



DRAFT Auditor's Annual Report

County Durham and Darlington Fire and Rescue Authority– year ended 31 March 2024

February 2025

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Introduction

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 2024. 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 **XX** February 2025. Our opinion on the financial statements was unqualified



Value for Money arrangements

We did not identify any significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority's arrangements.



Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office in respect of our work on the Authority's WGA submission. We are unable to commence our work in this area until such instructions have been received.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

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 2024 and of its financial performance for the year then ended. Our audit report, issued on XX February 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

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.

Draft accounts were published by the Authority on 31 May 2024 and were of a good quality

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Authority
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



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 officers

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.

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 outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	14	No	No	No
 Governance	17	No	No	No
 Improving economy, efficiency and effectiveness	22	No	No	No

VFM arrangements

Financial Sustainability

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



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

The Authority has an established process in place for development, approval and reporting of its Medium-Term Financial Plan (MTFP). The MTFP is approved on an annual basis, normally in February each year, and covers a 4 year time period. There is also regular monitoring and reporting against the MTFP, as confirmed by our review of minutes and supporting papers.

The most recent MTFP was approved in February 2024, covering a four-year timeframe from 2024/25 to 2027/28. The MTFP shows a balance budget for both 2024/25 and 2025/26, with small deficits of £0.799m in 2026/27 and £0.418m in 2027/28. The reduced shortfall in 2027/28 is a result of a planned move to alternative headquarters during that year. The MTFP is clear that further work to mitigate these shortfalls is necessary.

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). The Strategic Planning Day was most recently held in November 2024, and was 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 confirmed that 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 from Government and 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. For the financial year 2023/24, the Authority reported a surplus of £0.168m. We note that the original budget included a contribution of £0.571m from reserves to balance the budget, however this was not required due to efficiency savings achieved by the Authority during the year. The Authority has a good record of delivering against budget each year, and the outturn report sets out clearly the reasons for any under or overspends during the year. Our review has not highlighted any items which would cast significant doubt on the Authority's MTFP assumptions or on their overall financial performance.

The level of general fund balances and earmarked reserves available to the Authority as at 31 March 2024 has increased to £6.005m, compared to a balance of £5.507m as at 31 March 2023. The level of general fund balances has increased from £1.605m to £1.773m, which is line with the agreed minimum level of 5% of the Authority's net budget provision. Earmarked reserves have also increased from £3.902m in 2022/23 to £4.232m in 2023/24.

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 2024/25 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 are some gaps in the MTFP in later years, the Authority reports regularly on options to balance the MTFP although it recognises that some of these options 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. Further work is being carried out by the Authority to develop savings options, in line with the feedback from members and wider stakeholders gathered as part of the consultation process.

At the November 2024 Audit and Finance Committee meeting, the Authority reported the forecast outturn for 2024/25 as at the end of quarter 2 (period ended 30 September 2024). The report showed an anticipated underspend of £0.268m as at 31 March 2025, despite a number of ongoing budget pressures including: pay awards, inflation and pension schemes. A significant amount of the underspend is due to contingencies, as well as increased income due to an increase in interest on short term investments exceeding the budget. There is no evidence of significant unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan. The Authority is still aware of the financial challenges it faces but has taken action to deliver savings and ensure it can continue to deliver balanced financial plans each year. The Authority delivered a small surplus of £0.168m in 2023/24 and has set a balanced budget for the following two years with no planned use of reserves to fund any shortfalls.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability reporting criteria continued

The total capital expenditure for 2023/24 was £2.116m compared with an original budget of £3.708m. The total underspend for the year was £1.592m and is mainly due to changes to the planned timing of the replacement of some items of vehicles, plant and equipment, although this has been partially offset by a slight overspend in estates improvement programme. We confirmed these have been included as part of the 2024/25 capital programme.

At the November 2024 Audit and Finance Committee meeting, the Authority advised members of the timetable for the consideration and approval of the 2025/26 budget and MTFP which is expected to be reported in February 2025, and we will consider this in more detail as part of our work on our 2024/25 Value for Money commentary.

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

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Our review did not identify any evidence to indicate the MTFP was not based on reasonable assumptions available at the time of approving the Plan. The MTFP is regularly reviewed, by both the Audit and Finance Committee and also the Fire Authority, as evidenced through our review of minutes. The reports include considering of the main assumptions, and there is regular budget monitoring including quarterly forecast of outturn which support the identification of in-year pressures, and reports on whether savings are being achieved.

As evidenced through review of the MTFP, savings proposals are risk assessed for impact on community and service delivery. There is an extensive consultation programme undertaken on the Community Risk Management Plan (CRMP) and the options for balancing the budget. This covers staff, representative bodies, the public, partner agencies, local councillors, parish councils, residents associations, Area Action Partnerships, community groups, representatives of the non-domestic ratepayers.

Our review of the outturn report as well as the financial statements has not highlighted any apparent reliance on significant one-off accounting measures. Furthermore, our review of the MTFP has not identified significant one-off measures to balance the budget.

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

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.

We confirmed 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.

We confirmed the Audit and Finance Committee and CFA consider the updated financial position at various stages throughout the year and this allows for Member scrutiny and challenge. The financial plans for 2023/24 and 2024/25 were considered in February 2023 and February 2024 respectively. The MTFP which was approved in February 2024 was based on a number of assumptions which will be reviewed and updated during the preparation of the 2025/26 budget and MTFP.

The annual budget process includes reviewing the Authority's reserves. We confirmed a review was completed in 2023/24 and 2024/25 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 comparatively low level for an Authority of this size.

The Authority has an established risk management framework and the Audit and Finance Committee we confirmed the 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.

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

VFM arrangements

Governance

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



VFM arrangements – Governance

Overall commentary on Governance

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 the 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 and Internal Audit 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 for 2023/24 was reported to Audit and Finance Committee in April 2023. As detailed in the plan, Internal Audit uses a risk-based approach to determine the priorities of the internal audit activity, consistent with objectives.

At the September 2024 Audit and Finance Committee, the Head of Internal Audit issued their Annual Internal Audit Opinion and Report, which provided a 'Moderate' overall assurance opinion on the adequacy and effectiveness of internal control operating across the Authority in 2023/24, consistent with Moderate rating given in 2022/23. The moderate opinion provides assurance that whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk. We have reviewed the Internal Audit Report and identified no matters to indicate a significant weakness in arrangements.

At the same meeting in September 2024, there was also an Annual Review of the System of Internal Audit during 2023/24. No issues were identified from our review of this report.

As well as the Annual Internal Audit Opinion and Report which gives an overall assurance rating over the period, our review of minutes also evidenced that there was regular reporting of progress against the plan throughout the period. Our review of these reports has not identified any matter to indicate a weaknesses in the Fire Authority's arrangements.

The Authority also provides assurance to members of the Audit and Finance Committee of the work being done by the Authority in seeking to identify, control and prevent fraud and corruption. A Fraud and Corruption Annual report for the period 2023/24 was prepared by the Head of Internal Audit, and reported to September's Audit and Finance Committee meeting. The report details what the Authority's anti-fraud and anti-corruption arrangements are, and our review has not indicated any significant weaknesses for reporting.

The Authority also has a Corporate Risk Register in place which provides a summary of the high-level risks facing the Service. Officers review the risks facing the Service on an on-going basis as part of the overall control framework within individual sections. The Service Management Team and the Service Leadership Team also scrutinise risks monthly to ensure a corporate and cross cutting approach. The Authority regularly reports against the Corporate Risk Report and Risk Register. The report showing the position as at the 31 March 2024 was taken to the April 2024 Audit and Finance Committee. At that point there were six risks on the corporate risk register. The register shows the original risk that has been identified, the gross risk score and the residual risk score after mitigating actions.

Our review of the risk register, along with the reports and review of minutes of meetings where the risk register is reported, has not highlighted any significant weaknesses in the Authority's arrangements.

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

The annual budget setting process remains consistent year on year, and the arrangements for the 2024/25 budget setting process have largely followed the arrangements in place for 2023/24.

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.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Financial planning 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 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. Performance reporting is by exception and highlights areas where performance was strong or required improvement.

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 2023/24 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.

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

The Authority seeks to make decisions on actions, plans, resource use, forecasts, outputs, and outcomes, with a presumption for openness and, where relevant, giving reasons for keeping any decision confidential. 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. Furthermore, the Authority ensures that decision makers receive objective and rigorous analysis of a variety of options, indicating how intended outcomes would be achieved and highlighting associated risks, to secure best value regardless of the service delivery method. As evidenced by our review of minutes and attendance at Audit and Finance Committee.

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.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Authority publishes the outcomes from external reviews and inspections from regulatory bodies and monitors 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

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

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. 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.

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.

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.

An overview across both operational and corporate key PIs at the end of quarter four for 2023/24 shows 55% of the strategic PIs met or exceeded their target level, while 66% 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.

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 HMICFRS assessment examines the Service's effectiveness, efficiency and how well it looks after its people. 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 given an overall rating of good across each of the three area; which is an improvement on the 2018/19 inspection rate whereby the People category was given an overall rating of 'requires improvement'.

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.

There is regular reporting by the Fire Authority to Performance Committee to update on the current position of the Action Plan resulting from the inspection by HMICFRS. In total there were 19 actions across the three pillars of Effectiveness, Efficiency and People. Per the Performance Committee report in June 2024, the Authority reported that all actions have now been completed (noting that the previous update reported at Q2 showed that there were 11 completed and 8 ongoing actions).

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

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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 fire and rescue service'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 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 has also collaborated with one of the UK's leading energy trainer to build a new state of the art offshore emergency fire training centre at Bowburn. The centre is hoping to attract thousands of offshore workers from across the UK and the rest of the world to train each year in offshore emergency response. The project began in September 2022, with the facility opening in July 2024.

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

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.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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.

Arrangements are in place so 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.

Other reporting responsibilities

Other reporting responsibilities

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, However, we will be unable to issue our audit certificate until the NAO has informed us whether the Authority will be a sampled component.. While the group instructions were issued in September 2024 by the National Audit Office in respect of our work on the Council's WGA submission, we are awaiting further instruction on non-sampled components. We are unable to commence our work in this area until such instructions have been received

We submitted this information to the NAO on XX XX 2025.

05

Audit fees and other services

Audit fees and other services

Fees for our 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 January 2025. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£92,278	£42,915
Total fees	£92,278 *	£42,915

**Where additional fees are required they are subject to agreement with management and PSAA.*

Fees for other work

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

Appendices

Appendix A: Further information on our audit of the Authority's financial statements

Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings

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

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

Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings

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

Risk	Our audit response and findings
<p>Valuation of land and buildings</p> <p>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.</p> <p>We have therefore identified the valuation of PPE to be an area of significant risk.</p>	<p>We addressed this risk by</p> <ul style="list-style-type: none"> • 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 2023/24; • 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. <p>Overall findings</p> <p>We did not find any material issue to be reported. There were immaterial errors identified which Authority agreed to correct</p>

Appendix A: Further information on our audit of the Authority's financial statements

Summary of uncorrected misstatements for the Authority

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Other Long term Liabilities – net pension liability Cr: Unusable Reserves - pension reserve The Pension Fund auditor reported an unadjusted difference of £8m in the fair value of assets. Based on the Authority share of Fund assets we have estimated the County Durham and Darlington Fire and Rescue Authority's share as £0.062m.			62	62
Dr: Other Long term Liabilities _ pension Liability Cr: Unusable Reserves – Pension Reserve The Pension Fund auditor reported an unadjusted misstatement relating to investment management costs adjustment of £6.3m in the Pension Fund accounts. We have estimated County Durham and Darlington Fire and Rescue Authority's share of this, based on the authority's share of fund assets, to be £0.049m			49	49
Total unadjusted misstatements			111	111

Appendix A: Further information on our audit of the Authority’s financial statements

Internal control observations for the Authority

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

Appendix A: Further information on our audit of the Authority's financial statements

Follow up on previous year recommendations for the Authority – 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.

2023/24 Update

There were 4 councillors declarations that were not completed.

Management Response

Every effort is made to obtain a 100% return of related party transaction declarations, and numerous attempts to chase missing declarations have been made. However, despite repeated requests 3 individuals failed to submit a return. All 3 individuals were elected members who stepped down from the CFA in May 2023; a month into the financial year. In addition, a further declaration was not received from a fourth elected member, due to them passing away in September 2023. There is nothing that Authority could have done regarding form in the circumstance of the unexpected death of a member as forms are issued at the year end. All four individuals submitted a Nil related party declaration in prior years. This issue is raised with SLT, and in future where an individual is leaving the organisation in advance of the forms being sent out at the year end, Authority will issue forms to them at the time of their departure as part of the exit proceedings, in order to mitigate against the risk of missing returns

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