

**TO THE POLICE FIRE AND CRIME COMMISSIONER OF NORTH YORKSHIRE
AND THE CHIEF FIRE OFFICER OF NORTH YORKSHIRE FIRE AND RESCUE SERVICE**

**ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020
OF THE INDEPENDENT AUDIT COMMITTEE**

1. INTRODUCTION

- 1.1. The Independent Audit Committee (IAC) is responsible for:
- 1.1.1. enhancing public trust and confidence in the governance of the Police Fire and Crime Commissioner for North Yorkshire (PFCC) office and the Chief Fire Officer (CF) of North Yorkshire Fire and Rescue Service;
 - 1.1.2. providing independent assurance on the adequacy of corporate governance and risk management arrangements, the internal control environment and the integrity of the financial reporting and governance processes; and
 - 1.1.3. providing an independent and high-level resource to support good governance and strong public financial management.
- 1.2. This is the first Annual Report of the IAC and it sets out how the IAC fulfilled its purpose and responsibilities in 2019/20.
- 1.3. The IAC supports accountability within the Fire and Rescue Service through the review of:
- 1.3.1. Internal Control Environment
 - 1.3.2. Corporate Risk Management
 - 1.3.3. Regulatory Framework
 - 1.3.4. Internal Audit
 - 1.3.5. External Audit
 - 1.3.6. Financial Reporting
 - 1.3.7. Inspections and Reviews (HMICFRS)
 - 1.3.8. Complaints;
 - 1.3.9. Freedom of Information Requests;

1.3.10. Civil Claims; and

1.3.11. Information Governance.

It holds to account those responsible for the implementation of recommendations and action plans. In addition, by overseeing the process of evaluating and improving governance, risk management and control, the IAC helps those responsible for governance to ensure that accountability throughout the organisation is operating effectively.

1.4. The IAC is, in its turn, held to account by both the PFCC and the CF on the extent to which it has fulfilled its purpose. The Chartered Institute of Public Finance and Accountancy (CIPFA) provides guidance on the function and operation for Audit Committees and sets criteria for assessing the effectiveness of the IAC, which forms an integral part of this report:

1.4.1. has the committee discharged its responsibilities effectively?

1.4.2. has the committee adopted recommended good practice?

1.4.3. have the development needs of committee members been assessed and are committee members accessing briefing and training opportunities?

1.4.4. has the committee assessed its own effectiveness or been the subject of a review?

1.4.5. what impact has the committee had on the improvement of governance, risk and control?

1.5. Additionally, this report provides the PFCC and CF with a summary of the areas of work considered by the IAC during the year ended 31 March 2020. This is in line with the CIPFA guidance that recommends that Audit Committees should report annually on how they have discharged their responsibilities.

1.6. The PFCC and CF were impacted towards the end of the financial year by the Coronavirus (COVID-19) pandemic. The IAC will continue to adapt its approach to attain the required level of assurance following the implementation of changes to ways of working.

1.7. The IAC wishes to record its thanks to the staff of the PFCC and CF along with the Internal and External Auditors who have supported its work during the year. The IAC has received the full assistance and co-operation from the Fire and Rescue Service in carrying out its work and discharging its responsibilities and has had complete access to the Internal and External Auditors, information and other resources where required.

2. HAS THE COMMITTEE DISCHARGED ITS RESPONSIBILITIES EFFECTIVELY?

- 2.1. The IAC Terms of Reference follow CIPFA guidance and are reviewed regularly. Details of the current Terms of Reference can be found on the PFCC website and in Appendix A.
- 2.2. The Committee believes it met the requirements of the Terms of Reference, both in terms of relevant agenda items and the effectiveness of its review.
- 2.3. The IAC Terms of Reference will be reviewed annually and approved in the first IAC meeting of the calendar year
- 2.4. The IAC meets at least 4 times a year and has a schedule of those matters to be considered at each meeting. In brief, audit activity is reviewed at every meeting including internal and external audit plans and reports. Specific aspects of governance and controls are reviewed including risk management and action plans. The annual accounts will be considered including the external auditor's report on them at the September 2020 meeting.
- 2.5. The IAC met privately and separately with the Internal Audit during the year (in November 2019) and the Chair maintains direct dialogue throughout the year. The IAC will meet with Internal Audit and External Audit privately on an annual basis going forward.
- 2.6. The Fire and Rescue Service Leadership Team attend meetings and/or ensure the attendance of appropriate Statutory Officers and representatives at each meeting and will facilitate the attendance of other employees when required. The Chair maintains an ongoing dialogue with the CF and deputy CF throughout the year.
- 2.7. Committee Composition
 - 2.7.1. The membership of the IAC during the year was:
 - Asim Ashraf Chair
 - Becky Horrocks Member
 - David O'Brien Member
 - Andrew McHutchon Member
 - Stephen Fox Member

2.8. Quorum at IAC Meetings

The IAC was quorate in all its meetings which were held in public on:

- 21 May 2019
- 23 July 2019
- 28 November 2019
- 17 March 2020

3. HAS THE IAC ADOPTED RECOMMENDED GOOD PRACTICE?

3.1. The Committee has reviewed its performance against good practice identified by CIPFA (see Appendix B) and the review shows the Committee is following good practice in the way it operates.

3.2. The self-assessment highlighted:

- 3.2.1. Question 14 Rated 'Amber' – Arrangements are in place to support the committee with briefings and training where required, however, training arrangements have not been utilised within this year. Briefings have been given on the following topics:
- 3.2.1..1. July 2019 – Detailed briefing on the accounts; and
 - 3.2.1..2. Nov 2019 – independent briefings with Internal Audit and the risk functions.

The Audit Committee Chairman will perform a training and knowledge gaps assessment before the end of 2020 and set in place appropriate training with the support of the PFCC.

- 3.2.2. Question 15 Rated 'Red' – As this is the first operational year of the committee, membership has not been assessed against the core knowledge and skills framework formally. It should be noted that all committee members were subject to a recruitment process which identified their strengths, experience and knowledge to be able to fulfil their roles. The Audit Committee Chair will perform knowledge assessments before the end calendar year 2020 via one to one meetings. Should any training needs be identified, the Chairman will request training via the CF and Chief Financial Officer. This approach has been discussed with the Chief Financial Officer who is in support.

3.3. Each member of the IAC has completed adequate vetting and declared any interests in the business of the Committee. Declarations of interest are included as a standing agenda item.

4. HAVE THE DEVELOPMENT NEEDS OF COMMITTEE MEMBERS BEEN ASSESSED AND ARE THEY ACCESSING BRIEFING AND TRAINING OPPORTUNITIES?

4.1. Development needs assessment and training have been considered within section 3.2. An action plan has been defined and is now in place. The Chair will also work with the Committee members, the CF and Chief Financial Officer to define a briefing schedule for the upcoming year, this will help the Committee members keep up to date with developments.

5. HAS THE IAC ASSESSED ITS OWN EFFECTIVENESS OR BEEN THE SUBJECT OF A REVIEW?

5.1. The Committee assessed its own effectiveness based on CIPFA guidance in 19/20. (Appendix C).

6. WHAT IMPACT HAS THE COMMITTEE HAD ON THE IMPROVEMENT OF GOVERNANCE, RISK AND CONTROL?

6.1. IAC has considered a wide range of areas during the year but legislation restricts the role of local authority audit committees. The Chief Fire Officer and PFCC are 'those charged with governance' and this means the Committee's role is largely advisory. The other restriction on the Committee is the limited time available. With only four meetings per year, it is difficult to be aware of all developments. The Audit Committee Chair will work with the Committee members, the CF and Chief Financial Officer to define a briefing schedule for the upcoming year, this will help the Committee members keep up to date with developments.

6.2. Despite these limitations, the Committee has made an impact during the year. This has been reflected within feedback from the Chief Fire Officer, Chief Financial Officer and Deputy Chief Fire Officer. Additionally,

6.2.1. The Committee:

- monitors internal audit resources and progress against the audit plan;
- regularly challenges the scope and output of Internal Audit reviews to gain valuable assurance about risk management practices within the organisation; and
- Provides input into the scoping of some reviews utilising member experience.

6.2.2. The Committee is comfortable with the Internal Audit approach utilised to target the highest risk areas with the organisation. This approach helps Internal Audit to provide valuable assurance and detailed SMART action plans where required.

Reported issues and actions are a regular topic of discussion within the Committee meetings.

- 6.2.3. The Committee monitors and challenges progress against recommendations and actions arising from HMICFRS inspections.

7. COMMITTEE'S CONCLUSIONS ON GOVERNANCE

- 7.1. The Committee has received assurances on the operation of the PFCC and CF's systems of governance, risk management, financial reporting and annual governance statement arrangements. Its work has not identified any critical control risks and the IAC concludes that the arrangements reviewed are adequate.
- 7.2. The IAC has reviewed its effectiveness against its terms of reference. The members believe the Committee has been effective.
- 7.3. The IAC is confident that the range of Member's governance and risk experience is robust and sufficient for the Committee to be effective. An analysis of any further training needs will be conducted with the required training given to all members.

The IAC recognises the significant challenges facing the PFCC and CF and aims to support them in developing governance arrangements. The Committee continues to mature and will evolve its training processes to continue to meet the needs of the organisation.

Asim Ashraf

Chair of IAC

22 September 2020

Terms of Reference and Review

AUDIT COMMITTEE - TERMS OF REFERENCE

Composition of the Committee

The Audit Committee comprises 5 members who are independent of the Office of the PFCC Fire Rescue Authority (OPFCC FRA). The Corporate Management Board of the Fire Service are required to be represented at each meeting of the Committee.

Quorum of the Committee

No business shall be transacted at the meeting of the Audit Committee unless at least 3 Members of the Committee are present.

Press and Public

The Public shall be admitted to all meetings of the Audit Committee unless excluded by resolution in accordance with the provisions of the Local Government Act 1972 (Schedule 12a), as amended by the Local Government (Access to Information) Act 1985.

A member of the public will not be permitted to speak or ask questions at the meeting except with the consent of the meeting chair.

Exclusion of Public Access

The public must be excluded from meetings whenever it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that confidential information would be disclosed.

Confidential information means information given to the PFCC or Chief Fire Officer (CFO) by a Government Department on terms which forbid its public disclosure or information which cannot be publicly disclosed by Court Order.

Items will be considered '**Below the Line**' or 'not for publication' when they contain exempt information as defined by schedule 12 of the Local Government Act 1972.

Purpose

The Audit Committee is responsible for enhancing public trust and confidence in the governance of the Office of the PFCC FRA and North Yorkshire Fire and Rescue Service. It also assists the PFCC in discharging statutory responsibilities in holding the Fire Service to account. This is achieved by;

- Advising the OPFCC FRA and Chief Fire Officer of North Yorkshire according to good governance principles
- Providing independent assurance on the adequacy and effectiveness of the OPFCC FRA internal control environment and risk management framework.
- Overseeing the effectiveness of the framework in place for ensuring compliance with statutory requirements (and in particular those in respect of health and safety and equalities and diversity.)
- Independently scrutinising financial and non-financial performance to the extent that it affect the OPFCC FRA exposure to risks and weakens the internal control environment
- Overseeing governance and monitoring of governance within the organisation.
- Overseeing the financial reporting process

Objectives

The Audit Committee meets at least four times a year and in effectively discharging its function is responsible for:

Internal Control Environment

- Satisfying itself as to the effectiveness of the internal control framework in operation within the OPFCC FRA and advising the PFCC and Chief Fire Officer as appropriate.
- Considering the Annual Governance Statement for publication with the annual accounts, together with associated action plans for addressing areas of improvement and advising the PFCC as appropriate.

Corporate Risk Management

- Approving the OFPCC FRA corporate risk management strategy and framework; ensuring that an appropriate framework is in place for assessing and managing key risks to the OFPCC FRA.
- Considering the financial risks to which the OFPCC FRA is exposed and approving measures to reduce or eliminate them or to insure against them.

- Providing assurance to the PFCC and Chief Fire Officer as appropriate on the effectiveness of the risk management framework in operation.
- Provide quarterly oversight and scrutiny of the risk registers of the PFCC FRA.

Regulatory Framework

- Maintain an overview of the governance framework in respect of contract procedure rules, financial regulations and codes of conduct and behaviour and to review and approve on an annual basis any changes to the Code of Corporate Governance.
- Maintain an overview in relation to an overview of the number and types of complaints.
- To review any issue referred to it by the Statutory Officers of the PFCC and make recommendations as appropriate.
- To monitor the policies of the PFCC FRA on 'Raising Concerns at Work', anti-fraud and corruption strategy and complaints process.

Internal Audit

- Advising the PFCC and Chief Fire Officer on the appropriate arrangements for internal audit, the appointment of the Internal Auditors and approving the Internal Audit Strategy.
- Approving the internal audit annual programme.
- Overseeing and giving assurance to the PFCC and Chief Fire Officer on the provision of an adequate and effective internal audit service; receiving progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk.
- Considering the Head of Internal Audit Annual Report and annual opinion on the internal control environment for the OFPCC FRA; ensuring appropriate action is taken to address any areas for improvement.
- Reviewing and monitoring the effectiveness of OPFCC FRA on fraud, irregularity and corruption.
- A meeting will be held at least annual with the Internal Auditors and Committee Members, without Executives.

External Audit

- Advising the PFCC and Chief Fire Officer on the appointment of external auditors.
- Approving on behalf of the PFCC and Chief Fire Officer the external audit programme and associated fees
- Reviewing the external auditor's Annual Completion Report and any other reports; reporting on these to the PFCC and Chief Fire Officer as appropriate and including progress on the implementation of agreed recommendations.
- Reviewing the External Auditor's Annual Audit Letter and making recommendations as appropriate to the PFCC and Chief Fire Officer.
- A meeting will be held at least annual with the External Auditors and Committee Members, without Executives.

Financial Reporting

- Reviewing the Annual Statement of Accounts and make recommendations, or bring to the attention of the PFCC or Chief Fire Officer, any concerns or issues.
- To consider whether appropriate accounting policies have been followed and any changes to them.

Inspection and Review

- Considering HMICFRS, external review agencies and any internal inspection reports that provide assurance on the internal control environment and/or may highlight governance issues for the PFCC FRA.

Complaints

- Maintain an overview of Fire Service complaints.

Freedom of Information

- Maintain an overview of FOI requests, Subject Access Requests and Performance.
- Act as the review body for Freedom of Information appeals

Civil Claims

- Maintain an overview of Civil Claims

Information Governance

- Review Corporate Strategy, policies and procedures in relation to Information Governance for PFCC FRA.
- Review reports from the Senior Information Risk Owner (SIRO) relating to the implementation of the corporate strategy, compliance with Data Protection Act and other information Governance related legislation.
- Consider any implications for governance and the annual governance statements of the PFCC FRA from issues in this area.

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Appendix B

CIPFA Self-Assessment of Good Practice

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	X		
2	Does the audit committee report directly to full council? (Applicable to local government only.)	N/A		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	X		
4	Is the role and purpose of the audit committee understood and accepted across the authority?	X		
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	X		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	X		
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	good governance	X		
	assurance framework	X		
	internal audit	X		
	external audit	X		
	financial reporting	X		
	risk management	X		
	value for money or best value	X		
	counter-fraud and corruption.	X		

8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	X		
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them? ¹	X		
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	X		
Good practice questions				
11	Has the committee maintained its advisory role by not taking on any decision-making powers?	X		
Membership and support				
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used, that they have been appointed using an appropriate process. 	X X X X		
13	Does the chair of the committee have appropriate knowledge and skills?	X		

¹ Audit committees can also support their authorities by undertaking a wider role in other areas including: Considering governance, risk or control matters at the request of other committees or statutory officers; Working with local standards committees to support ethical values and reviewing the arrangements to achieve those values; Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.3; Providing oversight of other public reports, such as the annual report.

14	Are arrangements in place to support the committee with briefings and training?		X	
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			X
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	X		
17	Is adequate secretariat and administrative support to the committee provided?	X		
Effectiveness of the committee				
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	X		
19	Has the committee evaluated whether and how it is adding value to the organisation?	X		
20	Does the committee have an action plan to improve any areas of weakness?	X		

Appendix C

Evaluating the Effectiveness of the Audit Committee

The Committee assessed each area and agreed a score from 1 to 5. 1 means no evidence can be found that the audit committee has supported improvements in this area. 5 means clear evidence is available from several sources that the committee is actively supporting improvements across all aspects of this area.

Areas to Add Value	Agreed Score	Areas to Develop
Promoting the principles of good governance and their application to decision making.	5	
Contributing to the development of an effective control environment.	5	
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	5	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	5	
Supporting the quality of the internal and external audit activity, particularly by underpinning its organisational independence.	5	
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	4	An action plan has been defined to perform a skills assessment on all members and provide training where required.
Supporting the development of robust arrangements for ensuring value for money.	5	
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	5	

Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	5	
Awareness of and compliance with the CIPFA self-assessment of Good Practice	5	

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