

Annual Audit Letter

North Yorkshire Fire Authority

Audit 2010/11



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Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- **the audit of the Authority's financial statements; and**
- **my assessment of the Authority's arrangements to achieve value for money in its use of resources.**

	Our findings
Unqualified audit opinion	✓
Proper arrangements to secure value for money	✓

Value for money conclusion

I issued an unqualified conclusion stating the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources on 28 September 2011.

Audit opinion and financial statements

I issued an unqualified opinion on the financial statements on 28 September 2011.

The quality of the accounts and working papers was good. There were some minor errors, mainly misclassifications or presentational, with no impact on overall financial performance.

The Authority responded well to the complex accounting changes arising from the implementation of International Financial Reporting Standards (IFRS) in 2010/11.

Current and future challenges

The key challenge facing the Authority is maintaining effective services and meeting its strategic objectives with less staff and less resources.

The Authority has proper arrangements in place to ensure its financial resilience. It has good financial management arrangements, and a track record of managing within its budget. In 2010/11, the Authority had a £543,000 underspend (1.8 per cent) against budget and is forecasting a £453,000 (1.5 per cent) underspend in 2011/12 at July 2011.

The Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Authority estimates that it will need to achieve around £1 million per year in efficiency savings in the period to 2015. Senior officers have made good progress in identifying suitable initiatives to achieve this funding gap, including:

- freezing the recruitment of full time fire-fighters with £47,000 less spent on recruitment advertising;
- freezing the pay of all staff;
- changing the duty system to include self rostering and optimum crewing solutions; and
- achieving voluntary redundancies from administrative and clerical staff.

It is undertaking seven major projects at present, notably the York Project involving building a new fire station in the city and the Control Project which is replacing existing resilience arrangements.

However, not all savings initiatives have agreed business cases and this needs to be addressed as a priority.

These and other challenging issues will need to be overcome in respect of future difficult choices, inflationary pressures and decisions in relation to council tax increases.

Further action is needed to develop detailed plans to deliver future savings plans in some areas, to maintain a secure financial position.

The Authority needs to continue to closely monitor delivery of savings plans and the impact of these initiatives on service delivery.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

Overall conclusions from the audit

The financial statements were approved by the Audit, Performance and Review Committee on 26 September 2011. I issued an unqualified audit opinion on 28 September 2011.

This has been a challenging year with the additional workload arising from the transition to International Financial Reporting Standards. The quality of the accounts and supporting working papers presented for audit was good. There were some minor errors, mainly misclassifications or presentational, with no impact on overall financial performance.

I considered aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures. There were no matters on the quality of the financial statements which I wish to bring to your attention.

On the basis of work undertaken for the 2010/11 audit, I did not identify any significant weaknesses in your internal control arrangements that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control and my audit is not designed to identify all matters that might be relevant to you.

Value for money

I considered whether the Authority is managing and using its money, time and people to deliver value for money. I assessed the Authority's performance against the two criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

My overall conclusion was that the Authority has proper arrangements to secure, economy, efficiency and effectiveness in its use of resources. I issued an unqualified value for money conclusion on 28 September 2011.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p><i>The Authority has proper arrangements in place to ensure its financial resilience. The Authority has good financial management arrangements and a track record of managing within its budget. Further action is needed to develop detailed plans to deliver future savings plans in some areas, to maintain a secure financial position.</i></p> <p>The Authority's spend per head is low compared with its statistical and local neighbours, and expenditure on the Authority's fire services has fallen consistently each year in real terms since 2005/06. North Yorkshire's spend per 1,000 population on fire services in 2009/10 was within the lowest 25 per cent of Fire Authorities nationally.</p> <p>During the three years up to 2010/11, the Authority has achieved cashable efficiency savings of £1 million. This has helped to deliver both cost savings and fire services which deliver better value for money. However, the scale of the efficiency savings that the Authority will need to make between 2011 and 2015 will be a significant challenge. Officers anticipate having to make savings of £2.8 million to £3.7 million in this period. Taking into account inflation, the required efficiency savings could reach £4.5 million.</p>

Criterion	Key messages
<p>1. Financial resilience (continued)</p>	<p>Officers have made detailed projections using Treasury forecasts, to determine the level of savings required for 2013-2015 and beyond, to maintain a secure financial position.</p> <p>There have been improvements in the way the Authority manages its finances, including a more corporate approach to identifying and delivering efficiency savings. Using this process, officers continue to investigate the potential for the required level of savings. The Authority has identified lead managers and expected yields for a number of efficiency projects. These cover all aspects of the Authority's business and require business cases to be approved by Corporate Management Team, although the annual phasing for delivery of savings still needs to be refined. Some of the projects are at an early stage in development and do not yet have business cases.</p>
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2010/11:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p><i>The Authority has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Authority needs to continue to closely monitor the impact of these initiatives on service delivery.</i></p> <p>The Authority is prioritising its resources within tighter budgets, by achieving cost reductions. Senior officers have led in identifying savings and exploring new options. Action taken to date shows the Medium Term Financial Strategy is being delivered, in line with the Integrated Risk Management Plan. The Authority has also encouraged front line staff to offer suggestions, such as on the crewing project.</p> <p>The Authority has frozen recruitment of full time fire-fighters and there has been an 8 per cent reduction in administrative and clerical staff through voluntary retirement. The proposed crewing project will also impact on staffing numbers as will other proposals. However, the Authority's ability to achieve staffing savings is restrained by its proportion of retained staff and the leaving profile of its fire-fighters.</p> <p>The Authority has improved efficiency and productivity through its approach to delivery savings. In addition, it has reduced staff sickness significantly over recent years. A Station Productivity system was introduced in 2009/10 and was evaluated in the current year, with a report considered by the Audit & Performance Review Committee in April 2010. On the basis of the first year, an overall productivity target of 95 per cent has been set for 2010/11 to focus on core tasks and priority workloads. These have been monitored throughout the year and show significant improvements in productivity across the service.</p>

Closing remarks

I will discuss and agree this letter with the Chief Fire Officer and the Director of Finance and Service Development, and the letter will be distributed to all members by 30 November 2011. I will present my letter at the Audit, Policy and Review Committee meeting on 5 December 2011.

I have issued the following reports, with further detail on my findings and conclusions to the Authority during the year.

Report	Date issued
Fee letter	April 2010
Opinion Audit Plan	February 2011
Annual Governance Report	September 2011
Opinion on the financial statements	September 2011
Value for Money conclusion	September 2011
Annual Audit Letter	November 2011

Members, the Chief Fire Officer and Director of Finance and Service Development have taken a positive and constructive approach to our audit. I wish to thank the Authority, officers and staff for their support and co-operation during the audit.

Lynne Snowball
District Auditor

November 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Audit fee	71,740	71,740	0
Non-audit work	4,760	4,760	0
Total fee	76,500	76,500	0

The audit fee of £71,740 reported to the Authority in my audit plan was based on the risks identified at the time. The £4,760 for non audit work relates to additional work which we agreed at the Authority's request to undertake concerning an early review of your IFRS preparations.

Note: these figures do not reflect the fee rebates of £5,391 that have been paid back to the Authority, following savings made by the Audit Commission, and rebated to audited bodies on a national basis.

Appendix 2 - Glossary

Annual governance statement

Governance is about how authorities ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Authority on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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