



# Cambridgeshire and Peterborough Fire Authority

Auditor's Annual Report: Years ended

31 March 2022

31 March 2023

Report to the Policy and Resources Committee



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# Welcome

## Executive Summary

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This Auditor's Annual Report provides a summary of the key issues arising from our audit of Cambridgeshire and Peterborough Fire Authority (the 'Authority') for the year(s) ended 31 March 2022 and 31 March 2023.

### Financial statements

We plan to issue the following opinions on the Authority's financial statements on the following dates:

- Year ended 31 March 2022, disclaimer of opinion by 13 December 2024.
- Year ended 31 March 2023, disclaimer of opinion by 13 December 2024.

The Accounts and Audit (Amendment) Regulations 2024 require the Authority to publish audited financial statements for the year ended 31 March 2022 and 31 March 2023 by 13 December 2024. We have not been able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by this date. As a result, we are unable to conclude that the Authority's financial statements for the year ended 31 March 2022 and 31 March 2023 as a whole are free from material misstatement. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Therefore, we anticipate issuing a disclaimer of opinion on the financial statements

### Value for money

The revised Code of Audit Practice 2024 that has been laid in Parliament came into force on 14 November 2024. The revised Code allows auditors to issue a combined commentary on value for money arrangements for outstanding audits up to and including 2022/23 in a single report against a reduced set of criteria, focused on financial sustainability and governance arrangements. We have not identified any significant weaknesses in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

### Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (2024). This report has been prepared solely for the use of the Authority and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.



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# Purpose and responsibilities

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### **Purpose of the Auditor's Annual Report**

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2022 and 31 March 2023.

It is addressed to the Authority but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

### **Responsibilities of the Authority**

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

The Authority is also responsible for preparing and publishing its financial statements, annual report and governance statement.

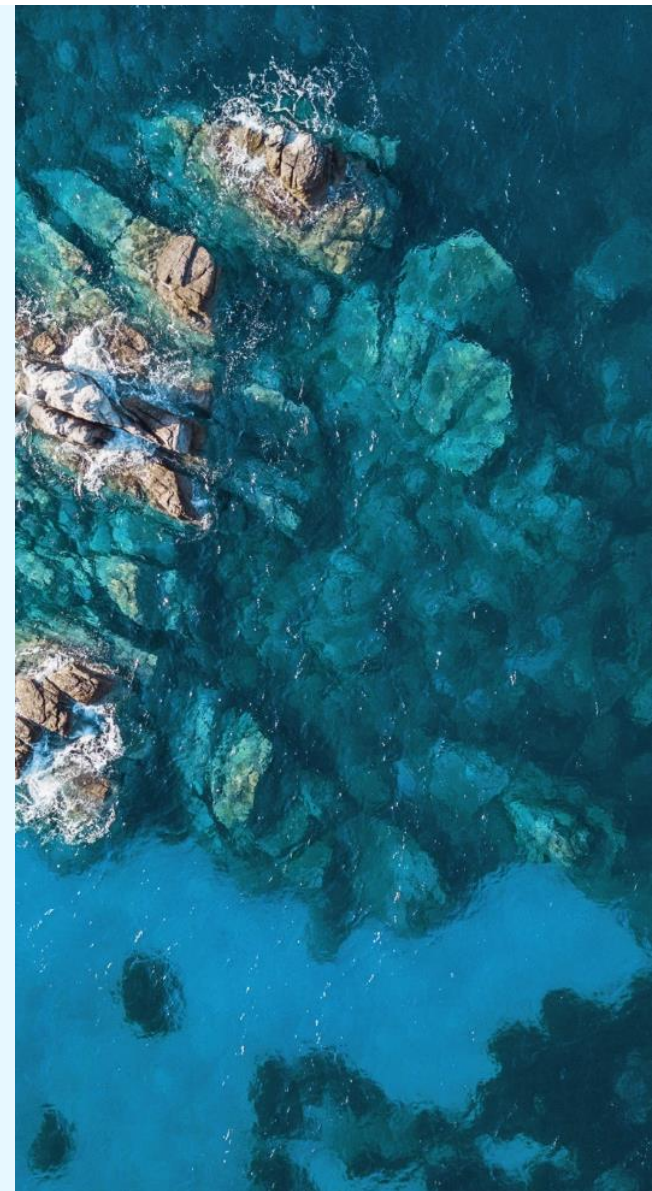
### **Responsibilities of auditors**

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice 2024 (the 'Code'). The full requirements of our audit are listed in Appendix 1.

### **Additional reporting powers**

The Code also identifies additional reporting powers, which are also included in Appendix 1.

We can confirm that that no additional reporting powers have been used.



# Financial statements

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### Audit conclusion

For the year(s) ended 31 March 2022 and 31 March 2023, we issued a disclaimer of opinion on the financial statements on 20 November 2024.

This means, we have not been able to obtain all the necessary audit evidence upon which to form an opinion since there was insufficient time to perform all necessary audit procedures by this date. As a result, we are unable to conclude that the Authority's financial statements for the year ended 31 March 2022 and 31 March 2023, as a whole are free from material misstatements. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

### Significant difficulties in undertaking the audit

We have not experienced any such difficulties.



# Value for Money

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### Scope

We are required to review and report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements, we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement.

### Specified criteria

The NAO has issued guidance for auditors to report against two specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the Authority can continue to deliver its services
- Governance - informed decisions and properly managing risks

The Code also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

This scope covers audits for the years 2020/21 to 2022/23 inclusive and represents a reduction in scope compared to the 2020 Code previously in force.

### Risk assessment

Our risk assessment did not identify any potential risk of significant weakness

### Audit conclusion

We have not identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

For the two financial years covered by this report, we had no matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate, on completion of our work on the Authority's value for money arrangements.





# Financial Sustainability

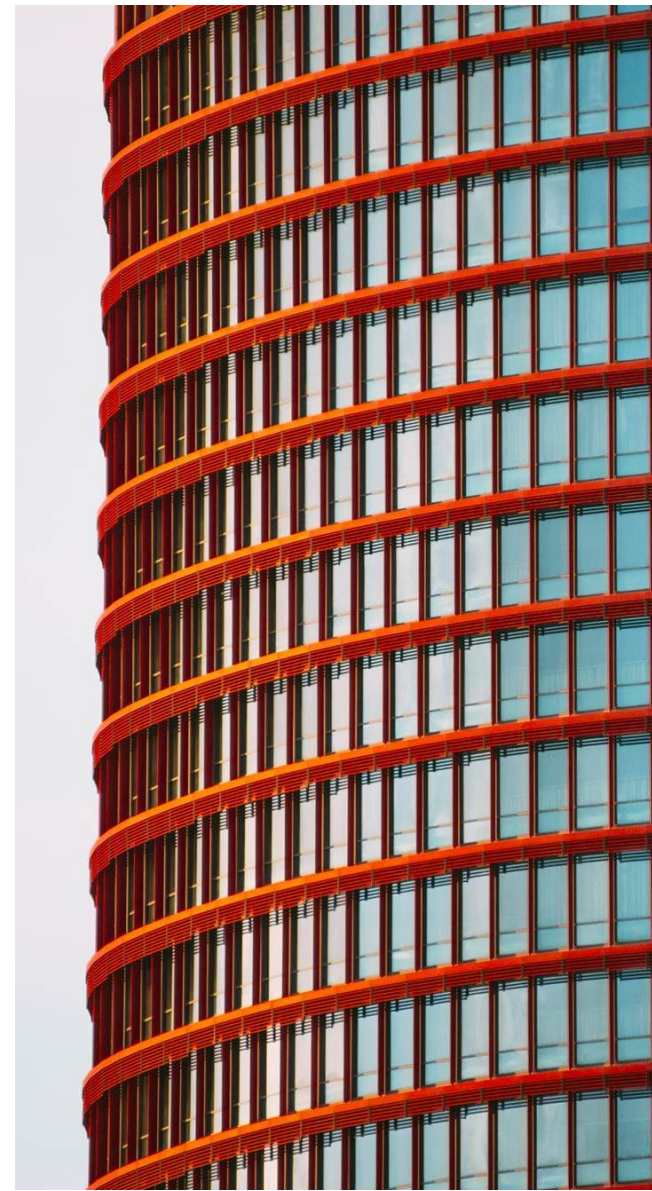
## Planning and managing resources

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### Auditor's commentary on arrangements

#### Areas reviewed

- *How significant financial pressures relevant to short and medium-term plans are identified and built into plans;*
- *Plans to bridge funding gaps and to identify achievable savings*
- *How financial plans support the sustainable delivery of services in accordance with strategic priorities*
- *Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of assumptions underlying its plans.*





# Financial Sustainability

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### Auditor's commentary on arrangements

#### *How significant financial pressures relevant to short and medium-term plans are identified and built into plans*

The Authority's medium term financial planning is primarily formulated through the Medium-Term Financial Strategy (MTFS). The MTFS maps out expected financial changes over a rolling six-year period. This is presented as part of the budget setting paper annually but also updated periodically as part of the consultation process with Members in setting the parameters for budget setting. This identifies financial pressure, changes in funding, and savings required so the overall financial direction of Authority can be set, and appropriate action taken.

A Comprehensive Spending Review (CSR) is prepared externally every year and received by the authority. Based on the CSR the authority prepares its budget and identifies any financial pressures which may have been noted on the CSR report. These will then be addressed through the budget that is prepared and ways in which savings can be identified and used to address those financial pressures. The budget is built using the input of each budget holder; each budget is reviewed and amended at specific budget holder and finance meetings. The information from each group is then consolidated into the final budget the by ensuring that the financial plan is consistent with other plans of the authority.

The budget highlights inflationary pressures of £563k for 2022/23 (1.8% increase), with pay awards for firefighters (1.5%) and local government staff (1.75%) adding further unbudgeted challenges covered by reserves.

Notable areas of expenditure are Firefighter/Control Room Staff (£18,975k), Supplies and Services (£5,078k), and Capital Financing (£771k).

The MTFS review for 2022/23 reflects a stable financial outlook for the Authority, however, an adverse variance of £2.651 million is projected before accounting for COVID-19 government support, reflecting ongoing financial pressures from the pandemic.

Projected budget shortfalls over the medium term highlight the need for ongoing monitoring, particularly if inflation, especially pay inflation, exceeds initial assumptions.

The Authority's Draft MTFS for 2023-2027 reflects a prudent and adaptable approach to managing finances under challenging economic conditions. The economic uncertainty, especially inflation on costs for critical resources such as energy and fuel, poses a real challenge. If pay awards or other costs related to inflation exceed the MTFS's projections, the Authority may have to adjust its budget and explore further revenue sources or cost-saving measures. This risk necessitates ongoing vigilance to ensure that the Authority's budget remains balanced.

The MTFS acknowledges the volatility of funding sources beyond 2023/24, and the proposed council tax precept increase of £4.95 for Band D is an essential measure to help offset revenue uncertainties. If future government funding fluctuates, the Fire Authority may need to review the council tax rate in upcoming years to ensure financial stability and support essential services.





# Financial Sustainability

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### *Plans to bridge funding gaps and to identify achievable savings*

The Medium-Term Financial Strategy, as well as identifying known gaps identifies the tools needed to address these.

As a precepting authority there is a requirement under the Local Government Act 1992 for the authority to hold reserves in order to meet any unforeseen emergencies and manage uneven cash flows.

Funding gaps are bridged through a 2% council tax increase and use of business rates pooled contributions. The council tax increase this revenue is critical for maintaining service delivery levels. The strong General Fund balance supports resilience, giving the Authority a buffer to handle unexpected costs or economic fluctuations.

Government COVID-19 and support grants provide extra financial cushioning, enabling the Authority to maintain services and extend relief to residents impacted by the pandemic. In 2021/22 the Authority held a general reserve of £2.4 million representing 7% of the revenue budget. The General Reserve will be used in accordance with the Medium-Term Financial Strategy. The Authority also carried an earmarked reserve of £8.35 million at the beginning of the year to fund known or predicted liabilities. The Property Development Reserve on 31 March 2022 was £5.7m, having dropped from £8.3 million. A further £4.7 million of this will be used by 31st March 2023 to help fund the new Huntingdon Fire Station and Training Centre which was completed in 2022/23. The Authority identified £211k in savings through ongoing efficiency reviews. The strong General Fund balance supports resilience, giving the Authority a buffer to handle unexpected costs or economic fluctuations.

### *How financial plans support the sustainable delivery of services in accordance with strategic priorities*

The annual financial planning process is presented in the full Fire Authority meeting concurrently alongside updates to a number of supporting strategies given the integral nature of these to delivering financial planning as a whole. Financial sustainability does not exist in isolation and is effectively integrated with service level financial monitoring arrangements. These are fundamental to the delivery of the Medium-Term Financial Strategy.

In the 2021/22 financial year £26.002 million was allocated to maintain adequate staffing levels and meet operational requirements. A total of £5.952 million was earmarked for infrastructure improvements, including significant progress on the Huntingdon Training Centre. Financial plans were aligned with the Integrated Risk Management Plan (IRMP) to ensure that resources were allocated effectively to strategic priorities.

In 22/23, An allocation of £26.721 million was made to accommodate recruitment and inflationary adjustments. . Key investments included £1.655 million for vehicle replacement and £775k for IT and communications upgrades to enhance operational efficiency. The budget supported statutory obligations, such as firefighter recruitment and the maintenance of operational infrastructure.

The budget is built using the input of each budget holder; each budget is reviewed and amended at specific budget holder and finance meetings. The information from each group is then consolidated into the final budget then by ensuring that the financial plan is consistent with other plans of the authority



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### *Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of assumptions underlying its plans.*

The MTFS includes an element of scenario planning. For example, the Authority has been preparing for the potential challenges that the CSR may present. An example is the new A14 road network and planned housing development which has been subject to rigorous challenge, with each group providing scenarios for savings, highlighting the impact on service delivery for each scenario.

Operational scenarios are now being robustly analysed by management so they best understand the impact changes will have on the operational response model of the authority. Similarly to A14 road network and planned housing scenarios, the focus on operational delivery will highlight savings and impact on service delivery. These are monitored and reported on a regular basis in the fire authority meetings.

### **Financial sustainability - Conclusion**

We have not identified any significant weaknesses in this area. Whilst the Authority demonstrated above that robust arrangements are in place to enable planning and managing of resources, we would highlight that the MTFS for 2023 to 2027 talks of the uncertainty around future funding arrangements beyond 2023/24. This lack of predictability makes longer-term financial planning challenging and underscores the importance of the Authority's contingency strategies for unforeseen shifts in funding. The proposed council tax precept increase of £4.95 for Band D is an essential measure to help offset revenue uncertainties. If future government funding fluctuates, the Authority may need to review the council tax rate in upcoming years to ensure financial stability and support essential services.



# Governance

Informed decisions and properly managing risks

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## Auditor's commentary on arrangements

### Areas reviewed

- *Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.*
- *Effective systems and processes are in place to ensure budgetary control, to communicate relevant, accurate and timely management information, support statutory financial reporting requirements and ensure corrective action is taken where needed, including in relation to significant partnerships.*
- *The Authority makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency*







# Governance

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### Auditor's commentary on arrangements

#### *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 monitoring and assessing of risk is primarily the role of the Overview and Scrutiny Committee. The Committee oversees the Authority's systems of internal control. The Authority has a Risk Management Strategy, its purpose is to ensure that risk management is embedded into the governance structure and that it effectively underpins and enables the business. The risk strategy sets out the Authority's controls assurance mechanisms. The Authority has developed and approved an Integrated Risk Management Plan which is monitored and reviewed by internal audit and reports are prepared and presented to the Overview and Scrutiny committee on the implementation of the plan.

One of the main tools the Overview and Scrutiny committee uses to monitor and assess risk is the Strategic Risk and Opportunity Management register. This register, which is presented to the Committee on a quarterly basis, scores corporate risks on a traffic light system based on magnitude and likelihood.

We considered the extent to which the risk register covered the two VFM sub-criteria against which we report and found that the level of coverage was proportionate and adequate. The Overview and Scrutiny committee has received assurance over a wide range of areas; alongside the results of individual internal audit reports, the results of follow up reports and deep dives have been reported. In addition, there has been evidence of involvement of the Overview and Scrutiny committee in setting and reviewing the annual and strategic audit plans. In line with good practice, the internal audit charter is reviewed annually.

The Authority has an internal audit (IA) function in place, outsourced to a third party, RSM, to gain assurance over the effectiveness of internal controls and to provide assurance against other risk areas. The Internal audit programme is reviewed annually by the Overview and Scrutiny committee and is informed by risk. Changes to the IA programme can be made where items need an urgent response. Recommendations arising from IA work are tracked for appropriate action and timescales.

Once reports and feedback have been received from the Overview and Scrutiny committee, IA and external audit, the Democratic services officer together with assistance of the section 151 officer consider both the internal and external reports on the controls that exists within the authority and how effectively they are implemented. Based on this assessment they determine what needs to be done going forward to ensure that the authority's internal control environment remains effective, and this is all reported within the Annual Governance Statement of the authority.



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*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 Financial Accountant prepares a detailed budget monitoring report which is shared with the Deputy Chief Executive on a monthly basis. This includes commentary on any significant variances from the expenditure in the previous year. The in-year monitoring process contributes to identifying immediate financial concerns, and the MTFS update, and annual budget setting process commented above would identify issues in future financial years. Internal audit granted substantial assurance for key financial controls. This included robust processes for budget planning, monitoring, and reporting. The Authority maintained a comprehensive and transparent budget management process, which supported financial accountability and informed decision-making. Substantial assurance was provided for financial controls, supported by regular reviews of the general ledger and budgetary processes.

*How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency*

The authority has eight committees within it that exist to ensure that the authority makes informed decisions that are in line with its statutory mandate and would also benefit the communities that the authority services.

Cambridgeshire and Peterborough Fire Authority Terms of Reference documents outline the remit and membership requirements for all eight committees at the Authority. Quoracy requirements for these committees are included in the standing orders.

Review of minutes of these meetings have demonstrated the agendas cover the areas we would expect and demonstrate that challenge and discussion happen in these forums. Substantial assurance was granted by internal audit for governance structures, with active engagement by the Overview and Scrutiny Committee in reviewing risks and financial performance. Recommendations to enhance learning from debrief processes following incidents were being implemented. The Authority effectively utilized data and evidence. Whilst the Authority demonstrated above that robust arrangements are in place; we would like to highlight that partial assurance in recruitment compliance highlighted gaps in aligning procedures with policy requirements. Partial assurance was granted due to policy non-compliance, inadequate training records, and gaps in documentation. These issues were being actively addressed by enhanced recruitment documentation and introduced staff training to improve compliance with governance standards. The Authority needs to monitor this going forward and ensure that a report is taken to the relevant committee meetings on the steps taken to ensure that compliance with the required governance standards is maintained.

### **Governance - Conclusion**

We have not identified any significant weaknesses in this area. The authority has arrangements in place which are sufficient to ensure the effective operation of internal controls and ensuring that budgetary controls are in place and monitored regularly.

# Follow-up of recommendations made previously

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The National Audit Office's Code of Audit Practice requires that the Auditor's Annual Report should include follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

	Area	Significant weakness noted?	Recommendation issued previously	Recommendation implemented?
1	<b>Improving economy, efficiency and effectiveness</b> - 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.  HMICFRS has raised recommendation for improvement of the performance management system	No	The authority needs to ensure that performance discussions are made compulsory for all employees and appropriately documented. A performance cycle should have a deadline, and everyone needs to participate in the process.	Yes - The Authority has implemented a performance appraisal system that includes a self-assessment tool. This will be further embedded throughout the service over the coming months.
2	<b>Financial sustainability</b> - How the body plans to bridge its funding gaps and identifies achievable savings.  HMICFRS has raised an area for improvement on while the service has identified areas where it can make savings, it hasn't linked them to the risks in its integrated risk management plan (IRMP).	No	The authority needs to ensure that they are able to link services identified to their integrated risk management plan.	Yes - The Authority's Financial Business Continuity Plan provides a full assessment of potential savings whilst assessing the risks of implementing such savings.



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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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