



# Avon Fire and Rescue Service

**Auditor's Annual Report to the Audit, Governance and Oversight Committee**

Final issued 16 December 2024

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## Auditor's Annual Report

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# Key Messages

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## Audit opinion on the financial statements

We are expecting to issue an unqualified opinion on the Service's financial statements subject to completion of our remaining procedures.

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## The Service's arrangements to secure Value for Money

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### Significant weaknesses in the Service's arrangements

On 6 March 2024 we reported to the Fire Authority a significant weakness in the Service's governance arrangements / arrangements for improving economy, efficiency and effectiveness in the use of resources. The significant weakness identified was due to the independent report issued by HMICFRS in November 2023, in relation to their third inspection of the Service between May and August 2023. Our recommendation for improvement is set out on page 13.

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## Commentary on the Service's arrangements

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### Financial Sustainability

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

- In the CIES, the Service reported a deficit on the provision of services of £13.6m for the year (2021/22: £5.5m deficit). The increase in the deficit since the prior year is caused by a £5.3m increase in gross expenditure (2022/23: £63.2m versus 2021/22: £57.8m) and a £4.2m increase in financing and investment expenditure (2022/23: £18.7m versus 2021/22: £14.5m).
  - The total comprehensive income for the year was £189.0m (2021/22: £7.7m) which is mainly driven by a remeasurement of the pension liability, producing a £197.2m gain (2021/22: £7.6m).
  - At year end the Service had net liabilities of £430.4m (31 March 2022: net liabilities of £619.5m), net current assets of £11.3m (31 March 2022: £14.2m), and cash of £8.6m (31 March 2022: £14.5m). The net liability position is driven by the pensions liability and therefore is not considered a risk in relation to VFM and the Service's ability to deliver the Medium-Term Finance Plan. The Service's useable reserves have decreased from £19.7m to £14.9m.
  - The Service has a thorough annual financial planning and forecasting process and has set out a Medium-Term Financial Plan (MTFP) from 2023/24 to 2026/27. There were two revenue strategies (Option 1 and Option 2) that relied upon increases in the fire precept, however both resulted in a budget shortfall of £1.0m and £2.1m respectively by 2026/27. The strategies are based upon prudent assumptions representing the most likely scenario. See page 15 for more information.
  - The Service reports the financial position on a quarterly basis which includes an analysis of the actual expenditure incurred compared to budget.
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# Key Messages (continued)

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## Governance

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

- The Service makes informed decisions and properly manages risk through a series of policies governing its work and by adhering to a detailed risk management process. The Financial Regulations are underpinned by key policies which are reviewed by the Audit, Governance and Oversight Committee (AGOC) and other key stakeholders.
- The Fire Authority (FA) has approved delegated responsibility to the AGOC to consider, scrutinise and review issues relating to audit, governance, and the management of risk. Their work includes examining and approving the Statement of Accounts, the Annual Governance Statement, Statement of Assurance and the Corporate Risk Register.
- A review of the corporate risk register is conducted on a monthly basis within the Authorities delegated responsibilities.
- The FA receives a quarterly corporate performance report which includes a review of the actual outturn position against the budget, and details of any significant variances.
- The Statutory Finance Officer shares financial reports with the Fire Authority throughout the year, including a review of the actual outturn position against the budget and details of any significant variances
- Monthly budget monitoring reports are shared with the Service Leadership Team where variances and key risks are discussed. This promotes improved business partnering and greater transparency of budgets ensuring early identification of issues and opportunities.
- His Majesty's Inspector of Constabulary and Fire and Rescue Service (HMICFRS) carried out an inspection in 2022/23 with the report being subsequently published in November 2023. The Service was assessed on its performance in 11 areas of which:
  - Two were assessed as 'adequate'
  - Five were assessed as 'requires improvement'
  - Four were assessed as 'inadequate'
- We have therefore qualified the Value for Money Opinion and raised a significant weakness in relation to the governance arrangements at the Service. More information can be found on page 13.
- As a result of the HMICFRS inspection, a detailed action plan to address the issues raised has been created which sets out the issue, recommendation, action, RAG status and lead director assigned.
- There was also an independent review conducted by One Legal that was commissioned by the Service in February 2023 with the aim of reviewing historic disciplinary cases in the last two years to proactively address concerns and recommendations that were specifically made in the 'Independent Culture Review of London Fire Brigade' in 2022. The Service accepted 13 recommendations and has made significant progress in addressing the findings raised. We identified that most of the recommendations are linked to the recommendations raised in the HMICFRS report and we have therefore not raised an additional significant weakness. Recommendations have been addressed by:
  - Implementing a new confidential reporting line for staff to raise concerns;
  - Ensuring there is a continuous review of support available for staff who have raised concerns;
  - Engaging independent external investigators to conduct employment investigations; and
  - Implementing additional training for staff and reviewing and updating policies.

# Key Messages

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## The Service's arrangements to secure Value for Money (Continued)

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### **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*

- The Service Leadership Board, Service Leadership team, the Authority and Committees are routinely provided with performance information to enable Members and Officers to evaluate the performance of its services.
- In relation to operational performance the Service has a detailed embedded system which provides up to date performance details across a range of KPIs which can be drilled down to station level.
- The Collaborative Working Framework and Operational Guidance ensures partnerships and collaborations entered into compliment the Service's vision and strategic priorities.
- There are two registers in place (Register of Home Fire Safety Visits Referral Partnerships, and the Register of Collaborations and Formal Partnerships). The delivery of partnerships against the set-up objectives are monitored as part of ensuring Value for Money and reported to Performance, Review and Scrutiny Committee.

# Purpose of this report

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Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Avon Fire and Rescue Service ("the Service") for the year ended 31 March 2023.

This report is intended to bring together the results of our work over the year at the Service, including commentary on the Service's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

A key element of this report is our commentary on the Service's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Service has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Service has in place, nor does it provide positive assurance that the Service is delivering or represents value for money.

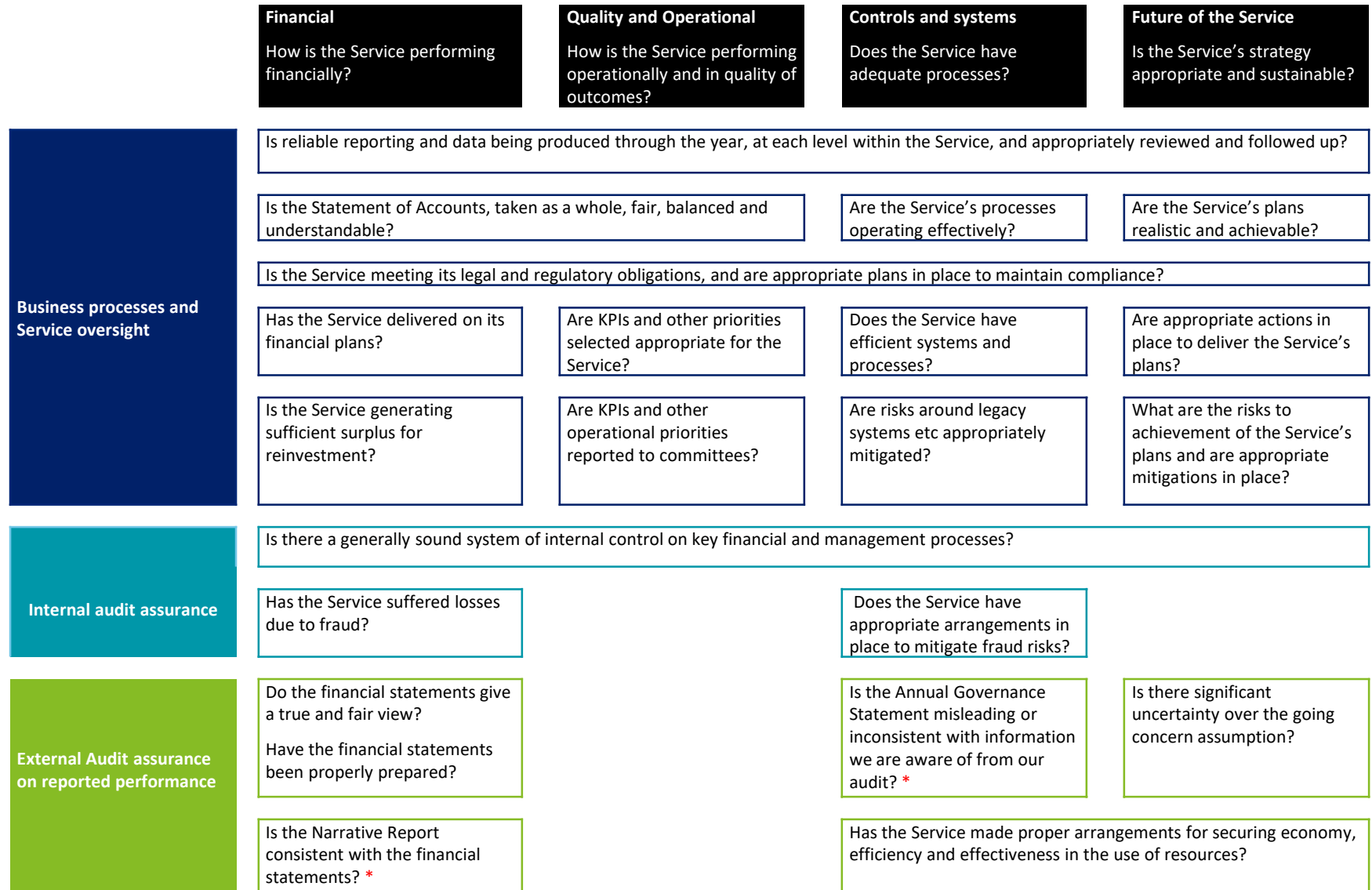
Where we find significant weaknesses in the Service's VfM arrangements or areas where arrangements could be further strengthened, we include recommendations setting out what the Service needs to do to strengthen its arrangements.

We have identified a significant weakness in the Service's VfM arrangements. See page 13 for more information.

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# Assurance sources for the Service

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Service (in the green rows) fits with some of the other assurances available over the Service's position and performance.



# Opinion on the financial statements

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## **We provide an independent opinion whether the Service’s financial statements:**

- Give a true and fair view of the financial position of the Service at 31 March 2023 and of the Service’s income and expenditure for the year then ended;
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom in 2022/23.

The full opinion was signed on the 12 December 2024.

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We conduct our audit in accordance with the NAO’s Code of Audit Practice, International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law.

We are independent of the Service in accordance with applicable ethical requirements, including the Financial Reporting Authority’s Ethical Standard.

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**Audit opinion on the financial statements:** We issued an unqualified opinion on the Service’s financial statements on completion of the audit, the opinion was signed on the 12 December 2024. We did not identify any matters, in our opinion, that proper practices had not been observed in the compilation of the financial statements.

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**Narrative Report:** We reported that the information given in the Narrative Report for the year ended 31 March 2023 is consistent with the financial statements on signing.

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**Annual Governance Statement:** We did reported that the AGS meet the disclosure requirements set out in the Code of Practice on Local Authority Accounting, and was not misleading, or is inconsistent with information of which we are aware from our audit.

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**Reports in the public interest and duties as public auditor:** We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2023.

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**Audit Certificate:** The audit was certified as completed on the 12 December 2024.

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# Our financial statement audit approach

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## **An overview of the scope of the audit**

Our audit was scoped by obtaining an understanding of the Service and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit director, Michelle Hopton. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and local government and firefighters pension scheme.

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## **Materiality**

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Service to be £1.6m, on the basis of 2% of Gross Expenditure.

We agreed with the Audit, Governance and Oversight Committee that we would report to the Committee all audit differences in excess of £80K as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit, Governance and Oversight Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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## **Procedures for auditing the financial statements**

Our audit of the financial statements included:

- developing an understanding of the Service, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the financial statements;
  - performing sample tests on balances in the financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy, completeness and existence of those balances; and
  - interviewing members of the Service's management team and reviewing documentation to test the design and implementation of the Service's internal controls in certain key areas relevant to the financial statements.
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## **Approach to audit risks**

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Service's Audit, Governance and Oversight Committee setting out what we considered to be the significant audit risks for the Service, together with our planned approach to addressing those risks. We have provided a summary of each of the significant audit risks on the following pages.

We noted that the Service's rating from HMICFRS has deteriorated since the prior year and we have therefore identified a risk of significant weakness. More information is available on page 13

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# Significant Audit Risks

## Risk 1 – Capital expenditure

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**Risk identified**

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the capital expenditure.

The Service's capital expenditure in 2022/23 was £5.0m (2021/22 £4.02m).

There is an element of judgement in applying the relevant capitalisation criteria for expenditure. We therefore consider that there is an incentive for revenue expenditure to be capitalised so that this expenditure does not impact the statement of comprehensive income in one year, but is instead spread over a number of years through the depreciation charges in an attempt to report a more favourable year end position.

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**Our response**

Our work in this area included the following:

- We assessed the design and implementation of the key controls in place around the capitalisation of costs.
- We performed test of details of capital expenditures during the year 2022/23 on a sample basis to confirm that the capitalisation criteria was met and complies with relevant accounting requirements.
- We identified the journals of increased audit interest within capital expenditure to ensure there were no errors that may result in material misstatement. The appropriateness of these journals would then be assessed through detailed testing.

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**Conclusion**

- We identified one error above our reporting threshold that was corrected by management (see page 13 of the 2022/23 ISA260 for more information). We also re-raised one recommendation from the prior year (see page 14 of the 2022/23 ISA260). Neither the misstatement or control finding has given rise to a risk of significant weakness in relation to VFM.

# Significant Audit Risks

## Risk 2 – Management Override of Controls

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<b>Risk identified</b>	<p>In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Service’s controls for specific transactions.</p> <p>The key judgments in the financial statements are those which we have selected to be the significant audit risks: capital expenditure and management override of controls. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.</p>
<b>Our response</b>	<p>In considering the risk of management override, we performed the following audit procedures that directly addressed this risk:</p> <p><b><u>Journals</u></b></p> <ul style="list-style-type: none"><li>• We tested the design and implementation of controls in relation to journals.</li><li>• We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li><li>• We used computer-assisted profiling of all journals posted during the year to identify journals of increased audit interest. The appropriateness of these journals were then assessed through detailed testing.</li></ul> <p><b><u>Significant transactions</u></b></p> <ul style="list-style-type: none"><li>• We identified any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.</li></ul> <p><b><u>Accounting estimates</u></b></p> <ul style="list-style-type: none"><li>• We performed design and implementation testing of the controls over key accounting estimates.</li><li>• We reviewed accounting estimates for biases including capital expenditure, that could result in material misstatements due to fraud.</li><li>• We reviewed the accuracy of prior year estimates.</li><li>• We assessed the design and implementation of controls relating to significant management estimates, in accordance with ISA540.</li></ul>
<b>Conclusion</b>	<p>We haven’t identified any evidence of management override of control in 2022/23.</p>

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# Auditor's work on Value for Money (VfM) arrangements

The Accounting Officer and the Service are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Accounting Officer reports on the Service's arrangements, and the effectiveness with which the arrangements are operating as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

<b>Financial Sustainability</b>	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
<b>Governance</b>	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
<b>Improving economy, efficiency and effectiveness</b>	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Service can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around Service's arrangements, and events occurring outside of the Service's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2022/23 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key stakeholders, including Verity Lee (Statutory Finance Officer), and Luke Gazzard (Head of Service Improvement)



Review of Authority and Committee reports and attendance at AGOC meetings.



Reviewing reports from third parties including internal audit and HMICFRS reports.



Considering the findings from our audit work on the financial statements.



Review of the Service's Annual Governance Statement and Narrative Report.

# Significant weaknesses in VfM arrangements

During our audit, we identified this weakness to the Authority and have raised a recommendations for improvement.

<b>Significant weakness</b>	<b>We have identified a risk of significant weakness in relation to the governance arrangements of the Service, as highlighted by the 2022/23 HMICFRS report published in November 2023.</b>
<b>Date reported to the Authority</b>	March 2024
<b>VfM criteria affected</b>	Governance
<b>Description of the significant weakness</b>	<p>In December 2021, the Service was inspected by HMICFRS in three areas, all of which were deemed as 'requires improvement'. However, it was determined that the Service had made significant progress and good investments since the previous inspection therefore a significant weakness was not identified in relation to 2021/22 financial year.</p> <p>We note the grading system has changed in 2022/23, however, The Service was assessed by HMICFRS on its performance in 11 areas of which:</p> <ul style="list-style-type: none"><li>• Two were assessed as 'adequate'</li><li>• Five were assessed as 'requires improvement'</li><li>• Four were assessed as 'inadequate'</li></ul> <p>This shows that significant improvements are needed to address the inspection findings and there is a significant weakness.</p>
<b>Impact of the weakness on the body</b>	<p>The HMICFRS report highlighted fundamental issues in relation to culture and performance and the following accelerated causes of concern were published :</p> <ul style="list-style-type: none"><li>• The Service doesn't have an effective system to gather and record relevant and up-to-date risk information to help protect firefighters; and</li><li>• The Service's mobilisation system isn't reliable and crashes on some consoles during 999 calls.</li></ul>
<b>Recommendation</b>	<p>Although the Service is taking significant steps to address the findings, such as creating a detailed action plan and strengthening the Corporate Risk Register to reflect the HMICFRS report findings, it is recommended that the Service continues to review the actions implemented and ensures the desired outcomes are achieved to address the concerns raised.</p>

# Significant weaknesses in VfM arrangements (continued)

## Management response

The Service was aware of two accelerated causes of concern months before publication of the report (in August 2023) and have already taken significant steps to address those concerns, which were recognised by the Inspectorate during their re-visit to the Service in December 2023. Here is a summary of the further steps taken:

- The Service Action Plan to address the recommendations associated with the two accelerated Causes of Concern was submitted and approved by the Policy & Resources Committee meeting on 29 September 2023.
- The Chief Fire Officer (CFO) has reviewed oversight mechanisms to ensure that progress with the Service Action Plan is monitored more closely and has set up:
  - (i) A Service Improvement Board (comprising members of the Service Leadership Board and key external stakeholders) which is chaired by the CFO and meets monthly and
  - (ii) An Internal Improvement Team, which brings together a number of improvement strands, including the HMICFRS Action Plan, alongside other Service transformation and efficiency work.
- An Extraordinary meeting of the Fire Authority was convened on 13 December 2023 to discuss the latest HMICFRS report and to note the work in progress to develop an Action Plan to address the formal recommendations.
- The Service has entered the 'Engage' phase with the Inspectorate (to offer the Service support) and the CFO, Fire Authority Chair and Vice Chair have already briefed the HMICFRS' Fire Performance Oversight Group (FPOG) chaired by HM Chief Inspector Andy Cooke in February 2023, at which further progress was reported and recognised.
- Following a Governance Review last year, the Policy & Resources Committee Terms of Reference include responsibility for 'priority programmes', including HMICFRS Action Plans and will continue to closely monitor progress with the Round 3 Inspection Plan.
- Risks on the Corporate Risk Register (CRR) has been strengthened to deal with risks highlighted by HMICFRS; Members have received bespoke training on risk and a new CRR Framework is due to be introduced.
- The Service has also introduced a Continuous Improvement Framework and toolkit for senior managers to access on SharePoint, which reflects best practice, allowing managers to access information quickly on progress against the HMICFRS Action Plan.

# VfM arrangements: Financial Sustainability

## Approach and considerations

We have considered how the Service plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Service ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Service plans to bridge its funding gaps and identifies achievable savings;
- How the Service plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Service ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Service identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

## Commentary

- In the CIES, the Service reported a deficit on the provision of services of £13.6m for the year (2021/22: £5.5m deficit). The increase in the deficit since the prior year is caused by a £5.3m increase in gross expenditure (2022/23: £63.2m versus 2021/22: £57.8m) and a £4.2m increase in financing and investment expenditure (2022/23: £18.7m versus 2021/22: £14.5m).
- The total comprehensive income for the year was £189.0m (2021/22: £7.7m) which is mainly driven by a remeasurement of the pension liability, producing a £197.2m gain (2021/22: £7.6m).
- At year end the Service had net liabilities of £430.4m (31 March 2022: net liabilities of £619.5m), net current assets of £11.3m (31 March 2022: £14.2m), and cash of £8.6m (31 March 2022: £14.5m). The net liability position is driven by the pensions liability and therefore is not considered a risk in relation to VfM and the Service's ability to deliver the Medium-Term Finance Plan. The Service's useable reserves have decreased from £19.7m to £14.9m.
- The Service has a thorough annual financial planning and forecasting process and has set out a Medium-Term Financial Plan (MTFP) from 2023/24 to 2026/27. There were two revenue strategies proposed that both relied upon increases in the fire precept (option 1: £5 increase, option 2: 3% increase). Option 1 was approved during 2022/23, which has resulted in a forecasted breakeven position for 2023/24, and a budget shortfall from 2025/26 onwards. Plans to mitigate the risk of future deficits are explained on the next page.

	Option 1 (£5 increase)			
	2023/24	2025/26	2026/27	2027/28
Forecast Funding (£m)	48.9	49.7	50.5	51.4
Forecast expenditure (£m)	48.9	49.9	51.0	52.4
Deficit (£m)	0	-0.2	-0.5	-1.0

- The increase in the fire precept was dependent on the referendum principles published by the Department for Levelling Up, Housing & Communities as part of the Local Government Finance Settlement. A £5 increase was in line with previous uplifts.

# VfM arrangements: Financial Sustainability (continued)

Approach and considerations	Commentary
<p>We have considered how the Service plans and manages its resources to ensure it can continue to deliver its services, including:</p> <ul style="list-style-type: none"><li>• How the Service ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;</li><li>• How the Service plans to bridge its funding gaps and identifies achievable savings;</li><li>• How the Service plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;</li><li>• How the Service ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and</li><li>• How the Service identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.</li></ul>	<ul style="list-style-type: none"><li>• Financial risk mitigations to reduce the likelihood of a deficit position include implementing a Devolved Budgetary Framework, adopting a Finance Business Partnering model to ensure sufficient review of budgets and exploring options around collaborations to promote efficiencies and cross-service working.</li><li>• The Service reports the financial position on a quarterly basis which includes an analysis of the actual expenditure incurred compared to budget.</li><li>• The January 2024 Revenue Monitoring report that was presented to the SLT has shown that the Service are performing in line with budget, with an updated forecast showing an underspend of £71k.</li><li>• In preparing the 2023/24 budget, the Service has performed a full review of the base budget, which involved reviewing both the internal and external environments to ensure that all financial pressures were identified and factored in. The 2023/24 budget is linked to the corporate objectives and has been prepared with the aim of ensuring that the Service has sufficient resources to deliver services, however increased funding and costs savings will be required, as set out in the MTFP.</li><li>• Sensitivity analysis and scenario planning are conducted and incorporated into the budget setting process to highlight the impact of key priorities and risks and provide mitigations as appropriate.</li><li>• The Corporate Risk Register (CRR) is a way of identifying significant corporate risks to the Service. Risk owners are required to review and update each risk on a monthly basis to ensure each risk shows current progress and an accurate reflection of the planned interventions to reduce risk. We note the HMICFRS report highlighted that the CRR is not at a granular enough level.</li><li>• Budgets are monitored on a monthly basis by business partners within finance the output of the monthly budget monitoring is reported to the Service on a quarterly basis.</li><li>• In the October 2023 Fire Authority meeting, options for crewing changes were discussed which could potentially realise £2m of recurrent savings by 2026/27.</li></ul>



# VfM arrangements: Governance

## Approach and considerations

We have considered how the Service ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

## Commentary

- The Service makes informed decisions and properly manages risk through a series of policies governing its work and by adhering to a detailed risk management process. The Financial Regulations are underpinned by key policies which are reviewed by the Audit, Governance and Oversight Committee (AGOC) and other key stakeholders.
- The Fire Authority (FA) has approved delegated responsibility to the AGOC to consider, scrutinise and review issues relating to audit, governance, and the management of risk. Their work includes examining and approving the Statement of Accounts, the Annual Governance Statement, Statement of Assurance and the Corporate Risk Register.
- The FA receives a quarterly corporate performance report which includes a review of the actual outturn position against the budget, and details of any significant variances.
- The Statutory Finance Officer shares financial reports with the Fire Authority throughout the year, including a review of the actual outturn position against the budget and details of any significant variances
- Monthly budget monitoring reports are shared with the Service Leadership Team where variances and key risks are discussed. This promotes improved business partnering and greater transparency of budgets ensuring early identification of issues and opportunities.
- His Majesty's Inspector of Constabulary and Fire and Rescue Service (HMICFRS) carried out an inspection in 2022/23 with the report subsequently published in November 2023. The Service was assessed on its performance in 11 areas of which:
  - Two were assessed as 'adequate'
  - Five were assessed as 'requires improvement'
  - Four were assessed as 'inadequate'
- In December 2021, the Service was inspected in three areas, all of which were deemed as 'requires improvement'. However, it was determined that the Service had made significant progress and good investments since the previous inspection. However, due to the issues raised by HMICFRS we have qualified the Value for Money Opinion for 2022/23 and raised a significant weakness in relation to the governance arrangements at the Service.

# VfM arrangements: Governance (continued)

## Approach and considerations

## Commentary

We have considered how the Service ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

- As a result of the HMICFRS inspection, a detailed action plan to address the issues raised has been created which sets out the issue, auditor recommendation, action, RAG status and lead director assigned.
- There was also an independent review conducted by One Legal that was commissioned by the Service in February 2023 with the aim of identifying inappropriate behaviour. The Service accepted 13 recommendations and implemented additional training for staff.
- The Service has approved delegated responsibility to the AGOC to consider, scrutinise and review issues relating to audit, governance, and the management of risk. Their work includes examining and approving the Statement of Accounts, the Annual Governance Statement, Statement of Assurance and the Corporate Risk Register.
- The Financial regulations are underpinned by key policies which are reviewed by the AGOC and other key stakeholders. The Service complies with the statutory requirements of the National Fraud Initiative and the Anti-Fraud and Corruption Survey which takes place every two years for the purpose of preventing and detecting fraudulent and erroneous payments from the public purse.
- The Service produces a 'Statement of Assurance' on a yearly basis which details compliance with financial, governance and operational arrangements and ensure adherence to the Fire and Rescue National Framework for England (2018).
- The Head of Internal Audit has formed the opinion that based on the areas reviewed during the year ended 31 March 2023, the Service has an 'adequate and effective' framework for risk management, governance, and internal control.
- The Service has a number of staff policies in place including a code of conduct. These are all contained within the policies and procedures and are readily available for all staff to access.
- Declarations of interest are maintained for all senior members of staff and decision-making officers.

# VfM arrangements: Improving economy, efficiency and effectiveness

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## Approach and considerations

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Service evaluates the services it provides to assess performance and identify areas for improvement;
- How the Service 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; and
- Where the Service commissions or procures services, how the Service ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Service assesses whether it is realising the expected benefits.

## Commentary

- The Senior Leadership Board, Senior Leadership team, the Authority and Committees are routinely provided with performance information to enable Members and Officers to evaluate the performance of its services. For example, contract management, monitoring and reporting is in place to ensure payments are being received to time and quality, feedback mechanisms to identify areas of improvement or comments from our service users.
- In relation to operational performance the Service has a detailed embedded system which provides up to date performance details across a range of KPIs which can be drilled down to station level. Operational performance is reported at Senior Leadership Board, Senior Leadership Team and the Authority on a regular basis.
- The Service has a compliments and complaints procedure in which staff and service users can provide information.
- Contract Procedure Rules underpin the procurement processes across the Service to ensure all requirements are met. These are published and purchases are monitored by the procurement team to ensure adherence. All procurements above £25,000 require a member of the Procurement and Supplies Team to be involved, to agree appropriate route to market (taking in to consideration the Public Contract Regulations), due diligence and agreed outcomes are achieved. Separation of duties exists to ensure internal control processes are aligned to relevant legislation and Financial Standards.
- The Service is also committed to sustainable procurement in the Environmental Policy, and it forms a key element of Environmental Management System. Similar to Social Value, sustainable procurement means meeting the needs for products, utilities and services in an environmentally, socially and economically responsible way, but it encompasses a wider, more global, approach where as Social Value is more localised and addresses specific concerns.

# VfM arrangements: Improving economy, efficiency and effectiveness(continued)

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## Approach and considerations

## Commentary

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Service evaluates the services it provides to assess performance and identify areas for improvement;
- How the Service 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; and
- Where the Service commissions or procures services, how the Service ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Service assesses whether it is realising the expected benefits.

- The Collaborative Working Framework and Operational Guidance ensures partnerships and collaborations entered into compliment the Service's vision and strategic priorities.
- There are two registers in place (Register of Home Fire Safety Visits Referral Partnerships, and the Register of Collaborations and Formal Partnerships). The delivery of partnerships against the set-up objectives are monitored as part of ensuring Value for Money and reported to Performance, Review and Scrutiny Committee.



Appendices

# Appendix 1: Purpose of our report and responsibility statement

## What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Service's arrangements.

## What we don't report

Our audit was not designed to identify all matters that may be relevant to the Audit, Governance and Oversight Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

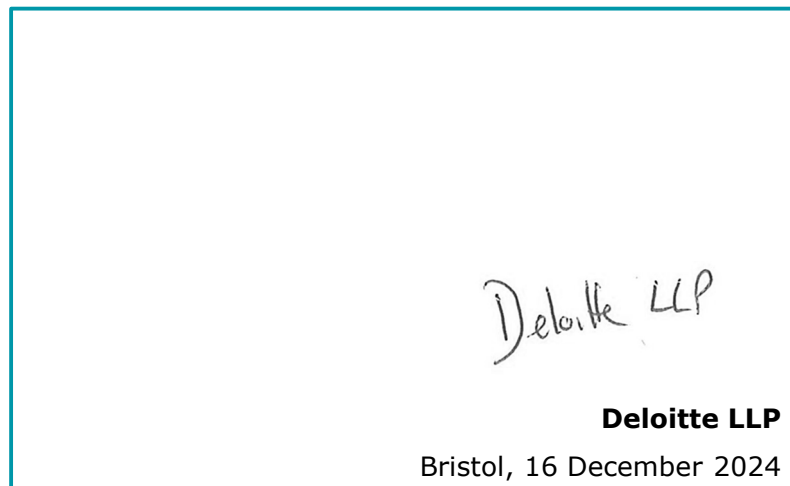
## The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

## Use of this report

This report has been prepared for the Service, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

A rectangular box containing a handwritten signature 'Deloitte LLP' in blue ink, a printed 'Deloitte LLP' in bold black text, and the date 'Bristol, 16 December 2024' in black text.

*Deloitte LLP*

**Deloitte LLP**

Bristol, 16 December 2024

# Appendix 2: Service's responsibilities

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**Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.**

**Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.**

**All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.**

The Statutory Finance Officer, as Accounting Officer of the Service, is responsible for the preparation of the Service's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

In preparing the Statement of Accounts the Accounting Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The Accounting Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for Service Tax payers, regulators and stakeholders to assess the Service's performance, business model and strategy.

The Accounting Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Service is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Accounting Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Service provides will continue into the future.

The Accounting Officer and Service are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Service's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Service, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Appendix 3: Auditor's responsibilities

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## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Auditor's responsibilities relating to the Service's arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Service has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Service's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Service has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Service a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. Other findings from our work, including our commentary on the Service's arrangements, are reported in our Auditor's Annual Report.

## **Auditor's other responsibilities**

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Service, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Service or an officer of the Service is:
  - about to make, or has made, a decision which involves or would involve the Service incurring unlawful expenditure; or
  - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.





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