

# Auditor's Annual Report

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

February 2024



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

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

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

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

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



### Opinion on the financial statements

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



### Value for Money arrangements

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



### Wider reporting responsibilities

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

# 02

Section 02:

**Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

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

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

## Qualitative aspects of the Authority’s accounting practices

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

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

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

# 03

Section 03:

**Commentary on VFM arrangements**

### 3. Commentary on VFM arrangements

#### Overall summary





# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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



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



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



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

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

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

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

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

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

### Phase 2 - Additional risk-based procedures and evaluation

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

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

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

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

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

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

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

- **Other recommendations**

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

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

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

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

### 3. Commentary on VFM arrangements

#### Financial Sustainability

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



# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

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

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

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

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

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

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

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

### How the Authority identifies and manages risks to financial resilience

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

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

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

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

### 3. Commentary on VFM arrangements

#### Governance

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



# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

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

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

The Authority demonstrates transparency in its decision-making by:

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

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

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

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

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

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

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

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

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

### How the Authority monitors and ensures appropriate standards are maintained

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

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

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

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

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



### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

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



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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

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

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

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

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

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

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

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

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

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

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

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

The Authority was rated as follows:

Effectiveness	Good
Efficiency	Good
People	Good

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

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

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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

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

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

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

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

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

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

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

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

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

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

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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

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

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

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

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

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

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

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

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

## 4. Other reporting responsibilities and our fees

### Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

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

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

## 4. Other reporting responsibilities and our fees

### Fees for work as the Authority's auditor

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

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

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

### Fees for non-PSAA work

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



# Appendix



# A. Further information on our audit of the financial statements

## Significant risks and audit findings

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

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

# A. Further information on our audit of the financial statements

## Significant risks and audit findings - continued

### Risk

#### Valuation of land and buildings

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

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

### Our audit response and findings

We addressed this risk by

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

#### Overall findings

We did not identify any material issues to report.

## A. Further information on our audit of the financial statements

### Summary of uncorrected misstatements

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

# A. Further information on our audit of the financial statements

## Internal control observations

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

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

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

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

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

## Significant deficiencies in internal control – Level 3

### Description of deficiency

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

### Potential effects

There could be undisclosed related party transactions.

### Recommendation

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

### Management response

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

# Gavin Barker

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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