Auditor’s Annual Report (Draft)

North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority – period ended 6 May 2024

February 2025

Contents

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority ('the Authority') for the period ended 6 May 2024. Although this report is addressed to the Authority, 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 report on [insert date]. Our opinion on the financial statements was unqualified. Our audit report did include an emphasis of matter paragraph in relation to the transfer of services to the York and North Yorkshire Combined Authority.

Value for Money arrangements
We did not identify any significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority's arrangements.

Wider reporting responsibilities
While the group instructions were issued in September 2024 by the National Audit Office in respect of our work on the Authorityl's WGA submission, we are awaiting further instruction on non-sampled components. We are unable to commence our work in this area until such instructions have been received.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit 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 Authority and whether they give a true and fair view of the Authority's financial position as at 6 May 2024 and of its financial performance for the year then ended. Our audit report, issued on [insert date] gave an unqualified opinion on the financial statements for the year ended 6 May 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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Our work on Value for Money arrangements

VFM arrangements

Overall Summary

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 Authority 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 or 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 officers

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 20.

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 Authority. 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 outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

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	11	No	No	No
Governance	14	No	No	Yes – see commentary on page 16
Improving economy, efficiency and effectiveness	17	No	No	No

VFM arrangements

Financial Sustainability

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

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

How the Authority identifies significant financial pressures that are relevant to its short- and medium-term plans

Our review of minutes and supporting papers has confirmed that financial planning arrangements have remained in place throughout 2023/24 (period ended 6 May 2024). 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.

We confirmed 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.

In our assessment, we have considered the Financial Plan 2023/24 to 2027/28 (MTFP), which was approved in February 2023. The published budget and MTFP for 2023/24 to 2027/28 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. This then forms the basis for budget setting for the following financial year. The MTFP published with the budget in February 2023 identified draws on reserves of £457k in 2024/25, and a surplus of £200k in 2025/26 and 2026/27. The plans breakeven each year with no gap identified.

A balanced budget was approved for 2023/24 which included a draw on reserves of £1,206k and a savings target of £450k. The planned use of reserves was directly matched to non-recurring expenditure and not to balance the budget. Budget monitoring takes place monthly with the forecast outturn position reported to SLT.

The outturn position for 2023/24 was an overspend against budget of £82k, the overspend was £521k lower than the forecasted overspend for the year ending March 2024 .

As detailed in the Budget Monitoring Outturn Report to the year ended 31st March 2024 presented to the Executive Board in May 2024, this £82k was made up of an additional £1,051k total income received in year compared to the budget, alongside a £653k overspend of total revenue expenditure. The outturn presented that £480k less than budgeted was required from reserves due to the additional income being earmarked for specific expenditure.

At the end of the year total useable reserves stood at £5,831, with the General Fund being £1,075k (3% of the net budget requirement for 2023/24) which is in line with the reserves strategy. This is £1,051k higher than the budgeted reserves position of £4,816k.

The capital programme was agreed at the time of setting the budget and covered the period 2023/24 to 2026/27. A capital programme of £8,386k was approved for 2023/24. We confirmed through review of minutes that the capital programme was revisited and re-profiled throughout the year. Slippage at the end of 2022/23 resulted in £848k being added to the programme due to cost pressures and the replacement of vehicles. The outturn for 2023/24 was expenditure of £5,309k , against a revised capital budget of £5,791k and £3,425k of schemes slipped into 2024/25. The slippage of £482k against the revised budget is due to inflationary price increases and delays in capital delivery.

We confirmed that monthly budget monitoring reports were presented to SLT. We have reviewed a sample of these reports and confirmed that in year reporting was consistent with the outturn position and provide a clear summary of the projected outturn and actuals, along with supporting narrative to explain significant changes.

How the PFCC plans to bridge it's funding gaps and identifies achievable savings

A savings target is included in the MTFP. As part of the financial planning process services are asked to identify efficiency savings that they can achieve. Savings targets are then included in each annual detailed budget. The MTFP identified gaps in funding before the use of reserves. However earmarked reserves have been set aside to fund expenditure included in the plans that link to specific earmarked reserves. The annual financial process includes consideration of overall reserve balances and review to ensure that these remain in line with the reserves policy.

Savings are identified from a number of reviews and investment in more efficient ways of working. Budget holders are held to account on their performance against a budget line, which includes agreed savings plans, rather than performance against savings plans being specifically monitored. The Authority's budget included a draw on earmarked reserves of £1,161k and savings plans of £450k. As in previous years, the draw on reserves is directly matched to non-recurring expenditure. These reserves are not being used to balance the budget. Reserves are forecast to remain in line with the threshold set within the reserves policy. The outturn position for 2023/24 was an underspend against budget of £372k and the use of reserves was £790k.

Overall commentary on Financial Sustainability - continued

We confirmed the budget and MTFP for 2024/25 was approved by the PFCC in February 2024 with a balanced budget being set. The budget included a draw on earmarked of reserves of £414k and savings plans of £545k. The budgeted draw on reserves includes £75k into the General Fund to maintain this reserve at 3%. We confirmed reserves are forecast to remain in line with the threshold set within the reserves policy . Our review of the MTFP noted that the Authority recognises significant financial challenges and uncertainties in the coming years. This includes future pay awards, inflationary pressures and increased capital financing costs. These challenges are set out in the MTFP and we have confirmed they are monitored as part of the ongoing budgetary control and reporting.

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

In 2022 the PFCC published the Fire and Rescue Plan 2022- 2025. The plan was developed following public consultation and include the priorities of the PFCC. The Risk and Resource Model (RRM) was approved in September 2022 this forms part of the delivery mechanism for the priorities of the Fire and Rescue Plan, it provides the principle strategic direction and informs directorate strategies and delivery plans. The RRM sets out the risk in the county and the City of York and how the PFCC will deploy, prioritising prevention and protection activity. The plan references the annual budget and how that is underpinned by the MTFP which describes the financial direction of the organisation. The plan also sets out how total funding is used against spending, as well as effective investment to deliver value for money.

Feeding on from the RRM are directorate strategies, people strategy, the medium-term financial plan and service improvement. All of which culminate in a delivery plan. The Fire and Rescue Plan is clear on the statutory duties of the PFCC. The Medium-Term Financial Plan includes the resource requirements needed to achieve these plans as detailed in the MTFP 2023/24 to 2026/27 and Capital Plans 2023/24 to 2026/27.

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 financial planning process is designed to include both revenue and capital planning, ensuring that the two are considered together. These are aligned with operational and workforce plans which are considered by budget holders when making their budget submissions as part of the annual process. These plans are underpinned by the Fire and Rescue Plan 2022-25, ensuring that the plans of the organisation are linked to the financial planning process. As part of the budget process the Chief Finance Officer includes consideration of reserve levels over the period of the MTFP. The MTFP sets out the financial context for the resource allocation process and budget setting, therefore, underpinning decision making and other plans. We confirmed the MTFP also sets out the prudential borrowing required to fund the capital programme and review of the Treasury Management Strategy (TMS) shows the clear links between the borrowing requirement shown in the MTFP and the TMS. The total planned borrowing per the most recent MTFP approved in February 2024 is £17,889k for the period 2024/25 to 2027/28.

Key budget decisions are taken collectively by either SLT or TLT, with the TLT focusing on operational decision making. 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 identified and manages risks to financial resilience

Work is undertaken to understand possible future impacts on the budget, as part of the annual budget and MTFP the Chief Finance Officer (the designated Section 151 Officer) sets out a reserves strategy considering specific risks in the medium term and the robustness of budget estimates. Risk factors are considered as part of this assessment, including the level of reserves, prudential and treasury indications, the robustness of inflationary estimates and the risks to estimates. The reserves strategy sets out the key principles to seek to maintain the general reserve at 3% of the net revenue budget . We confirmed the most recent MTFP approved in February 2024 is based on General Fund reserves of 3%.

The overall financial position is monitored monthly to identify unplanned budget pressures which are then built into budget forecasts and mitigations identified.

Our work did not identify any evidence to indicate a significant weakness in the Authority's arrangements in relation to the financial sustainability reporting criteria.

VFM arrangements

Governance

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

VFM arrangements – Governance

Overall commentary on Governance

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

We confirmed the Authority has approved and adopted a Code of Corporate Governance which sets out the governance arrangements in place. The PFCC's 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 Authorityl's AGS. These procedures considered the AGS and confirmed that it was consistent with our understanding of the Authority's arrangements in the period ended 6 May 2024.

Risk management policies, processes and procedures have continued to be developed throughout 2023/24. We confirmed there is Risk Management Policy in place which outlines the approach for managing risk as well as the objectives of the policy. The risk register was reviewed by Senior Leadership Team (SLT) and Tactical Leadership Team (TLT) on a monthly basis and is considered by the Risk and Assurance Board, the Change Board, TLT, SLT, and Executive Board and the Independent Audit Committee on a less frequent basis. The Risk and Assurance Group monitor the implementation of Internal Audit recommendations and report to the Audit Committee. In March 2023, the frequency of review by the Executive Board was increased to monthly.

Internal Audit services transferred from Veritau in 2021/22 to RSM for 2022/23. The Internal Audit team provides assurance on a risk-based audit plan. The annual audit plan is risk based and is developed including engagement with senior management and the Independent Audit Committee. We confirmed the Committee received regular progress reports and the reports for each review. These reports summarised the main findings of the review. The audit team also provides advice and support on the design and operation of the control environment in general. Through our attendance at Independent Audit Committee, we have witnessed challenge presented to management based on the findings in reports and where agreed actions have not been completed in line with agreed timescales.

The 2023/24 Internal Audit plan included five reviews. One review concluded 'substantial' assurance the remainder provided 'partial' and 'minimal' assurance. The overall Head of Internal Audit opinion for 2023/24 stated 'The organisation does not have an adequate framework of risk management, governance or internal control.' A similar rating was reported in 2022/23. We have confirmed the findings and actions have been reflected in the Authority's AGS. We have reviewed the findings included in the Internal Audit assurance reports completed for the year. In our view, the Internal Audit findings are important and require action. We have raised an 'other recommendation' as it is a priority that the agreed actions are implemented.

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

The PFCC's budget setting process for the forthcoming financial year runs between September and January. We confirmed that SLT were provided with the draft MTFP report of the Chief Finance Officer at its January meeting. The final report was presented formally for approval by the PFCC in February. Relevant budget proposals are developed with SLT, TLT, Enable NY, and budget holders with support being provided by Budget Support Officers. 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. A budget book is produced with budget holders being required to sign and return an acknowledgement confirming that they understand the budgets that they are responsible for and the necessary procedures to be carried out to ensure effective budget management is in place.

We confirmed through observation that monthly reports to SLT highlight variances which are both one-off and those that have a recurring financial implication for the MTFP. As regards funding, income projections are estimated using known information considering relevant CIPFA, NFCC and Government guidance whilst national settlements and Council precepts and NNDR levels are confirmed.

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

The PFCC have a well-established budget monitoring process which takes place on a monthly basis. Budget support officers and budget holders follow financial management responsibilities and standard operating procedures to scrutinise the budgets on a regular basis.

Monthly summarised financial performance information is reported to SLT which highlights emerging risks and budget variances. The Head of Finance sits on SLT in an advisory capacity. Budgetary control systems and processes are subject to periodic review by Internal Audit. The next review is planned to be completed in the 2024/25 Internal Audit Plan.

VFM arrangements – Governance

Overall commentary on Governance - continued

How the PFCC ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

A number of key controls ensure scrutiny and governance of decision making. The foundation of decision making and delegated responsibilities are set out in the Code of Corporate Governance and the Corporate Governance Framework. This includes 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.

All key decisions are taken collectively by Senior Leadership Board (SLB) which includes members of the board, the Monitoring Officer and the Chief Finance Officer to ensure that decisions are taken in line with the Code of Corporate Governance and within any delegation limits provided. Any key PFCC decisions of significant public interest are escalated from SLB to the Executive Board for consideration by the PFCC, and where appropriate published on its website including full supporting documentation.

All senior officers and support officers make declarations of interests. Our review of related party declarations and associated transactions as part of our audit work on the financial statements, has highlighted no evidence of a significant weakness in arrangements. A gifts, gratuities, donations and hospitality policy is in place. Registers are maintained of PFCC gifts and hospitality and this is published on the PFCC website.

Our overall review of minutes and reports presented to Independent Audit Committee and SLT and did not identify any evidence of significant weakness in arrangements.

How the PFCC monitors and ensures appropriate standards are in place

The Corporate Governance Framework sets out how the PFCC governs the Authority. Central to the Corporate Governance Framework is the Code of Corporate Governance. The Code of Corporate Governance is designed to be consistent with the 7 Nolan principles of good governance. All senior officers of the Authority are required to abide by the Code of Corporate Governance. The Framework and Code are reviewed on an annual basis by the Independent Audit Committee. We confirmed this was reviewed in June 2023 and subsequently in June 2024.

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 PFCC are published on the PFCC website. Related party relationships and transactions are disclosed in the annual statement of accounts.

The Annual Governance Statement (AGS) is published and reviews the effectiveness of the Authority's Governance Framework. Our review of the AGS did not identify any evidence of a significant weaknesses in arrangements. The AGS makes appropriate disclosures in regards the Head of Internal Audit Opinion for 2023/24.

Based on the considerations above, we have identified no evidence to indicate a significant weakness in the PFCC's arrangements in relation to governance. We have identified one 'other recommendation'.

Other recommendation	
The Head of Internal Audit Opinion for 2023/24 was: 'The organisation does not have an adequate framework of risk management, governance or internal control.' This opinion followed completion of five reviews in year. One Internal Audit review concluded 'substantial' assurance, the remainder provided 'partial' or 'minimal' assurance. As a result there are several agreed actions that need to be implemented.	Management should ensure as a priority that the agreed actions are implemented on a timely basis. Independent Audit Committee should hold management to account where these actions are not implemented.

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

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance and identify areas for improvement and how services are evaluated

We confirmed through observation that arrangements are in place to measure the quality of services, to ensure they are delivered in line with the objectives of the Fire and Rescue Plan and for ensuring that they provide value for money. Performance management arrangements are in place. The PFCC have developed Key Performance Indicators (KPIs) which are aligned to the data reported via the Home Office and HMICFRS. We confirmed these are presented through interactive dashboards to allow monitoring and performance management at a local level. Performance is also monitored via the Service Delivery Performance Board and we have confirmed from our review of minutes that this process includes assessing outputs from crews and specialist staff to identify areas for improvement. Financial performance is reviewed via monthly financial performance reports which are reported to the Executive Committee.

We confirmed that performance is monitored by the Senior Leadership Team (SLT), Tactical Leadership Team (TLT), and Executive Board. Review of reporting to SLT shows detailed information is shared including latest financial position, forecast financial outturn and commentary on key pressures/underspends.

Alongside the performance framework the output from regulator reviews is also considered to evaluate performance and identify areas for improvement. The output from regulators feed into the risk management arrangements.

The Authority is subject to inspection by His Majesty's Inspectorate Constabulary and Fire & Rescue Services (HMICFRS). HIMCFRS carry out inspections of fire and rescue services to assess and report on key areas. The Authority was subject to inspection in 2021/22 with the report being published in January 2023. An inadequate rating was received against efficiency and people and requires improvement in effectiveness. As a result of the inspection two causes for concern were raised:

> *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.*

Following the inspection an action plan was put in place aimed at addressing the areas of concern. Two revisits were carried out by MHICFRS. The outcome of the first revisit was published in April 2023. This reported that overall progress was positive however it noted that further time was needed to embed and implement the action plan. The outcome of the second visit was published in October 2023 and concluded that the two causes for concern had been resolved to the HMICFRS satisfaction. In their letter to the Authority the HMICFRS recognised the considerable work that had been put into the improvement by the Authority.

The results of the inspection report were identified and reported as a significant weakness in arrangements in 2021/22 and 2022/23. Based on the HMICRS letter dated 19th October 2023, which reported that the identified causes for concern were resolved, we are satisfied the previously reported significant weakness has been addressed and is no longer in place for the period ended 6 May 2024.

How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

The Authority, based on the service provided, is party to a number of partnership arrangements. The Authority work with two community safety partnerships, Safer York Partnership and North Yorkshire Community Safety Partnership. The Community Safety Partnerships co-ordinate key services to local areas. They are also a key partner in the North Yorkshire and York 95 Alive Safety Partnership who work together with the collective aim of reducing the number of people killed and seriously injured on the County's roads.

The Authority also work closely with North Yorkshire Police, through Enable North Yorkshire. Enable NY provides financial, people, estates, technology, business design and assurance services to support North Yorkshire Police, North Yorkshire Fire and Rescue and the Office of the Police, Fire and Crime Commissioner. We have considered this arrangement and identified no matters to indicate a significant weakness in arrangements.

How the PFCC assesses whether expected benefits are realised for commissioned and procured services

The Code of Corporate Governance includes Contract Standing Orders which provide the framework for procurement activity. We confirmed these have been recently updated and amended.

A complete overhaul of procurement processes has been undertaken as part of the joint working with Police with clearly defined processes and procedures to follow. We confirmed with management that the outcomes are reported into the Strategic Commercial Board and an Annual Report reported to the Fire Change Board .

Where contracts are in place, performance is monitored against the contract, including delivery of any milestones included. The Authority lists all contracts that have been entered into on its website.

Our work in 2023/24 has not identified any evidence to indicate a significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness it its use of resources.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in a prior year

As part of our audit work in previous years, we identified the following significant weaknesses and made recommendations for improvement in the PFCC's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the PFCC's progress against the recommendations made, including whether the significant weakness is still relevant in the 2023/24 year.

Identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
2021/22 HMICFRS Inspection Report Improving economy, efficiency and effectiveness The 2021/22 HMICFRS inspection report for the fire and rescue service was published in January 2023. 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: • 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. 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.	Improving economy, efficiency and effectiveness	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.	Following the inspection an action plan to address the causes for concern was submitted to HMICFRS. A cause for concern revisit was completed between 30 January and 1 February 2023 with the findings were published in a letter in April 2023. In the letter HMICFRS noted that 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. A further progress review was carried out in September 2023 with the outcome being published in October 2023. In its letter to the Authority the Inspector concluded that following the considerable work that has been carried out to support improvement, both causes of concern had, in their view, now been resolved. As such the causes for concern have now been removed, this occurred in 2023/24 following a revisit in September 2023. Therefore, for the 2023/24 year the significant weakness in arrangements has not been removed.	It is clear to see that positive improvements have been made, and the causes for concern have been resolved in 2023/24 year, therefore, our judgement, for 2023/24 is the significant weakness no longer exists given management actions taken to address the concerns.

04

Other reporting responsibilities

Other reporting responsibilities

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. While the group instructions were issued in September 2024 by the National Audit Office in respect of our work on the Authority's WGA submission, we are awaiting further instruction on non-sampled components. We are unable to commence our work in this area until such instructions have been received.

Appendices

Appendix A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management Override of Controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We addressed this risk through performing audit work over: Accounting estimates impacting amounts included in the financial statements; Consideration of identified significant transactions outside the normal course of business; and Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. **Audit conclusion** The work is complete, and we have no matters to bring to your attention in this respect.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

Risk	Our audit response and findings
Net defined benefit liability/asset valuation (Firefighter pension scheme and local government pension scheme) The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, made up of the gross pension assets and gross pension liabilities can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement	To address this risk we have: • We evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary. • We considered the reasonableness of the actuaries reports with reference to our experts report on all actuaries nationally. • We reviewed the appropriateness of the key assumptions included within the valuations, we compared these assumptions to expected ranges and we reviewed the methodology applied in the valuation. • We considered the adequacy of the disclosures in the financial statements. • We sought assurance from the auditor of North Yorkshire Pension Fund in relation to the LGPS. • We have also reviewed the accounting treatment of the net pension asset in the LGPS against technical guidance. **Audit conclusion** The work is complete, and we have one matter to bring to your attention. The Pension Fund auditor identified a net understatement of £12.8m in the pension fund’s assets. We have calculated the Authority’s share of this error as 0.28% and therefore the potential impact would be that the Authority’s pension assets are understated by £88k. Further detail of this misstatement is set out in Section 6.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

Risk	Our audit response and findings
Valuation of land and buildings The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of land and buildings. Although the Authority uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of land and buildings due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of land and buildings to be an area of significant risk.	We addressed this risk by: • Considering the arrangements for ensuring land and building values are reasonable and considered corroborative evidence to assess the reasonableness of the valuations provided by the valuer. • We assessed the competence, skills and experience of the valuer. • For assets revalued in year we reviewed the valuation methodology, including testing the underlying data and assumptions. We also compared the valuation output to market intelligence to gain assurance that valuations were in line with market expectations. • We reviewed the approach taken by the Authority to address the risk that assets not revalued in year are materially misstated. • We considered market indices between the revaluation date and the year end to determine whether these indicated that values has moved materially. **Audit conclusion** The work is complete, and we have no matters to bring to your attention in this respect.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

Risk	Our audit response and findings
Accounting for extended year end Management have made estimates and judgements in calculating balances and transactions up to 6 May 2024 year end. Due to the greater level of estimation and judgement applied to the extended trial balance we have increased the level of risk attached to this area of work as significant risk.	We addressed this risk by: • Conducting a detailed review of the Authority's extended trial balance. This includes challenging estimation and judgements applied by management. **Audit conclusion** There were three unadjusted misstatements raised in relation to the estimates and judgements applied for the extended period, see Section 6 for further detail.

Appendix A: Further information on our audit of the Authority's financial statements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £35k.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued on 4th September 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

Summary of unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet		MIRS	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Short Term Debtors (Prepayments) Cr: Short Term Creditors As part of our short-term debtors testing, we identified several creditors which were incorrectly recognised as prepayments, this was netted off against a larger overstatement of a VAT debtor, resulting in an extrapolated net understatement of prepayments totalling £84k.			84	84		

Appendix A: Further information on our audit of the Authority's financial statements - continued

Summary of unadjusted misstatements - continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet		MIRS	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: PPE (Additions) Cr: I&E The misstatement relates to additions between 31 March and 6 May 2024 which were omitted from the PPE note in the financial statements.		76	76			
Dr: Cost of services Cr: PPE (Depreciation) The misstatement relates to the depreciation which occurred between 31 March and 6 May 2024 which was omitted from the PPE note in the financial statements.	84			84		

Appendix A: Further information on our audit of the Authority’s financial statements - continued

Summary of unadjusted misstatements - continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet		MIRS	
	Dr (£ ‘000)	Cr (£ ‘000)	Dr (£ ‘000)	Cr (£ ‘000)	Dr (£ ‘000)	Cr (£ ‘000)
Dr: Net Pension Asset			88			
Cr: Pension Reserve				88		
Dr: Movement in Reserves					88	
Cr: Remeasurement of the net defined benefit liability / asset		88				
The Pension Fund Auditor identified that the Pension Fund assets are understated by £12.8m. We have calculated the Authority’s share of this error as 0.28% and therefore the potential impact would be that the Authority’s pension assets are understated by £88k. The pension asset for the Authority is however limited by the asset ceiling calculation.						
Aggregate effect of unadjusted misstatements	**84**	**164**	**248**	**256**	**88**	**0**

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Appendix A: Further information on our audit of the financial statements

Internal control observations

Our work in 2023-24 has not identified any internal control recommendations.

Contact

Forvis Mazars

James Collins
Director
Tel: +44 (0) 7881 283527
James.collins@mazars.co.uk

Ellie Horsley
Audit Manager
Tel: +44 (0) 7971 973689
Ellie.horsley@mazars.co.uk