



KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

Meeting of the Audit and Governance Committee

Wednesday 29 January 2025

AGENDA

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 29 January 2025 at 10.30am
Kent Fire and Rescue Service Headquarters,
The Godlands, Straw Mill Hill
Tovil, Maidstone, ME15 6XB

Ask for: Marie Curry
Telephone: (01622) 692121

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

A Routine Business

- A1. Chair's Announcements *(if any)*
- A2. Membership Changes and Apologies for Absence
- A3. Declarations of Interest in Items on this Agenda
- A4. Minutes of the Audit and Governance Meeting held on Wednesday 6 November 2024 *(for approval)*

B For Decision

- B1. Treasury Management and Investment Strategy 2025/26 – 2028/29
- B2. Annual Review of Code of Corporate Governance
- B3. Consultation on Local Audit Reform

C For Information

- C1. Corporate and Strategic Risk Register Update
- C2. Internal Audit – Mid-Year Update 2024/25

D Urgent Business *(Other Items which the Chair decides are Urgent)*

- E Exempt Items** *(At the time of preparing this agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public).*

Marie Curry
Clerk to the Authority
20 January 2025

Please note that any background papers referred to in the accompanying reports may be inspected by arrangement with the Lead/Contact Officer named on each report.

KENT AND MEDWAY FIRE AND RESCUE AUTHORITY

MINUTES of the Meeting of the Audit and Governance Committee held on Wednesday, 6 November 2024 at Kent Fire and Rescue Service Headquarters, The Godlands, Tovil, Maidstone, Kent, ME15 6XB.

PRESENT: - Mr A Booth, Mr A Brady (*substitute for Ms J Meade*), Mr P Cole, Mr D Crow-Brown, Mr M Hood, Mr B Kemp, Mr V Maple, Mr J McInroy, and Ms J Waterman – Independent Member

APOLOGIES: - Mr N Collor, Ms J Meade and Mr C Simkins.

OFFICERS:- The Chief Executive, Miss A Millington, the Director, Finance and Corporate Services, Mrs A Hartley, Director, Protection, Prevention, Customer Engagement and Safety, Mr J Quinn; Director, Response and Resilience, Mr M Deadman; Assistant Director, Response, Mr N Griffiths, Head of Policy, Dr O Thompson, Head of Finance, Treasury and Pensions, Mr B Fullbrook; Head of Finance, Treasury and Pensions, Ms N Walker and the Clerk to the Authority, Mrs M Curry.

ALSO IN ATTENDANCE: - Ms C Valmond the Authority's Monitoring Officer, Mr P Cuttle, Grant Thornton, Ms L Taylor and Mr R Smith Kent County Council (KCC) Internal Audit.

UNRESTRICTED ITEMS

1. Election of Chair for 2024/25

Mr Brady moved; Mr Kemp seconded that Mr Vince Maple be elected Chair of the Committee.

2. Election of Vice Chair for 2024/25

Mr Maple moved; Mr Crow-Brown seconded that Mr Barry Kemp be elected Vice Chair of the Committee.

3. Chair's Announcements

- (1) The Chair thanked James Flannery from KCC's Counter Fraud Team who provided Members of the Committee with Fraud training prior to the meeting.
- (2) The Chair welcomed Claudette Valmond, the Authority's Monitoring Officer to the meeting.
- (3) The Chair welcomed Russell Smith and Louise Taylor from KCC's Internal Audit to the meeting.
- (4) The Chair welcomed Paul Cuttle from Grant Thornton to the meeting.

4. Membership (Item A5)

The membership for the Audit and Governance Committee for 2024/25 was noted.

5. Minutes (Item A6)

- (1) RESOLVED that:
 - (a) The minutes of the Audit and Governance Committee held on 25 April 2024 be signed as a true and correct record.

6. Annual Governance Statement 2023/24

(Item B1 – Report by Director Finance and Corporate Services)

- (1) The Committee considered the Authority's Annual Governance Statement for 2023/24 the preparation of which followed completion of the annual internal self-assessment process.
- (2) The Annual Governance Statement provides an analysis of the governance arrangements and systems of internal control along with the assessment of the Authority's effectiveness. The Statement is reviewed by the External Auditors and published alongside the Statement of Accounts each year.
- (3) RESOLVED that: -
 - (a) the Annual Governance Statement for 2023/24, attached at Appendix 1 to the report, be approved.

7. External Auditors' Findings Report 2023/24 and Letter of Representation

(Item B2 – Report by Director Finance and Corporate Services)

- (1) The Committee considered the External Auditors Audit Findings Report in relation to the 2023/24 financial year, the audit work that has been undertaken to date as well as the Letter of Representation.
- (2) Mr P Cuttle provided an update on the areas that are yet to be concluded within the Auditors review, these are detailed in Appendix 1 to the report.
- (3) Mr Maple, on behalf of the Committee, placed on record its thanks to the external auditors and officers of the authority for working together to make good progress considering the national audit issues.
- (4) RESOLVED that: -
 - (a) the matters raised in the Audit Findings Report for 2023/24, as detailed in Appendix 1 to the report, be approved.
 - (b) the Letter of Representation, as attached at Appendix 1 to the report, be approved.

8. Annual Statement of Accounts for 2023/24 and Presentation

(Item B3 – Report by Director Finance and Corporate Services)

- (1) The Committee considered the draft Statement of Accounts for 2023/24, which are currently in the process of being reviewed by the Authority's External Auditors.
- (2) The Committee was also given a presentation on the Authority's Financial Statements that provided more detail on the Comprehensive Income and Expenditure Statement (CIES), which represents the income and expenditure associated with the 2023/24 financial year; the Movement in Reserves Statement which shows the changes to resources available to the Authority over the year; the balance sheet as well as the Cash Flow Statement showing the cash payments and receipts during the year.
- (3) Mr Booth applauded the Finance and Treasury Team in the excellent management of the Authority's accounts.
- (4) RESOLVED that: -
 - (a) the 2023/24 draft Statement of Accounts, attached at Appendix 1 to the report, be approved.

- (b) the remaining contents of the report and presentation given by the Head of Finance, Treasury and Pensions be noted.

9. Anti-Fraud and Corruption Framework 2025-2027

(Item B4 – Report by Director Finance and Corporate Services)

- (1) Ahead of the Committee, Members received a training session on Counter Fraud Awareness. Mr Maple suggested that the training would be beneficial to all Members and do again prior to a full Authority meeting.
- (2) The Committee then received a report detailing the outcomes of the review of the Authority's policies and plan in support of its commitment to anti-fraud and corruption prevention. Although these documents are referred to on a regular basis, a scheduled review is planned every three years to ensure they reflect current practices.
- (3) RESOLVED that: -
 - (a) the updated Anti-Fraud and Corruption Framework, attached at Appendix 1 to the report, be approved.
 - (b) the Anti-Fraud and Corruption Plan, attached at Appendix 2 to the report, be approved.
 - (c) the inclusion of the Fighting Fraud and Corruption Locally (FFCL) Checklist be noted.

10. Chair of the Audit and Governance Committee's Report to the Authority

(Item B5 – Report by Chair of the Audit and Governance Committee)

- (1) Members considered a report which provided a detailed summary of the activities undertaken by the Audit and Governance Committee during the last year.
- (2) The report demonstrates to the Authority the effectiveness of this Committee's work in assessing and maintain the organisation's internal control environment and governance arrangements.
- (3) The Chair gave his thanks to Members, officers and external partners for their continued support and commitment to the work of the Audit and Governance Committee.
- (4) RESOLVED that: -
 - (a) the contents of the report, which will now be presented to the Authority, at its next meeting in February 2025, be approved.

11. Mid-Year Treasury Management and Investment Update for 2024/25

(Item C1 – Report by Director Finance and Corporate Services)

- (1) THE CIPFA Code of Practice on Treasury Management and the Prudential Code requires the Authority to determine and set the Treasury Management Strategy for the financial year ahead. This was agreed by the Authority at its meeting on 20 February 2024.
- (2) As a requirement of the Strategy, this Committee received a mid-year update on treasury activity undertaken and the extent of the compliance with the agreed prudential indicators.

- (2) RESOLVED that: -
 - (a) the contents of the report be noted.

12. Internal Audit Progress Report

(Item C2 – Report by Director Finance and Corporate Services)

- (1) Russell Smith and Louise Taylor from KCC's Internal Audit provided Members with an update on the audit activity to date; the Head of Internal Audit's opinion of the overall effectiveness of the Authority's framework of governance, risk management and control systems; the outcomes of the annual review of internal audit effectiveness required by regulation and an appraisal of Internal Audit's and the Authority's performance against the Key Performance Indicators set as part of the Service Level Agreement.

- (2) RESOLVED that: -
 - (a) the Internal Audit Progress Report be noted.

13. Collaboration and Partnership Update

(Item C3 – Presentation by Director Protection, Prevention, Customer Engagement and Safety)

- (1) An update was given to Members on the Authority's collaboration and partnership arrangements.
- (2) Members thanked the Director Protection, Prevention, Customer Engagement and Safety for an informative presentation.
- (3) RESOLVED that: -
 - (a) the contents of the presentation be noted.

By: Director, Finance and Corporate Services

To: Audit and Governance Committee - 29 January 2025

Subject: TREASURY MANAGEMENT AND INVESTMENT STRATEGY
2025/26 - 2028/29

Classification: Unrestricted

FOR DECISION

SUMMARY

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code require the Authority to determine and set the Treasury Management Strategy for the financial year ahead as part of the annual budget papers in February of each year. Part of the Terms of Reference of the Audit and Governance Committee is to review the Treasury Management Strategy and Investment Strategy and agree the draft 'in principle' prior to it being presented to the full Authority in February each year as part of the suite of budget papers.

The capital and reserve figures detailed within the draft strategy provide a current estimate of forecast spend but may be subject to refinement prior to the February Authority meeting, as projects progress or slip and more detailed work in costing and profiling is undertaken, to ensure affordability.

The Authority continues to prioritise security and liquidity over potential yield in line with CIPFA guidance, whilst ensuring that the treasury activity undertaken complies with the agreed strategy.

RECOMMENDATION

Members are requested to:

1. Agree 'in principle', the Treasury Management and Investment Strategy for 2025/26 (paragraphs 9 to 60 refer).

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions – Nicola Walker
TELEPHONE NUMBER: 01622 692121 ext. 6122
EMAIL: nicola.walker@kent.fire-uk.org
BACKGROUND PAPERS:

ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2025/26

Introduction

1. Treasury management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice as:

"The management of the Authority's borrowings, investments and cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
2. There are two parts to the treasury management operations, the first is to ensure that the Authority's cash flow is adequately planned, with cash being available when it is needed to support business and service objectives. Surplus monies are placed in low-risk counterparties or instruments in line with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return. The second main function of treasury management is the funding of the Authority's capital plans. The Capital Strategy provides a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure that the Authority can meet its capital spending obligations.
3. The CIPFA Code of Practice on Treasury Management (TM) and the CIPFA Prudential Code require local authorities to determine and set the Authority's Treasury Management Strategy, its Strategy relating to investment activity, and Prudential Indicators on an annual basis. The Authority currently has cash backed reserves and balances of circa £36.3m, so it is important that robust and appropriate processes are in place to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund. Set out below are the key elements of the Strategy covering the borrowing requirements and investment arrangements.
4. The Authority's Investment Strategy has regard to the TM Code and the Guidance. It has two objectives: the first is security, in order to ensure that the capital sum is protected from loss, ensuring that the Authority's money is returned; and the second is portfolio liquidity, in order to ensure that cash is available when needed. Only when the proper levels of security and liquidity have been determined can the Authority then consider the yield that can be obtained within these parameters.
5. This Strategy has been created based on the CIPFA 2021 Prudential and Treasury Management Codes, which requires the Authority to prepare a Capital Strategy. The Capital Strategy is a document in its own right which will be reported separately to the Authority as part of the February budget papers. This Authority does not envisage any commercial investments and has no non-treasury investments.

Policy Statement

6. The Authority regards the successful identification, monitoring and control of risk to be the main criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
7. The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives including its Customer and Risk Management Plan and long term Capital Strategy. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurements, within the framework of effective risk management.

National Guidance and Governance

8. This Strategy complies with the CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes (“the TM Code”), and guidance on Local Government Investments issued by the Secretary of State for Communities and Local Government under section 15(1)(a) of the Local Government Act 2003 (“the Guidance”). Specific decisions on the timing and amount of any borrowing will be made by the Authority’s Director, Finance and Corporate Services in line with the agreed Strategy.
9. **Governance:** The Authority is required to receive and review a number of financial reports each year, which cover the following:
 - (a) **An Annual Treasury Management and Investment Strategy:** This Strategy forms part of the February 2025 budget report to Authority. This Strategy therefore includes: -
 - the Capital Programme together with the appropriate prudential indicators.
 - the Minimum Revenue Provision (MRP) policy, which details how residual capital expenditure is charged to revenue over time.
 - the Treasury Management Strategy, which defines not only how the investments and borrowings are to be organised, but also sets out the appropriate treasury indicators; and
 - an Investment Strategy which sets out the parameters on how deposits are to be managed.
 - (b) **A Mid-year Treasury Management Report:** This will usually be presented to Members of the Audit and Governance committee for review in the autumn prior to

submission to the Authority meeting and provides an update on the Capital Programme, amending prudential indicators and/or the Strategy, if necessary.

- (c) **A Year-end Annual Report:** This provides the final outturn position for the year in relation to investments and deposits made during the year, prudential and treasury indicators, and a summary of the actual treasury activity during the year.

10. A quarterly review by Corporate Management Board (CMB) monitors the treasury management and prudential indicators as part of the Authority's general revenue and capital monitoring reporting.

External Support

11. **Treasury Management Advisor:** The Authority uses MUFG Pension & Market Services (previously known as Link Group) as its external Treasury Management Advisor. The Authority recognises that the responsibility for treasury management decisions remains with itself and will ensure that undue reliance is not placed upon the external advisor. The current contract expires in October 2028.

THE CAPITAL PRUDENTIAL INDICATORS 2025/26-2028/29 AND THE MINIMUM REVENUE PROVISION (MRP) STATEMENT

12. The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the Capital/Infrastructure Plan is reflected in the Prudential Indicators, which are designed to assist Members' overview and confirm capital expenditure plans.
13. **Capital Expenditure:** This can be funded from a variety of sources such as directly from the revenue budget, capital receipts (money received for the sale of the Authority's assets) capital grants or from borrowing. The Authority's Capital Plan, and the revenue and capital resources being used to finance it, are shown in **Table 1** below. Where there is a difference between planned expenditure and cash resources, this will result in an increase in the net financing need and hence the potential need to consider external borrowing. The Authority will only ever borrow to fund capital expenditure. Given that interest rates remain high, it is prudent to consider internal borrowing as opposed to external borrowing until such time as interest rates reduce.

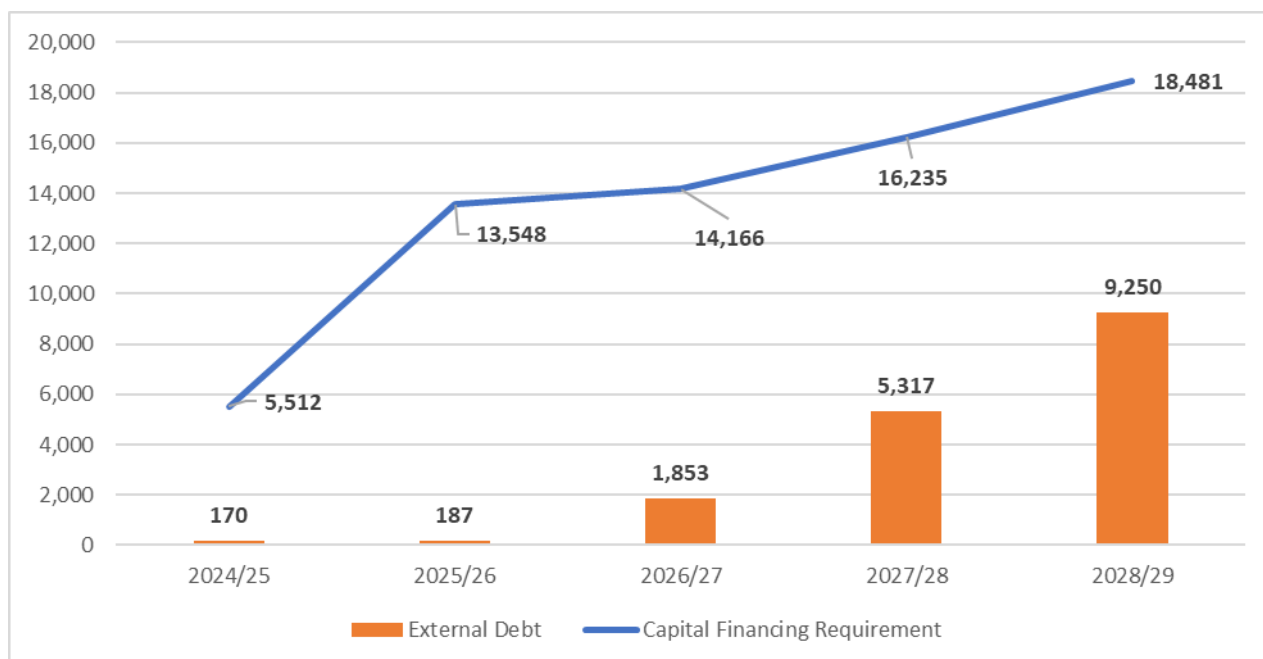
Table 1	2024/25	2025/26	2026/27	2027/28	2028/29
Capital Expenditure	Forecast	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	7,712	13,677	6,161	7,764	8,392
Funded By:					
Revenue / Infrastructure funding	-2,785	-2,722	-2,858	-3,000	-3,151
Capital Receipts	0	-1,624	-1,391	-1,264	-1,241
One off Capital Funding	0	0	0	0	0
Net Financing Need (Borrowing) for the Year	4,927	9,331	1,912	3,500	4,000

14. **The Authority's Borrowing Need [the Capital Financing Requirement (CFR)]:** The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through revenue or capital resource will increase the CFR. The CFR projections are shown in **Table 2**.

Table 2	2024/25	2025/26	2026/27	2027/28	2028/29
Capital Financing Requirement	Forecast	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Opening CFR	1,879	5,512	13,548	14,166	16,235
Movement in CFR	3,633	8,036	618	2,069	2,246
Closing CFR	5,512	13,548	14,166	16,235	18,481
Movement in CFR represented by					
Net Financing Need (Borrowing) for the Year	4,927	9,331	1,912	3,500	4,000
Less: Long-term Debtor Lease Principal (MRP)	-31	-34	-34	-36	-67
Less: Provision for Principal (MRP)	-1,263	-1,261	-1,260	-1,395	-1,687
Movement in CFR	3,633	8,036	618	2,069	2,246

*The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which reduces the indebtedness in line with each asset's life.

Capital Financing Requirement Profile vs External Debt Profile (year-end position)



Note: External Debt includes other long-term liabilities such as leases

15. **Core Funds and Expected Investment Balances:** The application of resources (capital receipts, reserves, etc.) to finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments/deposits. Detailed below in **Table 3** are estimates of the year-end balances for each cash-backed resource, working balances and the net amount of capital expenditure funded from internal resources (historical under-borrowing). The sum of these balances is the amount estimated as available for investment.

16. Working balances comprise of the estimated net difference between amounts owed to or by the Authority (debtors and creditors and other amounts paid or received but not yet charged to the accounts). The amount under-borrowed in this table relates to historical capital expenditure that was identified as needing to be funded from borrowing in earlier years and Ashford Live Fire Project, but where a decision was made to use internal cash balances instead of external debt, less the actual amount of external debt at the end of each year. **Table 7** further below details how the under-borrowing is then calculated.

Table 3	2024/25	2025/26	2026/27	2027/28	2028/29
Reserves and Balances	Forecast	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
General reserve	4,680	4,890	4,950	5,090	5,210
Earmarked reserves	31,416	23,502	18,502	17,122	16,191
Insurance Provision	223	223	223	223	223
Capital grants unapplied	0	0	0	0	0
Capital Receipts	8,932	7,307	5,916	4,653	3,412
Total Core Funds	45,251	35,922	29,591	27,088	25,036
Working Capital Deficit	-3,566	-3,566	-3,566	-3,566	-3,566
Under borrowing	-5,341	-13,361	-12,313	-10,918	-9,231
Expected Investments	36,344	18,995	13,712	12,604	12,239

17. **Financing Cost to Net Revenue Stream:** This indicator shows the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. It is an indication of how affordable the borrowing required to fund the capital programme is and shows the trend in the cost of capital, (borrowing and other long-term obligation costs), against the net revenue stream.

Table 4	2024/25	2025/26	2026/27	2027/28	2028/29
Financing Costs to Net Revenue Stream	Forecast	Estimate	Estimate	Estimate	Estimate
Ratio of Financing Costs	1.39%	1.33%	1.36%	1.61%	2.03%

18. **Minimum Revenue Provision (MRP) Policy Statement:** The Ministry of Housing, Communities and Local Government (MHCLG) sets out the regulations around determining the annual charge that must be made to the revenue account in order to repay what has been borrowed to fund capital expenditure. This charge is called the Minimum Revenue Provision (MRP). As explained above the MRP calculation has an impact on the year end value of the CFR and the Code is clear that the outstanding debt cannot be greater than the CFR. The Policy for MRP is detailed below:

- (a) **Borrowing for capital expenditure incurred before 1 April 2008** - The MRP is calculated as 4% of the opening CFR balance for the year.
- (b) **Borrowing for capital expenditure post 2008** - The Authority will calculate the MRP for all new borrowing (internal or external) using the Asset Life method. This method uses the estimated life of the asset to calculate a yearly revenue charge which ensures sufficient provision is set aside to reduce the borrowing need over

the life of the asset. Repayments for leases on the balance sheet are applied as MRP.

If the Authority were to undertake no new external borrowing, the outstanding external debt will be cleared by 31 March 2025. At this moment in time, it is prudent that future borrowing is funded temporarily through internally borrowing against the Authority's available balances for investment.

Regulation 27(3) allows a local authority to charge MRP in the financial year following the one in which capital expenditure finance by debt was incurred.

Capital expenditure financed by borrowing in 2024/25 will not be subject to an MRP charge until 2025/26, or in the financial year following the one in which the asset first becomes available for use.

- (c) **Leases** - The adoption of International Financial Reporting Standard 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value.

When the assets and liabilities in relation to a lease contract are brought onto the balance sheet, the authority will increase its long-term liabilities and as a result this will increase the debt liability. An MRP charge equal to the amount that is taken to the balance sheet to reduce the liability will be made.

19. **MRP Overpayments:** As defined in the Code, the Authority has always set aside additional funding, on top of the regulated MRP, to repay the borrowing of money to fund capital. This additional funding that is set aside is called a Voluntary Revenue Provision (VRP). A change introduced by the revised MHCLG MRP Guidance, allows for any charges made over the statutory minimum revenue provision (MRP), to be reclaimed for use in the budget. Up until the 31 March 2024 the total VRP overpayments were £7.2m. These overpayments have allowed for prudent voluntary repayments to reduce the indebtedness of the Authority within a shorter timescale providing greater financial stability in the long term.
20. **Forecast for Bank Rate:** Forecasts on the Bank Rate are constantly being reviewed given the current economic and political climate. At its meeting on 6 November 2024, the MPC voted by a majority to reduce Bank Rate by 0.25%, to 4.75%. This is the second rate cut since July 2024 and, as shown in the table below, a further cut in Bank Rate is forecast in the period to March 2025. Inflation remains above the Bank of England target rate of 2%, currently sitting at 2.30%. There are a number of risks that could require these forecasts to be revised, such as systematic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. With the high level of uncertainty prevailing on several different fronts, these forecasts will need to be kept under regular review.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50

21. **Limits on External Debt:** The Treasury Indicators set limits for interest rate exposures in relation to borrowing and the maturity structure of long-term borrowing. The objective of these indicators is to restrain the activity of the treasury function within certain limits, thereby managing the risk of re-financing and adverse movements in interest rates.
22. **Interest Rate Exposures for Borrowing:** All the borrowing undertaken by the Authority has been on a fixed rate of interest with the Public Works Loans Board (PWLb). Currently the Authority is not looking to borrow externally due to high borrowing rates, however, as capital projects progress and their figures are finalised within the capital strategy, this requirement will be reviewed and reported. It is likely that any external borrowing undertaken would be on a fixed rate of interest due to the need for certainty and affordability over future payments.
23. **Interest Rate Exposures for Deposits:** The Authority primarily deposits its cash balances on a fixed rate basis and therefore limits its exposure to any reductions in interest rates. Whilst security of the deposit remains a prerequisite, interest rates are forecast to remain at a higher level for a while yet and therefore surplus cash will be invested across a range of durations up to one year so as to provide a degree of certainty in respect of the level of return achieved. The Authority defines fixed rate investments as those where the interest rate does not fluctuate during the period of the investment. Up to 100% of surplus cash can be invested in fixed rate deposits but to provide maximum investment flexibility, up to 100% of surplus cash may also be invested in variable rate investments if deemed appropriate.

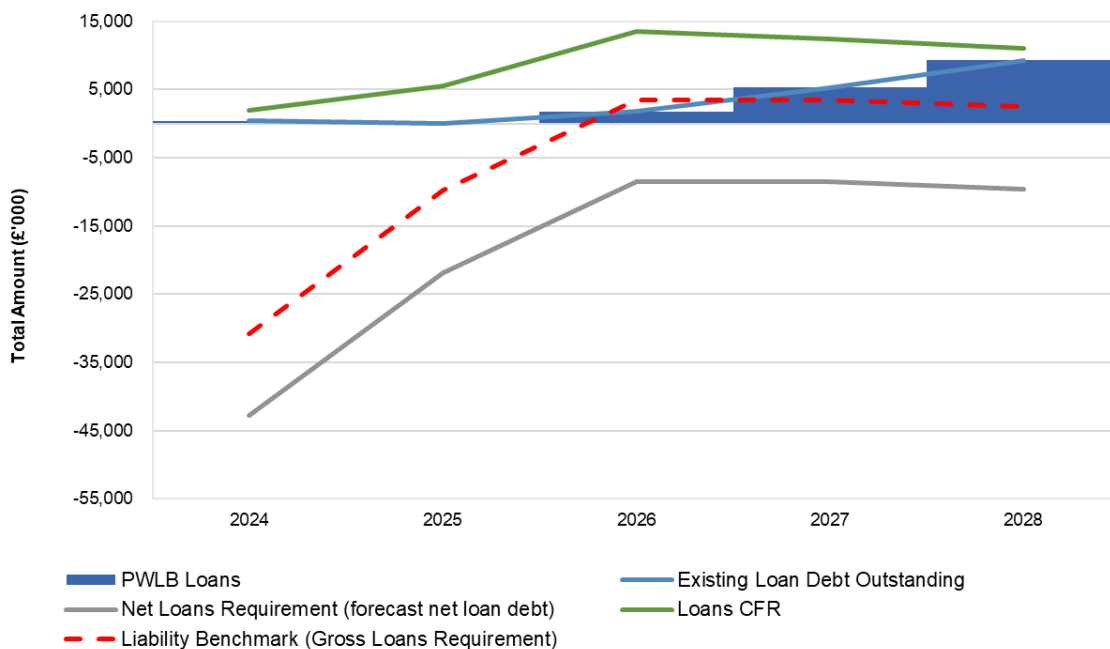
Table 5 Limit of Deposit Exposure	2024/25 Limit	2025/26 Limit	2026/27 Limit	2027/28 Limit	2028/29 Limit
Fixed Interest Rates	100%	100%	100%	100%	100%
Variable Interest Rates	100%	100%	100%	100%	100%

24. **Maturity Structure of Borrowing:** The current maturity profile of the Authority's existing loans, as at 31 March 2025 is set out in **Table 6** below.

Table 6 Existing Loan Profile	Amount £'000	Percentage Maturing
	0	0%
Total borrowing to be repaid	0	0%

25. **Debt Liability Benchmark:** the liability benchmark indicator is a projection of the optimum amount of loan debt outstanding which the Authority needs each year into the future, in order to fund its existing debt liabilities, planned prudential borrowing and other cash flows.

26. As the Authority is currently operating with a net cash surplus, the indicator is a measure of the forecast net investment requirement and guides the appropriate size and maturity of investments needed – there is currently no need to borrow externally for capital financing purposes.



1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

BORROWING

27. **Borrowing Arrangements:** The Authority has been actively trying to reduce its cash balances by deferring long term external borrowing and therefore borrowing internally from its own cash balances. The Authority will continue with this prudent strategy which has resulted in savings in borrowing interest costs, and thus has minimised the risk of counterparty loss. The Authority is currently under-borrowed by £5,342k and, based on current interest rates has saved approximately £288k per annum by not borrowing this money.
28. **Timing of Borrowing:** Officers engaged in treasury management monitor interest rates on a daily basis and receive advice from the Authority's Treasury Management Advisor on changes to market conditions, so that borrowing and investing activity can be undertaken at the most advantageous time. If borrowing is required, given the high

borrowing rates and the Authority's high cash balances, it is proposed to undertake internal borrowing in the interim.

29. **Volatility to Inflation:** The Authority will keep under review the sensitivity of its treasury liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.
30. **Periods of Borrowing:** In general, the period of borrowing is linked to the life of the assets acquired, although regard is also given to the maturity profile of borrowing to mitigate the risks that might arise on any re-financing. However, on occasions, borrowing decisions may be taken to borrow over shorter or longer periods where this is considered to be the cheapest option in the long term.
31. **Sources of Borrowing:** The Authority could borrow from the Public Works Loan Board (PWLB), other Local Authorities, the money markets, the Municipal Bonds Agency or through Finance Leasing depending on which terms are the most favourable overall.
32. **External Debt:** The Authority's current debt portfolio position for the next five years is detailed in **Table 7** below. It shows the actual external debt against the underlying capital borrowing need (the CFR) highlighting any over or under-borrowing.

Table 7	2024/25	2025/26	2026/27	2027/28	2028/29
Current Debt Portfolio	Forecast	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Opening Borrowing 1 April	400	171	187	1,853	5,317
New Borrowing	0	50	1,700	3,500	4,000
Other Long-term liabilities (OLTL)	202	0	0	0	0
Expected change in OLTL	-31	-34	-34	-36	-67
Loans Repaid	-400	0	0	0	0
Borrowing as at 31 March	171	187	1,853	5,317	9,250
Less closing CFR	-5,512	-13,548	-14,166	-16,235	-18,481
Under borrowing	-5,341	-13,361	-12,313	-10,918	-9,231

33. The Authority's debt should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) for the current year and the next two financial years. This allows the Authority the flexibility to borrow for future years whilst ensuring that borrowing is not undertaken for revenue purposes. The level of actual borrowing and the CFR will often be different for a combination of reasons. It could be due to timing differences between amounts set aside for the repayment of debt and the actual timing of loan repayments, but it could also be due to a decision to defer the borrowing relating to capital expenditure that has already been incurred.
34. **The Director, Finance and Corporate Service** reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans and the proposals within the budget report.

35. **The Operational Boundary for External Debt:** This is the limit which external debt is not normally expected to exceed. The proposed Operational Boundary for external debt is based on the Authority’s plans for capital expenditure and financing, and is consistent with its treasury management policy, statement and practices to provide sufficient headroom to switch funding for capital projects from reserves, receipts and revenue contributions to external borrowing.
36. The Authority has some projects where there is the potential to lease rather than buy, and so the limit recognises that such leases may be classified as finance leases. Accounting changes with regard to leases (IFRS16) mean that some existing lease arrangements, that in the past have been accounted for within the revenue budget, may now be reflected on the Authority’s balance sheet as a liability for the commitment of the contract so this now needs to be considered as part of the Treasury Strategy under the other long-term liabilities heading. Risk analysis and risk management strategies have been considered, as have estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes when determining this limit.
37. **The Director, Finance and Corporate Services,** has confirmed that the Operational Boundary is based on expectations of the maximum external debt of the Authority according to probable - not simply possible - events and is consistent with the maximum level of external debt projected by estimates. This indicator is a key management tool for in-year monitoring and acts as an “alert” for the possibility of an imminent breach of the Authorised Limit. The Operational Boundary for external debt excluding investments is shown in **Table 8** below.

Table 8	2024/25	2025/26	2026/27	2027/28	2028/29
Operational Boundary	Forecast	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Borrowing	20,000	35,000	35,000	35,000	35,000
Other long term finance liabilities	3,500	3,500	3,500	3,500	3,500
Total	23,500	38,500	38,500	38,500	38,500

38. **Authorised Limit for External Debt:** The Authorised Limit provides for additional headroom over and above the Operational Boundary to allow for unusual and unexpected cash movements. This represents a limit beyond which external debt is prohibited. The Authorised Limit for the Authority’s total external debt, excluding investments, is shown in **Table 9** below.

Table 9 Authorised Limit	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2026/27 Estimate	2027/28 Estimate
	£'000	£'000	£'000	£'000	£'000

Borrowing	24,000	39,000	39,000	39,000	39,000
Other long term finance liabilities	3,500	3,500	3,500	3,500	3,500

Total	27,500	42,500	42,500	42,500	42,500
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39. **Borrowing in Advance of Need:** The Authority will not borrow in advance of its needs in order to profit from any short term interest rate advantage. Any decision to borrow in advance will be within the approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds. The risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual treasury reports.
40. **Debt Rescheduling:** Whilst short term interest rates may be cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of the debt repayment (premiums incurred). The reasons for rescheduling may include the generation of cash savings in annual interest payments or to amend the maturity profile of the portfolio. The premium now charged by the PWLB generally makes restructuring debt for interest rate reasons unattractive. Consideration would be given to debt restructuring if there was a significant change in the PWLB's policy. Any debt rescheduling will be reported to the Authority at the earliest opportunity following the rescheduling. But given that as at 31 March 2025, there is no outstanding external debt, this realignment of debt is not an issue that this Authority needs to consider currently.
41. **Gearing:** Gearing is used as a measure of financial leverage and indicates how much of the Authority's activities are funded by debt. The higher the percentage, the more risk the Authority has, as it must continue to service this level of debt. Gearing is calculated as (total debt/total assets). The Authority's current gearing level is a very low 0.10%.
42. **Borrowing Strategy:** The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flows has been used as a temporary measure. This strategy is prudent as borrowing rates are currently high, but are expected to fall over the medium term, and counterparty risk is also still an issue that needs to be considered.
43. Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Director, Finance and Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions taken will be reported to the Authority at the next available opportunity.

ANNUAL INVESTMENT STRATEGY

44. **Investment Policy - Management of Risk:** The Authority's Investment Strategy has regard to the CIPFA Treasury Management Code 2021 and the CIPFA Treasury Management Guidance Notes 2021. It has two main objectives: the first is security, in order to ensure that the capital sum is protected from loss; and the second is portfolio liquidity, in order to ensure that cash is available when needed. Only when the proper levels of security and portfolio liquidity have been determined can the Authority then consider the yield that can be obtained within these parameters. Where appropriate the Authority will also consider the value available in periods up to 12 months with high credit rated financial institutions. The Authority will ensure that robust due diligence procedures cover all external investment. This Strategy is reviewed and updated annually.
45. The Treasury Management Code of Practice details that the term "investments" used in the definition of treasury management activities also covers other non-financial assets which an organisation holds primarily for financial returns, such as investment property portfolios. The Authority does not hold non-financial assets primarily for financial returns, nor does it propose to do so.
46. The above guidance places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -
- Minimum acceptable **credit criteria** are applied to generate a list of highly credit worthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - **Other Information** - ratings will not be the sole determinant of the quality of an institution, it is important to continually assess and monitor the financial sector and take account of the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the Authority engages with its Treasury Advisors.
 - **Other Information sources** used will include the press and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.
47. **Volatility to Inflation:** The Authority will keep under review the sensitivity of its treasury assets to inflation and will seek to manage the risk accordingly in the context of the whole Authority's inflation exposures.
48. **Specified or Permitted Investments:** These are investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. All such investments will be sterling

denominated. These are considered low risk assets where the possibility of loss of principal or investment income is small and will include deposits with: -

- the UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
 - other local authorities.
 - Money Market Funds (CNAV and LVNAV).
 - banks, building societies and other financial institutions of **high credit quality**.
49. **High Credit Quality:** The Authority's Treasury Management Advisor provides a creditworthiness service which, taking into account the ratings provided by the credit agencies, market data, market information and information relating to government support for banks, provides a recommendation on counterparty, group and country limits as well as investment duration. Officers have considered this, together with other information available and views on risk, in order to produce a counterparty list. The Authority defines "high credit quality" as being: -
- UK Banks
 - UK part-nationalised banks.
 - Institutions domiciled in the UK that have been classified by MUFG Pension & Market Services as being appropriate for deposit durations of between 100 days and one year; that have a minimum sovereign long-term rating of A- and have, as a minimum, the following credit rating from at least one of Fitch, Moody's and Standard and Poor's (where rated): -
 - (a) Short term – F1 (or equivalent).
 - (b) Long term – A- (or equivalent).
 - The Authority's own banker for transactional purposes, or except if the bank falls below the above criteria, in which case balances will be minimised in both monetary size and time.
 - Institutions domiciled in a foreign country where that country has a sovereign rating of AAA.
50. **The Monitoring of Investment Counterparties:** The credit rating of counterparties will be monitored regularly, based on credit rating information received from MUFG Pension & Market Services. On occasions ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the

criteria will be removed from the list. If this requires revision of the Treasury Strategy, then this will be reported to the Authority for approval.

51. **Investment Duration for Deposits:** The longest duration for any investment will be one year. The Authority will only use specified investments, the criteria for which are set out in paragraphs 48 and 49 above and may restrict the period of investment to a period shorter than the maximum.
52. **Environmental, Social and Governance Policy:** The Authority is committed to considering environmental, social and governance (ESG) issues, and has a particular interest in taking actions against climate change and pursuing activities that have a positive social impact. The Authority will not knowingly invest directly in institutions whose activities are inconsistent with the Authority’s mission and values. As part of the Authority’s Counterparty list, the Authority has access to two sustainable fixed term deposit accounts with NatWest and Standard Chartered.
53. The Strategy for 2025/26 will be to use only those institutions detailed on the counterparty list, shown in **Table 10** below:

Table 10 – Investment Duration for Deposits

Permitted Forms of Investment 2025/26	Minimum Credit Criteria
Cash Deposits with the Debt Man. Office	N/A
UK Treasury Bills	N/A
Call Accounts/Notice Accounts	UK Banks, UK part-nationalised bank or an institution rated by MUFG Pension & Market Services as suitable for investment for 100 days or more
Term Deposits	
Certificates of Deposit	N/A
Money Market Funds CNAV	AAA
Money Market Funds LVNAV	AAA
Term Deposits with Other UK Local Authorities	AA

Counterparty List 2025/26	Counterparty Limit
Debt Management Office (incl. Treasury)	Unlimited
RBS Group: Royal Bank of Scotland/Nat West	£7m Group Limit
Lloyds Bank: Lloyds TSB/HBOS, Corporate Markets	£7m Group Limit
Barclays Bank plc	£5m
Coventry Building Society	£5m
HSBC Bank plc	£7m
Leeds Building Society	£5m
Nationwide Building Society	£5m
Skipton Building Society	£5m
Yorkshire Building Society	£5m
Santander UK plc	£7m

Close Brothers Ltd	£5m
Goldman Sachs International Bank	£5m
Standard Chartered Bank	£5m
Handelsbanken plc	£5m
SMBC Bank International plc	£5m
Al Rayan Bank plc	£5m
National Bank of Kuwait International plc	£5m
Clydesdale Bank PLC	£5m
Australia and New Zealand Banking Group	£5m per institution but £5m Country Limit
Commonwealth Bank of Australia	
National Australian Bank Ltd	
Westpac Banking Corporation	
Macquarie Bank Ltd.	
Bank of Montreal	£5m per institution but £5m Country Limit
Bank of Nova Scotia	
Canadian Imperial Bank of Commerce	
National Bank of Canada	
Royal Bank of Canada	
Toronto Dominion Bank	
Danske A/S	£5m per institution but £5m Country Limit
Bayerische Landesbank	£5m per institution but £5m Country Limit
Commerzbank AG	
Deutsche Bank AG	
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	
Landesbank Baden-Wuerttemberg	
Landesbank Berlin AG	
Landesbank Hessen-Thueringen	
Landwirtschaftliche Rentenbank	
Norddeutsche Landesbank Girozentrale	
NRW.BANK	
ING Bank N.V.	£5m per institution but £5m
ABN AMRO Bank N.V.	Limit
BNG Bank N.V.	
Cooperatieve Rabobank U.A.	
Nederlandse Waterschapsbank N.V.	
DNB Bank ASA	£5m per institution but £5m Limit
DBS Bank Ltd	£5m per institution but £5m
United Overseas Bank Ltd	Limit
Oversea-Chinese Banking Corp. Ltd.	

Svenska Handelsbanken	£5m per institution but £5m Country Limit
Skandinaviska Enskilda Banken	
Swedbank	
UBS AG	£5m per institution but £5m Limit
Bank of America N.A	£5m per institution but £5m Limit
The Bank of New York Mellon	Limit
JP Morgan Chase Bank	
Wells Fargo Bank	
Citibank	
Other Local Authorities	£5m per Local Authority - £20m limit
Money Market Funds (CNAV and LVNAV)	£5m per fund - £25m limit

Banks that qualify using this credit criteria as at the date of this report are shown above. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

54. **Investment Returns Expectations:** The Authority is expecting investment income of approximately £2,850k for 2024/25, averaging a return of 4.90% for the year. However, a further rate cut is forecast in the period to March 2025 and it should be noted that risks such as blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver infrastructure projects could result in changes to these assumptions. Consequently, these will be regularly monitored and Members will be kept updated through the mid-year Treasury report.
55. Returns on Treasury Bills have fallen since last year. They offer a high degree of security and are currently returning an average rate of 4.73%. The Authority continues to make use of Money Market Funds (MMFs) which are included in the treasury strategy. They offer a high degree of security, being AAA-rated, with instant access and carry rates currently of circa 4.71%. The rates generally track the base rate. They are deemed to be a good way of diversifying cash and spreading risk as the credit rating agencies put strict limits on how much they can have in any one counterparty and what the average duration of the underlying portfolio can be.
56. There are three types of Money Market Funds, which are: -
- **Constant Net Asset Value (CNAV)** – Short term funds that have a high level of investment in government assets. Units in the fund are purchased or redeemed at a constant price.
 - **Low Volatility Net Asset Value (LVNAV)** - Short term funds that are primarily invested in money market instruments, deposits and other short-term assets. Units

in the fund are purchased or redeemed at a constant price so long as the value of the assets do not deviate by more than 0.2% (20bps) from par (i.e. 1.00)

- **Variable Net Asset Value (VNAV)** – Funds that are invested in money market instruments and deposits and other Money Market Funds. The funds are subject to looser liquidity rules and may invest in assets with a longer maturity than CNAV and LVNAV funds. Units in the funds are purchased or redeemed at a variable price.
57. A review has been undertaken of the available funds and the Authority will only invest in CNAV and LVNAV Money Market Funds as they are considered more appropriate for the Authority's investment risk appetite.
 58. **Local Authority Loans:** As set out above, the Authority does make provision to allow loans to be made available to other Local Authorities, however the maximum duration for any loan will be one year, in line with the maximum timeframe for other deposits set out in this Strategy. Prior to agreeing to any such loan, the Authority will undertake appropriate due diligence to establish the financial stability of the Authority that requires the loan. Reviews will be undertaken on issues such as past audit reports / opinions, balance sheet reviews, any adverse public reporting.
 59. The maximum duration for investments suggested by MUFG Pension & Market Services can be revised at any time, which means that the Authority could find that the remaining duration of a fixed term investment is greater than the maximum suggested at that time. When there is a change to reduce the suggested duration downwards, and early redemption would cause a penalty or loss of interest, the investment will be allowed to run to maturity. If the suggested duration is changed to zero, the investment will be monitored and the need for early redemption reviewed.
 60. Some of the institutions on the Authority's counterparty list charge for transferring the investment income into the Authority's main bank account. Where such charges apply, it is not cost-effective to transfer the investment income out of these accounts on a monthly basis. For these institutions, therefore, investment income will be transferred annually. As a consequence, the counterparty limit may be exceeded during the year by up to the amount of the annual interest due for the year.
 61. The Authority has a weighted maturity average of just over 70 days and therefore, as the closest available benchmark, uses the backward looking 3 month Compounded SONIA (Sterling Overnight Index Average) Index to compare itself. The reason the Authority chooses to look at the backward-looking Compound SONIA is that it is based on real data, and not a forecast rate like the forward-looking data is. Currently the portfolio is slightly below the benchmark with a rate of 4.80% against the SONIA rate of 4.83%.
 62. **Training:** The Authority has processes in place to ensure that the appropriate level of training is delivered to both Members and staff who are involved in the delivery and scrutiny of the treasury management function. A training session on the latest economic

forecast and changes to the Prudential Code and Treasury Management practices was provided by MUFG Pension & Market Services to Audit and Governance members at the September 2023 meeting, with a subsequent update to be undertaken at the January 2025 meeting. Officers within the Finance team with direct responsibility, regularly attend seminars and conferences to ensure specialist Treasury and Investment knowledge is kept up to date and a number of them have also completed their CIPFA Treasury e-learning modules. One team member is currently studying for the full membership qualification for the Association of Corporate Treasurers and direct line managers that oversee Treasury activity are CIPFA qualified accountants.

63. The Authority's treasury team have taken the initiative to set up the Kent Treasury Forum; a forum which aims to bring together treasurers from all districts within Kent to discuss key policies and compare portfolios. The forum has enabled the Authority to benchmark its rates against other local authorities' rates and therefore help identify areas where the Authority is performing well, as well as areas that can be improved. It also enables our own newly formed Treasury Officers to network with more experienced Kent Treasurers and enhance their understanding of the types of investments available and the advantages and disadvantages of such investment types.
64. **Current Portfolio** - below sets out the investment portfolio of the Authority as at 31 December 2024.

Table 11 – Current Portfolio	Fixed Deposits	Call Account	Notice Call Account	Money Market Funds	Total	Average Interest Rate
	£'000	£'000	£'000	£'000	£'000	
Debt Management Office (including Treasury Bills)	12,701	0	0	0	12,701	4.72%
RBS Group: Royal Bank of Scotland/ Nat West	6,900	100	0	0	7,000	5.01%
Barclays Bank plc	0	0	5,000	0	5,000	4.90%
HSBC	0	0	7,000	0	7,000	4.65%
Lloyds Bank	6,000	1,000	0	0	7,000	4.89%
Landesbanken	5,000	0	0	0	5,000	4.96%
Standard Chartered Bank	5,000	0	0	0	5,000	4.77%
Goldman Sachs International Bank	2,000	0	0	0	2,000	5.16%
Aviva Sterling Liquidity Fund	0	0	0	5,000	5,000	4.78%
Aberdeen Sterling Liquidity Fund	0	0	0	5,000	5,000	4.72%
Blackrock Sterling Liquidity Fund	0	0	0	5,000	5,000	4.68%
Goldman Sachs Sterling Liquidity Reserve	0	0	0	255	255	4.66%
Total Per Deposit Type	37,601	1,100	12,000	15,255	65,956*	4.83%
Average Interest Rate Per Deposit Type	4.86%	4.45%	4.75%	4.73%		

* This includes the one-off advanced pension grant payment in relation to Mcloud/Matthews

IMPACT ASSESSMENT

65. All financial implications associated with servicing the Authority's loans are able to be contained within the overall budget.

RECOMMENDATION

66. Members are requested to:
 - 66.1 Agree 'in principle', the Treasury Management and Investment Strategy for 2025/26 (paragraphs 9 to 60 refer).

By: Director Finance and Corporate Services
To: Audit and Governance Committee – 29 January 2025
Subject: ANNUAL REVIEW OF THE CODE OF CORPORATE GOVERNANCE
Classification: Unrestricted

FOR DECISION

SUMMARY

This report seeks Members' approval to the updated Authority's Code of Corporate Governance following its scheduled annual review.

RECOMMENDATION

Members are requested to:

1. Approve the updated Code of Corporate Governance, paragraph 1 and **Appendix 1** refer.

LEAD/CONTACT OFFICER: Owain Thompson - Head of Policy
TELEPHONE NUMBER: 01622 692121 ext. 8453
EMAIL: owain.thompson@kent.fire-uk.org
BACKGROUND PAPERS: None

COMMENTS

Code of Corporate Governance

1. The current version of the Authority's Code of Corporate Governance was originally introduced and approved by Members at the meeting of the Authority on 23 July 2020. This was in response to the publication of updated guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Corporate Governance embeds within the Authority the principles that are set out in the CIPFA governance framework (which are themselves based on the Nolan Principles of standards in public life). Consequently, the Code of Corporate Governance sets out the seven key principles of good governance and how these principles are followed by the Authority.
2. The scheduled annual review of the Code of Corporate Governance was undertaken last year to ensure that it remains current and continues to reflect the requirements of CIPFA's governance framework, including the CIPFA Financial Management Code. There were only minor changes to terminology (principally around updating from Customer Safety Plan to CRMP) that arose as a result of this review. Additionally, the Code of Corporate Governance has also been cross-referenced to the Authority's Statement of Assurance (which was approved by Members at the meeting of the Authority on 17 October 2024). This did not result in any changes to the content of the Code of Corporate Governance. Attached at **Appendix 1** is the updated version for Members' approval.

IMPACT ASSESSMENT

3. There are no financial impacts associated with this report.

RECOMMENDATION

4. Members are requested to:
 - 4.1 Approve the updated Code of Corporate Governance, paragraph 1 and **Appendix 1** refers.

**Kent Fire and Rescue Service Code of Corporate Governance
January 2025**

As part of good governance arrangements, the Chartered Institute of Public Finance and Accountancy (CIPFA) recommend that local authorities develop their own code of corporate governance, which demonstrates how an authority's governance arrangements meet the seven principles of good governance as set out in the [CIPFA Delivering Good Governance in Local Government Framework](#). These seven principles of good governance are themselves based upon the [Seven Principles of Public Life](#) (also known as the Nolan Principles).

Following the publication of this guidance by CIPFA in 2016, KFRS introduced its own code of corporate governance. In 2020, our code of corporate governance was further reviewed and updated to ensure that it incorporated the requirements of new guidance contained within the [CIPFA Financial Management Code \(2019\)](#).

In line with CIPFA guidance, the code of corporate governance sets out CIPFA's seven principles of good governance along with how we will meet and deliver these principles and where evidence of this may be found.

Through its basis on the Seven Principles of Public Life, the code also links to our Code of Ethical Conduct for Employees.

The Code of Corporate Governance is reviewed annually to ensure that it remains relevant and up to date. It is then taken to the Audit and Governance Committee for approval and published along with the Annual Governance Statement.

Reviewed: 24 October 2024

Date of next review: 03 August 2025 (due to cycle of A&G meetings reverting back to the norm)

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

How do we meet this principle?	What do we do to deliver this?	Where can you find evidence that shows that we deliver these commitments?
<p>We:</p> <ul style="list-style-type: none"> • Ensure Members, employees and volunteers behave with integrity and act in the public interest in line with the Seven Principles of Public Life (the Nolan Principles). • Set out clearly the ethics, values and behaviour standards and procedures expected of Members, employees and volunteers and officers, and take action where they are not met. • Ensure, as far as possible, that suppliers, external service providers and partners adhere to these standards when delivering services on our behalf. • Ensure adherence to laws and regulations and make proportionate use of the legal powers available to us to deliver our services. • Ensure that employees are able to fulfil their responsibilities in accordance with statutory provisions. • Establish arrangements for dealing with any breaches of law, corruption or misuse of power. 	<p>We:</p> <ul style="list-style-type: none"> • Set out the standards of behaviour expected of Members, employees, volunteers, employees and suppliers working with and for us. • Have processes in place for reporting and investigating allegations of inappropriate behaviour. • Have processes in place for dealing with breaches of the Members' and employees' code of conduct. • Select our suppliers and partners carefully and ensure they are aware of and comply with the behaviour and standards we expect when working with us. • Have arrangements for identifying and considering the impact of current and new legislation and regulation affecting our work. • Have arrangements in place for deterring, detecting and investigating fraud, corruption, bribery and unethical practices, and for addressing cases where unacceptable practices are found. 	<p>We publish on our website:</p> <ul style="list-style-type: none"> • Our Code of Ethical Conduct for Employees, Code of Conduct for Members, Code of Ethics for Senior Managers, and our Suppliers' Code of Conduct. • How to contact us if you are unhappy with our services or the behaviour of our employees, or if you suspect fraud or corruption within the Authority. • Our contracts register listing our current suppliers, value and duration of contracts. • Information about our policies relating to fraud, corruption and modern slavery. • A modern slavery and transparency in supply chains statement. • Our Speak Up Policy and accompanying guidance, including on whistleblowing (available upon request).

Key Principle B
Ensuring openness and comprehensive stakeholder engagement

How will we meet this principle?	What will we do to deliver this?	Where can you find evidence that shows that we deliver these commitments?
<p>We:</p> <ul style="list-style-type: none"> • Provide a simple and accessible process for engaging with, and seeking information from us about our decisions, services and plans. • Provide evidence and justification for our decisions and policies and make this information available. • Engage and consult with communities and customers (internal and external) to ensure significant proposals for change are communicated and customers' views taken into account. • Provide a simple process to encourage feedback from customers and consider this in our decision making. • Establish collaborative working arrangements for service delivery where a good business case exists. • Consider the impact on community risk when taking decisions on delivery of services. 	<p>We:</p> <ul style="list-style-type: none"> • Provide easily accessible means for contacting us via a range of methods including electronic and non-electronic methods. • Comply with freedom of information legislation and publish frequently requested and statutory information on our website. • Actively seek and consider feedback from customers, employees and partners about our plans and performance. • Actively seek opportunities to work collaboratively with appropriate partners where it makes sense to do so. • Publish information and data to support and validate our plans and objectives. • Endeavour to ensure that our decisions are deliverable and sustainable for the medium to long term. 	<p>We publish on our website:</p> <ul style="list-style-type: none"> • Details of how you can engage with us about the development of services and comment on our plans and proposals. • Information frequently requested under the Freedom of Information Act 2000 • Information required by the Local Government Transparency Code 2015 and Trade Union (Facility Time Publication Requirements) Regulations 2017. • Guidance on how to make a freedom of information request or subject access request and how long it will take to process. • A suite of privacy notices setting out the personal data we collect in order to provide our services, the lawful bases for collecting data, and how long we retain data for. • Information and data to support our plans proposals and decisions. • Our Customer Promise, which sets out what customers are entitled to expect from us.

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

How will we meet this principle?	What will we do to deliver this?	Where can you find evidence that shows that we deliver these commitments?
<p>We:</p> <ul style="list-style-type: none"> • Set out our vision and aim for the Service, along with our plan and strategies. • Provide updates on our progress in delivering our vision and aim. • Identify and manage, as far as practicable, the key risks and threats to the achievement of our objectives. • Ensure that our objectives are deliverable and sustainable with the resources available. • Balance social, economic and environmental impacts in our decision making. • Aim to design our services so they are tailored to meet all our customers' needs and are accessible to everyone. • Act transparently in presenting our decisions related to our vision and aim. 	<p>We:</p> <ul style="list-style-type: none"> • Publish our plans and strategies for the Service. • Publish updates on progress in delivering our targets and meeting our strategies. • Identify and manage the key strategic risks to the delivery of our strategies. • Identify the risks from fires and other emergencies and have appropriate plans to manage these risks. • Set out our approach and strategy to equality, diversity and inclusion and apply this to our dealings with our customers. • Manage our resources effectively to deliver optimum value and benefit for our customers. 	<p>We publish on our website:</p> <ul style="list-style-type: none"> • Details of our proposed plans and strategies and how you can feedback comments and suggestions on these. • Responses to consultations that we run. • Our vision and aim, and what we want to achieve across the areas of operational excellence, inclusion, wellbeing, and efficiency and value for money. • Information and campaigns to help you stay safe in the home and protect yourself from fire and other risks. • Our Community Risk Management Plan (CRMP), associated risk analysis and assessment and strategic priorities. • Our Equality, Diversity and Inclusion Plan. • Our external auditor's assessment of our accounts and the value for money we provide.

**Key Principle D:
Determining the interventions necessary to optimise the achievement of intended outcomes.**

How will we meet this principle?	What will we do to deliver this?	Where can you find evidence that shows that we deliver these commitments?
<p>We:</p> <ul style="list-style-type: none"> • Open our performance and decisions to scrutiny by the democratically elected Members of the Fire Authority • Consider any feedback from customers in assessing options for service change. • Put in place a robust planning process that considers aims, resources and capacity and takes all other relevant factors into account. • Produce a sustainable budget and financial plan to support our plans and objectives over the medium term. • Consider the use of collaborative working as a means of delivering services where appropriate service improvements can be realised. 	<p>We:</p> <ul style="list-style-type: none"> • Consider the various options available for all our plans and objectives and explain the rationale for our decisions in publicly available documents. • Actively seek and consider feedback and input from customers as part of our consultation and options appraisal process. • Put in place effective project and programme management arrangements, operated by skilled and experienced employees to optimise the chances of successful delivery. • Produce and publish a Medium Term Financial Plan (MTFP) that supports our plans and objectives and identifies the resources needed to deliver these. • Demonstrate the financial sustainability and affordability of our plans. • Actively seek to work collaboratively with partners where appropriate. 	<p>We publish on our website:</p> <ul style="list-style-type: none"> • Our CRMP delivery plan for 2025 to 2029 sets out the strategic priorities and actions required to address the risks and strategic challenges. • Updates on the progress in achieving strategic priorities. • How you can get involved in any consultation exercises we run about the development of our plans. • Our responses to consultations we run. • Our Budget Book, Medium Term Financial Plan, and financial strategies (Treasury Strategy, Capital Strategy, Reserves Strategy).

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

How will we meet this principle?	What will we do to deliver this?	Where can you find evidence that shows that we deliver these commitments?
<p>We:</p> <ul style="list-style-type: none"> • Regularly review the Authority's activities and processes, to ensure they remain effective and fit for purpose. • Engage with external partners where appropriate and beneficial to do so. • Develop workforce and people plans that ensures sufficient employees with the necessary skills and knowledge are in place when needed. • Put in place arrangements for managing the relationship between Members and officers, including clear written delegations to officers. • Ensure Members and employees have the skills, knowledge, resources and support to fulfil their roles and responsibilities. • Monitor and manage the performance of Members and employees in their roles. • Support employees in managing their health and wellbeing. 	<p>We:</p> <ul style="list-style-type: none"> • Set out in our plans, the risks, issues and factors we face and our plans to address them. • Develop workforce and people plans that set out our employee establishment requirements and plans for developing and training the workforce. • Develop processes for working in collaboration with key partners and suppliers to deliver more effective services. • Set out the constitutional documents of the Authority including arrangements for managing the relationship between Members and officers and the powers delegated to the Chief Executive. • Provide all employees with constructive feedback on performance and opportunities for development and training needs. • Provide access to effective training and development opportunities to help colleagues maintain and increase relevant role-related knowledge and skills. • Put in place arrangements to assist employees manage their own health and wellbeing effectively and provide access to support and assistance when problems are experienced. 	<p>We publish on our website:</p> <ul style="list-style-type: none"> • Our aim, vision and objectives, and what we want to achieve across the areas of operational excellence, inclusion, wellbeing, and efficiency and value for money. • Our future plans for the development of our services. • Our Equality, Diversity and Inclusion Plan. • Our Gender Pay Gap Report • Our equal pay review • Our constitutional documents, comprising: The Kent Fire Services Order, the Standing Orders, the Committee Terms of Reference, Scheme of Delegation of powers of the Chief Executive, Convention on Member and Officer Relations, our Code of Corporate Governance.

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

How will we meet this principle?	What will we do to deliver this?	Where can you find evidence that shows that we deliver these commitments?
<p>We:</p> <ul style="list-style-type: none"> • Ensure risks are identified and managed effectively. • Publish regular reports on performance and progress in delivering our objectives. • Encourage robust challenge and engagement in developing our plans and objectives. • Objectively assess the outcomes of plans and policies and address any deficiencies. • Implement and monitor strong governance arrangements that ensure our objectives and policies are delivered and threats and losses are minimised. • Ensure data, including personal data held, is secured, used and shared in accordance with the law and good practice. • Ensure that financial resources are protected and used effectively including arrangements to prevent fraud and corruption. 	<p>We:</p> <ul style="list-style-type: none"> • Put in place, arrangements for identifying, assessing and managing the risks to the delivery of services and the achievement of objectives. • Where appropriate to do so, consult with customers and partners on our intended plans and projects. • Monitor and review the success of our plans and strategies to ensure delivery of planned outcomes. • Maintain effective controls and systems to ensure the effective use of resources, the achievement of our plans and projects, and strong stewardship of the Authority including measures to prevent and detect fraud, crime, corruption, bribery and modern slavery. • Maintain effective arrangements for the secure storage, use and sharing of personal data we hold in connection with the delivery of services. • Ensure compliance with the relevant codes and highest standards of financial management to protect resources, ensure value for money and prevent losses and errors in accounting. 	<p>We publish on our website:</p> <ul style="list-style-type: none"> • Key strategic risks and our plans to manage these. • Information about how we profile risk and the customer risk profile for Kent and Medway. • Our Community Risk Management Plan (CRMP) and associated risk analysis. • Details of our proposed plans and strategies and how you can feedback comments and suggestions on these. • Responses to consultations that we run. • Our aim, vision and objectives, and what we want to achieve across the areas of operational excellence, inclusion, wellbeing, and efficiency and value for money. • An annual assessment of the systems and controls that ensure strong governance arrangements are in place across the Authority (the Annual Governance Statement). • An annual assessment of our performance against the requirements of the Fire and Rescue National Framework (Statement of Assurance). • Regular financial reports on the performance in delivering our budget.

		<ul style="list-style-type: none">• Our annual audit reports on our statement of accounts undertaken by our external auditors.• An annual report and mid-year progress report on the outcomes of internal audits.• A modern slavery and transparency in supply chains statement.• Our Anti-Fraud and Corruption Framework and information relating to fraud transparency.
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Key Principle G
Implementing good practice in transparency, reporting and audit to deliver effective accountability.

How will we meet this principle?	What will we do to deliver this?	Where can you find evidence that shows that we deliver these commitments?
<p>We:</p> <ul style="list-style-type: none"> • Operate an effective audit and review function that provides assurance on the effectiveness of controls and ensure that recommendations are implemented promptly. • Publish statutory and commonly requested information on our website and put in place arrangements to enable easy access to other information requested. • Encourage partners to adopt high standards of governance and transparency in their dealings with us. • Publish an annual assessment of our governance arrangements and compliance with the Fire and Rescue National Framework. • Ensure that statutory officers and the Head of Internal Audit have unfettered access to Members and are free to comment on policies and plans objectively. 	<p>We:</p> <ul style="list-style-type: none"> • Maintain an effective internal and external audit process and ensure auditors have free access to decision makers, including elected Fire Authority Members. • Comply with the requirements to publish information on our website and include other commonly requested information and data. • Establish a simple way of contacting us to request further information, data or assistance including receiving and responding to freedom of information requests and subject access requests. • Support and encourage our partners to establish strong governance and control processes and support us in providing access to information and data in a timely manner. • Regularly review our governance arrangements, taking into account external and internal assessments, and publish our results of these reviews. • Enable the Section 151 officer, Monitoring Officer and Head of Audit to undertake their statutory and regulatory roles unhindered and report direct to members when necessary. 	<p>We publish on our website:</p> <ul style="list-style-type: none"> • Annual reports from our internal and external auditors. • Mid-year internal audit updates and forthcoming internal audit plans. • Reports from His Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) • Information required by the Local Government Transparency Code 2015 and Trade Union (Facility Time Publication Requirements) Regulations 2017. • Guidance on how to make a freedom of information request or subject access request and how long it we will take to process it. • An annual assessment of the systems and controls that ensure strong governance of the Authority (Annual Governance Statement). • An annual assessment of our operational performance against the requirements of the Fire and Rescue National Framework (Statement of Assurance).

By: Director, Finance and Corporate Services
To: Audit and Governance Committee – 29 January 2025
Subject: CONSULTATION – LOCAL AUDIT REFORM
Classification: Unrestricted

FOR DECISION

SUMMARY

Members have been regularly updated about the National issues in relation to the Local Audit system and have received regular updates from Officers and our External Auditors Grant Thornton.

The Government has committed to a series of measures to fix the system and as part of their proposals has issued an Open Consultation on [Local audit reform: a strategy for overhauling the local audit system in England - GOV.UK](#) . Attached at **Appendix 1** is the Authority's proposed response for Member consideration following a consultation with the Chair of Audit and Governance Committee.

RECOMMENDATIONS

Members are requested to:

1. Agree the proposed response to the Government Consultation on Local Audit Reform (paragraph 1 to 4 and **Appendix 1** refer).

LEAD/CONTACT OFFICER: Head of Finance, Treasury and Pensions - Nicola Walker

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EMAIL: nicola.walker@kent.fire-uk.org

BACKGROUND PAPERS: [Independent Review of the Financial Reporting Council Local authority financial reporting and external audit: independent review - GOV.UK](#)

Background

1. The Local Audit system for Local Authorities includes the procurement, contract management and delivery of audit services, codes of practice, regulation and accountability for performance. The system has been in difficulties for a number of years, with last year being the worst, with only one percent of local bodies' audited accounts published on time (for 2022/23 accounts) and 918 outstanding audit opinions as of September 2023. There is now such a substantial backlog of Audits, that this is having an impact on the early warning system over the state of local government finances. There are three systemic challenges:
 - **Capacity** – A severe lack of Auditors, with a limited number of firms operating in the sector
 - **Co-ordination** – Multiple organisations have a statutory role to oversee and regulate audit, across various sectors, countries and with responsibilities for different frameworks. There is no clear ownership of the system, and this limits the ability to align incentives and establish a single vision.
 - **Complexity** – Financial reporting and audit requirements are disproportionately complex, beyond the system's capacity and inadvertently incentivised risk aversion. Standards are largely modelled on corporate audit rather than the needs of local bodies.
2. The Government have consequently set out a number of proposals to help repair these issues, in an open consultation to stakeholders.

Consultation Proposals

3. This Government consultation [Local audit reform: a strategy for overhauling the local audit system in England - GOV.UK](#) has a closing date of 29 January 2025. Within the document, there are six key areas where reform has been identified. They are:-
 - **The purpose of local audit** - Reforms must be guided by a vision statement, key principles and be driven by user needs.
 - **Local Audit Office remit** - The government accepts the Redmond and Kingman Reviews' recommendations for a new oversight organisation to simplify the system and drive change.
 - **Financial reporting and accounts** - Reforms should consider the needs of the user and the impact of accounting requirements on the work of account preparers, auditors and the wider audit system.

- **Capacity and capability** - Delays and complexity disincentivise the right skills from entering the market, leading to less timely, less effective audit. The government will work to ensure that bodies have skilled and resourced account preparers. In order to strengthen the capacity of the sector, consideration will also be given to supplementing private sector audit with public provision.
 - **Underpinning the system; relationships and audit regimes** - Existing relationships between local bodies and their auditor need to be strengthened and their respective relationship with the LAO must be clear. The collective scrutiny of audits as part of the democratic process, such as Audit Committees, will be strengthened, and the potential for local accounts committees for strategic authority areas in England will be considered. Audit regimes will be reviewed to ensure they are fit for purpose in the short and long term.
 - **Local audit backlog** - Significant and difficult work undertaken by finance teams and auditors to clear the backlog to date is a necessary step to reform. The government recognises that there is further work required to support the recovery process including guidance, advice and support.
4. As a stakeholder the Authority has been asked to respond to 32 questions and has set out a proposed response for members consideration and agreement at **Appendix 1** .

IMPACT ASSESSMENT

5. This stakeholder response, forms part of the Government's wider considerations of the impact on its proposals.

RECOMMENDATIONS

6. Members are requested to:
- 6.1 Agree the proposed response to the Government Consultation on Local Audit Reform (paragraph 1 to 4 and **Appendix 1** refer).

KENT FIRE AND RESCUE SERVICE (KFRS) RESPONSE TO THE OPEN CONSULTATION

[Local audit reform: a strategy for overhauling the local audit system in England - GOV.UK](#)

Question 1: Do you agree the Local Audit Office (LAO) should become a new point of escalation for auditors with concerns?

We welcome the proposal that the LAO becomes a new point of escalation for auditors with concerns and would see this as an enhancement to the current process where the Auditors statutory powers are not currently monitored.

Question 2: Do you agree relevant issues identified should be shared with auditors, government departments and inspectorates?

We do agree that relevant issues identified should be shared with auditors, government departments and inspectorates to provide a holistic approach and focus where issues have been identified to enable organisations to focus their improvement plans.

Question 3: Should the LAO also take on the appointment and contract management of auditors and for smaller bodies in the longer term? If so, when should responsibilities transfer from SAAA?

To ensure consistency and quality of audits in the longer term it would be appropriate that the appointment and contract management of auditors for smaller bodies transfer from SAAA to LAO. However, given the current issues with regard to Audit and the substantial amount of work that will be required to bring in these initial changes it feels that we are some way off considering any timescale for this transfer at this moment in time and that perhaps this is something to review once all the initial changes have embedded.

Question 4: Should the LAO oversee a scheme for enforcement cases relating to local body accounts and audit?

We agree with the proposal for the LAO to oversee a scheme for enforcement cases relating to local body accounts and audit.

Question 5: How could statutory reporting and Public Interest Reports be further strengthened to improve effectiveness?

We have nothing to add.

Question 6: Should the scope of Advisory Notices be expanded beyond unlawful expenditure, or actions likely to cause a loss or deficiency, as defined by the Local Audit and Accountability Act, to include other high-risk concerns?

We would need to understand what “other high-risk concerns” you are referring to as there is a danger that Auditors would be commenting on areas outside of their expertise and areas that may already be covered by other specialist bodies such as inspectorates. Given the limited resources available to deliver the current service the focus should be on delivering the current level of service as a priority before considering any increase to workloads and reporting.

Question 7: Should the LAO own the register of firms qualified to conduct local audits?

We agree that the LAO would be best placed to own the register of firms qualified to conduct local audits.

Question 8: Should the LAO hold the power to require local bodies to make changes to their accounts, so that auditors could apply to the LAO for a change to be directed instead of needing to apply to the courts?

We would hope that these occasions are few and changes can be agreed and resolved professionally without court intervention. It would be less onerous if the LAO held the power to require local bodies to make changes to the accounts to enable this to be resolved in a more cost effective and timely manner as opposed to a court application. However, we would not want to see an increase in applications made due to the easier nature that this change would bring and would always advocate these difference of opinions are resolved through discussion in the first instance.

Question 9: What are the barriers to progressing accounts reform?

KFRS welcomes proposals to reform and simplify the content and format of Local Authority Accounts. One of the barriers for reform that we can see is the need for early engagement with those professional bodies on whose expertise we rely on for specialist areas that feed into the accounts. These include areas such as Property Valuations, Investment and Pension Valuations, as any proposed changes in those areas may require professional bodies such as the Royal Institution of Chartered Surveyors (RICS) or Pension actuaries to potentially consider changes to their own working practices.

Question 10: Are there structural or governance barriers to accounts reform that need to be addressed?

We are not aware of any structural or governance barriers to accounts reform that need to be addressed.

Question 11: Should any action to reform be prioritised ahead of the establishment of the LAO?

We are not aware of any actions that would need to be prioritised ahead of the establishment of the LAO.

Question 12: Are there particular areas of accounts which are disproportionately burdensome for the value added to the accounts?

Over the past couple of years, the reporting and accounting for assets, financial instruments and pensions have become disproportionately burdensome for the value added to the accounts. This has subsequently led to the Audit focus concentrating heavily on these areas and both the Authority and the Auditors engaging outside specialists to provide the necessary valuations and supporting information at great cost to the Public Purse. At times where the Authority specialist and the Audit appointed specialist have not agreed with the approach taken this has then incurred further expenditure on both sides to either substantiate and agree an approach or the need for further specialist reports for assets/investments/pensions to concur that the approach taken was the correct one. This is all for assets that do not have as high a turnover in the public sector as our private sector comparators.

Question 13: Do you agree that the current exemption to the usual accounting treatment of local authority infrastructure assets should be extended and if so, when should it expire?

KFRS do not hold Infrastructure assets and so are not best placed to respond to this question. However, this is a good example that highlights the difference and difficulties between Public and Private sector and how public sector assets do not have the same high turnover as organisations that are profit seeking. Infrastructure assets are likely to be held indefinitely by Council's and the change in accounting regulations require a disproportionate amount of money spent on valuations and the gathering of historic cost information, which may not exist for an asset that will never be sold. From a public perspective does it matter if a road is on the balance sheet for a £1 or £10,000,000 if a capital receipt is never going to be achieved.

Question 14a: Should the LAO adopt responsibility for CIPFA's Code of Practice on Local Authority Accounting?

At this moment in time, it is difficult to comment on this until we can see the proposals as to how the newly formed LAO will operate and perform and the expertise that will reside within it. There is a need for the LAO to work very closely with CIPFA to ensure alignment with the conduct of local audit without taking over responsibility for CIPFA's Code of Practice on Local Authority Accounting.

The two professions Auditing and Accounting are different and view things from their own areas of professionalism. CIPFA should continue to take responsibility for the Code of Practice on Local Authority Accounting, ensuring that standards are set and applied in a pragmatic way to make sure accounts are meaningful and reflect the risks that local authorities/fire and rescue services face.

Question 14b: Are there other options relating to responsibility of CIPFA's Code of Practice?

Current responsibility resides with CIPFA, and we would envisage that would continue.

Question 15: Should the Accounting Code be freely available if it is not transferred to the LAO?

CIPFA's Code of Practice is not the easiest document to understand and we are charged a substantial sum of money for something that we have to purchase each year in order to comply with the latest accounting regulations and would therefore welcome that the accounting code is available freely regardless to both Public Bodies and members of the Public should they wish to see it.

Question 16: What additional support should be provided to finance teams, audit committees and elected members to develop and strengthen financial governance?

Some Finance teams are struggling to recruit and retain technical finance roles due to the complexity and experience required in this area. It is important that finance teams review their succession planning in these areas. Here at KFRS we have made use of the CIPFA Apprenticeship programme to assist with our succession planning and have also added to the public sector finance limited pool. There is currently a Government Consultation on the potential to withdraw funding for the Level 7 Accountancy and Taxation apprenticeship and in the event that this funding is withdrawn consideration needs to be given for CIPFA to have some form of funded graduate scheme to replace this with. With limited funds in the Public Sector, it is costly to develop fully qualified finance professionals, and it takes time to develop the experience and knowledge required. As the pool from which we draw reduces a market for finance agency technical professionals has developed, with experienced accounting professionals being actively approached to leave the public sector and move to high paid agency work.

Our members have regular training sessions prior to the commencement of meetings, covering items such as regular treasury and economic updates from our Treasury Advisors, fraud awareness training and risk management training. Some of the more complex reports are accompanied by a power point presentation by officers to highlight and talk through key items and clarify any understanding. In the past this has covered topics such as the Financial Statements with a Summary set of accounts available on our website for the public and members to access, the MTFP budget assumptions and key financial risks. This has been well received by members and we would see this as good practice.

Question 17: How should KAP eligibility be extended further, should some categories of local audit be signed off by suitably experienced RIs (and if so, which)?

We are aware that Local Authorities have other areas that are required to be signed off by local audit such as benefit audits, port, and harbour accounts etc, but feel that they are probably best placed to answer this question.

Question 18: Should the market include an element of public provision?

Public Sector Finance is very different to private sector finance and requires a different level of knowledge and understanding when Auditing. Whilst anything that can be done to improve capacity in Public Sector Audit would be welcome it would be essential that the resource provided is of the appropriate quality and that those undertaking it have the correct skill set and training to undertake this. Currently this is not in place and so it is difficult to provide a definitive viewpoint on this without understanding how this would be facilitated.

Question 19: If yes, should public provision be a function of the LAO?

We would need more information as to how this would be undertaken before forming a view.

Question 20: What should the initial aim be in relation to proportion of public and private provision?

As per Question 19

Question 21: Should the Secretary of State, in consultation with the LAO and for defined periods, set an envelope within which the body could determine the appropriate proportion of public provision for the market?

The Local Audit system needs reform and we feel this has to be the main area of focus before any public provision for the market is considered.

Question 22: Do you think that the Chair of an audit committee should be an independent member?

Whilst we feel that having an independent member or members on the Committee provides valuable input to the Audit Committee and broadens the skill set of the membership, we do not feel that the Chair of an audit committee has to be an independent member. It is more important to appoint a Chair with the correct skill set and knowledge that is able to provide robust reviews and challenge.

Question 23: Do you have views on the need for a local public accounts committees or similar model, to be introduced in combined authority areas across England?

As we are not currently part of a combined authority area, we are not best placed to answer this question, and we would need to understand how this would work before finalising a view on this. Although we would ask, that consideration is given to further resource requirements this may add to the sector,

Question 24: Would such a model generate more oversight of spending public money locally?

We do not feel that this would generate more oversight of spending public money locally.

Question 25: How would the creation of such a model impact the local audit system and the work of local auditors?

The current system is already under substantial pressure due to a lack of suitably trained and qualified Auditors and this would increase the workload and provide even further levels of scrutiny for a sector that is already struggling to recruit.

Question 26: Do you agree that the MLA threshold should be increased?

As the last time this was reviewed was in 2014, ten years is a long time to have remained with the same thresholds and we do agree that a review should be undertaken with a view to increasing the threshold for Major Local Audits.

Question 27: Do you agree that some local bodies should be declared exempt from the regulatory focus of an MLA? For example, should Integrated Care Boards be exempt?

We would welcome a risk-based approach with regard to the exemptions of organisations as opposed to just a finite level based on total income and expenditure.

Question 28: Do you agree that smaller authorities' thresholds should be increased?

As the last time this was reviewed was in 2014, ten years is a long time to have remained with the same thresholds and we do agree that a review should be undertaken with a view to increasing the threshold.

Question 29: Do you agree that the lower audit threshold of £25,000 should be increased broadly in line with inflation?

We agree that the lower audit threshold should be increased, and that increasing it in line with inflation would be one suitable consideration.

Question 30: Are there other changes that would improve the accounting and limited assurance regime for smaller authorities?

Consideration should be given to undertaking a risk-based approach. Where an authority has consistently shown a high level of governance and limited audit findings perhaps consideration for a full audit in one year, with a lighter touch approach focusing on key high-risk areas only in the following subsequent two years.

Question 31: What additional support, guidance or advice do local bodies and/or auditors need for future statutory deadlines (including backstop dates) for the publication of audited accounts?

Consideration for the lead in time for the implementation of any changes in accounting regulations would be most appreciated.

It would also be helpful to agree the requirement of the Pension Actuary reporting prior to closure of the accounts. Reports are obtained and then Auditors require further information which incurs a cost to the Authority and impacts on the workload for Auditors/Finance Teams and the Actuary. So, if clear guidance/instruction can be given on what Actuaries should provide in their initial report prior to closure this can be included in any actuary contracts and reduce the level of increased time and costs for the Auditor and Actuary as well the increased workload on the Finance Team.

Question 32: Do you think that financial reporting and/or auditing requirements should be amended for a limited period after the backlog has been cleared and as assurance is being rebuilt, to ensure workload and cost are proportionate?

At KFRS we fortunately do not have any audit backlog and so are not best placed to answer this question.

Corporate and Strategic Risk Register

January 2025

LEAD/CONTACT OFFICER: Paul Goodwin- Strategy and Risk Manager

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EMAIL: paul.goodwin@kent.fire-uk.org

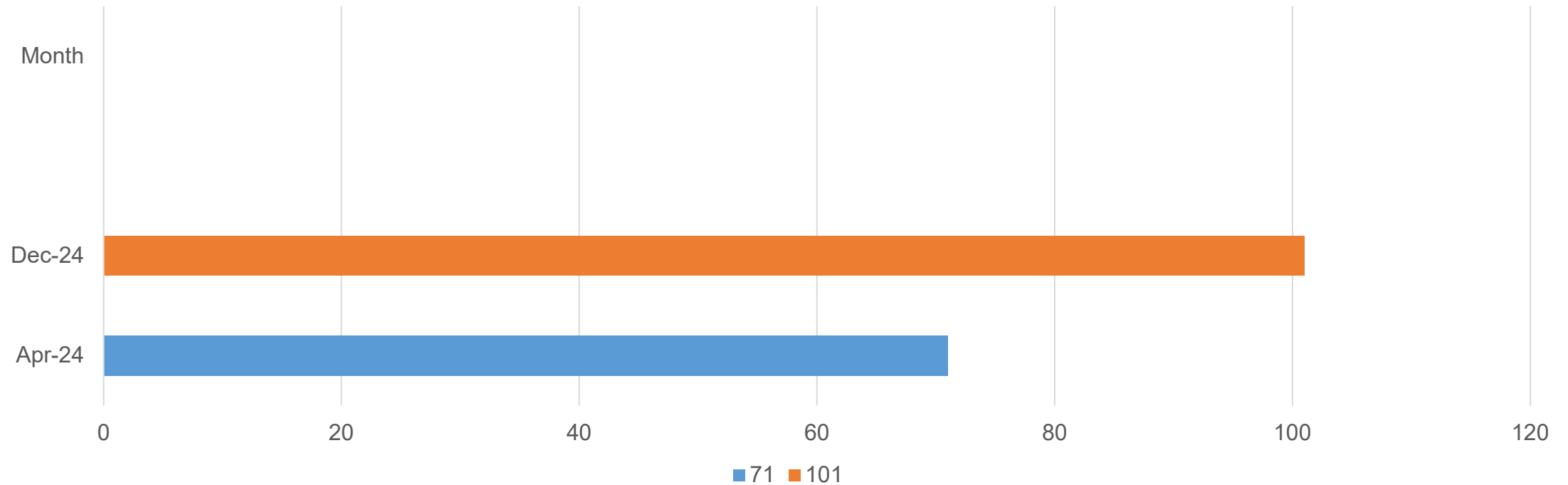
BACKGROUND PAPERS: None



Kent Fire &
Rescue Service

together

No. of risks since new process started April 2024



Kent Fire &
Rescue Service

together

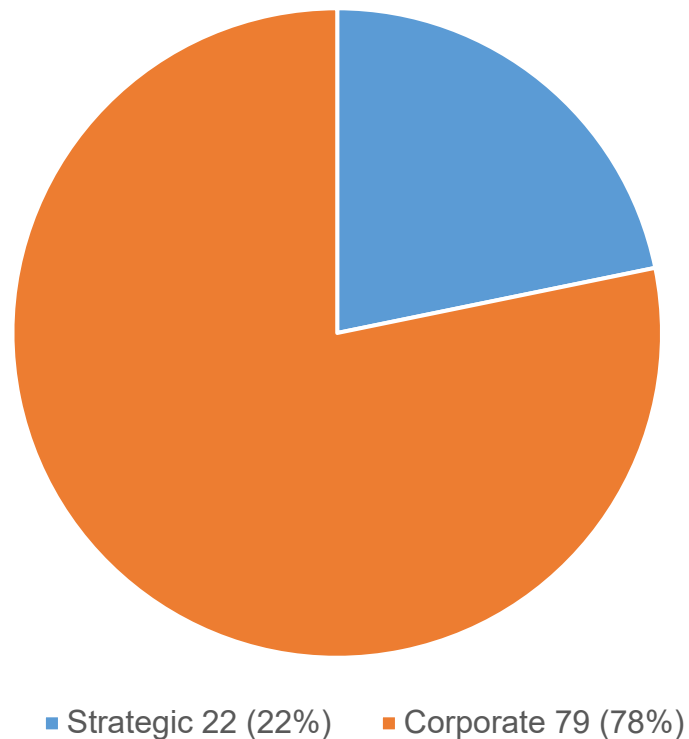
Strategic And Corporate Risks

- The KFRS Corporate risk register comprises:
 - Strategic risks, identified and defined by CMB as the major risks that could prevent management from fulfilling the objectives in the service's agreed strategy; and
 - Corporate risks, mainly identified by teams across the service. It does not include all the organisation's operational risks – a FRS will often have hundreds of these – just the most significant ones. These are identified through several mechanisms including evaluation of risks in the main strategic programme of projects.



Strategic and Corporate – 101 risks

Strategic and Corporate



Likelihood rating for risks

Score	Likelihood	Description
5	Almost Certain	Expected to occur; probable this year and highly probable in the longer term.
4	Likely	Will probably occur; it would be surprising if this did not happen.
3	Possible	Unlikely in the near future but reasonably likely in the longer term.
2	Unlikely	Do not expect it to happen in the near future but might occur in the longer term.
1	Remote	It would be surprising if this happened; may occur in exceptional circumstances.

Impact rating for risks

Score	Impact	Description
5	Extreme	May cause key objectives to fail. Very significant impact on organisational goals. Legal or regulatory implications. Significant reputational impact.
4	Major	Risk factor may lead to significant delays or non-achievement of objectives.
3	Moderate	Risk factor may lead to delays or increase in cost.
2	Minor	Some impact of the risk, fairly minor.
1	Incidental	Fairly insignificant, may lead to a tolerable delay in the achievement of objectives or minor reduction in quality, quantity and/or an increase in cost.



Risk Evaluation

Ranges from 1-25, on 5x5 grid, with four grades of risk

Likelihood x Impact

Extreme 15-25

High 8-12

Moderate 4-6

Low 1-3

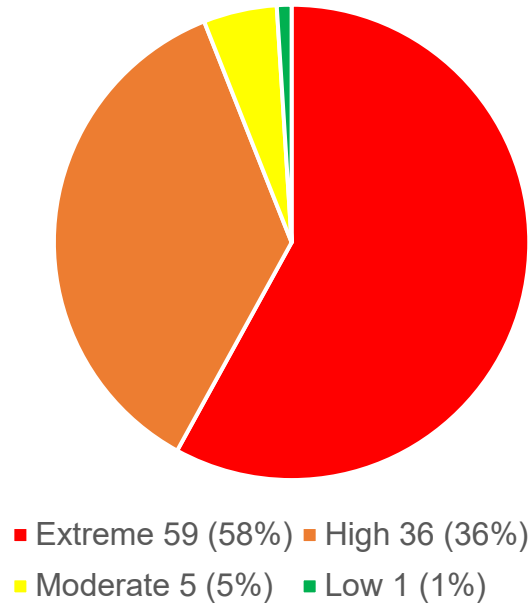


Kent Fire &
Rescue Service

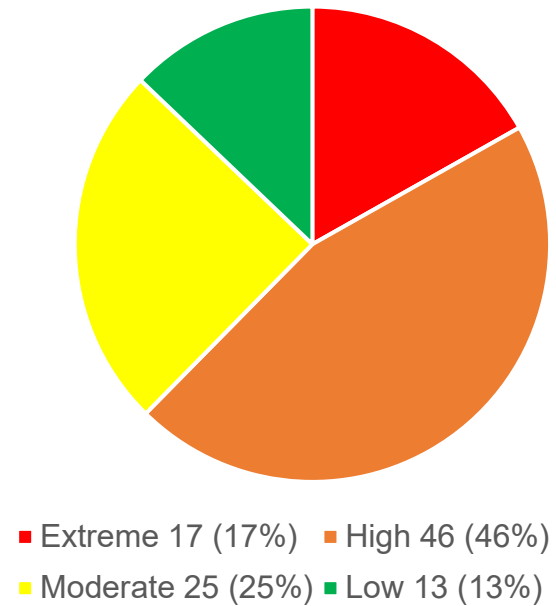
together

Raw and Residual Risk Score

Raw Score



Residual Score



Strategic Risks

Risk ID	Risk Description	Raw Score	Speed of Onset	Residual Score
1	IF we have Industrial Action ... THEN we face a loss of effective services to our customers, Including potential loss of life, loss of reputation, fines, impact on finances and intervention into the Service.	10	2	8
2	IF Financial sustainability is compromised ... THEN we may not be able to deliver our mission critical services or changes required by our CRMP.	16	1	12
3	IF sufficient firefighting and rescue equipment and vehicles of the required standard were unavailable as required ... THEN an effective emergency response could not be provided.	20	2	10
4	IF the arrangements for mobilising emergency resources failed ... THEN an effective emergency response couldn't be maintained including potential for loss of life, fines and reputational damage.	25	5	15
7a	Death of colleague in service (Incident): IF an employee is seriously injured/killed in any area of activity ... THEN we would have a serious impact on our customers (internal and external), with potential significant financial, cultural, legal and reputational impacts on the Service.	20	5	10
7b	IF a volunteer is assaulted or killed while they are attending an incident as a member of the Volunteer Response Team or while they are attending an event or open day ... THEN we would have a serious impact on our customers (internal and external), with potential significant financial, cultural, legal and reputational impacts on the Service.	20	5	10



Strategic Risks

Risk ID	Risk Description	Raw Score	Speed of Onset	Residual Score
12	IF we have extreme weather ... THEN the impacts on customer safety will increase and our ability to respond to customers need reduce, causing further risk to customer safety.	20	4	15
14	IF effective safeguarding arrangements aren't put in place ... THEN customers may not receive specialist support or onward referral which may result in the customer experiencing neglect or harm.	20	4	5
15	IF Building Safety monitoring and enforcement is ineffective ... THEN a serious incident could lead to an extended investigation or scrutiny of the Service.	25	4	16
19	IF water provisions are insufficient to extinguish a fire due to water companies pressure reduction techniques ... THEN the Authority could fail to manage an incident and would have problems extinguishing a fire with potential delays, resulting in increased potential of loss of life or property, and significant reputational damage and potential financial loss for the Authority.	20	5	16
25	IF we fail to understand and design data fully ... THEN we will potentially make mistakes in decisions at all levels as we won't have the right facts to support decisions.	16	3	9
31	IF the Authority is unable to obtain the required levels of insurance cover ... THEN the Authority's reserves will be impacted.	12	3	6



Strategic Risks

Risk ID	Risk Description	Raw Score	Speed of Onset	Residual Score
34	IF crews are exposed to contaminants ... THEN operational colleagues could have long term health implications and the Service could face legal expenses and fines and associated reputational loss.	16	2	12
36	IF the Authority suffers a large-scale data breach, examples of which include deliberate or accidental sharing of data by an employee, cyber attack or unintended result of a cyber attack ... THEN it may be liable to significant fines from the ICO, legal claims from affected parties, loss of sensitive data, some of which may also be operationally sensitive, and significant loss of trust and reputational damage. Recovery may be protracted, resource intensive and costly.	25	5	20
38	IF the Service has a loss of Information Technology (IT) due to system failure ... THEN the ability to maintain critical functions and services may be impacted, resulting in a failure to maintain legal duties, resulting in significant financial loss and or reputational damage.	12	5	9
40	IF the Service is impacted by a Cyber (malicious) attack ... THEN the ability to maintain critical functions and services may be impacted, resulting in a failure to maintain legal duties, resulting in significant financial loss and or reputational damage.	25	5	20
45	IF we lose a KFRS site (including access to the site) ... THEN there could be impacts on the Service and its ability to discharge critical functions and activities. This could be FRCC, stations, SHQ or training facilities. Impact varies dependent on the cause and/ or the locations affected but significant reputational risk is possible	8	5	4



Strategic Risks

Risk ID	Risk Description	Raw Score	Speed of Onset	Residual Score
76	IF the authority fails to respond to change of risk profile due to impact of migration ... THEN the Authority may not have suitable and sufficient resources for prevention, protection and response measures, e.g. community insight engagement, and Prevention team, visits by RIT.	12	3	6
86	IF we fail to appropriately prioritise and plan resources to deliver ... THEN we will create confusion, lack of direction and focus, inefficiencies and degradation of colleagues. Programmes, projects and BAU will not be delivered.	25	2	15
89	IF the website support service supplier data centre is hacked ... THEN our website could fail and we wouldn't be able to fulfill our duties under the civil contingencies act.	9	5	6
96	IF Dynamics 365 suffers a catastrophic failure ... THEN we will be unable to access premises and customer risk information when delivering Building Safety, Customer Safety and Operational response.	4	5	3
98	IF there are further successful legal challenges in relation to the firefighter pension scheme regulations ... THEN the Authority may take decisions to address any issues before new or amended pension scheme legislation is in place, which could have a financial impact on individuals who have retired, or will be retiring, and subsequently lead to legal, financial and reputational impacts on the Authority.	20	2	3



To Note

- Have developed and initiated **Potential New Corporate Risk Form** and **Bow-tie analysis** to aid assessment and evaluation of risks. This also provides an evidence base for inspection and audit. Now using these on all new suggested risks going forwards.
- **Business Plans and Exercise/ Testing Register** being developed.
- **Legislation and Compliance Register** – bringing together a comprehensive list of all legislation and guidance relevant to a Fire and Rescue Service. Will be shared with the NFCC at the appropriate time.
- **Policy Tier Two and Three papers** being drafted.





INTERNAL AUDIT PROGRESS REPORT

29 January 2025

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1. Introduction

The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place, within the Authority, is effective and supports Audit and Governance Committee in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within Kent and Medway Fire and Rescue Authority (KMFRA) that are most at risk of impacting on the KMFRA's ability to achieve its objectives.

Upon completion of an audit, an assurance opinion is given on the effectiveness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.

This activity report provides Members of the Audit Committee and Management with summaries of 2 completed pieces of work between November and December 2024.

2. Key Messages

- 2 audits have been finalised in the period reported. **Appendix A**
- 76% of the 2024-25 Audit Plan is either in fieldwork or reporting stage.
- 100% medium priority issues due from previous audit plans have been implemented.
- An action plan has been determined to ensure that Internal Audit Complies with the new Global Internal Audit Standards. Good progress has been made however, for a number of actions it is a matter of timing in the audit process for these to be delivered/ evidenced.
- Audit definitions relating to Opinions and issue priorities are detailed in **Appendix B**
- Internal Audit Performance for the period is detailed in **Appendix C**
- Internal Audit have won a national award for “Excellence in Public Sector Audit” at the Public Finance awards.

3. 2024/25 Internal Audit Plan Progress

This report also provides an update on the work completed between November and December 2024. Though the Audit Plan progress is below target there are no material concerns at this point in delivery of the Audit Plan by 31 March 2025. The audit summaries are provided at [Appendix A](#).

Graph 1 – Internal Audit Plan Progress

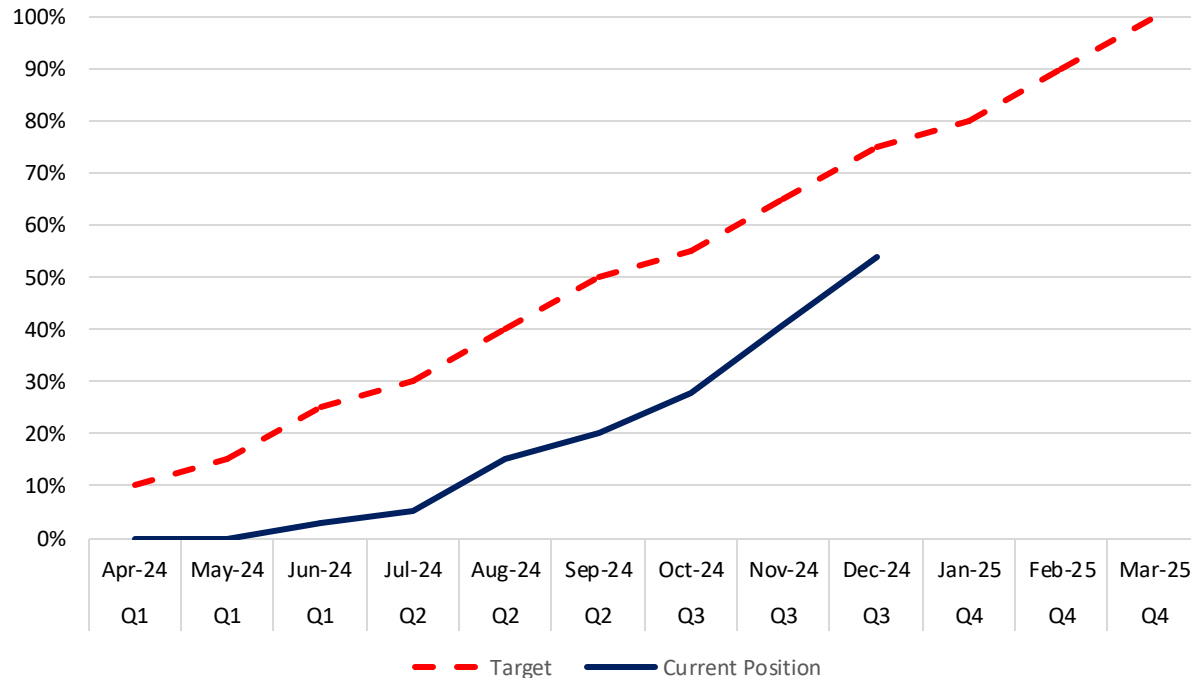


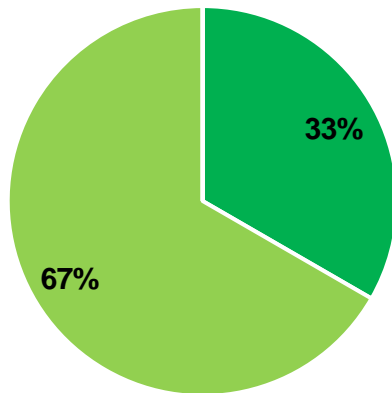
Table 1- Audit Plan Status

Status	Number of Audits	%
Not Started	0	0%
Planning	2	24%
Fieldwork	3	38%
Draft Report	0	0%
Final Report	3	38%
Removed	0	0%
Total	8	

Table 2 below provides an update on our progress against the 2024/25 Audit Plan:

Ref	Audit	Quarter	Status	Assurance Opinion	Prospects for Improvement	Reported to Members
FS01	Standards in Public Life	Q1	Complete	Substantial	Good	January 2025
FS02	Disaster (Cyber Security) Recovery & Back Up Arrangements	Q1	Fieldwork			
FS03	Communication and Engagement KFRS Website and Social Media	Q2	Complete	Substantial	Good	January 2025
FS04	Building Safety Enforcement	Q2	Complete	High	Good	November 2024
FS05	Tax	Q3	Fieldwork			
FS06	Incident Command Training	Q3	Planning			
FS07	Control Room	Q4	Fieldwork			
FS08	Risk Management	Q4	Planning			

Assurance Levels 2024-25



- High
- Substantial
- Adequate
- Limited
- No

Assurance Level	No	%
High	1	33%
Substantial	2	67%
Adequate	0	0%
Limited	0	0%
No	0	0%

Prospects for Improvement	No	%
Very Good	0	0%
Good	3	100%
Adequate	0	0%
Uncertain	0	0%

4. Issue Implementation – Audits undertaken between 2021 – March 2024

This is a position statement setting out the outstanding actions from the prior years audits (Implementation of Agreed Management Actions). This details the implementation status of 2 medium risk actions, as categorised by the assurance level assigned to the original report.

The status of implementation agreed actions is summarised below:

Table 3 - Summary of Issue Implementation

	Total Number due for Implementation		Implemented		In Progress		Not Implemented		Superseded	
	High	Medium	High	Medium	High	Medium	High	Medium	High	Medium
Total	0	2	0	2	0	0	0	0	0	0
Total %			0%	100%	0%	0%	0%	0%	0%	0%

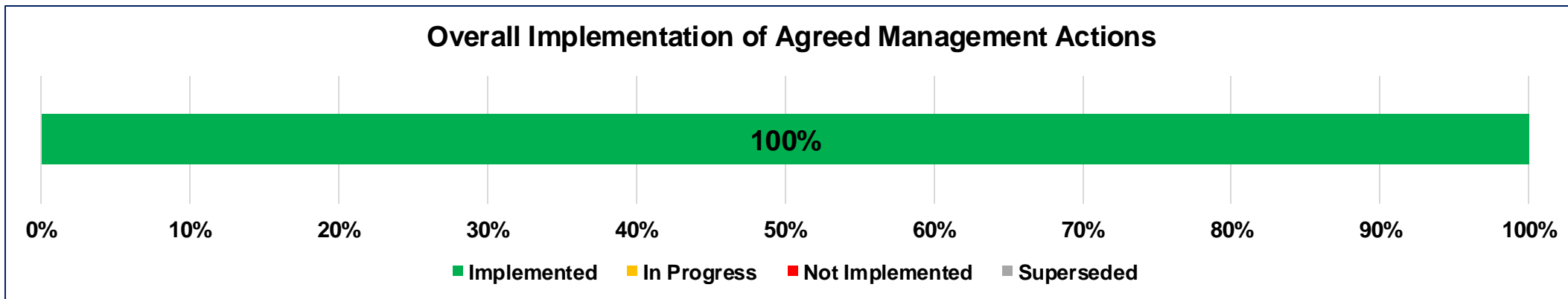


Table 4 – Status of all Open Agreed Management Actions

Ref	Audit	Audit Date	Assurance Opinion	Issue	Priority	Status	Revised Date
FS03-2021	Contract Management – Major contracts	13 September 2021	Substantial	Issue 1 – Contract Manager Responsibilities	Medium	Not Due	
FS05-2022	Equalities, Diversity & Inclusion	1 December 2021	Substantial	Issue 2 – Deleting EDI Data	Medium	Implemented	
FS01-2024	Health & Safety	1 August 2023	Substantial	Issue 3 – Display Screen Equipment Self-Assessments	Medium	Implemented	
FS06-2024	Climate Change	1 March 2024	Substantial	Issue 2 – Devising a Plan for Funding Arrangements	Medium	Not Due	

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5. Counter Fraud

There have been no reported frauds or irregularities since 01 April 2024.

6. Resources

In accordance with the Public Sector Internal Audit Standards and Global Internal Audit Standards, Members need to be appraised of relevant matters relating to the resourcing of the Internal Audit function. The key updates are as follows:

- The Internal Audit Team is now fully resourced with no current vacancies.
- New Audit Management software has been adopted by the Internal Audit Team which should provide a number of enhancements to Internal Audit Processes.
- There is adequate technology available to support the completion of the Rolling Internal Audit Plan including data analytics tools such as PowerBi.
- All audits identified in the 2024/25 Audit Plan have been allocated to specific Auditors.

7. Performance Indicators - 2024-25 Performance & 2021 to March 2024 Action Plan Performance

As part of the Service Level Agreement between KCC and KFRS, Performance Indicators are in place to measure both the performance of Internal Audit and the timeliness of officers' responses to audit plans and reports. Current performance in relation to the performance indicators is given in **APPENDIX C**. Two performance indicators (% completion of Annual Plan and % completion of actions due) are reported at year end only.

Agreed Draft Report dates have not been achieved for the 3 audits that have been completed to date. This will be monitored closely for the remainder of the plan, so that any improvements can be seen in the remainder of the 5 audits on the plan.

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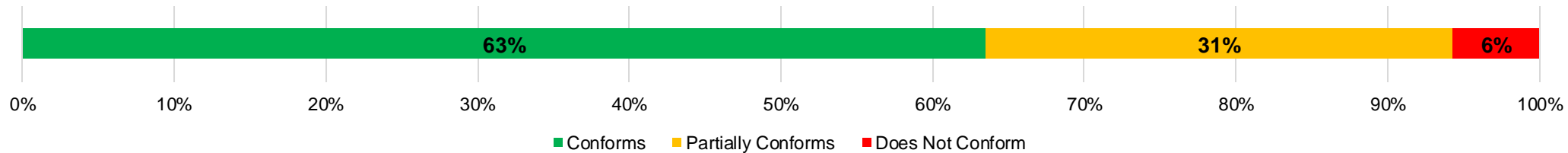
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8. Global Internal Audit Standards - Update

The new [Global Internal Audit Standards](#) came into effect January 2025 in which there are 15 guiding principles and 53 individual standards that enable effective internal auditing. An assessment against the standards has been undertaken and an action plan has been determined.

Assessment Against New Global Internal Audit Standards



Improvement and enhancement actions have been determined against each area of partial conformance and non-conformance and will be addressed during 2024/25 and 2025/26. For the majority of actions, it is a matter of timing in the audit cycle or evidence to be collated of current processes for these to be addressed. However, for Members assurance the areas of non-conformance and their actions relate to the following:

Areas of Non-Conformance	Actions	Status
Resources	The position on resources is required to be reported to the Audit Committee including the wider implications (for example IT software and tools). This has been included within this Progress Report and will be included in subsequent reports.	Implemented
Internal Audit Strategy	<p>An Internal Audit Strategy is currently being developed which must include:</p> <ul style="list-style-type: none"> - Visions and strategic objective aligned to the organisation objectives and strategies and Member/senior management expectations - Types of services to be delivered - Continuous improvement - Plan and targets for achieving the objectives - Including delivery dates - SWOT analysis - Training and developing competencies of the function - Use of technology <p>Strategy needs to be reviewed regularly and take into account changes in organisations strategies and Governance and risk management maturity. A draft strategy has been documented and will be brought to a future Committee for approval.</p>	In Progress
Financial Resource Management	There is a requirement to present budget changes to the board however, this is likely to not be applicable to Audit Teams in local government. Internal Audit are awaiting guidance from CIPFA. We will include the fee we are proposing to charge in the Annual Plan.	Not Applicable

Although it is the responsibility of the Chief Audit Executive to facilitate the conditions below, the Standards set out a number of essential conditions for Senior Management and the Audit Committee. *(Note where the Standards refer to the Board this represents the Governance and Audit Committee)*

Senior Management	Audit and Governance Committee
<ul style="list-style-type: none"> Participate in discussions with the board and chief audit executive and provide input on expectations for the internal audit function that the board should consider when establishing the internal audit mandate. Support the internal audit mandate throughout the organisation and promote the authority granted to the internal audit function. 	<ul style="list-style-type: none"> Discuss with the chief audit executive and senior management the appropriate authority, role, and responsibilities of the internal audit function. Approve the Internal Audit Charter, which includes the internal audit mandate and the scope and types of internal audit services
<ul style="list-style-type: none"> Communicate with the Board and Chief Audit Executive about management’s expectations that should be considered for inclusion in the Internal Audit Charter. 	<ul style="list-style-type: none"> Discuss with the Chief Audit Executive and Senior Management other topics that should be included in the internal audit charter to enable an effective internal audit function. Approve the internal audit charter. Review the internal audit charter with the Chief Audit Executive to consider changes affecting the organisation, such as the employment of a new Chief Audit Executive or changes in the type, severity, and interdependencies of risks to the organisation.
<ul style="list-style-type: none"> Work with the board and management throughout the organisation to enable the internal audit function’s unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate. 	<ul style="list-style-type: none"> Demonstrate support to Internal Audit by: <ul style="list-style-type: none"> Specifying that the Chief Audit Executive reports to a level within the organisation that allows the internal audit function to fulfil the internal audit mandate. Approving the Internal Audit Charter, Internal Audit Plan, budget, and resource plan. Making appropriate inquiries of Senior Management and the Chief Audit Executive to determine whether any restrictions on the internal audit function’s scope, access, authority, or resources limit the function’s ability to carry out its responsibilities effectively. Meeting periodically with the Chief Audit Executive in sessions without Senior Management present.
<ul style="list-style-type: none"> Support recognition of the internal audit function throughout the organisation. 	<ul style="list-style-type: none"> Champion the internal audit function to enable it to fulfill the Purpose of Internal Auditing and pursue its strategy and objectives.

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Senior Management	Governance and Audit Committee
<ul style="list-style-type: none"> Engage with the board to determine the Chief Audit Executive's qualifications, experience, and competencies. 	<ul style="list-style-type: none"> Review the requirements necessary for the Chief Audit Executive to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function. Approve the Chief Audit Executive's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
	<ul style="list-style-type: none"> Communicate with the Chief Audit Executive to understand how the Internal Audit function is fulfilling its mandate. Communicate the board's perspective on the organisation's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities. Set expectations with the chief audit executive for: <ul style="list-style-type: none"> The frequency with which the board wants to receive communications from the chief audit executive. The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance. The process for escalating matters of importance to the board. Discuss with the chief audit executive disagreements with senior management or other stakeholders and provide support as necessary to enable the chief audit executive to perform the responsibilities outlined in the internal audit mandate.
<ul style="list-style-type: none"> Collaborate with the board and the chief audit executive to determine the scope and frequency of the external quality assessment. Review the results of the external quality assessment, collaborate with the chief audit executive and board to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans. 	<ul style="list-style-type: none"> Review and approve the chief audit executive's plan for the performance of an external quality assessment. Such approval should cover, at a minimum: <ul style="list-style-type: none"> The scope and frequency of assessments. The competencies and independence of the external assessor or assessment team. The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment. Review and approve the chief audit executive's action plans to address identified deficiencies and opportunities for improvement, if applicable.

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Appendix A - Summaries

FS01-2025 – Standards of Public Life

Audit Opinion	Substantial
Prospects for Improvement	Good

Introduction

As part of the 2024/2025 Audit Plan, Internal Audit undertook this review of the Standards in Public Life at KFRS, with a specific focus on Leaders communicating expected behaviours and leading by example. The aim of the audit is to provide assurance that there are effective controls to ensure that KFRS leaders clearly and consistently behave and lead by example in accordance with the Standards in Public Life. The scope laid out in the Internal Audit Plan was adjusted to avoid overlap with a recently completed audit on the Code of Ethical Conduct. The revised scope was approved by the Corporate Management Board.

Key Strengths

- ✓ There is a Code of Ethics for Senior Managers (herein referred to as the Senior Code) in KFRS, with the Standards of Public Life clearly embodied as expected behaviours.
- ✓ Internal Audit have observed a strong tone at the top and compliance with the Senior Code in meetings with Senior Managers.
- ✓
- ✓ There have been highly relevant educational opportunities available for Senior Managers in recent years, such as a talk at a Fire Futures Seminar from the Chair of the Committee on Standards in Public Life, in April 2024.
- ✓ Training on topics with ethical implications such as fraud awareness have been provided.
- ✓ Internal Audit observed that opportunities are taken by Senior Managers to encourage self-development.
- ✓ Some Senior Managers have completed external courses such as the Windsor Leadership programme.
- ✓ Continuous dialogue 1:1s are expected to include conversations on team and company culture.

- ✓ Pulse Surveys include questions about if colleagues feel able to give and receive feedback, and feel confident sharing thoughts, ideas and opinions with colleagues. This gives Corporate Management Board (CMB) feedback on these topics. Results of the Pulse Surveys are also shared with colleagues in the organisation, demonstrating transparency.
- ✓ Internal Audit observed that there have been incidents where robust action is taken when behaviour does not meet expectations.

Areas for Development

- Senior Management ethics training is ad hoc and not tracked **(Issue 1 - Low)**
- Continuous dialogue 1:1 guidance does not include a reflection of how individual goals align with the principles of public life. **(Issue 1 - Low)**
- Senior Management behaviour has not been address directly by Pulse Survey questions. **(Issue 1 - Low)**
- Intelligence on how Senior Management embody in the Senior Code is gathered, but not collated and reported to demonstrate that they are actively living the values . **(Issue 1 - Low)**
- Senior Managers are not consistently aware of, or signing agreement of, the current version of the Senior Code. **(Issue 2 - Low)**

Appendix A - Summaries

FS01-2025 – Standards of Public Life

Prospects for Improvement

- Prospects for improvement is rated as **GOOD** based on the following factors:

Leadership/ Capacity	Adequacy of Action Plans	Implementation Record	External Factors
Good	Good	Very Good	Good

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	NA	NA
Medium Risk	0	NA	NA
Low Risk	2	2	NA

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FS03-2025 – Communication and Engagement KFRS Website and Social Media

Audit Opinion

Substantial

Prospects for Improvement

Good

Introduction

This audit has assessed KFRS’ website and social media platforms against cybersecurity and data protection regulations. The audit will consider compliance with frameworks such as the Data Protection Act 2018, GDPR, and Cyber Security Act 2022. It aims to identify vulnerabilities, assess the effectiveness of security measures, and provide recommendations to enhance resilience and protect personal data.

Key Strengths

- ✓ Civic Computing are responsible for the ongoing maintenance of the KFRS website, including patch management and firewall administration.
- ✓ Civic Computing ensures timely updates on patch management are provided to the Content and Digital lead. Furthermore, they maintain transparency with service users regarding significant issues and their subsequent remediation efforts.
- ✓ Civic Computing host weekly “shakedown” meetings and yearly “state of the union” where grievances with the service can be presented and an evaluation of the performance of the contract can be completed.
- ✓ Mandatory data protection training is in place and must be refreshed every 2 years.
- ✓ There are appropriate data protection clauses included in contracts with Civic Computing.
- ✓ There are effective service level agreements in place to ensure timely and adequate technical support .
- ✓ There is a robust social media policy and guidance documents in place.
- ✓ A review of KFRS social media accounts found that posts were in line with the social media policy and guidance documents. The posts also had a consistent tone and align with corporate objectives
- ✓ A review of KFRS directors LinkedIn accounts found that posts were in line with the social media policy and guidance documents.

- ✓ TikTok is not used on government devices however, an area for development in the use of TikTok has been highlighted.
- ✓ Training of staff responsible for social media is appropriate.
- ✓ A single, central KFRS account is utilised for social media posts to maintain a unified tone of voice.
- ✓ There are parameters in place to conceal individuals' personal data within social media posts.

Areas for Development

- No data protection impact assessment was conducted after the development of the KFRS website by Civic Computing. (**issue 1 - Medium**)
- KFRS’ TikTok account is currently managed from an employee's personal device. This does not align with privacy notices which state that data will be held on KFRS devices and systems. (**issue 1 – Medium**)

Prospects for Improvement

- Prospects for improvement is rated as **GOOD** based on the following factors:

Leadership/ Capacity	Adequacy of Action Plans	Implementation Record	External Factors
Good	Good	Very Good	Good

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	0	NA	NA
Medium Risk	1	1	NA
Low Risk	0	NA	NA

Appendix B - Definitions

Audit Opinion

<p>High</p>	<p>Internal control, Governance and the management of risk are at a high standard. The arrangements to secure governance, risk management and internal controls are extremely well designed and applied effectively.</p> <p>Processes are robust and well-established. There is a sound system of control operating effectively and consistently applied to achieve service/system objectives.</p> <p>There are examples of best practice. No significant weaknesses have been identified.</p>	<p>Limited</p>	<p>Internal Control, Governance and the management of risk are inadequate and result in an unacceptable level of residual risk. Effective controls are not in place to meet all the system/service objectives and/or controls are not being consistently applied.</p> <p>Certain weaknesses require immediate management attention as there is a high risk that objectives are not achieved.</p>
<p>Substantial</p>	<p>Internal Control, Governance and management of risk are sound overall. The arrangements to secure governance, risk management and internal controls are largely suitably designed and applied effectively.</p> <p>Whilst there is a largely sound system of controls there are few matters requiring attention. These do not have a significant impact on residual risk exposure but need to be addressed within a reasonable timescale.</p>	<p>No Assurance</p>	<p>Internal Control, Governance and management of risk is poor. For many risk areas there are significant gaps in the procedures and controls. Due to the absence of effective controls and procedures no reliance can be placed on their operation.</p> <p>Immediate action is required to address the whole control framework before serious issues are realised in this area with high impact on residual risk exposure until resolved</p>
<p>Adequate</p>	<p>Internal control, Governance and management of risk is adequate overall however, there were areas of concern identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.</p> <p>There are some significant matters that require management attention with moderate impact on residual risk exposure until resolved.</p>		

Prospects for Improvement

Issue Risk Ratings

Very Good	There are strong building blocks in place for future improvement with clear leadership, direction of travel and capacity. External factors, where relevant, support achievement of objectives.	High	There is a gap in the control framework or a failure of existing internal controls that results in a significant risk that service or system objectives will not be achieved.
Good	There are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place. External factors, where relevant, do not impede achievement of objectives.	Medium	There are weaknesses in internal control arrangements which lead to a moderate risk of non-achievement of service or system objectives.
Adequate	Building blocks for future improvement could be enhanced, with areas for improvement identified in leadership, direction of travel and/or capacity. External factors, where relevant, may not support achievement of objectives	Low	There is scope to improve the quality and/or efficiency of the control framework, although the risk to overall service or system objectives is low.
Uncertain	Building blocks for future improvement are unclear, with concerns identified during the audit around leadership, direction of travel and/or capacity. External factors, where relevant, impede achievement of objectives.		

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Appendix C – Internal Audit & Counter Fraud Key Performance Indicators

Internal Audit & Counter Fraud

No	Indicator	Target Performance	Performance to Date
1	Engagement Plan to be issued 2 weeks prior to commencement of audit fieldwork	90%	80%
2	Verbal feedback to be provided within one week of completion of audit fieldwork	100%	100%
3	Draft Reports to be issued by the date specified in the Engagement Plan	90%	0%
4	Final Report to be issued within 5 working days of receiving management response	90%	100%
5	% Completion of Annual Internal Audit Plan @ 31 March 2025	90%	59%

Kent Fire and Rescue

2024-25			
No	Indicator	Target Performance	Performance to Date
1	Agreement of Engagement Plan to be provided prior to fieldwork start date	100%	100%
2	Response to Draft Report and Action Plan to be provided within 10 working days of issue	90%	100%
Performance against 2021 – March 2024 Issues			
3	Actions plans in response to High and Medium Priority issues raised to be implemented within agreed timescales	90%	100%

