Year End Report to the Finance and Resource Committee

Nottinghamshire and City of Nottingham Fire Authority

Year end report for the year ended 31 March 2024

January 2025

Introduction

To the Finance and Resource Committee of Nottinghamshire and City of Nottingham Fire Authority

We are pleased to have the opportunity to meet with you on 17 January 2025 to discuss the results of our audit of Nottinghamshire and City of Nottingham Fire Authority as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan, presented on 26 July 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

The engagement team

We expect to be in a position to sign our audit opinion on the approval of the financial statements and auditor's representation letter by the 24 February 2025, provided that the outstanding matters noted on page 6 of this report are satisfactorily resolved.

We will be issuing a disclaimer audit opinion for the reasons outlined on page 4.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,

Richard Walton

Director

9 January 2025

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Contents	Page

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Nottinghamshire and City of Nottingham Fire Authority (the 'Authority'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Authority's Finance and Resource Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 26 July 2024.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Authority's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit and implications of the statutory backstop

Page 4 to 5 'Our audit and the implications of the statutory backstop' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements.

Our audit is not yet complete, and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 6 'Our Audit Findings' outlines the outstanding matters in relation to the audit.
Our conclusions will be discussed with you before our audit report is signed.

This report is addressed to Nottinghamshire and City of Nottingham Fire Authority (the Authority). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Our audit and the implications of the statutory backstop

Measures to resolve the backlog

The Government has introduced measures to resolve the local government financial reporting and audit backlog. Amendments have been made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which have allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. For the Authority this has resulted in a disclaimed audit opinion for two of financial years to and including 2022/23.

Those same amendments to the Accounts and Audit Regulations require the Authority to publish its audited 2023/24 financial statements and accompanying information. In accordance with the Code, as auditors we are required to provide our audit report on those financial statements in sufficient time to enable the Authority to publish its audited financial statements by this date, irrespective of if the audit is complete or not.

The Appendix 'Local Audit - Reset and Recovery' provides more detailed information regarding this. The appendix also provides more detail on the implication of this in future audits, in respect of rebuilding assurance.

Impact on our audit of the financial statements

The impact of the above means that for the financial year 2023/24 we have not been able to obtain sufficient appropriate audit evidence in respect of the 2023/24 opening balances and the comparatives balances relating to 2022/23. The work we have performed in 2023/24 is explained on the next page.

As explained in the previously referenced appendix, the level of rebuilding assurance has been limited in 2023/24 as we have determined that there is insufficient time to complete our audit to obtain sufficient appropriate audit evidence, and, in our view, this is pervasive to the financial statements as a whole.

As a result of the above and irrespective of the level of work completed on 2023/24 balances, we intend to issue a disclaimer opinion on the financial statements.

Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Authority's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources.

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Our audit and the implications of the statutory backstop

Work completed in 2023/24

Our audit plan, presented to you on 26 July 2024 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks, in the pages overleaf, identifying the work we have and have not been able to complete.

Although we are disclaiming our audit opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report.

Specifically in relation to 2023/24 we have completed our work on the following areas in addition to our planning and risk assessment work:

Significant risks

- Management override of controls
- Valuation of post retirement benefit obligations

Other areas

- Income
- Expenditure and creditor
- Staff costs
- Cash and cash equivalent
- Going concern
- Other various areas of accounts

We have been unable to complete a full programme of work in relation to the following areas:

- Opening balances;
- Movements in usable and unusable reserves for the year ended 31 March 2024;
- Valuation of land and building;
- Pension fund statements

Challenges with progressing work

As well as the impact of the backstop reported on the previous page we experienced some delays in responses to audit queries from the land and building valuer.

We have considered the impact of this on our audit. As we have not received requested responses yet, we were not able to completed necessary testing. Considering the timing, we expect no further work to be done on valuations. Due to the nature of the audit opinion being issued this does not have a wider impact on our work, however we will work with the finance team and valuer to establish an agreed way of working for the 2024/25 audit to reduce the risk of similar delays occurring next year.

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Our audit findings

Significant audit risks	Page 7-10
Significant audit risks	**Our findings**
Management override of controls	Our final procedures in respect of the risk are complete. We have no matters to report as a result of our work.
Valuation of post retirement benefit obligations	Our final procedures in respect of the risk are complete. We have no matters to report as a result of our work.

Other audit risks	Page 11
Valuation of land and building	There has been delays in obtaining responses from the valuer and given the amount of time before the backstop deadline, we expect no further work is to be completed for this area.

Uncorrected audit differences	Page 14
Defined benefit asset	A variance of £156k has been noted as a result of a difference between actual contributions and estimated amount.

Number of Control deficiencies	Page 31-32
We have identified one control deficiency in relation to review of the bank reconciliation.	

Outstanding matters

Our audit is substantially complete except for the following outstanding matters.

- Testing of Officers' remuneration note
- Audit review of the Narrative statement
- Usable Reserves (Note 24) and Unusable Reserves (Note 25)
- Receipt of signed Management representation letter
- Receipt of Final signed Statement of Accounts

Our audit file is subject to final Director review and clearance of review notes as well as completion of final procedures linked to the final signed version of accounts.

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Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which the Authority operates.

We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

See the following slides for the cross-referenced risks identified on this slide.

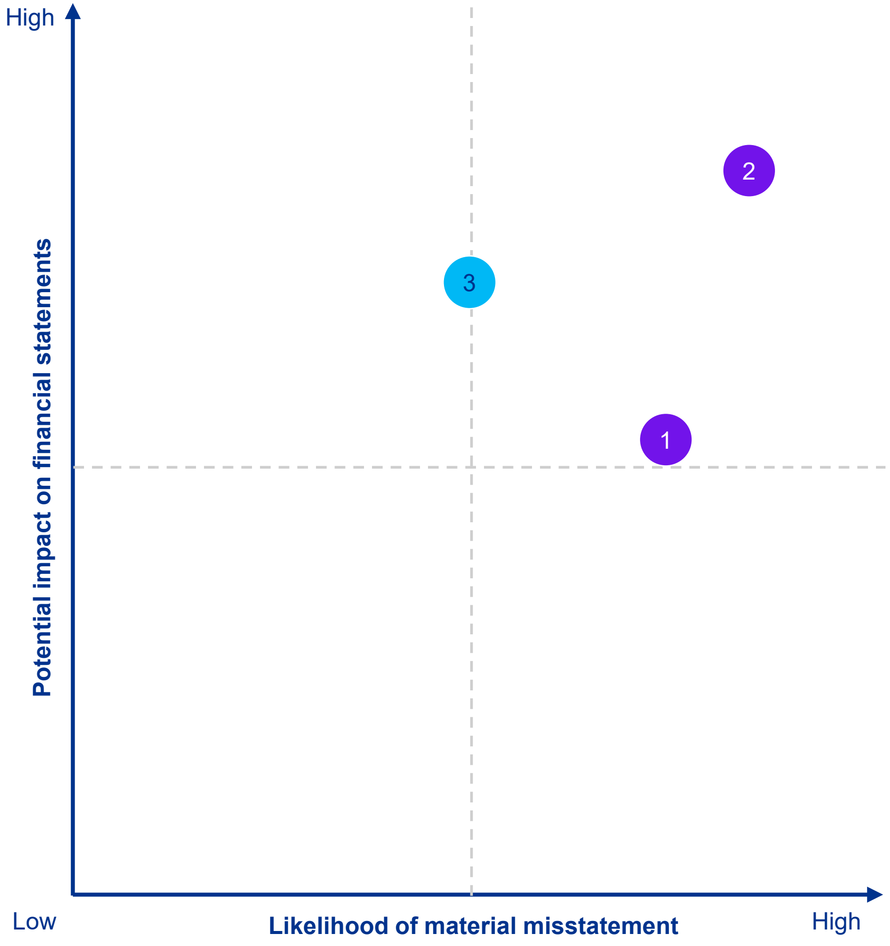
Significant risks	
1.	Management override of controls
2.	Valuation of post-retirement benefit obligations

Other audit risks	
3.	Valuation of land and buildings

Key:

\# Significant financial statement audit risks

\# Other audit risk



Audit risks and our audit approach

1 Management override of controls[a]

Fraud risk related to unpredictable way management override of controls may occur

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Our response and findings

Our audit methodology incorporates the risk of management override as a default significant risk.

- We evaluated accounting estimates (see page 10 to 12) and have not identified any indicators of management bias in these nor did we identified any significant unusual transactions that impacted both our assessment or response to this area of significant risk.
- We assessed the underlying assumptions used to prepare accounting estimates.
- We evaluated the selection and application of accounting policies.
- We analysed all journals through the year and focused our testing on those with a higher risk, such as journals impacting non pay expenditure, journals posted containing fraud or error in its descriptions, and journals posted without description.
- We identified 18 journal entries meeting our high-risk criteria and have not identified any issues with these journals.
- We noted that formal IT process to ensure segregation of duties over journal postings and authorisation is not currently in place. Management have ultimate ownership over the journal postings and management perform a review of journals. The level of documentation of this review is not sufficient for us to place reliance on the control. We are aware that management have implemented a review process for all manual journals to provide an element of segregation but there is no restricted access or segregation of duties to posting & approving of journals. We have made no recommendation in respect of this control, but we are required to report this deficiency to you.
- Our procedures to identify high risk journal entries undertake testing of these journals is complete. Our procedures did not identify any significant unusual transactions. We have no issues to report as a result of our work.

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Audit risks and our audit approach (cont.)

2 Valuation of post-retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious | Neutral | Optimistic

Key:
Current year

Significant audit risk

- The valuation of the post-retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority's pension liability could have a significant effect on the financial position of the Authority.
- The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Authority in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have determined that this risk applies to the Firefighters' pension scheme only and does not apply to LGPS. This is due to the fact that LGPS pension scheme defined benefit pension liability is less significant compared with Firefighters' pension scheme.

Our response and findings

We have performed the following procedures :

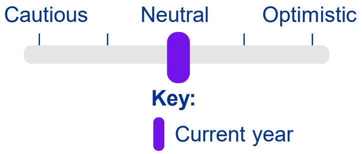
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Authority are in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Authority's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Evaluated the design and implementation of controls in place for the Authority to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;

Continued…

Audit risks and our audit approach (cont.)

2 Valuation of post-retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



Significant audit risk

- The valuation of the post-retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Authority's pension liability could have a significant effect on the financial position of the Authority.
- The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Authority in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have determined that this risk applies to the Firefighters' pension scheme only and does not apply to LGPS. This is due to the fact that LGPS pension scheme defined benefit pension liability is less significant compared with Firefighters' pension scheme.

Our response and findings

Continued…

- We were unable to identify a suitable and formal management control to respond to the significant risk of defined benefit obligations linked to estimation uncertainty. We have however considered management's response and consider it proportionate given the circumstances;
- Our specialists have assessed the overall assumptions used by the actuary to be balanced and within a reasonable range. All of the individual assumptions were assessed to be balanced with the exception of the CPI* and the discount rate. These were assessed as optimistic but within appropriate range. As this is within the range and is a difference in estimation approach rather than an error, we have not requested that an amendment is made to the reported balance;
- We have also identified an uncorrected audit difference in relation to the difference between actual and estimate contributions. See page 14 for details.
- Our procedures to undertake testing of this account is complete. We have no further issues to report as a result of our work.

* CPI is only considered as optimistic for Firefighters' scheme. It was assessed as balanced for LGPS scheme

Audit risks and our audit approach (cont.)

3 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value

Cautious | Neutral | Optimistic

Other audit risk

- The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.
- The fact that the figures were not audited in the previous year increases uncertainty. Additionally, the control deficiencies identified by internal audit in prior years concerning disposals and land valuation add to the complexity and uncertainty.
- We have not currently identified a significant risk relating to valuation of land and buildings due to the assets not being subject to a full valuation during the period.

Our response and findings

We have performed following procedures to address the risk associated with the valuation:

- We have inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- Engaging with experts in the valuation of land and buildings is recommended practice, although management have ultimate ownership over the numbers used for the financial statements. We considered the effectiveness of the design and implementation of the relevant control, and while we noted that management review and approve the assumptions used by the expert, the level of challenge that management undertake over the assumptions used in the valuation of investment property is currently insufficient for us to be able to place reliance on the control. This is because auditing standards require a level of precision and formalisation not generally seen in practice within local government. There is no impact on our audit approach in respect of this and we have not made a formal control observation, as we consider the approach to be proportionate. However, we are required to report this to you.
- There have been delays in obtaining responses from the valuer and given the amount of time remaining before the backstop date, we expect no further work is to be completed for this area. As such the PPE balance will be highlighted within our audit opinion as an area where we have been unable to obtain sufficient appropriate audit evidence in order to conclude our audit.

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Key accounting estimates and management judgements – Overview

Our view of management judgement

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Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Asset/liability class	Our view of management judgement	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates	Further comments
Defined benefit pension liability Valuation of the Authority's Pension Scheme liability	Needs improvement / Neutral / Best practice: Neutral	407	9	Needs improvement / Neutral / Best practice: Neutral	We have performed our testing over the defined benefit pension liability. Our audit work has not noted any bias in the assumptions used by the actuary or the accounting estimates adopted by the Authority related to this estimate. As reported on page 10 our specialist auditors consider the overall assumptions used to be balanced.

Audit misstatements

Given we are disclaiming our audit opinion as described on pages 4 and 5 there may be other audit misstatement our audit procedures would have identified if we completed our audit procedures as initially planned.

Management has approved the correction of the audit misstatements detailed on this page and they are to be reflected in the draft financial statements. There are no uncorrected audit misstatements.

Audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Finance and Resource Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements. We have identified five audit adjustments as below.

Corrected audit differences (£000)

No.	Detail	Type	SOCI Dr/(cr)	SOFP Dr/(cr)	Comments
1	Dr Trade and other payables Cr PPE Addition	Factual		261 (261)	This is a factual audit misstatement. It was noted that accruals recorded for PPE addition were recorded twice in error. This also meant that the related accruals have been overstated as well. Hence this adjustment was proposed and recorded in the accounts.
2	Dr Prepayments CR PPE Addition	Factual		46 (46)	An invoice where NFRS paid for 30 consultant days CFRIMS for development project for 31st March 24 but no days had been worked. So should be recorded as a prepayment.
3	DR Pension Reserves CR Pension Liability	Factual		111 (111)	Correction to Pension Liability due to a change in the Actuary Report between draft and final.
Total				-	

Types of misstatement

Factual: Misstatements about which there is no doubt

Projected: Our best estimate of misstatements in the audited populations

Judgemental: Differences arising from judgments of management that we consider unreasonable or inappropriate

Audit misstatements (cont.)

Corrected audit difference (£000)					
No.	**Detail**	**Type**	**SOCI Dr/(cr)**	**SOFP Dr/(cr)**	**Comments**
4	DR Income	Factual	48		As per late notification from City Council, figures for NNDR changed due to changes in the provision of appeals. To show correct figures within the accounts this entry was recorded.
	DR Unusable reserves			48	
	CR Short term Debtors			(28)	
	CR Short term provision			(20)	
	CR Collection Fund Adjustment		(48)		
Uncorrected audit differences (£000)					
5	DR Remeasurement of Assets (OCI)	Judgemental	156		Barnett Waddingham (management specialist) has used estimated contributions in the calculation of DBA. An independent confirmation is obtained from administrator and noted actual contributions are £1,087k as compared to estimated £1,234k. Hence, a variance of £156k has been noted. These balances were estimated by management specialist, who did not have the oversight of actual balances at the time of preparing the FRS102 report. This has not been amended in the accounts.
	CR Defined Benefit Asset			(156)	
Total			**156**	**(156)**	

Other matters

Statement of accounts

We have read the contents of the statement of accounts and checked compliance with the requirements with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ('the Code'). Based on the work performed to date:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Authority. As Finance and Resource Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Authority's performance, model and strategy.

Annual Governance Statement

We have reviewed the Authority's 2023/24 Annual Governance Statement and based on the work performed to date, we confirmed that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Whole of Government Accounts

As required by the National Audit Office (NAO) we are required to provide a statement to the NAO. The guidance for auditors in regard to this work has not yet been published an as such we are unable to complete the work required. This is an issue which impacts all local authority audits.

This has the impact of us not being able to certify the audit as complete. We will report to the Finance and Resource Committee at a future date once we have an update in regard to this.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our PSAA 2023/24 audit scale fee for the audit was £95k. We have also agreed fee variations of £8k with management. Refer to page 20 for more details.

We have not completed any non-audit work at the Authority during the year.

Value for money

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following pages.

Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Authority's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Authority does not have appropriate arrangements in place.

In undertaking our risk assessment we are required to obtain an understanding of the key processes the Authority has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Authority's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of your previous auditor's recommendations.

The ilil will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

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

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

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Value for money

Approach we take to completing our work to form and report our conclusion:

Process

Understanding the entity's arrangements

- Financial statements planning
- Internal reports, e.g. IA
- Management Inquiries
- External reports, e.g. regulators
- Assessment of key processes
- Annual report

Evaluation of entity's value for money arrangements

- Targeted follow up of identified value for money significant risks
- Continual update of risk assessment

Value for money conclusion and reporting

- Conclusion whether significant weaknesses exist

Outputs

Risk assessment to Finance and Resource Committee

Our risk assessment will provide a summary of the procedures undertaken and our findings against each of the three value for money domains. This will conclude on whether we have identified any significant risks that the entity does not have appropriate arrangements in place to achieve VFM.

Value for money assessment

We will report by exception as to whether we have identified any significant weaknesses in arrangements.

Public commentary

Our draft public commentary will be prepared for the Audit Committee alongside our annual report on the accounts.

Public commentary

The commentary is required to be published alongside the annual report.

DRAFT

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources irrespective of the statutory backstop as explained on page 4.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

Performance improvement observations

As part of our work we have identified two Performance Improvement Observations, which are suggestions for improvement but not responses to identified significant weaknesses. See page 31.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses identified

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Value for money arrangements

Financial sustainability	
In assessing whether there was a significant risk of financial sustainability we reviewed: • The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions; • How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements; • Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans; • The process for assessing risks to financial sustainability; • Processes in place for managing identified financial sustainability risks; and; • Performance for the year to date against the financial plan.	**Financial Planning:** The Authority has a statutory duty to breakeven within the budget. The budget setting process involved stakeholders at all levels of management hierarchy and takes place as part of the annual business planning process. A “Medium Term Financial Strategy” (MTFS) has been formulated encompassing the financial implications of the known challenges encountered to maintain current operations whilst pursing the goals and objectives. The MTFS takes into account the financial forecast, encompassing both internal and external resources, over the medium term, and services as the foundation for compiling the budget for the following years. A revenue budget is prepared alongside a capital program that are both strategically aligned with the aims and objectives outlined in the MTFS. This process takes into consideration local pressures as well as efficiency savings necessary to achieve the aims and objectives. It is seamlessly integrated into the annual budget setting process. The budgets and MTFS undergo review and approval by Community Risk Management Plan Board and the Fire and Rescue Authority. This multi- tiered approval process ensures thorough considerations of the budgets by key stakeholders across all levels within the Authority. Presenting reports at these meetings facilitates open discussion, allowing for issues to be raised, deliberated upon, and appropriate actions agreed. **Monitoring of ongoing financial performance:** Various stakeholders, including the FRA members, closely monitor and scrutinise the financial position. Quarterly revenue and capital performance monitoring reports are presented to the Finance and Resource Committee by the Head of Finance and Treasurer, encompassing fund budgets and capital allocations. The 2023/24 MTFS highlighted a funding shortfall for 2023/24 onwards. The projected revenue for 2023/24 was set as £49.97m. The approved budget included a £404k use of the budget pressure support reserve to address the budged funding deficit. During the year, additional use of other specific earmarked reserves were approved, increasing the budget to £50.26m. As of July 2024, the revenue and capital outturn report indicated a total underspend of £1.33m, representing 2.64% of total spend. This includes a £735k underspend on pay expenses which is largely due to vacancies in the establishment. The 2024/25 MTFS presented and approved in February 24 also highlighted a funding shortfall that might necessitate utilising transformation reserves for 2024/25 onwards. The gaps arises from several challenges, notably the inflation pressures and uncertainties around funding allocation and pay awards. However, the MTFS have accounted for the uncertainty within the reserve strategy and the Authority maintains sufficient reserves to address any additional funding gap as a result of this. **Risk assessment conclusion** Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

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Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:	**Risk Management**
In assessing whether there was a significant risk relating to governance we reviewed: • Processes for the identification, monitoring and management of risk; • Controls in place to prevent and detect fraud; • The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated; • Processes for monitoring performance against budgets and taking actions in response to adverse variances; • How compliance with laws and regulations is monitored; • Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and • How the Authority ensures decisions receive appropriate scrutiny.	**Risk Management** The Authority has a risk management process in place, which allows the Authority to identify and monitor risks. All identified risks are subject to scrutiny and challenge by the principal officers and the area management team, to ensure an appropriate risk score and mitigations in place. It was noted that the risk register does not currently include climate change risks. As a result, a recommendation has been raised to address this gap in page 32. Our review of the risk register found this was sufficiently detailed to effectively manage key risks, and sufficient actions identified which set out how the Authority intends to achieve a target risk level. Relevant reporting of current and open risks take place on a six- monthly basis to Finance and Resource Committee. **Framework of control, decision making and audit arrangements** The Authority have in place a governance structure and a Financial Principles, Financial Procedures and Final Regulations policy which are aligned to best practice and show clear delegated responsibilities. It was noted that the Terms of Reference for the Finance and Resources Committee and Performance Committee date back to 2015. Consequently, a recommendation was made for the Authority to conduct regular reviews and updates of the Terms of Reference to ensure they remain relevant and aligned with current practices. See page 32. The Authority undertakes a number of measures to prevent and detect fraud. The Authority has established policies and procedures, including the Employee Code of Conduct, which outlines expected standards of behaviour, policy on conflict of interest and whistleblowing, in place to monitor any fraud and related risks. The policies are reviewed regularly to ensure that these are up to date. The Authority operates under the oversight of the Fire and Rescue Authority responsible for managing and approving critical decision. The Terms of Reference governing Fire and Rescue Authority operations undergo regular review to ensure compliance and effective in monitoring processes. Internal audit services are outsourced and management responses and action plans are devised to address any deficiencies identified in the audit recommendations. **Response to reports from regulators** The Authority has implemented improvement plans to address findings from 2020/21 HMICFS inspections. Additionally, recommendations arising from the inspection were incorporated into the Community Risk Management Plan. It was noted that the most recent HMICFRS inspection report was released in September 2024. The report highlighted 10 out of 11 areas inspected received “Good” ratings, while one area was rated as “Adequate”. This demonstrates that appropriate governance arrangements are in place to support the improvement plan following the previous inspection in 2020/21. **Risk assessment conclusion** Based on the risk assessment procedures performed we have not identified a significant risk associated with governance.

Value for money arrangements

Improving economy, efficiency and effectiveness	
In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed: • The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved; • How the performance of services is monitored and actions identified in response to areas of poor performance; • How the Authority has engaged with other stakeholder and wider partners in development of the organisation	**Planning and delivery of efficiency plans** The Authority's MTFS budget setting process includes steps to identify planned efficiencies and savings for the upcoming four years. An Efficiency and Productivity plan has been implemented for 2023/24. The National Fire Chiefs Council (NFCC) and the Local Government Association (LGA) have proposed that across Fire and Rescue Authority's in England, the sector could create 2% of non- pay efficiencies. During the budget- setting process for 2023/24, the Authority identified savings of £1.1m, which were either reinvested in Community Risk Management Plan projects or contributed towards reducing the deficit. This amount exceeds the 2% target set by the NFCC and the LGA. However, it is important to note that some of these savings include pay related expenses, some of which are one- off in nature. **Performance reporting** The Authority has established strategic goals outlined in its Community Risk Management Plan and the Service developed supporting projects, including Future 25 and Home Office Efficiency and Productivity Plan, to achieve these objectives. Progress on program delivery is reviewed quarterly during the Fire and Rescue Authority. A quarterly performance report on non- financial metrics is presented to the Community Safety Committee, highlighting areas where performance falls below targets. For example, 2023-24's report noted that the average attendance time was higher than the target set for the year. However, detailed explanations and action plans were provided to address the shortfall. Based on this, we consider the processes for identifying and responding to areas of poor performance to be sufficient The Authority has established the Programme and Performance Board to monitor progress against the strategic objectives set by the Combined Fire Authority (CFA). The Programme and Performance Board reviews performance reports and key performance indicators from all areas of the Authority and provides oversight for significant corporate projects. **Response to reports from regulators** As highlighted on page 21, the most recent HMICFRS inspection report was released in September 2024. The report indicated that the Authority have appropriate arrangements to ensure its services are effective. **Risk assessment conclusion** Based on the risk assessment procedures performed we have not identified a significant risk associated with improving economy, efficiency and effectiveness

Appendices

Contents	Page

Local Audit - Reset and Recovery

Background

It has been widely reported the level of delays in Local audit had grown to an unacceptable level. As a result, Central Government has been working with the Financial Reporting Council (FRC), as incoming shadow system leader and other system partners to develop proposals to address issues in the local audit. These consist of three stages:

Phase 1: **Reset** involving clearing backlog of historical audit opinions.

Phase 2: **Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycle.

Phase 3: **Reform** involving address systemic challenge in the local audit system and embedding timely financial reporting and audit.

Implementation of Reset and Recovery

The Accounts and Audit (Amendment) Regulations 2024, introduced backstop dates by which local bodies must publish audited accounts and the NAO have also issued the revised 'Code of Audit Practice 2024 **Code of Audit Practice** that requires auditors to give an opinion in time to enable local bodies to comply with the backstop date. The table overleaf identifies the backstop dates and the status of your audits where impacted.

The NAO has also published Local Audit Rest And Recovery Implementation Guidance (LARRIGs), which have been prepared and published with the endorsement of the FRC and are intended to support auditors in meeting their requirements under the Act https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors

Local Audit - Reset and Recovery

Financial year	Date
Up to 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Recovery period and audit work

The implication of receiving a disclaimed audit opinion for 2 number of financial year(s) to and including 2022/23 means that for the financial year 2023/24 we have not been able to rely on the opening balances from 2022/23.

To obtain sufficient appropriate audit evidence over opening balances, auditing standards identify two approaches. One of those is to use the working papers and other information available on the prior year audit file, which as noted above has not been possible as the outgoing auditor has not been able to complete their audit. An alternative approach is the performance of specific audit procedures to obtain evidence regarding opening balances.

The LARRIGs, in particular LARRIG 05 *Rebuilding assurance following a disclaimed audit opinion,* was only finally published in September 2024 and further guidance, mentioned in the LARRIG in the format of a case study was only released in December 2024.

We also note there is an ongoing sector wide process, convened by the Financial Reporting Council (FRC) with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances. This, along with the backstop date for 2022/23 being only 2 months prior to that of the 2023/24 period, has limited the extent of building back assurance that has been possible in 2023/24.

During our audit of 2023/24 we have completed certain work on the closing balances for 2023/24 and in year transactions (see pages 4 to 5) and this will contribute to rebuilding assurance.

The table overleaf identifies an indicative pathway to returning to an unmodified opinion. However, it must be noted this is only an indicative pathway and the speed of progress will depend on a range of factors including the level of work required to provide assurance on opening balances, in particular PPE balances and reserves balances.

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Local Audit – Reset and Recovery

Rebuilding assurance

Given the importance and complexity of reserves balances and management, a detailed risk assessment will be undertaken to understand the level of work required to obtain sufficient appropriate audit evidence on the reserves balances. As noted on the previous page, there is an ongoing sector wide process with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances.

We note there may be other factors which impact on the speed of this work – such as the support provided by the audited entity and availability and quality of audit evidence. Where such support is not provided and the availability and quality of audit evidence is not present this will significantly impact on the time taken to build back assurance and the likely cost of such a process in terms of audit fees. We note the challenges identified on page 5 regarding this year's audit. As we complete our debrief with management, we can discuss how assurance can be gained on individual account balances and ultimately lead to a position that unmodified opinions can be issued in future years.

Indicative pathway based is reproduced from the LARRIGs

2023/2024	Disclaimer of Opinion	Auditors will begin work to rebuild assurance, gaining sufficient assurance over some, but not all, closing balances. No assurance will be possible over brought forward balances from 2022-23 or comparatives, therefore this will lead the audit to be disclaimed as it cannot be concluded that the financial statements are free from material and pervasive misstatement.
2024/2025	Disclaimer of Opinion / Qualified (Except For)	Auditors will now have obtained sufficient evidence over most, if not all, closing balances in 2024-25, but does not yet have assurance over the brought forward balances that were not audited in 2023-24. This will likely lead the auditor to disclaim, however where auditors have gained assurance over in-year movements, they may be able to issue a qualified opinion instead.
2025/2026	Qualified (Except For)	Auditors should have assurance over the opening and closing balances plus in year movements, but may not have sufficient assurance over the comparative figures. This will likely lead to a qualification by limitation of scope to exclude assurance over the comparative figures – a material, but not pervasive misstatement.
2026/2027 2027/2028	Unmodified	It is expected that most audits, will have assurance over opening balances, closing balances, in-year movements and prior year comparatives. This will result in an unmodified opinion being issued.

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Required communications

Type	Response
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	There were four adjusted audit differences for overstatement of capital expenditure. See page 13 and 14
Unadjusted audit differences	We have one identified any unadjusted audit difference as a result of our testing. See page 14
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	No actual or suspected fraud involving the Authority management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	We have not identified any such matters.
Issue a report in the public interest	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	We do not express an opinion on the financial statements. Due to the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	No material inconsistencies were identified related to other information published alongside of financial statements. This include the Narrative statement.
Breaches of independence	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Authority 's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	No significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above. Due to the on going testing over the areas mentioned on page 3 we have not yet certified the audit as complete. There are no other issues delaying this being issued.
Provide a report to the NAO on your WGA consolidation schedule	As the Authority is below the reporting threshold we will not have to provide this report. As noted on page 15 we are not able to finalise our work in this area.

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	*2022/23 (£'000)*
Statutory audit	95	*33*
ISA315r	5	-
ISA240	3	-
TOTAL	**103**	*33*

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud.
- Additional fees have been/will be subject to the fees variation process as outlined by the PSAA.

Note: (a) Fee charged by EY – your predecessor auditor.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Finance and Resource members

Assessment of our objectivity and independence as auditor of Nottinghamshire and City of Nottingham Fire Authority

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result, we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and .

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

There are no non-audit services applicable.

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	103
Other Assurance Services	-
Total Fees	**103**

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Finance and Resource Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Finance and Resource Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG LLP

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Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations		
❶ **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response
1	❷	**Review of bank reconciliations** It was noted that bank reconciliation is only prepared and reviewed for Barclays Bank. As there is no formal review for other two bank accounts there is a chance that that spreadsheet might not be correct, or incorrect transactions have been shown as reconciling items. *Recommendation: We recommend that management should prepare and review all bank reconciliations to ensure that reconciling items are appropriate to reduce related risks to minimal.*	Response: A formal review of all three bank accounts will be implemented. Due Date 31st January 2025 Responsible Officer: Head of Finance and Treasurer (S151 Officer)

Control Deficiencies

The recommendations raised as a result of our value for money work in the current year are as follows:

Priority rating for recommendations		
❶ **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response
1	❸	**Corporate risk register** It was noted that the corporate risk register does not currently include climate change risk. There is increased risks of wildfires, flooding, gales and altered hydrology due to effects of climate change *Recommendation: We recommend that management should involve climate change impact on its corporate risk register*	Response: Management will consider the inclusion of climate change in the corporate risk register at the review of the register. Due Date 25th February 2025. Responsible Officer: Head of Finance and Treasurer (S151 Officer)
2	❸	**Terms of References** It was noted that the Terms of References for the Finance and Resource Committee, the Performance Committee and the Fire and Rescue Authority are outdated. Furthermore, they do not include responsibilities for ensuring appropriate policies and processes are in place for the prevention and identification of fraud. *Recommendation: We recommend that management should conduct regular reviews and updates of the Terms of References to ensure they remain relevant and aligned with the current practices.*	Response: A governance review is currently being completed including the review of the Committee Terms of References. Due Date: 31 May 2025 Responsible Officer: Solicitor, Clerk and Monitoring Officer to the Nottinghamshire and City of Nottingham Fire and Rescue Authority.

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