



# Audit Progress Report

## County Durham and Darlington Fire and Rescue Authority

February 2020





## CONTENTS

1. Audit progress
2. National publications
3. Contact details

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# 1. AUDIT PROGRESS

## Purpose of this report

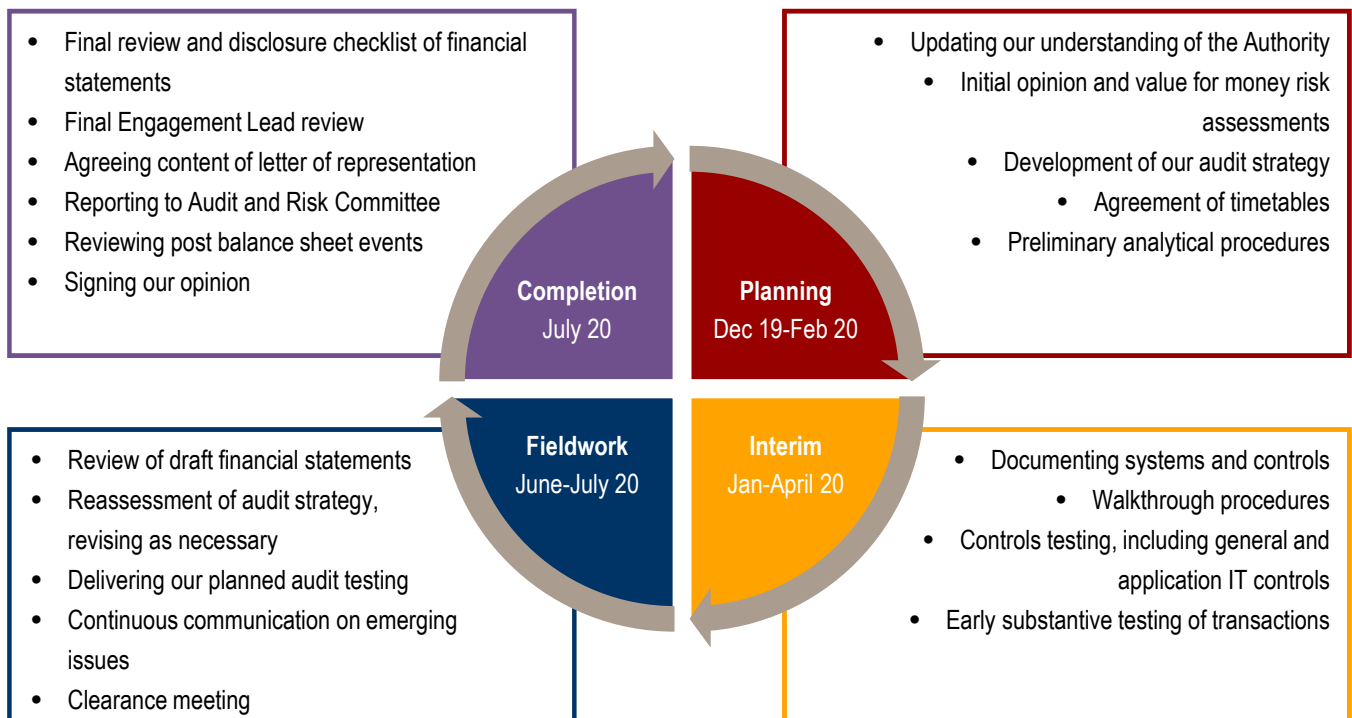
This report provides the Audit and Risk Committee with an update on progress in delivering our responsibilities as your external auditor as well as setting out any non-audit assurance work carried out and also summarising key national publications that may be of interest to Members.

## Audit progress

Our key audit stages are summarised in the diagram shown below.

As in prior years, we will carry out our walkthroughs and interim testing in one visit, scheduled for February 2020. Our Audit Strategy Memorandum for 2019/20 is on the agenda for the meeting of the Audit and Risk Committee in February 2020.

There are no significant matters arising from our audit work that we are required to report to you at this stage. Our planned timetable of work is set out in the diagram below.



The interim stage of the 2019/20 audit is in progress including:

- **Walkthroughs and interim visits:** including confirming our understanding of the critical business systems, feeding back any concerns regarding internal controls and developing the most efficient testing strategy.
- **Local government accounts workshop:** held at Durham Cricket Ground on the 4 February 2020. The workshop provides an update on the latest developments in local government and is a useful forum for our clients to discuss emerging issues;

## 2. NATIONAL PUBLICATIONS AND OTHER UPDATES

	Publication
1	Proposed fire and rescue services inspection programme and framework 2020/21: for consultation, HMICFRS, October 2019
2	Government response to the Housing, Communities and Local Government Select Committee report 'Local Government Finance and the 2019 Spending Review', HCLG, October 2019
3	Financial Management Code, CIPFA, October 2019
4	A Councillor's guide to procurement, 2019 edition, LGA, October 2019
5	Fire and rescue workforce and pensions statistics, England, April 2018 to March 2019 second edition, Home Office, November 2019
6	Annual Transparency Report, Mazars, December 2019
7	Mazars' response to the Brydon Review, Mazars, December 2019
8	PSAA consultation on the fee scale for 2020/21 audits of opted-in bodies
9	Response times to fires attended by fire and rescue services: England, April 2018 to March 2019, Home Office, January 2020
10	Grenfell Tower Inquiry Phase 1 report: government response, Home Office, January 2020
11	State of Fire and Rescue: The annual assessment of fire and rescue services in England, HMICRS, January 2020

### 1. Proposed fire and rescue services inspection programme and framework 2020/21: for consultation, HMICFRS, October 2019

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) recently consulted on its proposed fire and rescue services inspection programme and framework for 2020-21. The consultation which closed on 29 November 2019 sought views on:

- the proposed approach to inspections for the next cycle and how this could be improved;
- whether the draft inspection methodology includes the right questions to gather evidence for a rounded assessment of services;
- how best HMICFRS could report on the progress the service has made since the previous inspection;
- any new or emerging problems to be taken into consideration in the inspections;
- ways to adapt the collection of information in order to take into account the circumstances of fire and rescue services and risks to public safety; and
- other possible considerations to encourage and promote fairness in fire and rescue service assessments.

<https://www.justiceinspectrates.gov.uk/hmicfrs/publications/proposed-fire-and-rescue-services-inspection-programme-2020-21-for-consultation/>

### 2. Government response to the Housing, Communities and Local Government Select Committee report 'Local Government Finance and the 2019 Spending Review', HCLG, October 2019

In our November 2019 progress report we noted that the Government had decided to undertake a review of local government audit (the Redmond Review) following a report by the HCLG Select Committee. Whilst the Redmond Review is ongoing the Government has now published its response to the Select Committee's recommendations, including:

- developing a more consistent approach to the collection and monitoring of comparative data about councils' performance, efficiency and financial sustainability;
- the need for MHCLG, working with HM Treasury and other departments, to clearly set out what tasks are expected of local government and how much funding it requires;
- the need for increased adult social care funding;
- the need for MHCLG and HM Treasury to provide a multi-year settlement for local government which runs for one year beyond the Spending Review period – similar to the approach that is currently used for Departmental capital budgets; and
- the need for reforms and substantial changes to the business rate retention system.

<https://www.gov.uk/government/publications/local-government-finance-and-the-2019-spending-review-response-to-the-select-committee-report>

1. Audit progress

2. National publications

3. Contact details

## 2. NATIONAL PUBLICATIONS CONTINUED

### 3. Financial Management Code, CIPFA, October 2019

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and aims to provide assurance that they are managing resources effectively. It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management.

The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

The FM Code built on elements of other CIPFA codes during its development and its structure and applicability will be familiar to users of publications such as The Prudential Code for Capital Finance, Treasury Management in the Public Sector Code of Practice and Code of Practice on Local Authority Accounting in the United Kingdom. The Code applies to all local authorities, including fire and rescue authorities.

The first full year of compliance will be 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the Code and can use 2020/21 to demonstrate how they are working towards compliance.

<https://www.cipfa.org/policy-and-guidance/publications/ffinancial-management-code>

### 4. A Councillor's guide to procurement, 2019 edition, LGA, October 2019

The LGA worked closely with councils to develop the National Procurement Strategy 2018 and a toolkit that enables local authorities to set their own objectives and measure their own progress.

The National Procurement Strategy puts the councillor role front and centre and this guide has been produced specifically with councillors in mind. It looks at the roles councillors play – both executive members and those engaged in overview and scrutiny work – and provides hints and tips on how to get the best out of procurement and contract management. Just as in the national strategy, the focus is on delivering council objectives. Councillors do not need to be procurement professionals but they do need to be able to ask the right questions, including:

- What is the procurement process and why do major procurements in local government fail?
- What are the role and responsibilities of a councillor?
- How is social value delivered under the Public Services (Social Value) Act 2012 and more generally?

<https://www.local.gov.uk/councillors-guide-procurement-2019-edition>

### 5. Fire and rescue workforce and pensions statistics, England, April 2018 to March 2019 second edition, Home Office, November 2019

There was little change in the number of firefighters or total employees during 2018/19 as about 10 per cent of staff retired or resigned but there was a similar number of new recruits. This was the third successive year of virtual standstill in employee numbers following seven years of significant reductions from the 2010 peak.

The resumption of recruitment in most authorities has facilitated increased diversity in the fire and rescue service. The percentage of female firefighters increased to 6.4%, compared with 4.5% five years ago. There was also a small increase in the proportion of firefighters from an ethnic minority.

<https://www.gov.uk/government/statistics/fire-and-rescue-workforce-and-pensions-statistics-england-april-2018-to-march-2019>

1. Audit progress

2. National publications

3. Contact details

## 2. NATIONAL PUBLICATIONS CONTINUED

### 6. Annual Transparency Report, Mazars, December 2019

Mazars produces an annual transparency report, setting out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm. The report includes:

- Public Interest Committee Report;
- UK Governance Council Report;
- Inspiring Stakeholder Confidence in Audit Quality (including quality monitoring and audit quality indicators);
- Our risks; and
- Structure, Leadership and Governance.

Link to the latest report issued in December 2019 is set out below.

<https://www.mazars.co.uk/Home/About-us/Corporate-publications/Transparency-reports/Mazars-UK-Transparency-Report-2018-2019>

### 7. Mazars' response to the Brydon Review, Mazars, December 2019

The Brydon Review is one of four key reviews into the scope and quality of audit, namely:

- Competition and Market's Authority (CMA): resilience and competition in the audit market;
- Kingman's Review (review of the Financial Reporting Council and regulatory oversight);
- The Brydon Review (tone and aspirations for the future of the industry); and
- The Redmond Review (quality of local authority financial reporting and external audit).

The Brydon Review contains various recommendations and essentially recommends a major overhaul of audit which would see the creation of a separate 'corporate auditing profession', greater focus on fraud detection during audits, and the replacement of the 'true and fair' concept, with a greater focus on going concern.

Mazars' response to the latest Brydon Review report issued in December 2019 is detailed per the link below.

<https://www.mazars.co.uk/Home/News-Events/Latest-news/Mazars-response-to-the-Brydon-report>

#### Link to the Brydon Review

Published in December 2019, focusing on the quality and effectiveness of audit.

<https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review>

#### Link to the Kingman's Review

Published in December 2018, this review recommended the replacement of the Financial Reporting Council with a new independent statutory regulator, accountable to Parliament. The new regulator will be called the Audit, Reporting and Governance Authority (ARGA).

<https://www.gov.uk/government/news/independent-review-of-the-financial-reporting-council-frc-launches-report>

#### Link to the Redmond Review

At the time of writing this report, the outcome from the Redmond Review has not been published.

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

1. Audit progress

2. National publications

3. Contact details

## 2. NATIONAL PUBLICATIONS CONTINUED

### 8. PSAA consultation on the fee scale for 2020/21 audits of opted-in bodies

The consultation sets out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at bodies that have opted into PSAA's national auditor appointment scheme. Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantify at this stage. They include:

- issues which have given rise to additional audit work in relation to the 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews being undertaken and referred to in this progress report (see item 7 above); and
- the introduction of the new NAO Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.

In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.

The expectation is that such discussions should take place as soon as possible as part of planning discussions for 2019/20 audits, with a specific aim also to look ahead to identify any implications for 2020/21. In some cases it may not be possible to quantify the implications for audit work at this stage or perhaps even until the work is done. Nevertheless early discussions will help to align expectations and mitigate the risk of audited bodies being unaware of the prospect of charges for additional work until very late in the audit process.

Link to the PSAA consultation is set out below:

<https://www.psa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/>

1. Audit progress

2. National publications

3. Contact details

## 2. NATIONAL PUBLICATIONS CONTINUED

### 9. Response times to fires attended by fire and rescue services: England, April 2018 to March 2019, Home Office, January 2020

In 2018/19, the average response time to primary fires in England was 8 minutes 49 seconds, up 11 seconds since 2017/18 and 33 seconds since 2013/14. Although the long term trend has been upwards for the past 20 years, as greater congestion has increased drive times, the 2018/19 increase was unusually high and the report does not identify a clear reason for this.

The national average response time to secondary fires increased by 32 seconds to 9 minutes 42 seconds. This increase was driven by the exceptionally high number of fires in July 2018 coinciding with a peak in monthly average response times for the year.

<https://www.gov.uk/government/statistics/response-times-to-fires-attended-by-fire-and-rescue-services-england-april-2018-to-march-2019>

### 10. Grenfell Tower Inquiry Phase 1 report: government response, Home Office, January 2020

On 30 October 2019, the Grenfell Tower Inquiry published its Phase 1 report which looked at the events on the night of the fire on 14 June 2017 in which 72 people died in the greatest loss of life following a residential fire since the Second World War. The Government has accepted all of the recommendations. The Fire Safety Bill will create a firm foundation to enable the Government to lay regulations needed to deliver the legislative recommendations in the report. These recommendations include building owners or managers sharing information with fire and rescue services on external wall systems, and undertaking regular inspections of flat entrance doors. The Home Office plan to consult on these proposals in Spring 2020.

The National Fire Chiefs Council (NFCC) are currently analysing the report's recommendations in detail and are working with all Fire and Rescue Services to develop clear and comprehensive implementation plans, building on their existing work programme. The NFCC will feed the lessons learned from the Inquiry's recommendations into its ongoing review of National Operational Guidance. The NFCC has formed a steering group with the Home Office to specifically review the 'stay put' policy and ensure that the new guidance is evidence-based.

<https://www.gov.uk/government/publications/grenfell-tower-inquiry-phase-1-report-government-response>

### 11. State of Fire and Rescue: The annual assessment of fire and rescue services in England, HMICRS, January 2020

The 15 reports for the final tranche of inspections, including County Durham and Darlington, were published in December 2019 and HMICFRS rated County Durham and Darlington 'good' in effectiveness and efficiency and 'requires improvement' for people. The report contained 21 recommendations, which the Authority should address by the next inspection, likely to be in 2021. County Durham and Darlington's inspection report is available here:

<https://www.justiceinspectorates.gov.uk/hmicfrs/publications/frs-assessment-2018-19-durham-and-darlington/>

In January 2020, HMICFRS published a national report summarising the results of all 3 tranches. Overall, they found that most services they inspected were keeping people safe and secure from fires and other emergencies, and were using their resources efficiently. However, some services need to improve how well they look after their people. HMICFRS found pockets of outstanding practice in some services and areas where improvement is urgently needed in others. They concluded that as services hadn't been independently inspected for over a decade, so it was not surprising that some areas need improving. The report contains four national recommendations.

The report does not include a league table but it shows that:

- 64 per cent of authorities were rated 'good' for effectiveness;
- 58 per cent of authorities were rated 'good' for efficiency;
- 40 per cent of authorities were rated 'good' for people;
- 34 per cent of authorities were rated 'good' for all three inspection pillars

<https://www.justiceinspectorates.gov.uk/hmicfrs/publications/state-of-fire-and-rescue-annual-assessment-2019/>

1. Audit progress

2. National publications

3. Contact details



### 3. CONTACT DETAILS

Please let us know if you would like further information on any items in this report.

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1. Audit progress

2. National publications

3. Contact details