

Annual Governance Report

North Yorkshire Fire and Rescue Authority

Audit 2009/10

September 2010

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Ladies and Gentlemen

2009/10 Annual Governance Report

I am pleased to present the results of my audit work for 2009/10.

I discussed and agreed a draft of the report with the Authority's Officers on 13 September 2010 and updated it as issues have been resolved.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- agree to adjust the error in the financial statements that I have identified, which management has declined to amend or set out the reasons for not amending it; (Appendix 3);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Yours faithfully

Lynne Snowball
District Auditor
Audit Commission
Lion Court
Hazard Drive
Wynyard Business Park
Wynyard
TS22 5FD

Date 14 September 2010

Key messages

This report summarises the findings from the 2009/10 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	8
Value for money	Results	Page
Adequate arrangements to secure value for money	Yes	13

Audit opinion

- The audit of North Yorkshire Fire Authority's (the Authority's) 2009/10 financial statements is nearing completion. Subject to satisfactory conclusion of outstanding work, I intend to give an unqualified audit opinion before the statutory deadline of 30 September 2010. The main areas of work still to be completed are:
 - evaluating the assurances in relation to pension figures from the auditors of North Yorkshire Pension Fund, which we have not yet received;
 - receiving the signed letter of representation from management (see below); and
 - a final review for any post balance sheet events that might impact on my opinion.

Financial statements

- We have identified some errors which officers have agreed to amend, as set out in Appendix 2. Officers have not amended the accounts for £16,000 of maintenance expenditure that was wrongly charged to capital instead of to revenue.
- The quality of the working papers was good and officers were prompt in responding to audit queries.

Value for money

- I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Key messages

Independence

- 5 I can confirm that there were no relationships giving rise to a threat to independence, objectivity and integrity.

Next steps

This report identifies the key messages that you should consider before I issue my opinion on the financial statements, value for money conclusion and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

6 I ask the Audit, Performance and Review Committee to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements set out in this report (Appendix 2);
- agree to adjust the error in the financial statements I have identified that management has declined to amend or set out the reasons for not amending the error (Appendix 3);
- approve the letter of representation on behalf of the Authority before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As Authority members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 7** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
-

Changes to the financial statements

- 8** A small number of changes were identified during the audit that officers have agreed to amend. Appendix 2 provides a summary of the adjusted errors. The principal amendments were:
- adding PFI schemes and all finance leases to Note 16 on Financial Instruments; and also correcting other figures in the note for financial liabilities and loans & receivables; and
 - errors within the Cash Flow Statement, one of which the Authority had identified after the draft accounts were approved.
- 9** Following approval of the Authority's draft financial statements, the Treasury announced that from April 2011 increases in pensions will be linked to the Consumer Prices Index (CPI) instead of the Retail Price Index (RPI). Historically the CPI has been lower than the RPI and there may be a reduction in pension liabilities as a result. The Authority has reported this in Note 26 of the accounts as a non-adjusting post balance sheet event, quantifying the financial impact as reduced liabilities of approximately £0.35 million and £25.4 million in the Local Government Pension Scheme and the Fire-Fighter Pension Scheme respectively.
- 10** There was one unadjusted error in the accounts. The Authority capitalised £16,000 of maintenance expenditure on inspection pits which should have been charged to revenue expenditure. Officers do not propose to amend the accounts for this error given the small value.

Internal control environment

- 11** We have not identified any major weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware and which has not already been reported to you by Internal Audit. However, we would like to bring to your attention a payroll control weakness that needs to be addressed and this is highlighted below.
- 12** Although the Authority's reconciliation of the payroll system to the ledger provides assurance on a cumulative basis over the year, in my view, it needs to be improved. Output from the payroll system is reconciled to the Authority's financial ledger each month and un-reconciled items are carried forward to successive months. The cumulative payroll system transactions, however, are not reconciled to the financial ledger over the year or at the year end. At our request, officers undertook a year-end reconciliation between the payroll system and the financial ledger. This took some time and the exercise was halted with a small imbalance (net £1285) that provided sufficient assurance that the accounts were not materially mis-stated. Payroll expenditure in 2009/10 was over £20.2 million and accounted for some 67 per cent of the Authority's total net service expenditure.

Recommendation

- R1** The Authority should ensure that the monthly and yearly payroll/ledger reconciliations are properly documented and these are reviewed and dated by a senior officer.

Key areas of judgement and audit risk

- 13** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
The planned implementation of International Financial Reporting Standards to local government accounts from 2010/11 will require careful forward planning to ensure that the relevant information is readily available at the time to enable an efficient transition to the new financial reporting requirements. In 2009/10, authorities are required to apply the accounting standard IFRIC 12, which will affect accounting for PFI schemes and service concessions.	The Authority has made good progress in preparing for the implementation of IFRS in 2010/11. We also undertook specific work on the PFI schemes and confirmed that IFRIC 12 has been followed in accounting for these assets in 2009/10. In addition, the Authority identified some operating leases that should have been accounted for as finance leases and these have been re-classified.
Compliance of Financial Statements with the 2009 SORP, addressing changes on reporting council tax and officer remuneration disclosures.	The financial statements meet the requirements of the 2009 SORP. The Authority has addressed new requirements in 2009/10 satisfactorily.
Expectation that fixed assets might be impaired given the current economic climate.	There was no requirement overall for an impairment charge, based on an independent valuer's report using accepted valuation techniques.
Accounting for Financial Instruments, primarily their valuation using Fair Value principles.	Fair Valuations have been calculated properly. However, changes were made to the Financial Instruments balances disclosure following completion of the Whole of Government Accounts. In addition, the note was amended to include figures for the PFI scheme and finance leases.
Fire Fighters' Pension Accounts.	The Fire Fighters' Pensions Accounts have been properly accounted for and present a true and fair view.

Letter of representation

- 14** Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

Value for money

I am required to decide whether the Authority has put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money conclusion

- 15** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 16** I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains my draft report.

Key messages from our work

- 17** The Authority's financial planning and management has helped it to improve outcomes in priority areas, such as saving more lives and helping vulnerable people live at home safely. The budget for 2010/11 links to longer term planned spend and predicted income and ensures the use of reserves are based on medium and long-term risk.
- 18** Despite the Authority being a relatively low cost, it has taken a structured approach to identifying savings and efficiencies and there is robust scrutiny of treasury management. Staff savings of £219,000 were achieved in 2009/10 through cost efficiencies and a trial management structure. This saving represents one per cent of the 2009/10 staff budget, including pensions costs. The revised management structure has now been agreed and will have recurring savings of £55,000. These new arrangements also mean that responding to emergency work is better addressed and has less impact on normal work routines. The number of fire risk assessments has quadrupled in the past year. The details of planned savings in 2010/11 have yet to be fully agreed. The current economic climate means the Authority needs to continue to challenge its baseline budget if it is to meet predicted future funding gaps.
- 19** The Authority consults partners and members of the public and their views feed into the Integrated Risk Management Planning process. A recent publicity campaign to engage with and get feedback from a wider range of members of the public has been successful. The Authority responds well to these views, balancing local need and risk.

Value for money

- 20** Members are fully involved in commissioning. Financial and performance reports are delivered in various formats and tailored to individual needs to enable members and managers track progress. Good quality data is available for all key aspects of the business. Performance can be tracked at station level to enable managers to ensure maximum crew productivity and availability. Managers have continued to target sickness absence which has lessened significantly year on year. The Authority has introduced its own governance framework for partnership involvement. This is based on a robust evaluation tool that assesses organisational and community benefits relevant to the service against the cost of involvement with specific partnerships. The development of wider governance arrangements for individual partnerships still needs to be addressed. This will give the Authority a more complete picture and allow it to influence continuing partnership development.
- 21** The Authority is making good progress in its arrangements for introducing International Finance Reporting Standards (IFRS).
- 22** The Authority understands its use of natural resources and is developing a strategy to reduce its impact on the environment. There has been some action to address carbon emissions and reduce waste, but this is fairly new and the impact has yet to be seen.
- 23** The Authority has all the key governance, risk and counter fraud and corruption systems and arrangements in place. The Audit, Performance and Review Committee continues to act effectively.

Recommendation

- R2** The Authority needs to ensure that it prepares for potential significant reductions in central government funding for the fire service by:
- challenging robustly its baseline costs, taking forward plans to deliver further efficiencies; and
 - ensuring that there are firm plans developed to deliver required savings for 2010/11 and beyond, closely monitoring the delivery of targeted savings.

Glossary

Annual governance statement

- 24** Governance is about how local government bodies 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.
- 25** It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 26** 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 closure certificate

- 27** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

- 28** On completion of the audit of the accounts, auditors must give their 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;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.

Qualified

- 29** The auditor has some reservations or concerns.

Unqualified

- 30** The auditor does not have any reservations.

Value for money conclusion

- 31** 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.

Appendix 1 – Independent auditor’s report to Members of North Yorkshire Fire and Rescue Authority

Independent auditor’s report to the Members of North Yorkshire Fire and Rescue Authority

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of North Yorkshire Fire and Rescue Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Fire-fighters’ Pension Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of North Yorkshire Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Corporate Services and auditor

The Director of Corporate Services' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice is set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

Appendix 1 – Independent auditor’s report to Members of North Yorkshire Fire and Rescue Authority

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the Corporate Plan. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority’s accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, North Yorkshire Fire and Rescue Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Lynne Snowball

Audit Commission
Lion Court
Hazard Drive
Wynyard Business Park
Wynyard
TS22 5FD

Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities. I have provided the Director of Corporate Services with a full list of amendments.

Table 2

Adjusted misstatements	Nature of adjustment
Note 16 Financial Instruments	<p>Financial Instrument Balances for Financial Liabilities were changed to £1994k from £2489k and Loans & Receivables were amended to £6615k from nil to amend incorrect figures in the Note.</p> <p>An increased focus by auditors on PFI and finance leases in preparation for IFRS implementation, has led the Authority to amend Note 16 to account for PFI and all finance leases as follows:</p> <ul style="list-style-type: none"> - £3234k and £4091k respectively were added to long term financial liabilities; - £106k and £521k respectively were added to current financial liabilities.
Cash Flow Statement	<p>Officers identified that Government Grants of £947.9k had been incorrectly classified. The figures for Cash Received for Goods and Services were changed to £4,402.8k (from £5,350.6k) and Other Government Grants to £4,524.7k (from £3,576.9k).</p>
	<p>Correction of a £2m payment made in error by NYCC during the year, which should not have been included in NYFRA's cash flow statement.</p>
Note 26: FRS 21 and events after the Balance Sheet Date.	<p>A non-adjusting post balance sheet event was added to reflect the move from RPI to CPI to calculate future pension liabilities from April 2011. The change to CPI followed the budget announcement on 22/6/10 and was therefore after dispatch of the draft 209/10 accounts.</p>

Appendix 3 – Unadjusted misstatements in the accounts

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities. If you decide not to amend, please tell us why in the representation letter. If you believe the affect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Table 3

Description of error	Accounts affected	Value of error £000
Maintenance expenditure on inspection pits was classified as capital instead of revenue.	I&E Account	£16 (actual)

Appendix 4 – Draft letter of representation

To: Lynne Snowball
District Auditor

Audit Commission
Lion Court
Hazard Drive
Wynyard Business Park
Wynyard
TS22 5FD

North Yorkshire Fire and Rescue Authority - Audit for the year ended 31 March 2010

We confirm to the best of our knowledge and belief, having made appropriate enquiries of other officers of North Yorkshire Fire and Rescue Authority, the following representations given to you in respect of your audit of the Authority's financial statements for the year ended 31 March 2010.

Audit Information

As far as we are aware:

- There is no relevant audit information of which you are unaware
- We have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that you are aware of that information.

Compliance with the statutory authorities

We acknowledge our responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which gives a true and fair view of the financial position and financial performance of the Authority and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority and Committee meetings, have been made available to you.

Accounting Estimates

We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the 2009 SORP, we selected the one that we considered to be the most appropriate to the Authority's particular circumstances for the purpose of giving a 'true and fair' view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

On the basis of the process we have established to enable us to include the information required by FRS 17 'Retirement Benefits' in our financial statements, and having made appropriate enquiries, we confirm that we are satisfied that the actuarial assumptions underlying the valuation of scheme liabilities are consistent with our knowledge of the business. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for, including any arrangements that are statutory, contractual or implicit in the employer's actions that arise in the UK or overseas, that are funded or unfunded.

Irregularities

We acknowledge our responsibilities for the design and implementation of internal control systems to prevent and detect fraud and error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

We also confirm that we have disclosed to you:

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
- our knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 4 – Draft letter of representation

Law, regulations, contractual arrangements and codes of practice

We are not aware of any instances of actual or possible non-compliance with laws, regulations, agreements and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

We confirm the reasonableness of the significant assumptions within the financial statements. For the fair value assumption, we confirm:

- the appropriateness of the measurement method, which are our best estimate of the fair value of assets and liabilities required to be disclosed by these standards;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness of under the Financial Reporting framework; and
- if subsequent events require/do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets that have been assigned, mortgaged or pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed, the financial statements have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements. In particular, there are no claims or legal proceedings or other matters which may lead to a loss falling on the Authority or which could result in the creation of an unrecorded asset, that should be disclosed in the financial statements;

- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties, other than already disclosed in the financial statements;
- there are no unrecorded liabilities, actual or contingent.

Related party transactions

We confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Audit, Performance and Review Committee, the Authority has no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

In particular, we have not identified any financial consequences arising from the new government's proposals for Regional Control Centres and formal collaboration between FRAs.

The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Financial Statements

We acknowledge our responsibilities under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice and wider UK accounting standards, which presents fairly the financial position and financial performance of the Authority and for making accurate representations to you. In particular, we believe that:

- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure;
- we have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements;
- all known liabilities in respect of equal pay/value have been recognised in the accounts;
- we have compiled our accounts in accordance with FRS 5 Application Note G ('revenue recognition'). We have recognised income when we have obtained the right to consideration following the fulfilment of contractual obligations concerning the supply of goods and services; and

Appendix 4 – Draft letter of representation

- we believe that the Authority’s financial statements should be prepared on a going concern basis, on the grounds that current and future sources of funding or support will be more than adequate for the Authority’s needs. We believe that as at 24 September 2010, no further disclosures relating to the Authority’s ability to continue as a going concern need to be made in the financial statements.

Specific Assurances

In response to the specific assurances you have requested in the report to members, we confirm that:

- there are no material misstatements or omissions;
- there are no material weaknesses in the internal control framework;
- payroll transactions reflected in the accounts are materially correct; and
- the accounting treatment for paying part time fire-fighters under the NJC 5/10 agreement is correct and is based on our best knowledge of potential liabilities.

We confirm that this letter has been discussed and agreed by the Audit, Performance and Review Committee on 23 September 2010.

Signed on behalf of North Yorkshire Fire and Rescue Authority.

Signed

Position

Date

Appendix 5 – Value for money criteria

KLOE	Met
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources	Yes

Appendix 6 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2009/10 - Recommendations						
8	R1 The Authority should ensure that the monthly and yearly payroll/ledger reconciliations are properly documented and these are reviewed and dated by a senior officer.	3	Management Accountant (Payroll)	Agreed		November 2011

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	<p>R2 The Authority needs to ensure that it prepares for potential significant reductions in central government funding for the fire service by:</p> <ul style="list-style-type: none"> challenging robustly it's baseline costs, to deliver further efficiencies ensuring that there are firm plans developed to deliver required savings for 2010/11 and beyond, closely monitoring the delivery of targeted savings. 	3	Director of Corporate Services	Agreed		Ongoing

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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