



East Sussex Fire Authority

**Auditor's Annual Report
Year ended 31 March 2021**

31 March 2021



EY

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Contents

Section	Page
01 - Executive Summary	2
02 - Purpose and responsibilities	5
03 - Financial statements audit	7
04 - Value for Money	12
05 – Other reporting issues	27
Appendix 1 – Fees	29

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Scrutiny & Audit Panel and management of East Sussex Fire Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Scrutiny & Audit Panel and management of East Sussex Fire Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Scrutiny & Audit Panel and management of East Sussex Fire Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

Executive Summary



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Authority's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 11 November 2021.
Going concern	We have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Statement of Accounts 2020/21 and other information published with the financial statements	Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Authority's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued our Audit Results Report dated 1 November 2021 to the Scrutiny & Audit Panel.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued, and is not expected until early 2022 at the earliest.

Fees

We carried out our audit of the Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to the valuation of property, plant and equipment, the valuation of pension fund liabilities and determining the appropriateness of the actuarial model design, and reviewing the accuracy and appropriateness of the Authority's accounting for Covid-19 related grant funding. As a result, we intend to agree an associated additional fee with the Treasurer, which will then be presented to the Scrutiny & Audit Panel and to PSAA for determination. We include details of the final audit fees in Appendix 1.

We would like to take this opportunity to thank the Authority staff for their assistance during the course of our work.

Helen Thompson

Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Authority or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan and update that we issued on 29 April 2021 and 22 July 2021 respectively. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its financial statements and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

Key issues

We have issued an unqualified audit opinion on the Authority's 2020/21 financial statements.

The Annual Report and Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

On 11 November 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 11 November 2021 Scrutiny & Audit Panel meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<p>Misstatements due to fraud or error - management override of controls</p> <p>An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>From our work performed, we:</p> <ul style="list-style-type: none">found no evidence that management had attempted to override internal controls.did not identify any instances of inappropriate judgements being applied.did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business. <p>This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.</p>
<p>Inappropriate capitalisation of expenditure</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.</p>	<p>In response to the risk, we:</p> <ul style="list-style-type: none">Sample tested capital additions to ensure that these expenditures are capital in nature and recorded at the correct value.Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year. <p>In undertaking this testing we focused on the judgements taken by management.</p> <p>Our testing of capital additions identified no instances where expenditure had been inappropriately capitalised.</p> <p>Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.</p>

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p>Valuation of land and buildings</p> <p>Land and buildings is a significant balance in the Authority's balance sheet. The valuation of land and buildings is subject to valuation changes and impairment reviews.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate year-end balances recorded in the balance sheet. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>From our work, we:</p> <ul style="list-style-type: none">• Found no issues regarding the adequacy of the valuers' scope of work, their professional capabilities and the results from their work;• Found that the valuers assumptions were accurate, based on our sample testing, i.e. correct floor plans and price per square metre used and considered potential impacts on useful economic lives;• Confirmed assets not subject to valuation were not materially misstated;• Confirmed accounting entries were processed correctly in the financial statements;
	<p>Consequently, we were satisfied that the valuation of property, plant and equipment is fairly stated and appropriately disclosed.</p>
<p>Pension Liability valuation</p> <p>The Pension Fund liability is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Our approach focussed on:</p> <ul style="list-style-type: none">• Liaising with the auditors of East Sussex Pension Fund in obtaining assurances over the information supplied to the actuary in relation to East Sussex Fire Authority.• Assessing the work of the LGPS Pension Fund actuary and the Firefighters pension actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.• Reviewing and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19• Testing the method of measurement of accounting estimates in determining whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.
	<p>The IAS19 report was subsequently revised as a result of our work which led to adjustments close to our materiality levels in the Authority's Statement of Accounts. We were satisfied that the valuation of the pension fund liability was fairly stated and appropriately disclosed.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Going concern disclosures</p> <p>The Authority is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Authority's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>Management initially produced a going concern assessment up to 30 September 2022 with a further extension to 30 November 2022. Our approach on these assessments focussed on:</p> <ul style="list-style-type: none">• Challenging management's identification of events or conditions impacting going concern.• Testing management's resulting assessment of going concern by evaluating supporting evidence, including consideration of the risk of management bias.• Reviewing the cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.• Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, in drawing our conclusions on going concern.• Challenging and reviewing disclosure made in the accounts in respect of going concern and any material uncertainties to confirm that this is sufficiently detailed, transparent and accurately reflects management's underlying assessments. <p>From this we concluded that the Authority remains a going concern based on reasonable and supportable assumptions that have been appropriately disclosed in the Authority's financial statements.</p>
<p>Accounting for Covid-19 related grant funding</p> <p>The Authority received government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Authority will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in 2020/21.</p>	<p>Our approach focussed on material Covid-19 related grants received by the Authority's and whether it is acting as:</p> <ul style="list-style-type: none">• Agent, where it has determined that it is acting as an intermediary; or• Principal, where the Authority has determined that it is acting on its own behalf. <p>and to determine whether conditions were attached to the grant funding received and whether those conditions were met or not.</p> <p>Based on our work we were satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Authority's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.</p>

Continued over.

Financial Statement Audit (continued)

Audit differences

A misstatement close to our reporting thresholds was identified in the pension liability valuation as a result of our work. This along with other small number of misstatements identified in disclosures were corrected by management.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.05m as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Scrutiny & Audit Panel that we would report to the Panel all audit differences in excess of £790k.

Section 4

Value for Money



Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the 22 July 2021 Scrutiny & Audit Panel meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Authority and panel reports, meetings with the senior officers and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21.

We had no matters to report by exception in the audit report.

Reporting

We completed our planned VFM arrangements work in the commencing 8 November 2021 week and did not identify any significant weaknesses in the Authority's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Authority and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- Financial sustainability
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Authority has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Authority is responsible for the delivery of fire and rescue services within East Sussex and Brighton & Hove. Its main sources of funding are from central government revenue resource grants as well as business rates and council taxes that are collected on behalf of the Authority on an agency basis by the six billing authorities within its service area.

To effectively discharge these responsibilities, the Authority establishes a medium-term Integrated Risk Management Plan (IRMP) which covers the five-year period 2020/21 to 2024/25 and outlines the Authority's understanding of community risks and service demands, both current and future.

The Authority sets annual balanced revenue budgets and related capital budgets that are aligned to its IRMP, thereby ensuring financial resources are allocated to address identified risks and demands, whilst ensuring financial stability and resilience to unplanned changes. These annual budgets are furthermore linked into the Authority's medium-term financial plan (MTFP) which outlines its IRMP aligned aspirations over the medium-term. Members of the Fire Authority are fully engaged during this process through briefings on the MTFP, options for managing pressures and savings, revision by the Policy & Resources Panel (P&R Panel) and final approval by the Fire Authority.

Financial sustainability (Continued)

The wider financial environment has generally become increasingly challenging in recent years as the Authority continues to operate against a backdrop of reduced funding from traditional sources and increased demand for services. The Authority consequently refines its annual budget and MTFP in response to these and other cost pressures as they emerge. An annual programme of savings is consequently needed to balance the budget, with decisions on significant savings proposals taken by the Fire Authority. The Authority seeks to take decisions about savings decisions as early as possible, providing as much notice as possible to those affected and maximising the prospect for savings delivery.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The Covid-19 pandemic had an impact on Authority's operations, services, and finances during 2020/21 and has continued into 2021/22 and beyond, although the extent and duration thereof remains uncertain. These impacts consequently require consideration in setting both the Authority's current and future financial management arrangements and financial plans. In setting a balanced budget for 2021/22, the Authority has identified cumulative savings required of £2.3m from 2022/23 to 2025/26 in its latest MTFP produced in February 2021 and seeks to address through identified cost efficiency measures and sector wide partnerships.

Despite the impact of Covid-19, the Authority was able to deliver a revenue underspend of £348k on portfolio budgets in 2020/21. This, along with better-than-expected income, resulted in an overall underspending of £386k. This represents an improvement in the Authority's delivery against revenue budget compared to the prior year, which is an achievement given the impact of the pandemic and other demands on the Authority in the year. The Authority however recognises that this has been largely possible as result of the Covid-19 grant funding received.

The closing financial position of the Authority for 2020/21 remained steady in comparison to prior years. Overall, the Authority's usable reserves decreased by £272k overall compared to the prior year whilst the deficit in the Unusable Reserves increased by £95,335k. This increase is mainly attributable to the increased Pension Reserve deficit, included in Unusable Reserves, which absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy and that the deficit on the Local Government Pension Scheme and Fire Fighters Pension Scheme will be made good by increased contributions over a 20-year period, as assessed by the scheme actuary.

The Authority was also mostly able to deliver against its capital programme having underspend £263k against its revised capital budget of £2,295k. This underspend is an aggregation over several projects including replacement fire appliances and property schemes that will slip into 2021/22.

Financial sustainability (Continued)

Looking forward, the Authority's Asset Strategy outlining its capital programme for 2021/22 to 2025/26 was approved by the Fire Authority. Projects totalling £25,589k are contained within this capital programme and aims to provide a sustainable and affordable level of investment to support service provision to the communities of East Sussex and the City of Brighton & Hove.

How the body plans to bridge its funding gaps and identifies achievable savings

At the last update of the MTFP in February 2021, the Authority set a balanced budget for 2021/22 and further identified budget gaps throughout 2022/23 to 2025/26 requiring additional savings of £2.3m which the Authority aims to address through Efficiency Strategy activities.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

In setting its MTFP, the Authority takes a bottom-up and top-down approach. In late spring/early summer the published MTFP, as approved by the Fire Authority in February, is revised to reflect:

- The latest guidance from government on core funding (the Settlement Funding Assessment).
- An update of the tax base for council tax and business rates, with realignment to the latest information from the district and boroughs.
- The latest Office of Budget Responsibility inflation forecasts.

Known and emerging service pressures and savings proposals are considered and quantified as part of this and are required to be supported by directorate templates, including impact assessments. Other savings are driven by strategic decisions that are taken at Authority or relevant panel level. Following this initial appraisal, funding sources, service pressures and savings are kept under continual review.

The Authority routinely reports its achievement of savings through bi-monthly reporting to delegated panels. Historically the Authority has a good track record of savings delivery and reports that from 2010/11 to the end of the current MTFP, it anticipates achieving savings totalling £10,514k. For 2020/21 the Authority achieved savings of £386k against its set target of £426k for 2020/21 which highlights the Authority's ability to control in-year spending against set budgets during a pandemic.

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

The annual budget and MTFP sit alongside and facilitate the Authority's IRMP for 2020/21 to 2024/25. The IRMP has been developed collaboratively with elected members, staff, partners, and residents to prioritise the most important areas the Authority needs to focus on in the future to meet the Government's

Financial sustainability (Continued)

expectations of fire and rescue authorities, as described in the Fire and Rescue National Framework 2018. This is done for the Authority's limited resources to be spent on service delivery areas needed most.

The process of defining the IRMP has been designed with the intention of bringing together business planning, financial planning, and risk management processes. It is intended to provide the framework for the Authority's decision making and planning to ensure that it is making the best use of the resources available, properly understanding the value for money delivered and at the same time remaining focused on the service delivery priorities. The Authority furthermore ensures year-on-year monitoring and achievements through the development and publications of Annual Corporate Plans. As this is the first year of the latest IRMP, no Corporate Plan has been produced for 2020/21.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The 2021/22 annual budget and MTFP have furthermore been aligned to the IRMP to achieve its planned and agreed service delivery priorities and outcomes. Achievement against the annual budget is monitored throughout the year with bi-monthly reporting thereof to relevant delegated panels. This also enables the Authority to identify unforeseen financial pressures in a timely manner and amend its financial plans where necessary.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The integration between the Authority's business and financial planning has been described above, including the link to its capital strategy and capital programme. The development of its annual budget and MTFP, including detailed assumptions on the operations of the Authority that underpin them, is driven by its strategic objectives outlined in its IRMP and linked to the key governance and control arrangements of the Authority, such as performance and risk management arrangements.

The Authority incorporated its People Strategy into the 2021-22 annual budget, thereby ensuring that financial resources are allocated to strategic recruitment and training initiatives that will ensure that it has a sufficiently staffed and skilled workforce.

The Authority has also needed to respond to the challenges of Covid-19 during the year which has required collaboration with other sector wide partners within East Sussex and the City of Brighton & Hove, whether in terms of crime and disorder reduction partnerships or health and wellbeing projects. An example of this is the Authority's involvement in the Sussex Resilience Forum which aims to prepare and respond to major emergencies within East and West Sussex and the City of Brighton & Hove. This has shown that the Authority is able to react and work effectively as part of wider system of public services.

Financial sustainability (Continued)

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The Authority's arrangements for identifying its significant financial pressures as part of its annual budgeting and medium-term financial planning have been already been considered as part of this commentary. Performance against those plans is monitored in its bi-monthly reporting to delegated panels. This also provides an integrated assessment of the Authority's business and financial performance, enabling the Authority to detect any unplanned changes to its service activities and operations with potential to impact its financial resilience on an ongoing basis and consequently considered in its continuous budget planning. Its risk and performance management arrangements, which are considered further below, also feed into this.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The Authority has achieved and seeks to continue maintaining an adequate level of usable reserves in future that provides a contingency for unexpected changes and sustains financial resilience. Reasonable contingencies are built into the annual revenue budget, with the general reserve being used to provide a stable platform for service planning as the MTFP is developed. It is also intended to be the first call on the Authority resources to deal with any unforeseen in year expenditure if the revenue contingency budget were to be exhausted.

Governance

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

The Authority's Constitution sets out how the Authority monitors and assesses risk to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. This requires the Authority to operate a risk management strategy and risk management framework that consider both strategic and operational risks and ensure that they are appropriately managed and controlled. This further aids the achievement of the Authority's strategic priorities, supports its decision-making processes, and protects its reputation and other assets and is compliant with statutory and regulatory obligations.

This approach ensures that the Authority:

- enables a culture of risk awareness.
- formally identifies and manages risks.
- involves elected members in the risk management process.
- map risks to financial and other key internal controls.
- documents and records details of risks in a risk management information system.
- monitors the progress in mitigating significant risks, and reports this to Members.
- reviews and, if required, updates its risk management process at least annually.
- considers risk within all projects.

The Scrutiny & Audit Panel (S&A Panel) has the responsibility of providing independent assurance of the risk management framework and the internal control environment. It provides an independent review of the Authority's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It also oversees both internal and external audit, helping to ensure efficient and effective assurance arrangements are in place to assist in the management of risk and performance.

The Authority's Purpose and Commitments are also published on its website to promote a strong culture based on its shared values of pride, accountability, integrity, and respect. This achieved by adopting, monitoring, and reviewing:

- A Code of Conduct for Members.
- An Officer Code of Conduct.
- A Register of Members' Interests.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (Continued)

- A register of Officer Declarations of Conflicts of Interest and declarations of Gifts and Hospitality accepted.
- Comprehensive induction programmes for both Officers and Members built on the standards of behaviour expected, supported by appropriate training.
- A Competency Framework and Appraisal Scheme used for improving organisational performance through focusing and reviewing everyone's ability and potential.
- Inclusion, Equality and Diversity Strategy.
- Member Panels with clear responsibilities for governance, audit, and standards.
- Effective Anti-Fraud, Bribery and Corruption policies allowing for reporting and actioning any incidents.
- A whistleblowing policy providing protection to individuals raising concerns.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Minimising any losses to fraud and corruption is an essential part of ensuring that all the Authority's resources are used for the purposes for which they are intended. To facilitate this, the Authority has a published Whistleblowing Policy which provides protection to individuals raising concerns and is periodically reviewed in line with guidance. It also has a published Anti-Fraud, Bribery and Corruption Strategy which sets out its policy and strategy for preventing and detecting fraud, bribery and other wrongdoing and participates in the National Fraud initiative. The effectiveness of this policy is evidenced by the minor infringement by an employee of an external service provider. This matter was raised with the Authority and a subsequent investigation by the Counter Fraud team determined the value of these overpayment to be £21k. The Authority has consequently acted upon this, referred the matter to the police further investigation and is actively pursuing avenues to reclaim these overpayments from the supplier.

The Authority also ensures that effective, transparent, and accessible arrangements are in place for dealing with complaints. The website contains guidance for submitting complaints against the Authority by the public and processes are in place to progress any complaints that are made.

How the body approaches and carries out its annual budget setting process

As outlined above, the Authority sets annual balanced revenue budgets that support the delivery of its key priorities outlined in its IRMP.

This budgeting process including relevant responsibilities and procedures are set out in the Authority's Constitution. The annual service planning and budgeting process seeks to reconcile corporate and business plans and strategies with the

Governance (Continued)

relevant resources including the finance department. This process commences with a series of strategic initiatives with inputs from the various stakeholders, including directorate heads.

The Treasurer is responsible for ensuring that an overall revenue budget and capital budget programme summarising service budget estimates is prepared on an annual basis for consideration by the P&R Panel before subsequent approval by the Fire Authority. The P&R Panel considers strategic issues relating to the budget including comment on individual budgets.

We are satisfied that this process was followed in both 2020/21 and 2021/22 to date despite unprecedented levels of uncertainty and volatility brought about by the pandemic.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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

The Authority's Constitution sets out the responsibilities of the Chief Fire Officer & Chief Executive (CFO) for providing appropriate financial information to enable effective monitoring of both the revenue budget and capital programme.

The Authority's financial performance (revenue and capital), savings delivery and business performance are monitored monthly with subsequent meetings between the CFO and the Senior Leadership Team (SLT) including the Treasurer to discuss budgetary variances and related issues raised and agree remedial actions to be taken by relevant Directors. Quarterly in-year reporting to both the P&R Panel and S&A Panel consisting of actual to date financial results, a forecasted year-end position, and areas where performance is not meeting set targets including relevant corrective actions ensure further monitoring and scrutiny. The Authority therefore takes an integrated approach to its financial and business performance reporting.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

Primary oversight responsibility lies with the Fire Authority, with some delegated to the P&R Panel and the S&A Panel. These panels meet regularly throughout the year to discuss and address key issues raised through effective challenge from its members and the public.

Governance (Continued)

The Authority also has good arrangements in place to monitor the implementation of internal audit recommendations and continued implementation of corrective actions to findings raised during the previous HMICFRS inspection in 2018/19. It has also implemented remedial actions to improve the administration of the Firefighters Pension Scheme by changing the administrators of this fund during the year.

The Authority further ensures effective transparency by:

- Publishing relevant information relating to salaries, business interests and performance data on its website.
- Having a procurement team that provides advice and issues clear guidelines for procuring goods and services.
- Having the S&A Panel operating in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Publishing information to the Authority and its Panels as part of established accountability mechanisms.
- Preparing its Annual Governance Statement, Annual Statement of Assurance and Corporate Plan.
- Publishing transparent performance information on its website.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The responsibilities and statutory requirements of officers are embedded in its Constitution with clear arrangements for the discharge of the statutory functions of the CFO, Monitoring Officer and Treasurer.

All significant actions by the Authority which may have legal implications either require authorisation by the CFO or individuals specifically delegated to act on behalf of the CFO as set out in the Authority's decision-making rules. Decision makers are required to act within the Authority's Standing Orders and scheme of delegation which makes provision for legal and constitutional advice to inform these decisions. The Authority's Constitution contains several check points at which officers are able to identify whether decisions are being taken in compliance with the prescribed rules which ensure legal compliance. All executive decisions and policy proposals are considered and advised on by the Monitoring Officer with access to all current legal provisions and guidance.

The Monitoring Officer also undertakes regular reviews of current and expected legislative changes and maintains plans for training officers within the service and for providing relevant information to lead officers in the areas of service affected. This continues to be supplemented by the partnership working with

Governance (Continued)

legal services at Brighton & Hove City Council as part of the joint arrangements where common areas of work and training on areas of shared interest are used to exchange knowledge and skills. In addition, there are other professional reference groups within local government which provide access to knowledge and experience from similar organisations.

The Authority furthermore has an established Code of Conduct contained in its Constitution with which all members are expected to comply. A parallel code for officers sits in the suite of Human Resources policies. The Authority has also adopted policies relating to responsibilities for ethical behaviour including equality and sustainability. Decision making is supported by advice from officers and internal guidance that should ensure compliance with these policies. The codes of conduct define the standards of behaviour for members and officers. All members undertake training from the Monitoring Officer on the member code of conduct. Member conduct is monitored by the S&A Panel, which has a remit to deal with complaints of breaches of the member Code of Conduct. All members complete the register of interests and receive quarterly reminders on the subject of personal interest declarations, and the need to disclose interests is a standing item on all formal meeting agendas for both officers and members. Officer interests, including gifts and hospitality, are also published on the Authority's website annually.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Improving economy, efficiency and effectiveness

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

As set out previously in the commentary, the Authority's IRMP for the period 2020 to 2025 outlines its key strategic objectives for service delivery and forms the basis for all corporate and service planning. In-year progress of these KPIs are monitored with quarterly and annual reporting to the SLT, S&A Panel and P&R Panel that allow for oversight and the identification of areas for improvement. These performance monitoring reports are publicly available on the Authority's website and are based on agreed strategic priorities of the Authority.

During 2020/21, the S&A Panel furthermore undertook several performance monitoring reviews which included the tracking of progress made towards addressing findings from the 2018-19 HMICFRS Inspections in preparation for their next review in 2021/22. Officers also conducted value for money assessments with the assistance of an external service provider with a final report to be presented to the S&A Panel.

The Authority also considers the governance implications of its actions and has undertaken an external review of its corporate governance. The Authority has consequently aligned its Local Code of Corporate Governance with the principles of the CIPFA/SOLACE Framework – "Delivering Good Governance in Local Government".

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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

As previously outlined, service performance against the Authority's priorities is considered regularly throughout the year as part of quarterly reporting to monitoring and scrutiny panels. These reports show a complete picture of both business and financial performance and enables the Authority to identify service delivery key performance indicators (KPIs) that are not performing as expected against planned targets.

The Authority furthermore continues to monitor and review its corporate priorities and MTFP to ensure that the plan and KPI's are aligned to the changing environment especially given the uncertainties caused by Covid-19 and the impact of the pandemic on the Authority's operations and finances.

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

The Authority works with a variety of stakeholders. This includes a range of public bodies, local authorities, the NHS and Sussex Police. Other tiers of local

Improving economy, efficiency and effectiveness (Continued)

government are important partners in many areas of service delivery, strategic planning and community development.

This is achieved through a corporate Partnership Focus Team, chaired by the Deputy Chief Fire Officer, which monitors the progress of, and identifies new opportunities for, partnership working. This not only ensures continued corporate direction and leadership but also secures the delivery of value for money through sustained improvements in community safety.

The Authority is currently involved in various partnership arrangements with public, private and voluntary sectors to achieve this, which includes:

- *Local Strategic Partnerships* which aim to bring local councils within Authority's service area, other public sector agencies, the business sector and third sector, voluntary and community organisations together.
- *Crime and Disorder Reduction Partnerships* with the aim of working with other local agencies and organisations to develop and implement strategies to address crime and disorder, including anti-social behaviour, adversely affecting local environment as well as the misuse of drugs in their area. The responsible authorities are police authorities, local authorities, fire and rescue authorities, primary care trusts and the probation service.
- *Safer Communities Partnership* with the aim to reduce crime, disorder, anti-social behaviour and hate crime, reoffending and substance misuse. This partnership is supported by the Safer East Sussex Team which is made up of staff from the Sussex Police, East Sussex Fire & Rescue Service, Kent, Surrey and Sussex Rehabilitation Company, National Probation Service and East Sussex County Council.
- *Health and Wellbeing Visits Project* which aims to arrange for older people to be visited in their own homes for a conversation with the client about their health and wellbeing needs and priorities.

One of these strategic partnerships include a collaboration agreement between the Authority and East Sussex County Council in which the County Council provides a range of finance support and associated services to the Authority through resource sharing, thereby fulfilling its business requirements and legal obligations in an efficient and effective manner.

The Authority has an approved and published Collaboration Framework in place that identifies and guides clear collaboration priorities. These partnerships, collaboration frameworks and policies are reviewed with the support of internal audit and evaluated on a regular basis to ensure they offer value and contribute towards the Authority's strategic objectives.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (Continued)

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Authority's Standing Orders on Contracts and Procurement and the Financial Regulations and Procedures within its Constitution provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Treasurer and supported by the subject matter experts sitting within a central procurement team in consultation with the Monitoring Officer.

The Authority has also developed a Procurement Strategy which sets the framework in which it operates to ensure that procurement delivers value for money across all services and directly contributes to the achievement of the Authority's strategic goals. The S&A Panel is responsible for the overview of procurement and contract management. The panel reviews the performance of the Authority and seeks to identify areas where procured goods and services are not delivering expected benefits through monitoring and scrutiny of quarterly financial performance reports to identify significant overspending on projects and budgets.

The Authority manages the risk around potential supply chain management and potential disruptions through the inclusion of related risks in its Risk Register and reviews by Internal Audit planned and carried out during 2020/21. Progress in addressing these risks is monitored regularly in-year and reported together with applicable Internal Audit reports to the S&A Panel quarterly for monitoring and scrutiny.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.



Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Authority's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 is yet to be issued by HM Treasury. We will liaise with the Authority to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Control Themes and Observations

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

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Scrutiny & Audit Panel.

Appendix A

Audit Fees



Audit Fees

Our final proposed fees for 2020/21 are set out in the table below:

Description	Final Fee 2020/21	Planned Fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee - Code work	23,690	23,690	23,690
2019/20 fee variation determined by PSAA (Note 1)	-	-	8,700
2020/21 PSAA expected additional minimal core fees (Note 2):			
• VFM	TBC	5,000 to 9,000	-
• ISA 540 accounting estimates		1,900	
2020/21 proposed fee variation - other (Note 3)	TBC		-
Total Fees	TBC	30,590 to 34,590	32,390

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our audit should increase by £27,553. In addition, we identified an in-year risk based fee variation of £4,342 for 2019/20. PSAA has determined the total fee variation for 2019/20 as £8,700. We expect similar costs in nature in 2020/21 and subsequent years. However, PSAA has stated that this will need to be determined each year.

Note 2 - In August 2021, PSAA published 'Additional information for 2020/21 audit fees'. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes of a range of new and updated audit requirements. The figures included here are the minimum additional fee ranges set out in this document.

Note 3 - Any further additional fees (over and above VFM and ISA540) for 2020/21 will be communicated to the Treasurer and Scrutiny & Audit Panel following the completion of the audit.

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