

# Annual Audit and Inspection Letter

**North Yorkshire Fire and Rescue Authority**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

This report provides an overall summary of the Audit Commission's assessment of the Authority, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

# Contents

<b>Key messages</b>	<b>4</b>
Action needed by the Authority	4
<b>Purpose, responsibilities and scope</b>	<b>5</b>
<b>How is North Yorkshire Fire and Rescue Authority performing?</b>	<b>6</b>
The improvement since last year - our Direction of Travel report	7
Service assessment	11
<b>The audit of the accounts and value for money</b>	<b>13</b>
<b>Looking ahead</b>	<b>15</b>
<b>Closing remarks</b>	<b>16</b>
Availability of this letter	16

## Key messages

- 1 This report provides an overall summary of my assessment of the Authority. It draws on the findings and conclusions from my 2006/07 audit and current audit issues. The letter includes our review of how well the Authority has progressed (the Direction of Travel report) and my assessment of how well the Authority has managed its finances (the Use of Resources scores).
- 2 The report is addressed to the Authority, in particular it has been written for Members, but is available as a public document for stakeholders. The main messages for the Authority included in this report are as follows.
  - You were assessed as being a Good authority in the Comprehensive Performance Assessment in 2005 and have continued to improve since then.
  - The operational assessment of your service delivery concluded you are Performing Strongly.
  - Your overall Use of Resources score remains at a 3, indicating that your finances are managed at a level consistently above minimum requirements, and within the overall score, your score in relation to Financial Reporting has increased from a 3 to a 4, well above minimum requirements.
  - Two-thirds of your key indicators improved in 2006/07, including significant reductions in fire-related injuries and high public satisfaction rating. The most significant improvement was within your corporate health indicators, where 8 out of 10 improved – in contrast to your performance at fire prevention, where only 4 out of 10 improved.
  - You met your efficiency targets, but did not deliver other anticipated savings. Your planning framework is robust and you have improved your performance management, though some projects slipped and some targets were not been met.
  - I issued an unqualified opinion on the 2006/07 financial statements, and an unqualified value for money conclusion, on 27 September 2007.

## Action needed by the Authority

- 3 Your limited improvement in fire prevention offers scope to strengthen your approach in this particular area, both operationally and in terms of performance scrutiny. Better success at fire prevention will reduce the number of fires you are required to attend, enhancing your operational capacity to deal with those fires, and other incidents, that still occur.
- 4 Your ability to deliver your medium term financial strategy is dependant on achieving further efficiency gains. You have previously identified, but not delivered, some significant proposals capable of improving value for money. You will need to be ambitious and resolute about the delivery of these proposals - and continue to reduce staff sickness absence - to achieve further efficiency gains.

## Purpose, responsibilities and scope

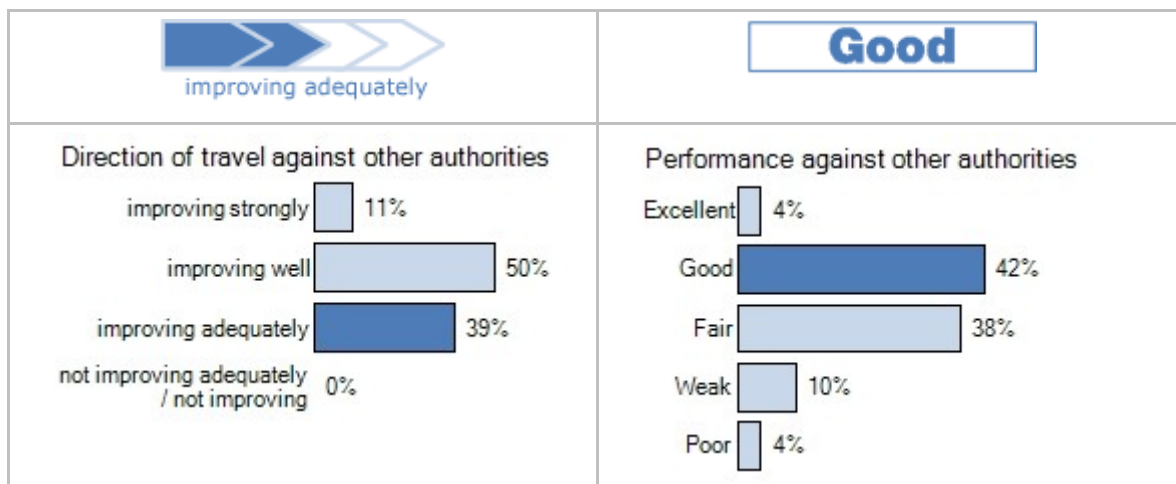
- 5 This letter draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit for 2006/07.
- 6 The letter is addressed to members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.
- 7 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). In addition the Authority is planning to publish it on its website.
- 8 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
  - the Authority's accounts;
  - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Authority's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 9 This letter includes the latest assessment on the Authority's performance under the CPA framework, including our Direction of Travel report. It summarises the key issues arising from the CPA.
- 10 We have listed the reports issued to the Authority relating to 2006/07 audit and inspection work at the end of this letter.

## How is North Yorkshire Fire and Rescue Authority performing?

- 11 The Audit Commission’s overall judgement is that North Yorkshire Fire and Rescue Authority is improving adequately, and was assessed as Good in the Fire and Rescue Comprehensive Performance Assessment carried out in 2005. The latter assessed authorities on their corporate management, their achievements, community fire safety and how they planned to respond to incidents through their Integrated Risk Management Plan (IRMP). It did not consider tactical management of emergency response. The following chart shows the latest position across all Authorities.

**Figure 1 Overall performance of authorities in CPA**

This is an authority that is **improving adequately** having demonstrated **Good** overall performance in 2005.



Source: Audit Commission

## The improvement since last year - our Direction of Travel report

### Direction of Travel - Summary

- 12 The Fire and Rescue Authority (FRA) is improving adequately in those areas identified as priorities and those important to local communities. Two-thirds of its key indicators improved in 2006/07, including significant reductions in fire-related injuries and high public satisfaction rating. While fires are reducing, there has been limited progress at reducing unwanted fire alarm calls and improving smoke alarm activation. The FRA has strengthened its engagement within public partnerships. It is actively working to reduce traffic casualties and promote wider community safety, which supports its long-term vision of 125 Alive. Member engagement and leadership is good. Risk analysis is strong which helps it to target hard-to-reach groups and locations. Efficiency targets have been met, but other anticipated savings have not been delivered. The FRA has a robust planning framework and has improved its performance management, but some projects have slipped and some targets have not been met. Capacity is supported by robust workforce development and training arrangements and rank to role has been fully implemented, but the Authority has made limited progress at improving the diversity of its workforce.

### Direction of Travel - Detailed report

- 13 Our assessment of your direction of travel is based on the following two key questions.
- Are your outcomes improving?
  - Are you progressing with plans that will sustain future improvement?

#### Is the fire and rescue service improving outcomes?

- 14 You are improving adequately within areas that you have identified as priorities and those important to local communities. You are making progress against your key priorities of reducing fires, deaths and injuries. You remain on track to deliver your long term vision – 125 Alive; reducing the number of deaths arising from accidental fires and traffic collisions (although the number of such deaths was above your own 2006/07 target). The number of fire related injuries has decreased significantly; this is now well below the national average when adjusted for deprivation. The FRA is on track to meet the national targets for reducing the number of accidental fire-related deaths by 20 per cent and the number of deliberate fires by 10 per cent, by 2010.
- 15 Two thirds of those PI's which can be compared (18 out of 27), improved during 2006/07. The most significant improvement was within your corporate health indicators, where 8 out of 10 improved – in contrast to your performance at fire prevention, where only 4 out of 10 improved. Your public satisfaction rating is high; at 64 per cent, you are amongst the best performing FRAs for this indicator.

## 8 Annual Audit and Inspection Letter | How is North Yorkshire Fire and Rescue Authority performing?

- 16 Fire prevention covers a range of indicators related to fire activity. In general, you are performing above average, in terms of the level of incidents. The number of primary, accidental dwelling and arson fires reductions during 2006/07. However, whilst your performance for the number of fires attended where a smoke alarm has been fitted is at the national average, you are one of the worst performing FRAs for incidents where smoke alarms were fitted but not activated.
- 17 Although you have helped to reduce the number of unwanted automated fire alarm calls (AFA), your rate of progress has been slower than other FRA's; as a consequence, your relative performance has deteriorated. Your performance is now below the national average and the level of repeat offenders in North Yorkshire is among the worst in the country. This is a contributory factor to the financial and budgetary pressures you face.
- 18 Your partnership work actively contributes towards wider community outcomes. You play an active role in the Local Area Agreement (LAA) and Local Strategic Partnership for North Yorkshire. For example, your Chief Fire Officer chairs the LAA Safer Communities Forum and your Deputy Chief Fire Officer is on the LAA Children and Young Peoples Board and also now chairs the Road Safety Forum. This is a key forum in terms of the overall LAA as it has responsibility for delivering against a number of performance targets and one of the stretch targets. You are therefore in a position to guide the strategic direction and investment into that strand of the LAA process.
- 19 You are also working actively to reduce road traffic collisions (RTC) - which supports your 125 Alive vision. The high volume of tourists and through-traffic within north Yorkshire makes this a challenging objective. The road safety partnership's intelligence-gathering arrangements are intended to strengthen its prevention and enforcement arrangements. You contribute to this directly, through schemes such as the crucial crew, the melon drop exercise for bikers and the mobile matrix speeding signs, which are deployed in villages, to gather intelligence on speeding and act as a deterrent. The FRA has drawn upon experience elsewhere in the FRS, for example, Learn to Live from Cleveland FA demonstrating a willingness to learn from others.
- 20 You use a range of approaches in your work with young people to improve community safety, for example, your LIFE course for disaffected youth, is intensive, fully subscribed and has received positive feedback from other agencies. You have also invested in eight new mobile community safety units, which has enhanced the out reach work of the community safety team. The impact of this initiative is still being assessed.
- 21 You have a robust understanding of the risks facing your communities, an area of strength recognised within the OASD. Your comprehensive risk analysis - using the latest information available to inform performance and focus risk reduction activity – allows you to continuously identify and re-assesses risks within the county. This has led to an eight per cent reduction in incident and fire cover risk since 2004.

- 22 You are taking action to improve the accessibility of your information and services for hard to reach groups, for example, working with new migrant communities to address community safety. You have been involved in the welcome pack initiative in Selby, have used targeted leaflets in Polish and given presentations at English as a second language courses. You are also making use of existing forums and mechanisms as a way of reaching disability groups and travellers to provide appropriate services.
- 23 Value for money is improving adequately. You have delivered your Gershon target, with efficiency gains just below the FRA average. You have maintained low council tax increases; over the last four years council tax has increased by 11 per cent, the lowest in the country. Whilst you have identified a range of significant proposals to improve value for money, not all of these have been realised – including reforms to the main duty system and a change to the status of Harrogate fire station. Your medium term financial strategy is dependent on the delivery of further efficiency gains.

**How much progress is being made to implement improvement plans to sustain future improvement?**

- 24 Your planning framework is robust, incorporating a planning time horizon of five years, within your long term 125 Alive ten year vision. The vision is well communicated, is understood by staff and partners and is underpinned by your financial strategy – which in turn is aligned with your corporate plans. Your improvement plan is SMART, incorporating some 39 projects and progress against the plan is regularly reported to members and senior managers.
- 25 You have reviewed your improvement planning process to ensure that targets and milestones are realistic and that progress can be accurately monitored at both officer and member level. The FRA had identified an ‘optimism bias’ in its improvement plan reporting and has therefore introduced more robust monitoring at officer and member level. The system is effective and the latest progress report highlighted a number of projects which have slipped.
- 26 You have made some progress at implementing your improvement plans, but about half of the proposals set out within your 2005/06 and 2006/07 IRMP remain outstanding. Many are being delayed by protracted negotiation with the unions such as changes to the shift system, use of community safety vehicles and co-responder schemes. These delays are preventing you from achieving all of your objectives.

- 27 The FRA has the capacity to deliver its priorities. The capacity of your workforce is being strengthened by solid progress on implementing the Rank to Role and IPDS. (Integrated Personal Development System) initiatives. The Rank to role initiative is now complete; the last tranche was the retained service, which was finalised in early 2007. A well established competencies framework, in place prior to IPDS, has helped you to embed that initiative. You have adopted the Scottish Fire College Personal Development Record, rolling it out to support IPDS within the stations, with the remainder of your retained stations scheduled for completion during 2008. You are promoting learning amongst your staff by supplementing your existing training arrangements with e-learning packages such as the provision of diversity training.
- 28 The FRA has improved its sickness levels, through proactive absence management, but has not matched progress elsewhere in the fire service resulting in a sickness rate of 8.7 days per annum for whole time firefighters, which is now above the national average of 8.1. Reducing sickness levels enhances the capacity and efficiency of the service.
- 29 Your workforce is not representative of the communities it serves, but you are making some progress at promoting a more diverse workforce. You have achieved level 2 of the Local Government Equality Standard and have firm plans to attain level 3 by April 2008. You have invested in positive action to encourage more candidates from under-represented groups, for example, by providing additional support for those who failed the fitness element of tests, to help them reapply. There has been limited improvement, in terms of staff in post and numbers of applicants, as a consequence of these initiatives. The number of female fire fighters has increased to 3.6 per cent, best quartile performance for the fire service but well below the national framework target of 15 per cent by 2009. At 0.67 per cent, the percentage of your staff of BME origin remains well below the North Yorkshire BME population (1.6 per cent). Achieving a more representative and diverse workforce continues to represent a significant challenge.
- 30 The regional management board (RMB) has improved its internal management arrangements but is still only meeting the minimum standards of the national framework. On behalf of the RMB, you are taking the lead on strengthening its performance management arrangements. Your DCFO is leading a work stream on improving business management through a new performance management system that is also being rolled out in within your own Authority. The work on regional control rooms, resilience and aspects of common services have achieved some tangible benefits, strengthening the capacity However, whilst common regional strategies on procurement and human resources are now in place, these have had limited impact. Regional collaboration through the RMB, is still not delivering its full potential
- 31 You have strengthened your engagement with other key partnerships in the county and you actively engage with the LAA and LSP. You have developed a partnership evaluation process and have been able to enhance your capacity by cooperating with partners, including initiatives such as road safety, consultation and engagement with disability groups.

- 32 I am not aware of any significant weaknesses in your arrangements for securing continuous improvement or failures in corporate governance. Your performance management arrangements are effective, utilising a clear, traffic light reporting system of key PIs linked to your overall vision. Each red traffic light you identify is supported by analysis and remedial action – which helps you to drive improvement and promote sustainability. Member engagement and leadership is good. Your Audit and Performance Review Committee provides effective challenge and engagement, for example, by questioning and challenging your targets and performance and by reviewing your risk managements arrangements.

## Service assessment

- 33 The Commission has undertaken a fire and rescue service assessment of the Authority. The assessment focused on service delivery and looked at the effectiveness of the service as experienced by recipients of the service. The assessment was constructed from the following two elements.
- The performance information element (an analysis of outcome focused best value performance indicators selected from those nationally available to assess the outcome of the services delivered by the authority).
  - The operational assessment of service delivery element (provided to the Commission by the Department of Communities and Local Government (DCLG)).
- 34 The assessments for North Yorkshire Fire and Rescue Authority are provided in Table 1.

**Table 1 Fire and rescue service assessment**

Element	Assessment
Performance indicator	4 out of 4
Operational assessment of service delivery	4 out of 4
Overall fire and rescue service assessment	4 - Performing strongly – well above minimum requirements

*Source: Audit Commission*

- 35 DCLG’s 2006 operational assessment of service delivery assessed the planning and delivery of emergency response. The following text was provided by DCLG as part of their assessment of North Yorkshire Fire and Rescue Authority.

## 12 Annual Audit and Inspection Letter | How is North Yorkshire Fire and Rescue Authority performing?

'North Yorkshire Fire and Rescue Service is performing well in all areas of service delivery, and particularly strongly in risk analysis and prevention and protection. The Service has a robust and detailed risk analysis policy and uses the latest information available to inform performance and focus risk reduction activity. It continuously identifies and re-assesses risks in the area and this has led to a measurable eight per cent reduction in risk since 2004. The Service has an innovative vision, '125 ALIVE', which seeks to ensure that 125 more people will be alive in the ten years to 2014 because of its work. This vision is clearly understood by staff and partners, and the Service is actively engaged in a significant number of effective risk reduction activities. The Service is well prepared operationally and has effective policy provision for partnership working. Call management arrangements are good, and a comprehensive range of operational policies and procedures ensure that staff respond to emergencies effectively. Overall the Service provides an effective and focused service that concentrates resources on reducing the level of risk in the community.'

## The audit of the accounts and value for money

- 36** As your appointed auditor I have reported to you in September 2007 on the issues arising from our 2006/07 audit and have issued:
- my audit report, providing an unqualified opinion on your and a conclusion on your vfm arrangements to say that these arrangements are adequate on 27 September 2007; and
  - my report on the Best Value Performance Plan confirming that the Plan has been audited.

### Use of Resources

- 37** My audit findings are an important component of the CPA framework described above. In particular the Use of Resources score is derived from my assessments in the following areas.
- Financial reporting (including the preparation of your accounts and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support your priorities).
  - Financial standing (including the strength of your financial position).
  - Internal control (including how effectively you maintain proper stewardship and control of your finances).
  - Value for money (including an assessment of how well you balance the service cost and quality).
- 38** For the purposes of the CPA we have assessed your arrangements for use of resources in these five areas as follows.

**Table 2**

<b>Element</b>	<b>Assessment</b>
Financial reporting	4 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

*(Note: 1 = lowest, 4 = highest)*

39 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.

- Financial Reporting - The quality of the financial statements and supporting working papers was very high, and were available for audit in advance of the expected timetable. The audit identified no issues in relation to the financial statements or supporting working papers. The only recommended improvement is that the Annual Report/Corporate Plan be available in a wide variety of formats and languages.
- Financial Management - Your medium term financial strategy, budgets and capital programme are soundly based and designed to deliver your strategic priorities. Performance is actively managed against budgets and you have a good track record of spending within budgets. There is an overarching capital strategy and asset management plan. You will need to demonstrate innovation/ best practice in relation to Financial Management in order to achieve a score of 4 in the next Use of Resources assessment.
- Financial Standing - Your reserves have been maintained in line with your policy, and provision has been made for potential future events. You will need to demonstrate innovation/ best practice in relation to Financial Standing in order to achieve a score of 4 in the next Use of Resources assessment.
- Internal Control - Risk Management is embedded within the organisation, although risk management training for members and senior managers should be refreshed on a regular basis. Your systems of internal control are generally sound, and the Audit Committee meets the core functions defined by CIPFA. You need to establish formal arrangements for maintaining a register of interests and gifts and hospitality for staff, and you need to be able to demonstrate that a strong counter fraud and corruption culture is in place throughout the Authority.
- Value for Money - Your approach to monitoring VFM is still evolving; the outcomes from your high-level benchmarking exercises have so far been inconclusive and further research and analysis will be needed. Although Integrated Risk Management Plans have included some ambitious modernisation plans, about half of the proposals made during the last two years have been delayed - sometimes the consequence of working within a challenging industrial relations environment. Whilst you currently achieve good value for money this will be difficult to sustain in the medium term unless processes are further improved and embedded and tough decisions are taken and implemented efficiently.

## Looking ahead

- 40 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements.
- 41 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with an enhanced annual direction of travel assessment and an annual use of resources assessment. The use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and sustainability.
- 42 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

## Closing remarks

- 43 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the Audit and Performance Review Committee on 24 April 2008. Copies need to be provided to all Authority members.
- 44 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

---

**Table 3      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	March 2006
Annual governance report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Annual audit and inspection letter	March 2008

- 45 The Authority has taken a positive and constructive approach to audit and inspection work, and I wish to thank your officers for their support and cooperation during the audit.

## Availability of this letter

- 46 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Authority's website.

Mark Kirkham  
**District Auditor and Relationship Manager**

March 2008