



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

ANNUAL AUDIT AND INSPECTION LETTER

Report of the Chief Fire Officer

Agenda Item No:

Date: 19 February 2010

Purpose of Report:

To present to Members the External Auditors' annual audit and inspection management letter.

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1. BACKGROUND

1.1 The Annual Audit and Inspection Letter for 2008/9 (attached here at Appendix A) encompasses a number of issues upon which the Auditors are required to report. They are:

- i) The Audit Opinion
- ii) The Financial Statements
- iii) Value for Money
- iv) The Organisational Assessment
Managing Performance
Use of Resources

1.2 The Auditors' letter sets out their detailed findings and conclusions relating to the above issues and these will be discussed at the meeting. The letter is appended in full to this report.

2. REPORT

2.1 The Auditors again have issued an unqualified opinion in relation to the accounts for 2008/9. This opinion was issued in September 2009 and has been published as part of the final accounts.

2.2 The Auditors state that the financial accounts were of a high standard and supported by good quality working papers. They further comment that they did not identify any areas of weakness in internal control arrangements and that there are no issues arising from the audit which they wish to raise.

2.3 In terms of value for money the Auditors are required to make a judgement as to the adequacy of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Again an unqualified opinion has been issued.

Organisational Assessment

2.4 The Audit Commission is responsible for providing explicit assurance that the 46 Fire and Rescue Authorities and Services within England, meet the requirements of the National Framework when providing services to local people. This is done through the process of an organisational assessment which forms part of the overall Comprehensive Area Assessment (CAA) framework.

2.5 The organisational assessment of Fire and Rescue Services combines the appointed auditor's assessment of value for money (through the use of resources theme) with an assessment of the Fire and Rescue Service's performance (through the managing performance theme) into a single scored judgment.

- 2.6 Nottinghamshire Fire and Rescue Service (NFRS) underwent its first inspection under the Organisational Assessment Framework during late August / September 2009. The basis of the inspection is to assess how each Fire and Rescue Service is effectively balancing its prevention, protection and response functions. It also sought to establish the impact and effectiveness of the Service's broader partnership outcomes within the Local Area Agreement (LAA).
- 2.7 During the inspection process, the Audit Commission's inspectors, along with peer assessors at both Officer and Member level, undertook numerous interviews. These interviews involved Elected Members of the Authority and Officers at all levels and across a range of functions.
- 2.8 The outcomes of the use of resources element were presented to the Fire Authority at its meeting of 4 September 2009 by a representative from the Audit Commission.
- 2.9 The national release of the performance outcomes in mid-November was reported to Policy and Strategy Committee as an exempt item in October 2009 and was originally programmed for discussion at the December meeting of the Fire Authority. In the event it was decided to bring this to the February meeting.
- 2.6 As Members are already aware, NFRS scored 2, performing adequately, for its use of resources inspection, although this did contain a score of 3 for the management of resources element. The managing performance score is also scored as a 2, performing adequately.
- 2.7 The overall organisational performance score reflects these two elements and the Service is therefore considered by the Audit Commission to be performing adequately.
- 2.8 The draft report itself contains some very positive comments regarding the current work and organisation of the Service. Effective actions in reducing fires, partnerships, low costs, flexibility and leadership by Members, all receive mentions of note. Additionally, the Service's approach to prevention, protection and response, as well as resilience, are all seen to be improving.
- 2.9 Areas identified where the Service needs to concentrate are:
- Understanding which of its intervention measures are most successful;
 - Improving its results in respect of equality and diversity;
 - The lack of progress in respect of its Internet development.
- 2.10 In all, the audit report builds on the progress made last year and overall paints a positive reflection of the organisation. The areas highlighted in Paragraph 2.9 above have been incorporated into the integrated risk management planning process and will form key elements of the next three year plan. This will ensure that the Service can demonstrate a positive response to the comments made by the Audit Commission and take its improvement through 2010.

3. FINANCIAL IMPLICATIONS

There are clearly financial implications within any External Audit report, but these relate to the management arrangements of the Authority and are set out in full in the report and the Auditors' Management and Inspection Letter.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no implications for human resources or learning and development arising from this report.

5. EQUALITY IMPACT ASSESSMENT

The Auditors report makes reference to the Authority's progress in relation to equalities both in terms of recruitment and service delivery. The comments made by the auditors are very encouraging in this area. There has been no equality impact assessment undertaken in respect of this report as it relates to an external assessment and not an internal policy.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

8.1 The external auditors carry out their work within a framework of risk management and also comment upon the arrangements for risk management within the Authority. To this extent the Auditors form a significant part of the Authority's risk control model in terms of their independence.

8.2 In addition, as referred to above the Auditors' views form a major part of the Authority's comprehensive performance assessment which enables some basic mean by which to benchmark performance and measure progress.

9. RECOMMENDATIONS

That Members note the contents of this report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER

Annual Audit Letter

Nottinghamshire and City of Nottingham Fire and
Rescue Authority

Audit 2008/09

December 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

This report summarises the findings from our 2008/09 audit and also highlights some of the current and future challenges facing the Authority. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources. It also includes a summary of the Audit Commission's organisational assessment of the Authority.

Audit opinion

- 1 I issued my audit report, including an unqualified audit opinion on your financial statements on 30 September 2009.
-

Financial statements

- 2 Your financial statements were adopted by the Finance and General Purposes Committee on 30 June 2009, the due date specified by the Accounts and Audit Regulations 2003 (amended 2005).
 - 3 The financial statements presented for audit were of a high standard and supported by good quality working papers.
-

Value for money

- 4 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against the criteria specified by the Audit Commission. I issued an unqualified opinion on our arrangements.
-

Organisational assessment

- 5 Nottinghamshire and City of Nottingham Fire Authority performs adequately overall. The Authority is taking effective actions to reduce the number of fires and also respond effectively to emergencies. Community safety work with partners in Nottinghamshire and Nottingham City is based on increasingly good local information. The Authority works well in partnership with other organisations and has recently taken a lead on anti-social behaviour across the county. Its costs are low and it is working in more flexible and efficient ways. Performance in a number of areas, whilst improving, is still behind that of other authorities. Steps to improve the diversity of the workforce are being taken, but have had little impact as yet.
-

Current and future challenges for Nottinghamshire and City of Nottingham Fire Authority

- 6 The economic downturn and banking crisis is having a significant impact on public finances and the bodies that manage them. Nottinghamshire and City of Nottingham Fire Authority had no investments in Icelandic banks and has good financial standing and a strong level of reserves. The Authority will need to ensure that it maximises both the stability and flexibility offered by this position as financial pressures on public sector finances become more challenging.
- 7 This period of financial challenge coincides with a national period of change and development amongst all fire authorities. For example, fire authorities are expected to deliver more services in partnership with other bodies (including other public sector organisations), to review and assess their patterns of service delivery to ensure consistency with risk and community profiles and to modernise their workforce patterns.
- 8 Nottinghamshire and City of Nottingham Fire Authority is making progress in achieving these changes. The recent shift change project is leading to financial savings and increased service has identified potential for financial savings and should provide a more flexible and responsive service. The Authority works well in partnership with other organisations and performance in many key areas (including the number of fires and fire related injuries) are improving. The Authority recognises that it needs to develop a more robust approach to assessing how improvements in performance have been achieved. It needs to get better at understanding which of its activities have been most successful in improving the safety of the community.

Audit fee

- 9 I have delivered my audit in accordance with the planned audit fee for 2008/09.

Table 1 **Audit fees**

| | Actual | Proposed | Variance |
|--|---------------|-----------------|-----------------|
| Financial statements and annual governance statement | £34,830 | £34,830 | nil |
| Value for money | £46,063 | £46,063 | nil |
| Total audit fees | £80,893 | £80,893 | nil |
| Non-audit work | | | nil |
| Total | £80,893 | £80,893 | nil |

Key messages

Actions

- 10** Recommendations are shown within the body of this report and have been agreed with the audited body.
-

Independence

- 11** I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Recommendation

- R1** The Authority should develop a more robust approach to performance management which:
- provides an understanding of which activities have been the most successful in improving the safety of the community; and
 - is sufficiently robust to provide assurance that financial resources are targeted at areas of highest priority and that scope for financial savings or re-investment can be identified and actioned.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

Significant issues arising from the audit

12 I summarised the key findings from the audit in my Annual Governance Report which we presented to the Fire Authority meeting of 4 September 2009. There were no significant issues arising from the audit, with both the financial statements and working papers presented for audit of a good standard.

Material weaknesses in internal control

13 I did not identify any significant weaknesses in your internal control arrangements.

Accounting Practice and financial reporting

14 I considered the qualitative aspects of your financial reporting. There were no issues which I needed to bring to your attention.

Value for money and use of resources

I considered how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 15** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 16** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 17** The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

Table 2 Use of resources theme scores

| Use of resources theme | Scored judgement |
|------------------------|------------------|
| Managing finances | 2 |
| Governing the business | 2 |
| Managing resources | 3 |

-
- 18** The Authority scores 2 out of 4 for Use of Resources.

- 19** The Authority has a relatively low cost per head of population and has achieved above average efficiency savings. It has good awareness of its costs and a track record of demonstrating value for money. Expenditure is properly planned and maintained within budgets and costs are within the lowest 25 per cent of all authorities nationally. A review of shift patterns has allowed the Authority to achieve a more flexible and responsive workforce. It has reduced sickness levels and increased availability of both staff and appliances.

Recommendation

- R2** Agree an action plan to secure improvements in the arrangements for use of resources in future years.

VFM conclusion

- 20** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 21** I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Organisational assessment

The Comprehensive Area Assessment Lead has used my use of resources assessment along with an assessment of how well the Authority manages its performance to come to an overall assessment for the Authority. This is known as the organisational assessment.

- 22 Comprehensive Area Assessment, or CAA, is a new way of assessing local public services in England. It examines how well councils are working together with other public bodies, including fire authorities, to meet the needs of the people they serve. It is a joint assessment made by a group of six independent watchdogs and will provide an annual snapshot of quality of life in the area. There is also an organisational assessment for each council within the CAA.
- 23 The organisational assessment brings together the use of resources judgement with the Authority's managing performance assessment. Our assessment of you as an organisation is that you perform adequately.
- 24 The Authority is taking effective actions to reduce the number of fires and also respond effectively to emergencies. Community safety work with partners in Nottinghamshire and Nottingham City is based on increasingly good local information. The Authority works well in partnership with other organisations and has recently taken a lead on anti-social behaviour across the county. Its costs are low and it is working in more flexible and efficient ways. Performance in a number of areas, whilst improving, is still behind that of other authorities. Steps to improve the diversity of the workforce are being taken, but have had little impact as yet.

Table 3 **Organisational assessment**

| | |
|----------------------|------------|
| Managing performance | 2 out of 4 |
| Use of resources | 2 out of 4 |

- 25 The Authority scores 2 out of 4 for managing performance. It is improving community safety. It leads on a range of initiatives which have reduced all types of arson and substantially reduced the number of people injured by accidental fires. Community safety work is being better planned using a variety of information about the community and a good understanding of local issues. This is leading to a sustained reduction in the number of primary fires and fire related injuries. Although improving, the number of victims of fire who do not have a smoke alarm remains relatively high. The number of deaths from fires remains amongst the lowest in the country.

- 26** The Authority monitors the number of fire related incidents on an ongoing basis, but does not assess how reductions in incidents have been achieved. It needs to get better at understanding which of its activities have been most successful in improving the safety of the community. The Authority could also be more ambitious and challenging in the targets it sets itself. Although the number of fires and fire related injuries over the last four years have reduced, targets for the current year do not reflect the level of success already achieved and the ambition of the Authority.
- 27** The Authority has a clear knowledge of the area and communities it serves. It is viewed as a good partner by agencies and is gaining influence in the area. For example it leads on anti-social behaviour across Nottinghamshire.
- 28** Leadership by members and senior officers is good. Support functions have been developed further to assist in managing the business more effectively. Commitment to improving equality and diversity in both service delivery and employment has continued. However, limited progress has been made on developing a more diverse workforce.

Closing remarks

- 29** I have discussed and agreed this letter with the Chief Fire Officer and the Director of Finance. I will present this letter at the Fire Authority on 19 February 2010 and will provide copies to all Fire Authority members.
- 30** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued during the year.

Table 4

| Report | Date issued |
|---------------------------|----------------|
| Audit Plan | April 2008 |
| Annual Governance Report | September 2009 |
| Opinion and Certificate | September 2009 |
| Organisational Assessment | December 2009 |

-
- 31** The Authority has taken a positive and constructive approach to our audit. I wish to thank the Authority staff for their support and co-operation during the audit.

John Cornett
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Managing finances

| | |
|--|------------|
| Theme score | 2 |
| Key findings and conclusions | |
| Overall the Authority has adequate arrangements in place to manage its finances and deliver value for money. | |
| KLOE 1.1 (financial planning) | |
| Score | 2 |
| VFM criterion met | Yes |
| Key findings and conclusions | |
| The Medium Term Financial Plan is linked to the Community Safety Plan and is based on realistic financial assumptions. Managers are routinely involved in the budget development process. The budget is comprehensive, balanced and realistic and is underpinned by sound assumptions in relation to treasury management. The FRA has carried out base budget reviews to challenge the way that resources are allocated and has a track record of operating within its budget. | |

Appendix 1 – Use of resources key findings and conclusions

| | |
|---|------------------------|
| KLOE 1.2 (understanding costs and achieving efficiencies) Score VFM criterion met | 2 Yes |
| Key findings and conclusions | |
| The FRA is developing its approach to benchmarking, and has a dedicated value for money accountant who is responsible for this role. The approach is continuing to develop. New projects are costed on a whole life basis with revenue and environmental issues assessed. | |
| KLOE 1.3 (financial reporting) Score VFM criterion met | 2 Yes |
| Key findings and conclusions | |
| Financial information is produced promptly and budget holders can produce information at any time. Budget holders are supported by training and by a business partner from the finance team. Budget reports to members are clear. The 2008/09 accounts presented for audit were of a high standard and were supported by good quality working papers. | |

Governing the business

| | |
|--|----------|
| Theme score | 2 |
| Key findings and conclusions | |
| The Authority has adequate arrangements for governing itself and commissioning services that provide value for money and deliver better outcomes for local people. | |

Appendix 1 – Use of resources key findings and conclusions

| | |
|--|------------|
| KLOE 2.1 (commissioning and procurement) | |
| Score | 2 |
| VFM criterion met | Yes |
| Key findings and conclusions | |
| The FRA has a vision of what it wants to achieve for its community and works with partner organisations to deliver activities and services to the community. There is an ongoing programme of best value reviews. The FRA understands the importance of understanding the supply market and can demonstrate that it has evaluated different options for procuring supplies. | |
| KLOE 2.2 (data quality and use of information) | |
| Score | 2 |
| VFM criterion met | Yes |
| Key findings and conclusions | |
| There are data sharing arrangements in place for the FRA's partnerships and the FRA works with partners to secure data security. Performance against priorities is monitored by officers and members. Members are provided with a district profile for each area, setting out demographic information, needs analysis and partnership issues. Our spot check work confirmed the accuracy of the data supporting the national indicators. | |
| KLOE 2.3 (good governance) | |
| Score | 2 |
| VFM criterion met | Yes |
| Key findings and conclusions | |
| The FRA adopted a local code of corporate governance in 2008. Roles and responsibilities of officers and members are defined, working relations between officers and members are good. The FRA maintains a focus on its purpose and vision by regularly reviewing its performance, in particular in relation to community safety. This is reflected in the continuous improvement in community safety PI targets set by the authority. | |

Appendix 1 – Use of resources key findings and conclusions

| | |
|--|------------------------|
| KLOE 2.4 (risk management and internal control) Score VFM criterion met | 2 Yes |
| Key findings and conclusions | |
| The FRA has arrangements for risk management and has an approach to setting risk appetite. There is an anti-fraud policy in place and the FRA can demonstrate participation in the NFI. The system of internal control is supported by the internal audit function, there are sound controls over the key financial systems. | |

Managing resources

| | |
|--|------------------------|
| Theme score | 3 |
| Key findings and conclusions | |
| Workforce planning is integrated with corporate and business planning. Shift patterns have been reviewed and changed to a more flexible, self rostering approach. The change in shift patterns has increased response capacity and provided a more flexible and responsive service. | |
| KLOE 3.3 (workforce planning) Score VFM criterion met | 3 Yes |
| Key findings and conclusions | |
| Workforce planning is integrated with corporate and business planning. The FRA can demonstrate that it has moved resources from response to prevention and demonstrate that resources will be moved back to response if risks change. The review of the shift system is providing a more flexible and responsive workforce. The FRA takes action to promote itself as a good employer and is working towards building a workforce that is more representative of the population it serves. | |

Appendix 2 – Action plan

| Page no. | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|--|--|--|----------------|--------|----------|------|
| Annual Audit Letter 2008/09 Recommendations | | | | | | |
| 5 | <p>The Authority should develop a more robust approach to performance management which:</p> <ul style="list-style-type: none"> provides an understanding of which activities have been the most successful in improving the safety of the community; and is sufficiently robust to provide assurance that financial resources are targeted at areas of highest priority and that scope for financial savings or reinvestment can be identified and actioned. | | | | | |

Appendix 2 – Action plan

| Page no. | Recommendation | Priority 1 = Low 2 = Med 3 = High | Responsibility | Agreed | Comments | Date |
|----------|---|--|----------------|--------|----------|------|
| 8 | Agree an action plan to secure improvements in the arrangements for use of resources in future years. | | | | | |

The Audit Commission

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

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