



Report to the PFCCFRA for North Yorkshire

20th September 2022

Annual Report of the Independent Audit Committee

Independent Audit Committee

Annual Report

FOREWARD

The Purpose of this report is to provide assurance that the Independent Audit Committee is satisfactorily undertaking its role and responsibilities to enhance public trust and confidence in the governance of the Police, Fire & Crime Commissioner Fire and Rescue Authority (PFCCFRA) and North Yorkshire P Fire and Rescue Service. It provides an overview of the areas of work considered by the Committee during 2021/22 and details the areas that the Committee thought worthy of mention. It provides the PFCC and Chief Fire Officer (CFO) with the assurance that the Committee has fulfilled its terms of reference and demonstrates the added value that has been delivered by the Independent Committee to both the PFCC and Chief Fire Officer, and also the wider public throughout 2021/22.

1. INTRODUCTION

- 1.1 This annual report of the North Yorkshire Fire Independent Audit Committee covers the 2021/22 financial year.
- 1.3 The Committee has a wide range of responsibilities that are captured within the Terms of Reference. The Terms of Reference in place throughout 2021-22 are reproduced at Appendix A for information.
- 1.4 The table below details last year's Committee members. The Committee would like to place on record its thanks to the Officers of the PFCCFRA and the Fire Service, and both the internal and external auditors who have supported its work throughout the year.

Members of the Independent Audit Committee

Role	Member	Dates in Role
Chair	Asim Ashraf	Resigned 20th July 2021
Member/Interim Chair	Becky Horrocks	Throughout 21/22
Chair	Joanne Gleeson	Appointed 20th January 2022
Vice Chair	Roman Pronysyn	Appointed 20th January 2022
Member	Andrew McHutchon	Throughout 21/22
Member	David O'Brien	Throughout 21/22
Member	Stephen Fox	Resigned Dec 2021
Member	Stuart Green	Appointed 20th January 2022

- 1.5 Due to some process delays in terms of vetting for the new members of the Committee the usual 4 meetings for the financial year did not all take place at the 'usual' times. However, all meetings and work of the Committee has taken place with the meetings taking place on the following dates:
- 20th July 2021 – to align with final accounts sign off.
 - 21st September 2021 – as per normal timelines
 - 27th January 2022 – meeting delayed from December
 - 15th March 2022 – as per normal timelines
- 1.6 Meetings during the year have all been held via Teams. A pre-meeting with both the Internal and External auditors, without management, has also taken place.

2 EXTERNAL AUDIT

- 2.1 Mazars LLP have been the external auditors for the PFCCFRA throughout 2021/22.

Audit of the Statements of Accounts for 2020/21

- 2.2 The audit of the Statement of Accounts for 2020/21 was significantly delayed, with the final sign off on the 14th July 2022 – over 7 months later than the statutory deadlines, due to resourcing issues within the external auditors.
- 2.3 The Committee are committed to holding the external auditors to account for better performance for the 2021/22 accounts.
- 2.4 In terms of the accounts themselves, they resulted in an unqualified audit opinion. In the opinion of Mazars the financial statements:
- Give a true and fair view of the financial position of the Authority as at 31st March 2021 and of its expenditure and income for the year then ended; and
 - Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Audit Completion Report 2020/21

- 2.5 This was presented to the Committee by the external auditors on 15th March 2022. At the time of issuing the report there were a small number of outstanding matters that needed to be addressed however none of these were expected to impact in a material way on the accounts.
- 2.6 The external auditors subsequently wrote to the PFCC on the 14th July 2022 stating that the outstanding matters that were included in the report to the March Audit Committee had now been resolved.
- 2.7 As this was significantly after the statutory timetable for audit completion, of 30 November 2021, then in accordance with the Accounts and Audit Regulations 2015, notices were published to explain the delay in the receipt of audited financial statements.

Value for Money Conclusion 2020/21

- 2.8 As part of the Audit Completion Report the External Auditors are required to report on the arrangements for Value for Money. They are required to 'form a conclusion as to whether the PFCCFRA have 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 in order to form our conclusion and sets out the criterion and sub-criteria that we are required to consider.'
- 2.9 As a result of the ongoing pandemic, the National Audit Office updated its guidance to auditors in April 2021 to allow auditors to delay the completion of their work on VFM arrangements. The revised guidance requires auditors to complete their work and issue their Auditor's Annual Report no more than three months after the date of the opinion on the financial statements.
- 2.10 Given the date of the opinion of the financial statements was the 14th July 2022, this should mean a Value for Money conclusion being provided by the 14th October 2022.
- 2.11 The Value for Money conclusion has yet to be provided by the External Auditors, and it is still outstanding at the time of drafting this report. It is now almost 30 months since the start of the financial year that this Value for Money conclusion will relate to, and almost 18 months since the reporting period ended.
- 2.12 The Committee are committed to holding the external auditors to account for better performance in relation to the 2021/22 financial year.

3 INTERNAL AUDIT

- 3.1 The PFCCFRA Internal Audit Service has been provided throughout the period of this report by Veritau.
- 3.2 The internal audit plan for 2021/22 was prepared on the basis of a risk assessment. This was intended to ensure that limited audit resources were prioritised towards those areas which are considered to be carry the most risk and/or which contribute the most to the achievement of the Service's strategic priorities and objectives.
- 3.3 The identification of risks was informed in a number of ways; including review of the organisational risk management processes, sector wide risk information, understanding the Service's strategies and objectives, other known risk areas (for example areas of concern highlighted by management), the results of recent audit work and other changes in the service and systems. The proposed areas of coverage were subject to consultation with senior officers.
- 3.4 The Independent Audit Committee commented on, considered and endorsed the 2021/22 internal audit plan at its meeting in March 2021 to ensure that the work could start for the new financial year as soon as possible.
- 3.5 During the course of the year, the Committee has closely monitored progress against the objectives and programme of work set out in the Internal Audit Plan for 2021/22.

Internal Audit reports

- 3.6 The aim of Internal Audit is to provide independent assurance, or otherwise, on key areas of risk and governance of the organisation.
- 3.7 The audit work for the year to the 31 March 2022 involved 9 separate pieces of work, 6 of which were assessed based on the level of assurance that the PFCC can take from the controls within the areas under review and how well they are being adhered to/implemented.
- 3.8 These assurance levels are as follows:
 - **Substantial assurance:** A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
 - **Reasonable assurance:** There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

- **Limited assurance:** Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control, to effectively manage risks to the achievement of objectives in the area audited.
- **No assurance:** Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

3.9 Of the 6 audits that received assurances during the 2021/22 audit the assurance levels were as follows:

Assurance Level	No. of Audits
Substantial	0
Reasonable	5
Limited	1
No	0

3.10 These 6 audits generated 23 actions that were agreed by management. The actions are graded:

- **Priority 1** - A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
- **Priority 2** - A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
- **Priority 3** - The system objectives are not exposed to significant risk, but the issue merits attention by management

3.11 The 23 actions were split as follows:

Priority Level	No. of Recommendations
1	0
2	9
3	14

3.12 In addition to the 6 formal reports and following up on progress against the agreed actions, Internal Audit also undertook 3 additional pieces of work covering:

- A follow up on Risk Management
- A review of Bank Mandate procedures
- Data changes within Payroll

3.13 The Committee will continue to oversee the timely implementation of all recommendations during 2022/23.

The Head of Audit's annual report

- 3.14 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Service is that it provides Reasonable Assurance. No reliance was placed on the work of other assurance providers in reaching this opinion.
- 3.15 In giving this opinion attention was drawn to the previous findings on procurement which were that 'In last year's Head of Internal Audit opinion report we highlighted improvements were required for some of the Service's procurement policies and procedures. There had been an inconsistent application of contract regulations and procurement rules and some spending on goods and services in excess of thresholds had not followed the relevant procurement guidance on written quotes or tendering'
- 3.16 **Inspection and Review**
The Committee welcome the enhancement of the governance and scrutiny arrangements associated with HMICFRS activity which will sit within the responsibility of the Risk and Assurance Group, which is led by the Deputy Chief Fire Officer.
- 3.17 The Committee looks forward to future reports from the Group with the aim of providing assurances around the timely implementation of all actions and the governance processes in place around this area.

4 Internal Control Environment and Regulatory Framework

- 4.1 The Committee considered the draft Annual Governance Statement at its meeting in July 2021 and the Committee recommended that the PFCCFRA adopted the final document that was presented alongside the Statement of Accounts in June 2022. The draft version of the document for 2021/22 was also considered by the Committee in June 2022, feedback will be provided prior to the final version of the 2021/22 Statement being agreed alongside the final statement of accounts for the 2021/22 year.
- 4.2 In addition to the review of the Annual Governance Statements the Committee also receives and endorses any proposed changes to the Code of Corporate Governance. The Committee receive a report in July 2021 setting out the changes to the Code during 2021/22. The Committee considered and approve the revisions to the Corporate Governance Framework for publication.

5 Corporate Risk Management

- 5.1 The Committee has an important role in ensuring that the PFCCFRA has effective arrangements for the identification, assessment, mitigation, management and monitoring of risk.
- 5.2 During the year the Committee has considered the strategic risk register and continues to ensure that the work of Internal Audit is appropriately linked to the Risk Register to ensure those areas highlighted as a Risk to the organisations are appropriately reviewed.

5.3 Complaints and Compliments

- 5.4 The Committee receives updates throughout the year on both the number of complaints and compliments and the reasons for both. The Committee is assured by both the low level of complaints (only 15 in the 9 months to December) and that these are generally exceeded by the number of compliments received by the Service.

6 Information Governance

- 6.1 The Committee received reports throughout the year setting out some performance indicators across a number of areas, including
- Out of date documents
 - Referrals to Information Commissioner's Office
 - Breaches of Data Protection, Freedom of Information or Information Security
 - Referral to Local Government Ombudsman
 - Compliance with Model Publication Scheme
 - Compliance with the Publication of Payment Performance Statistics
 - Compliance with The Local Government Transparency Code 2015
 - Incident Report Summary/Fire Investigation Report Request Responses
- 6.2 The vast majority of these areas performed well and there was little of concern for the Committee to consider. The Committee are keen to see the level of 'Out of Date Documents' reduce however, and will be considering this during 2022/23 and will report back in our next Annual Report

7 Freedom of Information

- 7.1 The Committee maintains an overview of FOI requests and is pleased to report that from the information provided during 2021/22 the Service is performing exceptionally well in this area, with zero FOIs responded to late.
- 7.2 The Committee was pleased to see the development of wider reporting around information management and look forward to this developing further over the coming years. The Committee found the information contained within the report to the SIRO, on the work in progress to comply with data protection legislation and the identification of risk very informative and an area that they would like to see developed further.

8 Health and Safety

- 8.1 While not included specifically with the Terms of Reference for the Audit Committee, which is perhaps an oversight, the Committee received details on Health and Safety incidents within the Service, with comparators for the previous 2 years.
- 8.2 As with the report on information management, the reporting in this area is very comprehensive, with statistics covering the following areas:
- An analysis of on-duty personal accidents showing accidents per month and comparison over the last 36 months.
 - An analysis of appliance accidents showing accidents per month and comparison over the last 36 months
 - Causes for Concern
 - Near Misses
- 8.3 There were no discernible trends within the information provided that the Committee feel worthy of raising, however we will continue to review this area closely. We are keen to understand whether the 'near miss' incidents referred to within the report in relation to the Breathing Apparatus are isolated incidents or a worrying pattern.

Terms of reference:

Composition of the Joint Independent Audit Committee (JIAC)

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 JIAC

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 JIAC 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

- 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

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.

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.

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

- Maintaining 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.