

Auditor's Annual Report

North Yorkshire Police, Fire and Crime
Commissioner Fire and Rescue
Authority— for the year ended 31 March
2021 and the year ended 31 March 2022

September 2023



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Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor of North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority (PFCC). In accordance with Section A of the National Audit Office's Supplementary Guidance Note (SGN) 02, we are issuing a single report covering both the year ended 31 March 2021 and the year ended 31 March 2022. Although this report is addressed to the PFCC, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit reports for 2020/21 and 2021/22 on 14 July 2022 and 30 November 2022, respectively. Our opinions on the financial statements for both financial years were unqualified.



Value for Money arrangements

In our audit reports issued for each financial year 2020/21 and 2021/22 we reported that we had not completed our work on the PFCC's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 confirms that we have now completed this work and provides our commentary on the PFCC's arrangements.

We report a significant weakness in arrangements, for the 2021/22 financial year, relating to one area of the PFCC's arrangements assessed as Inadequate by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) from its 2021/22 inspection report published in January 2023.



Wider reporting responsibilities

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the PFCC and to consider any objection made to the accounts. No such correspondence from electors was received.



Whole of Government Accounts (WGA)

In line with group audit instructions issued by the NAO, on 20 December 2022 and 20 June 2023 we completed our work on the Authority's Whole of Government Accounts return for 2020/21 and 2021/22 respectively and reported to the group auditor in line with their instructions.

On the agreement and finalisation of this report, we will issue an audit certificate to formally close the 2020/21 audit.

As for 2020/21, we anticipate a significant delay before we will be able to issue our audit certificate for 2021/22. This is because NAO are unable to confirm that the PFCC will not be selected for additional procedures as a sampled component. The NAO timetable is to report on WGA for 2021/22 by the end of March 2024, so we anticipate being able to issue our audit certificate for 2021/22 in March 2024.

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Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audits were conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audits is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the PFCC and whether they give a true and fair view of the PFCC's financial position as at 31 March 2021 and 31 March 2022 and of the financial performance for the years then ended. Our audit reports, issued on 14 July 2022 and 30 November 2022 gave unqualified opinions on the financial statements for the year ended 31 March 2021 and the year ended 31 March 2022 respectively.

Our Audit Completion Reports, presented to the PFCC's Independent Audit Committee on the 15 March 2022 (2020/21) and 29 November 2022 (2021/22) provide further details of the findings of our audits on the financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during our audits.

Qualitative aspects of the PFCC's accounting practices

We reviewed the PFCC's accounting policies and disclosures and concluded they complied with the 2020/21 and 2021/22 Code of Practice on Local Authority Accounting respectively, appropriately tailored to the PFCC's circumstances.

For both financial years, the quality of the draft financial statements was good, as were supporting working papers.

Significant difficulties during the audit

During the course of each audit we did not encounter any significant difficulties and we had the full co-operation of management.

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Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the PFCC has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the PFCC plans and manages its resources to ensure it can continue to deliver its services



Governance - How the PFCC ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How the PFCC uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the PFCC has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the PFCC. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the PFCC'S arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

As described on page 4, in this report on value for money arrangements we are issuing a single report covering both the year ended 31 March 2021 and the year ended 31 March 2022. Any comments in the commentary that follows covers both financial years, except where it specifically states that an issue relates to one particular year.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	15 - 17	Yes, but only in relation to 2021/22 – see risk 1 on pages 12 to 14	No	No
 Governance	18 - 20	No	No	No
 Improving economy, efficiency and effectiveness	21 - 23	Yes, but only in relation to 2021/22 – see risk 1 on pages 12 to 14	Yes, but only in relation to 2021/22 – see recommendation on page 25	No

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3. Commentary on VFM arrangements

Identified risk of a significant weakness in arrangements



3. VFM arrangements – Identified risk of a significant weakness in arrangements

Risks of significant weaknesses in arrangements

We have outlined below the risk of a significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to that risks. The risk relates only to the 2021/22 financial year and arises as a result of the HMICFRS inspection report for 2021/22 published in January 2023. We did not identify any risks of significant weaknesses in arrangements relating to 2020/21.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1 2021/22 HMICFRS Inspection Report Financial sustainability and Improving economy, efficiency and effectiveness</p> <p>The service was subject to inspection by HMICFRS in 2021/22, the report on the inspection was published in January 2023.</p> <p>The report considered the service across three areas, efficiency, effectiveness and people. The service was scored as requires improvement against effectiveness and inadequate against efficiency and people. HMICFRS raised two causes for concern linked to the two inadequate areas. The rating for the Authority has reduced across each category since the last inspection in 2018/19.</p> <p>In our view, the areas considered by the inspection align with the financial sustainability and improving economy, efficiency and effectiveness and there is a risk that the inspection findings are representative of a significant weakness in arrangements in these criteria.</p>	<p>Work undertaken</p> <p>To establish whether the findings of the 2021/22 HMICFRS Inspection report provide evidence of a significant weakness in arrangements, we have considered the findings in the 2021/22 inspection report, considered the letter produced following the cause for concern revisit published in April 2023, and discussed the actions being undertaken to address the inspection findings with management.</p> <p>Results of our work</p> <p>Our work to address this risk has identified one significant weakness in arrangements, this is covered in further detail on page 25 of this report. In this section we have provided a summary of the findings and conclusions from our work.</p> <p>The HMICFRS Inspection Report in January 2023 identified two areas where performance was considered to be ‘Inadequate’ for North Yorkshire Fire and Rescue Service. These related to ‘Efficiency’ and ‘People’.</p> <p><i>Efficiency – making the best use of resources and future affordability</i></p> <p>The service was scored as inadequate for its overall efficiency. The key findings from the report highlight concerns in relation to the service’s financial position, how collaboration activities are managed and evaluated, the service does not have a fleet strategy or plan in place, and there is a need to consider the benefits generated from shared services.</p> <p>HMICFRS raised a specific cause for concern in that the service doesn’t have in place robust processes to ensure transformation activities provide efficiency and effectiveness. HMICFRS recommended that by September 2022, the service should put in place plans that are designed to:</p> <ul style="list-style-type: none"> • detail in its medium-term financial plan the efficiencies that its transformation plans will bring for the service; • make sure that its processes for working with other organisations are effective, provide value for money and benefits for the public, and don’t negatively affect the service; and • monitor, review and evaluate its collaboration activities, such as enabling services, to make sure they achieves best value for money and are beneficial for both the service and the public. <p><u>Although it is important for the service to address all of the recommendations raised by HMICFRS, in our view the identified cause for concern in relation to transformation activities, does not constitute a significant weakness in financial sustainability under our assessment criteria.</u></p>

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements (continued)

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1</p> <p>2021/22 HMICFRS Inspection Report Financial sustainability and Improving economy, efficiency and effectiveness (continued)</p> <p>The service was subject to inspection by HMICFRS in 2021/22, the report on the inspection was published in January 2023.</p> <p>The report considered the service across three areas, efficiency, effectiveness and people. The service was scored as requires improvement against effectiveness and inadequate against efficiency and people. HMICFRS raised two causes for concern linked to the two inadequate areas. The rating for the Authority has reduced across each category since the last inspection in 2018/19.</p> <p>In our view, the areas considered by the inspection align with the financial sustainability and improving economy, efficiency and effectiveness and there is a risk that the inspection findings are representative of a significant weakness in arrangements in these criteria.</p>	<p><i>People – promoting the right values and culture, getting the right people with the right skills, ensuring fairness and promoting diversity and managing performance and developing leaders.</i></p> <p>Overall the service were scored as inadequate. The key findings included service values not being consistently demonstrated at all levels, absence management processes and systems requiring improvement, work force planning not being effective, learning and development requiring improvement, improvements being required in how the service seeks and acts on staff feedback, further improvements being required in workforce diversity, inconsistent process for performance and development, improving fairness of the promotion and progression process and improvements being required in relation to career development of non-operational staff.</p> <p>HMICFRS raised a specific cause for concern that the service doesn't have in place adequate workforce planning processes. This means that areas such as safety-critical training, succession planning, absence and work-time management don't support its current and future integrated risk management plan. HMICFRS recommended that by September 2022, the service should have put plans in place that are designed to:</p> <ul style="list-style-type: none"> • review its current workforce, succession and training planning to make sure these are provided efficiently and effectively; • review and develop its current absence management policy and process; • develop a policy and process to manage the working time of its staff; • make sure that data and processes are in place to regularly assess and manage the capacity and capability of all staff groups; and • carry out a skills gap analysis to make sure all staff have the skills and training they need to perform their roles. <p><u>In our view, the specific cause for concern in relation to workforce planning, does represent a significant weakness in arrangements under our assessment criteria. This aligns with our improving economy, efficiency and effectiveness criterion. Further details on the identified significant weakness and our recommendation is included on page 25 of this report.</u></p>

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements (continued)

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1</p> <p>2021/22 HMICFRS Inspection Report Financial sustainability and Improving economy, efficiency and effectiveness (continued)</p> <p>The service was subject to inspection by HMICFRS in 2021/22, the report on the inspection was published in January 2023.</p> <p>The report considered the service across three areas, efficiency, effectiveness and people. The service was scored as requires improvement against effectiveness and inadequate against efficiency and people. HMICFRS raised two causes for concern linked to the two inadequate areas. The rating for the Authority has reduced across each category since the last inspection in 2018/19.</p> <p>In our view, the areas considered by the inspection align with the financial sustainability and improving economy, efficiency and effectiveness and there is a risk that the inspection findings are representative of a significant weakness in arrangements in these criteria.</p>	<p>As a result of the inspection report the service submitted an action plan setting out how it would address the areas of concern and recommendations.</p> <p>HMICFRS revisited the service at the end of January 2023 to review progress against the action plan and the arrangements for overseeing it. In their findings letter published in April 2023 they found that appropriate and robust governance arrangements were in place to monitor progress against the action plan. A dedicated programme manager oversees the plan. Progress is regularly reported at tactical and strategic leadership meetings and the risk assurance board meets more regularly to support progress and provide a cross-organisation view. They reported that the service has an action plan in place covering the causes for concern and that there are senior officers responsible for different elements, specific actions are allocated and there are deadlines.</p> <p>During the revisit HMICFRS reviewed progress made against each of the causes for concern, the finding are summarised below:</p> <ul style="list-style-type: none"> • Efficiency – it was noted that the latest version of the MTFP showed a balanced budget and incorporated efficiencies and savings generated from the Risk and Resource model and a steering group has been established to oversee collaboration activities. The inspectorate recognise that a period of 6-12 months is required to measure the impact on these actions but acknowledged that positive steps had been made. • People – it was noted that good progress has been made in developing stronger processes and systems, including the provision of reliable workforce data. Skills gap analysis has been carried out and managed have access to reporting providing numbers, capability and location of all staff. The skills and training needs of staff continue to be reviewed, and the number of temporary posts is being addressed. A comprehensive workforce plan was to be in place by April 2023.

3. Commentary on VFM arrangements

Financial Sustainability

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



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

How the PFCC ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.

The financial planning process is undertaken on an annual basis with the output being a detailed revenue and capital budget for the coming financial year and an update to the Medium-Term Financial Plan (MTFP) for the following three financial years. Financial plans are approved by the Police, Fire and Crime Commissioner in February of each year for the coming financial year.

The financial planning process involves the Senior Leadership Team (SLT), Tactical Leadership Team (TLT), Enable NY senior management and budget holders from across the service. Within SLT and TLT there are a number of members engaged in national forums which allows the potential financial implications of new national systems and changes to national guidelines and procedures to be considered and built into the financial planning process.

In year financial monitoring allows for any unexpected financial pressures to be considered and built into the budget for the year.

The published budget and MTFP for 2020/21 to 2023/24 and 2021/22 to 2024/25 include details of the assumptions underpinning the plans. We have reviewed these assumptions and found them to be reasonable. The MTFP is updated at each planning round to include updated information in relation to financial pressures and funding streams.

A balanced budget was approved for 2020/21 which was underpinned by a draw on reserves of £282k and savings plans of £820k. Financial monitoring in year forecast a small overspend against budget, reporting through the remainder of the year consistently reported underspends against budget. The outturn position for 2020/21 was an underspend of £1,298k. The underspend at year end being largely attributable to additional funding provided to the service in response to the Covid 19 pandemic.

A balanced budget was approved for 2021/22 which included a draw on reserves of £342k and savings plans of £500k. Financial monitoring in year forecast. Financial monitoring against budget forecast a breakeven position up to and including March 2022. Outturn at the year-end was more favourable with an underspend against budget of £968k. The underspend arose mainly as a result of unplanned funding being received of £502k, additional general income being received from the sale of old vehicles and slippage in the capital scheme in 2020/21 which resulted in lower debt repayments being required in 2021/22.

How the PFCC plans to bridge its funding gaps and identifies achievable savings

As part of the financial planning process services are asked to identify efficiency savings that they can achieve. The budgets for 2020/21 and 2021/22 and associated MTFPs identify gaps in funding for which a planned use of reserves has been identified to full those gaps. As part of the budget setting process overall reserves balances are considered to ensure that reserves maintain at the level required by the Authority's reserve policy. The MTFP is based on the use of reserves which have been set aside for the specific purpose of providing revenue support while the Authority go through a period of transformation.

A holistic approach is taken to the monitoring of achievement of savings, with budget holders being held to account on their performance against a budget line rather than performance against savings plans being specifically monitored.

HMICFRS raised a cause for concern in respect of the service not having robust processes to ensure that transformation activities provide efficiency and effectiveness. We have considered the finding from the MHICFRS inspection on page 12 of this report and concluded that this does not amount to a significant weakness in arrangements in respect of financial sustainability under our assessment criteria.

How the PFCC plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Authority had an Integrated Risk Management Plan (IRMP), known as the Community Safety Plan, which covered the period 2016/17 to 2020/21, with an updated IRMP being due to come into place in April 2021. The Community Safety Plan was extended to September 2022 due to delays in developing the new Risk and Resource Model (RRM) which is the updated IRMP. The Community Safety Plan sets out how the service planned to organise and deliver services to the community to manage risk.

The Police, Fire and Crime Commissioner (PFCC) has a Fire and Rescue Plan the first iteration covering 2019 to 2021 and the second covering 2022 to 2025, this plan sets out the priorities of the fire service and how it plans to address them, these priorities being identified through consultation with the public.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

How the PFCC ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The annual budget and MTFP include the capital budget for the coming year and across the MTFP period. This ensures that the revenue and capital budgets along with the use of reserves are aligned. As part of the budget setting reports there is a requirement for a statement to be made in respect of reserve levels over the course of the MTFP and for assurances to be given that reserves levels remain sustainable. The Treasury Management Strategy is also updated annual on the same timetable as financial planning, the Treasury Management Strategy is submitted with the approved budget and MTFP.

Key budget decisions are taken collectively by either SLT or TLT, with TLT focusing on operational decision making. TLT includes representation from EnableNY Function Head. Decisions in relation to joint working and asset sharing with North Yorkshire Police are agreed with the Police Chief Officer Team and Executive Board.

How the PFCC identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Chief Finance Officer includes a note in the annual budget and MTFP in relation to the Robustness of Estimates and Adequacy of Financial Reserves Advice which the PFCC is asked to note along with approving the Reserves Strategy. The Reserves Strategy includes a projection of the level of reserves over the course of the MTFP based on the planned contributions and usage included in the MTFP.

Total useable reserves as at 31 March 2021 were £7,951k and as at 31 March 2022 they were £8,332k including the General Fund Balance, Earmarked General Fund Reserves and Capital Receipts Reserve. While the budget and MTFP include the use of reserves the proportion of planned use is low.

In addition, there are budget monitoring procedures in place which would identify unplanned budget pressures and funding which are then planned into the budget.

Based on the considerations above, we are satisfied that there is not a significant weakness in the PFCC’s arrangements in relation to financial sustainability.

3. Commentary on VFM arrangements

Governance

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



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

How the PFCC monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority has a Code of Corporate Governance. The Annual Governance Statement (AGS) sets out how the Authority has complied with the Code during the year. As part of our audit procedures, we considered the AGS and confirmed that it was consistent with our understanding of the Authority's arrangements in 2020/21 and 2021/22.

Risk management policies, processes and procedures have gone through a programme of update over the two financial years considered within this report. The Risk Management Policy has been updated, a Risk and Assurance Board has been established, and updates have been made to way the Corporate Risk register is updated and monitored. Throughout there has been quarterly reporting on the Corporate Risk Register to TLT, SLT, Executive Board and the Independent Audit Committee.

The Internal Audit function was provided by Veritau in 2020/21 and 2021/22, with the annual internal audit plan being risk based and its development including engagement with senior management and the Independent Audit Committee. Progress against the plan is reported to the Independent Audit Committee, with the Committee also receiving the reports summarising the findings of the work that has been completed. Through our attendance at Independent Audit Committee we have witnessed challenge presented to management based on the findings of the reports and where agreed actions have not been completed in line with agreed timescales.

The Head of Internal Audit Opinions for 2020/21 and 2021/22 provided reasonable assurance in relation to the operation of the framework of governance, risk management and control operating at the Authority. For both 2020/21 and 2021/22 the Head of Internal Audit did draw attention to findings arising from a review of procurement for possible inclusion in the AGS. The Fire Authority opted to include this information, while the audit review was undertaken in 2020/21 at the time of issuing the 2021/22 AGS the action plan arising from this review had not been fully implemented.

How the PFCC approaches and carries out its annual budget setting process

The budget setting process runs from September to January, with the budget being submitted for approval by the PFCC in February each year. Budget proposals are developed with the SLT, EnableNY Senior Management and Budget Holders, supported by Budget Support Officers. Budgeting is undertaken using an incremental approach which looks both forward and backward in terms of financial and operational performance. The budget setting arrangements include the identification and evaluation of the risks to the Authority's finances, and the agreement of the underlying assumptions upon which the budget is based.

How the PFCC ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Budget monitoring takes place on a monthly basis, with detailed scrutiny of budgets being undertaken between the Budget Support Officers and Budget Holders. Monthly summarised financial performance information is reported to SLT which highlights emerging risks and budget variances. The Head of Finance sits on SLT. Budgetary control processes are subject to periodic review by Internal Audit.

How the PFCC ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Decision making and delegated responsibilities are set out in the Code of Corporate Governance and the Corporate Governance Framework. This included Finance and Contract Procedure Rules, the Decision Making Policy and the Scheme of Corporate Governance – Delegations and Consent. The Code and its underlying policies are reviewed and updated annually.

Key decisions are taken collectively at SLT and key decisions made by the PFCC are published on the PFCC's website including supporting documentation.

We have reviewed minutes and reports presented to Independent Audit Committee and SLT and have not identified any evidence of significant weakness in arrangements.

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3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How the PFCC monitors and ensures appropriate standards are in place

The Corporate Governance Framework set out how the Commissioner governs the Authority. Central to the Corporate Governance Framework is the Code of Corporate Governance. The Code of Corporate Governance is consistent with the 7 Nolan principles of good governance. All officers are required to abide by the Code of Corporate Governance. The Framework and Code are reviewed on an annual basis.

The Code of Corporate Governance sets out roles and responsibilities, how decisions are made and the procedures that are to be followed to ensure that decisions are efficient, transparent and in line with the principles underpinning the Code. The Code of Corporate Governance sets out Contract Procedure Rules and Financial Procedure Rules which require procurement decisions to comply with appropriate standards.

Senior Management are required to complete annual declarations of interest with a register of interests being held. Declared interests of the Commissioner are published on the PFCC website. Related party relationships and transactions are disclosed in the annual statement of accounts. We have considered these accounting disclosures as part of our work on the financial statements including comparing them to declaration of interest forms. This work did not identify any significant weaknesses in arrangements.

The AGS is published and reviews the effectiveness of the Authority's Governance Framework. Our review of the AGS did not identify any significant weaknesses in arrangements.

Overall, we are satisfied that there are no indications of significant weaknesses in arrangements under the governance criteria.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

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



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

How financial and performance information has been used to assess performance to identify areas for improvement

We have reviewed financial performance reports presented to the Executive Board and SLT which reported progress against budget and provided a forecast outturn position. The reports provide a summary of the Authority's financial performance, detailing significant variances against budget and providing explanations of the causes. Our review did not identify a weakness in the Authority's financial performance reporting arrangements.

Organisational performance is reviewed via the Service Delivery Performance Board and includes assessing outputs from crews and specialist staff to identify areas for improvement.

The Authority have undertaken an On-Call review, Capabilities Review and have used the Value for Money Framework to identify and seek to implement methods to improve efficiency and effectiveness.

How the PFCC evaluates the services it provides to assess performance and identify areas for improvement

The Authority utilise the VFM Framework and Toolkit to assist in evaluating its performance alongside frameworks for performance management, evaluation, and assurance.

The Authority is subject to inspection by His Majesty's Inspectorate Constabulary and Fire & Rescue Services (HMICFRS). HMICFRS carry out inspections of fire and rescue services to assess and report on three key areas: effectiveness, efficiency, and people.

The Authority was subject to inspection in 2021/22 with the inspection report being published in January 2023. The report provides specific ratings against each of the three areas:

- Effectiveness - How effective is the service at keeping people safe and secure?
- Efficiency – How efficient is the service at keeping people safe and secure? and
- People - How well does the service look after its people?

The Authority received an 'inadequate' rating in efficiency and people and a requires improvement rating in effectiveness. All three areas saw a decrease in their rating since the last HMICFRS inspection in 2018/19. The inspection identified two causes for concern and number of areas for improvement. The causes for concern raised were:

Efficiency - The service doesn't have in place robust processes to ensure transformation activities provide efficiency and effectiveness.

People - The service doesn't have in place adequate workforce planning processes. This means that areas such as safety-critical training, succession planning, absence and work-time management don't support its current and future integrated risk management plan.

As a result of this inspection the Authority has developed an action plan to address the points raised. HMICFRS completed a cause for concern revisit and published a letter detailing its finding in April 2023. In the letter HMICFRS the progress to date was positive however time was needed to embed and implement the action plan the Authority developed in response to their findings.

We have considered the findings of the inspection report in detail on pages 12 to 15 of this report.

In our view the findings from the inspection report in relation to workforce planning (see page 13 of this report) represent a significant weakness in arrangements. We have highlighted the significant weakness in arrangements and made a recommendation for improvement, as outlined on page 25.

How the PFCC ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority are a statutory partner in the North Yorkshire Resilience Forum (NYLRF) which was stood up in March 2020 in response to the Covid 19 pandemic. An officer was seconded into the role of NYLRF Covid-19 Coordinator. The role operated within the public health team to lead the Test, Trace and Isolate workstream, this enabled the Authority to get specialise advice and support when required.

The pandemic changed the way that the Authority had to interact with key stakeholders in the public. Remote sessions were run with schools for prevention services and alternative means of contact were developed for the vulnerable.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The update that is being made to the Risk and Resource Model and Community Risk Profiles has required consultation and greater involvement with the community that the Authority serve.

The Authority supports a number of local projects and works alongside police, health and local authorities to prevent fires in areas that have been identified as vulnerable. The Authority is involved in the local road safety partnership.

Where the PFCC commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Code of Corporate Governance includes Contract Procedure Rules which provide the framework for procurement activity. An Internal Audit Report published in 2020/21 provided limited assurance in respect of controls over procurement. An action plan was put in place in response to this report and its findings with procurement management and support capacity planned to be provided through the Procurement Team under EnableNY. The findings in the internal audit report did not prevent internal audit from issuing a reasonable assurance Head of Internal Audit Opinion. Internal audit are due to re-visit procurement processes as part of the 22/23 programme of work.

As noted above, we have identified a significant weakness in the arrangements in place in relation to improving economy, efficiency and effectiveness based on the finding from the HMICFRS 2021/22 inspection report around workforce planning. We have highlighted the significant weakness in arrangements and made a recommendation for improvement, as outlined on page 25.

We have not identified any other significant weaknesses in arrangements in relation to the improving economy, efficiency and effectiveness criterion.

3. Commentary on VFM arrangements

Identified significant weakness in arrangements and our recommendation in relation to 2021/22 only



3. VFM arrangements – Current year significant weaknesses and recommendations

Identified significant weaknesses and recommendation for improvement made in the relation to 2021/22

As a result of our work, we have identified a significant weakness in the PFCC’s arrangements to secure economy, efficiency and effectiveness in its use of resources. The identified weakness is outlined in the table below.

As described on pages 12 to 14, we considered the most recent HMICFRS inspection report for 2021/22 which was published in January 2023. In our view the findings of the inspection report represent a significant weakness in arrangements in relation to the 2021/22 audit only. There are no identified significant weaknesses in relation to the 2020/21 audit year.

Identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>1 2021/22 HMICFRS Inspection Report Improving economy, efficiency and effectiveness</p> <p>The 2021/22 HMICFRS inspection report for the fire and rescue service was published in January 2023.</p> <p>HMICFRS raised a specific cause for concern that the service doesn’t have in place adequate workforce planning processes. This means that areas such as safety-critical training, succession planning, absence and work-time management don’t support its current and future integrated risk management plan. HMICFRS recommended that by September 2022, the service should have put plans in place that are designed to:</p> <ul style="list-style-type: none"> • review its current workforce, succession and training planning to make sure these are provided efficiently and effectively; • review and develop its current absence management policy and process; • develop a policy and process to manage the working time of its staff; • make sure that data and processes are in place to regularly assess and manage the capacity and capability of all staff groups; and • carry out a skills gap analysis to make sure all staff have the skills and training they need to perform their roles. <p>In our view, HMICFRS’s concerns about workforce planning is evidence of a significant weakness in arrangements in relation to how the body evaluates the services it provides to assess performance and identify areas for improvement under the Economy, Efficiency and Effectiveness criterion in respect of the 2021/22 financial year.</p>	<p>Improving economy, efficiency and effectiveness</p>	<p>We recommend that the Police, Fire and Crime Commissioner for North Yorkshire should address the cause for concern in relation to workforce planning for fire and rescue services and implement the recommendations made in the HMICFRS inspection report.</p>	<p>We considered the most recent HMICFRS inspection report for 2021/22 which was published in January 2023 and letter issued following a cause for concern visit published on 19 April 2023. In the letter HMICFRS noted positive steps had been taken by the service, an action plan was in place that covered the causes for concern and governance arrangements to monitor action were appropriate and robust. It was noted however, that actions in respect of People were not expected to be fully implemented until April 2023, therefore in relation to 2021/22 there was a significant weakness in arrangements.</p>	<p>In 2021/22 there was a significant weakness in arrangements in relation to workforce planning.</p>

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. At the time of preparing this report we have completed the work and reported to the group auditor in line with their instructions.

On the agreement and finalisation of this report, we will issue an audit certificate to formally close the 2020/21 audit.

As for 2020/21, we anticipate a significant delay before we will be able to issue our audit certificate for 2021/22. This is because NAO are unable to confirm that the PFCC will not be selected for additional procedures as a sampled component. The NAO timetable is to report on WGA for 2021/22 by the end of March 2024, so we anticipate being able to issue our audit certificate for 2021/22 in March 2024.

4. Other reporting responsibilities and our fees

Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Independent Audit Committee in March 2021 (2020/21) and June 2022 (2021/22). Having completed our work for the 2020/21 and 2021/22 financial year, we can confirm that our final fees are as follows:

Area of work	2021/22 fees	2020/21 fees	2019/20 fees
Planned fee in respect of our work under the Code of Audit Practice	£24,387	£24,387	£24,387
Recurring increases in the base audit fee arising from regulatory pressures (recurring, as reported in the 2019/20 audit, with the fee uplifted by the PSAA 25% increase in rates)	£6,135	£6,135	£4,908
Additional fees in respect of the new VFM approach (recurring, the new approach was adopted from the 2020/21 audit)	£7,000	£7,000	-
Additional fees in respect of new ISA540 requirements in relation to Accounting estimates and related disclosures (recurring from the 2020/21 audit)	£1,900	£1,900	-
Additional fees in respect of 2019/20 specific issues	-	-	£2,052
Total fees	£39,422	£39,422	£31,347

Additional fees are subject to Public Sector Auditor Appointments (PSAA) approval. Amounts are excluding VAT.

Fees for other work

We confirm that we have not undertaken any non-audit services in either 2020/21 or 2021/22.

Introduction

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