

# **Use of Resources Auditor Judgements 2007**

**North Yorkshire Fire & Rescue Authority**

**Audit 2006/07**

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## Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well fire authorities manage and use their financial resources. This is the second year that we have made a UoR assessment and this report sets out our findings for our assessment of the 2006/07 financial year.
- 2 The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Authority's priorities and improve services, covering five themes.
- 3 Scoring is based on the following scale.

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**Table 1**

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 4 The overall score for Use of Resources will be reported to the Authority by the Audit Commission on 17th December 2007. The scores for North Yorkshire Fire & Rescue Authority for the five themes are outlined overleaf.

## Summary scores for each theme

**Table 2**

<b>Key lines of enquiry (KLOEs)</b>	<b>Score 2007</b>	<b>Score 2006</b>
<b>Financial reporting</b>		
1.1 The authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	4	3
1.2 The authority promotes external accountability.	3	3
<b>Financial management</b>		
2.1 The authority's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3
2.2 The authority manages performance against budgets.	3	3
2.3 The authority manages its asset base.	3	3
<b>Financial standing</b>		
3.1 The authority manages its spending within the available resources.	3	3
<b>Internal control</b>		
4.1 The authority manages its significant business risks.	3	3
4.2 The authority has arrangements in place to maintain a sound system of internal control.	3	3
4.3 The authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2	2
<b>Value for money</b>		
5.1 The authority currently achieves good value for money.	3	3
5.2 The authority manages and improves value for money.	2	2

## Theme summaries

- 5 The key findings and conclusions for each of the five themes are summarised in the following tables.

### Financial reporting

**Table 3**

<b>Theme score 4</b>	
<b>Key findings and conclusions</b>	
<p>The accounts were produced well within the deadlines, and to a high standard. Our audit identified no adjustments, other than as a result of late guidance. Working papers have once again been excellent, and were enhanced by a detailed analytical review of the accounts. Any additional queries were answered promptly.</p> <p>The Authority produces an annual Corporate Plan which includes summary financial information as well as budgets, and performance information, including performance against Best Value Indicators, and targets for future years. The report is available in a variety of formats upon request, although does not inform readers of the availability of other languages.</p> <p>The Authority has also published summary financial statements for the first time this year, available from the Authority's website.</p>	
<b>Improvement opportunities</b>	
KLOE 1.1 The authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	
KLOE 1.2 The authority promotes external accountability.	Ensure that the Annual Report/ Corporate Plan is available in a wide variety of formats, including other languages.

## Financial management

**Table 4**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>The Authority has taken effective action to ensure that its medium term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p> <p>The MTFS covers a five year period, and links to corporate objectives. It is reviewed annually, and is linked to other key strategies.</p> <p>Budgets are reviewed annually, and budget holders are involved in the budget setting process.</p> <p>Performance against budgets is actively managed and the Authority has a good track record of not overspending.</p> <p>There is an overarching capital strategy and asset management plan and the Authority effectively manages its asset base.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 2.1 The authority's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>Identify within the MTFS the financial implications of joint plans agreed with partners and other stakeholders.</p> <p>The Authority should monitor how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p>
<p>KLOE 2.2 The authority manages performance against budgets.</p>	<p>A 'traffic light' system (or similar) should be in place to focus members on key variances, and these should be acted upon.</p> <p>The authority should consult with, advise and train users so that it develops and provides the financial information systems to meet their needs.</p>

<b>Improvement opportunities</b>	
KLOE 2.3 The authority manages its asset base.	The Authority should develop an approach for the co-ordination of asset management information and its integration with relevant organisational financial information. Performance measures and benchmarking should be used to describe and evaluate how the authority's asset base contributes to the achievement of corporate objectives and improvement opportunities.

## Financial standing

**Table 5**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>The Authority has approved a target level of reserves that is reflected in the budget and Medium Term Financial Strategy. The Authority has made appropriate provision in its MTFS to manage the impact of significant future events and effectively manages its spending within the available resources.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 3.1 The authority manages its spending within the available resources.</p>	<p>Members should monitor key financial health indicators and set challenging targets, for example levels of variances from budget, prudential framework indicators and capital programme management.</p> <p>Need to evidence wider consideration and understanding by members of the opportunity costs of maintaining the present level of reserves and balances.</p>

## Internal control

**Table 6**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>Risk management has been embedded in the Authority for a number of years, and continues to be satisfactory. A risk management strategy is in place, as is a corporate risk register, which considers risks to achieving the organisations overall objectives.</p> <p>Systems of internal control are generally sound. An Audit Committee, meeting the core functions identified by CIPFA, is in place, and considers reports from Internal and External Audit, as well as reviewing the risk managements framework and registers. Internal Audit complies with the CIPFA code of practice.</p> <p>A Members' Code of Conduct is in place, along with registers of gifts/ hospitality and interests. There is currently no formal register for staff, although Heads of Service retain any interests or gifts/ hospitality notified to them.</p> <p>The Authority has a counter fraud &amp; corruption policy, and a whistleblowing policy, which are available on the website and intranet site.</p>	
<b>Improvement opportunities</b>	
KLOE 4.1 The authority manages its significant business risks.	Risk Management training should be provided to all Members and senior managers, and refreshed on a regular basis to ensure that it continues to operate effectively.
KLOE 4.2 The authority has arrangements in place to maintain a sound system of internal control.	<p>The Audit Committee should be able to demonstrate the impact of its work in providing effective challenge and assurance on the risk management framework and associated internal controls.</p> <p>The standing orders, standing financial instructions and scheme of delegation should make specific reference to partnerships.</p>

<b>Improvement opportunities</b>	
<p>KLOE 4.3 The authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>The authority should put in place formal arrangements for maintaining a register of interests and a register of gifts and hospitality for staff.</p> <p>Need to be able to demonstrate that:</p> <ul style="list-style-type: none"><li>• a strong counter fraud culture exists throughout the authority; and that</li><li>• staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption.</li></ul>

## Value for money

**Table 7**

<b>Theme score 3</b>
<b>Key findings and conclusions</b>
<p>The Authority is average cost in view of the local context. The Authority benefits from relatively low levels of deprivation and a rural environment that enables a considerable reliance on retained fire-fighters. Cost per head of population is average when adjusted for deprivation and the council tax precept is just below average. Only four of the 39 stations are full time, seven are day-crewed, two are run by volunteers and the remainder are retained, which restricts the scope for significant savings, but so far Gershon efficiency saving targets have been achieved. The cumulative savings represent a higher proportion of expenditure than at most rural authorities and have allowed the Authority to increase council tax by just 11 per cent over the last four years, the lowest increase in the country.</p> <p>Overall performance is above average. The Authority achieved the highest possible score in the operational assessment by CLG and public satisfaction is above average. 57 per cent of the public agreed that the Authority provides good value for money. The Authority has invested heavily in community safety with a strong focus on targeted home fire risk assessments and this has helped them achieve one of the highest reductions in accidental dwelling fires in the country. The Authority has had less impact at reducing RTAs, arson and automatic fire alarms (AFAs). Call challenge procedures and reduced attendance standards have just been introduced to reduce the cost of aborted calls as AFAs are above the national average and the gap is widening.</p> <p>Members showed a good understanding of VFM and a commitment to improve it. Integrated Risk Management Plans (IRMPs) have contained some ambitious modernisation plans but around half the proposals in 2005/06 and 2006/07 IRMPs remain outstanding and many are being held up through a difficult industrial relations environment. Reforms to whole-time duty systems and retained pay and conditions have stalled, as has a proposed co-responder scheme, although the latter is due to a legal challenge at a national level.</p>

## Key findings and conclusions

The approach to monitoring VFM is still evolving. Some high-level benchmarking has taken place but the costs were not very comparable and the results have so far been inconclusive. Some support services are provided by the County Council but only payroll has been market-tested, best value and service reviews have had little impact and there is no formal review programme. There is localised impact analysis through the scoring of risks before and after packages of prevention work but there are few brigade-wide evaluations to compare the success of different initiatives and inform corporate policy. For example, a neighbouring authority has produced a detailed evaluation of its home fire risk assessment (HFRA) programme that proves through regression analysis a link between the number of HFRA's carried out in a ward and the reduction in accidental dwelling fires in the ward.

Performance management is gradually improving but there is scope to improve target-setting and the analysis of missed targets. Initial targets in the CPA Improvement Plan were unrealistic and many were postponed, whilst targets that have already been achieved have not been revised downwards so some key targets are now meaningless. For example, injuries have dramatically fallen partly due to a different interpretation of the definition, but the targets are still in place based on the old interpretation. The deteriorating performance and missed targets on BVPIs related to smoke alarms were not explained in performance reports, although this is in the context of significant reductions in the number of accidental dwelling fires, which reduces the population for these best value performance indicators.

There are sound processes for achieving VFM in respect of procurement, budgetary control, asset management and partnerships. However, there has been limited progress at regional collaboration and savings from renegotiated contracts have been modest. The approach to evaluating partnerships is not yet embedded.

The Authority has been ambitious but will need to be more resolute if it is to sustain recent improvements in value for money and balance its Medium Term Financial Plan (MTFP). The Forward Looking Efficiency Statement for 2007/08 only plans savings of £35K and proposals for significant savings are still at an early stage. Thus, the Authority will probably need to draw on reserves to bridge a large funding shortfall in its MTFP and the next Gershon target will be extremely challenging.

Accordingly, whilst the Authority currently achieves 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.

<b>Improvement opportunities</b>	
<p>KLOE 5.1 The authority currently achieves good value for money.</p>	<p>Strengthen and embed protocols with the hospitals, universities and sweet factory responsible for most false alarms to reduce aborted calls though tighter monitoring, education and tougher action against offenders.</p> <p>Prepare a revised project plan to action the outstanding 2005/06 and 2006/07 IRMP projects in a timely manner. Draw upon the experiences of other FRA's which have already successfully implemented similar schemes.</p>
<p>KLOE 5.2 The authority manages and improves value for money.</p>	<p>Conduct benchmarking at a lower-level and ensure that recording differences are resolved and the results reported and acted upon.</p> <p>Produce a brigade-wide, financially-based evaluation of the FRAs community safety activity measuring the impact of different projects (eg home fire risk assessments) and using it to inform future policy.</p> <p>Develop a best value/service review programme and ensure that resources are sufficient to deliver it and include market testing, wherever appropriate.</p> <p>Produce an efficiency strategy that is fully integrated with IRMPs and the Medium Term Financial Plan so savings are linked to the timing of IRMP schemes and the need to protect reserves.</p> <p>Include efficiency savings and VFM targets in section plans and relevant personal development plans and ensure that the targets are profiled through the year.</p> <p>Review the approach to target-setting and revise future targets where they have already been achieved.</p> <p>Review existing contracts to ensure that procurement savings are fully realized.</p>