief Fire Officer in ensuring the finance function provided is fit for purpose and that the management of the Authority's resources is robust.

Principle F - Managing risks and performance through robust internal control and strong public financial management.

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. Areas of potential change are identified throughout the year and the Constitution is amended on an annual basis.

The Authority operates a risk management approach that aids the achievement of its strategic priorities, supports its decision-making processes, protects the Authority's reputation and other assets and is compliant with statutory and regulatory obligations. The Authority ensures that the risk management approach:

- Enables a culture of risk awareness.
- Formally identifies and manages risks.
- Involves elected members in the risk management process.
- Maps risks to financial and other key internal controls.
- Documents and records details of risks in a risk management information system.
- Monitors the progress in mitigating significant risks, and reports this to appropriate Members.
- Reviews and, if necessary, updates its risk management processes at least annually.
- Considers risk within major projects.

The Audit and Finance Committee has responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure Internal Control systems are effective and that policies and practices are following statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Risk Management and making recommendations concerning relevant governance aspects of the Constitution.

Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

To achieve this, the Authority:

- Publishes relevant information relating to salaries, business interests and performance data on its website.
- Has a Procurement Officer who provides advice and issues clear guidelines for procuring goods and services.
- Has an Audit and Finance Committee that operates in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Publishes information to the Authority and its Committees as part of established accountability mechanisms.
- Acts upon the findings/recommendations of Internal Audit and External Audit Reports.
- Prepares an Annual Governance Statement.
- Prepares an annual Statement of Assurance.

The Authority 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.
- Information required under the Local Government Transparency Code.

REVIEW OF EFFECTIVENESS

10. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Service Leadership Team who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the Treasurer, external auditors and other review agencies and inspectorates.
11. The Authority has an Audit and Finance Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are following statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit and Risk Management and making recommendations concerning relevant governance aspects of Standing Orders.

SIGNIFICANT GOVERNANCE ISSUES

12. The Authority is fully committed to the principles of corporate governance. The Service Leadership Team and Audit and Finance Committee review, by way of an action plan, the governance issues contained within the Annual Governance Statement (AGS) on a quarterly basis. The position in relation to the action plan for 2023/24 is set out in Appendix A. Issues which were ongoing on 31st March 2024 will be included in the 2024/25 action plan. The progress made in implementing recommendations in relation to governance issues is confirmed by Internal Audit and forms the starting point of the work carried out in producing the AGS for 2023/24.
13. In addition, based on assurance work undertaken by Internal Audit during 2023/24, the Head of Internal Audit has issued a Moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2023/24.
14. The Moderate opinion provides assurance that there is a sound system of control in place however there are some weaknesses and evidence of ineffective controls. When taken within a context of the change the Authority continues to face, the reduction in resources and the increasing diverse nature of the Internal Audit Plan, this assurance opinion should be regarded as positive.

15. The issues detailed below have been agreed with the Service Leadership Team for inclusion in the 2024/25 action plan:

(i) Public Sector Spending

The impact of spending reductions in the public sector is a key governance issue for the Fire Authority. The Service received a higher than anticipated increase in government funding for 2024/25 which together with the implementation of riding with a crew of 4 and further efficiency savings significantly reduced the deficit over the four-year medium-term financial plan from £1.6m to £0.4m. However, further savings during the period 2025/26 to 2027/28 may be required to balance the budget going forward. Alternative delivery options for services continue to be considered and implementation plans are being progressed. Implementation will be closely monitored to ensure that planned service changes and associated savings are realised.

(ii) Assumptions Underpinning the Medium-Term Financial Plan

The assumptions made in the medium-term financial plan, particularly around savings, inflation, pay awards, employer pension contributions and potential liabilities, future Government grants and income from council tax and business rates whilst based on the best information available are subject to change from economic circumstances and public finances in general. This represents a potential risk to the Authority's medium-term financial plan which will be monitored closely to enable corrective action to be taken where necessary.

(iii) Impact of Changes to the Firefighters Pension Scheme

The service will closely monitor the impact of changes to the Firefighters Pension Scheme in terms of legislation, cost, business continuity, resilience, and local industrial relations.

(iv) Collaboration

Collaboration will continue to be addressed pro-actively in terms of collaborating with other Fire and Rescue Services, the Police, North-East Ambulance Service, and other organisations. The government have placed an increased emphasis on collaboration with Blue Light Services and this is reflected in the Authority's governance structure in relation to collaboration.

(v) Fire Service Inspectorate (HMICFRS)

In the 2021/22 HMICFRS inspection, the Service was rated as good across all 3 pillars – Effectiveness, Efficiency and People. An action plan was developed to address the areas identified for improvement in the inspection report and completion of the actions is on schedule. Preparation has now started for the Service's next inspection which is planned for early 2025.

(vi) HMICFRS Spotlight Report – Values and Culture in Fire and Rescue Services

On the 30 March 2023, HMICFRS released its spotlight report “Values and Culture in Fire and Rescue Services” which was commissioned by The Minister of State for Crime, Policing and Fire. The report draws on the evidence collected through all inspections since 2018 and recent data requests around the handling of misconduct cases and background checks of current and new employees. A gap analysis has been undertaken with the key objective to highlight any immediate actions required. Whilst the Service is well placed to address several of the recommendations with already established and well embedded processes in place such as background checks, confidential reporting lines, policies and procedures and undertaking staff engagement activities there are a few areas identified where we can strengthen. Progress in completing the actions will be monitored by the Service Leadership Team and the Authority going forward.

Signed: _____

Chair

Signed: _____

Chief Fire Officer

Signed: _____

Treasurer

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Safest People, Safest Places

Audit and Finance Committee

26 September 2024

Short-Term Investments and Long-Term Borrowing – Period to 31 March 2024 (Quarter 4)

Report of Treasurer

Purpose of the Report

1. To provide an update on the performance of the Authority's short-term investments and long-term loans for the period ended 31 March 2024.

Short-Term Investments

2. In accordance with the Fire and Rescue Authority's adopted Treasury Policy Statement, the following transactions have been made with the UK Government Debt Management Office, Money Market Funds, UK clearing banks and major building societies for the financial year ended 31 March 2024.

	Position as at 31 March 2024
Interest Earned	£450,430.64
Average Return Earned	5.07%
Average Bank of England base rate	5.02%
Balance Invested at Quarter End	£3,458,000.00
Average Daily Balance of Investments	£10,032,824.33

3. Interest of £450,430.64 has been earned during 2023/24. This is significantly more than the original budget of £50,000 for the year due to the increase in interest rates since the original budget was set.

4. The short-term investments balance of £3,458,000 at the 31 March 2024 is made up as follows: -

Borrower	Amount Invested £M
Money Market Fund	
<ul style="list-style-type: none"> • Goldman Sachs • Insight 	<p style="text-align: right;">£0.000</p> <p style="text-align: right;">£3.300</p>
Lloyds	£0.158
Debt Management Office	£0.000
Total	£3.458

Long-Term Borrowing

5. The outstanding principal balance of £4,886,145.35 relating to long-term loans at the 31 March 2024 is made up as follows: -

Lender	Amount Invested £M
PWLB Lending Facility	
<ul style="list-style-type: none"> • Loan 324867 • Loan 510768 	<p style="text-align: right;">£1.929</p> <p style="text-align: right;">£2.957</p>
Total	£4.886

Recommendation

6. Members are requested to **note** the position regarding the Authority's short-term investments and long-term borrowing for the year ended 31 March 2024.



Safest People, Safest Places

Audit and Finance Committee

26 September 2024

Short-Term Investments and Long-Term Borrowing – Period to 30 June 2024 (Quarter 1)

Report of Treasurer

Purpose of the Report

1. To provide an update on the performance of the Authority's short-term investments and long-term loans for the period ended 30 June 2024.

Short-Term Investments

2. In accordance with the Fire and Rescue Authority's adopted Treasury Policy Statement, the following transactions have been made with the UK Government Debt Management Office, Money Market Funds, UK clearing banks and major building societies for the quarter ended 30 June 2024.

	Position as at 30 June 2024
Interest Earned	£83,217.15
Average Return Earned	5.22%
Average Bank of England base rate	5.25%
Balance Invested at Quarter End	£5,404,000.00
Average Daily Balance of Investments	£6,397,624.90

3. Interest of £83,217.15 has been earned up to the 30 June 2024 which is above the budgeted amount of £37,500.00 for quarter.

4. The short-term investments balance of £5,404,000.00 at the 30 June 2024 is made up as follows: -

Borrower	Amount Invested £M
Money Market Fund	
<ul style="list-style-type: none"> • Goldman Sachs • Insight 	£0.400 £3.900
Lloyds	£0.104
Debt Management Office	£1.000
Total	£5.404

Long-Term Borrowing

5. The outstanding principal balance of £4,871,335.01 relating to long-term loans at the 30 June 2024 is made up as follows: -

Lender	Amount Invested £M
PWLB Lending Facility	
<ul style="list-style-type: none"> • Loan 324867 • Loan 510768 	£1.929 £2.942
Total	£4.871

Recommendation

6. Members are requested to **note** the position regarding the Authority's short-term investments and long-term borrowing for the quarter ended 30 June 2024.

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

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