

Annual Audit and Inspection Letter

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**Tyne and Wear Fire and Rescue Authority
2007**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Authority, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

- 1 Tyne and Wear Fire and Rescue Authority is improving well, and has made good progress on its key priorities of reducing fires, deaths and injuries. The service maintains high performance on the emergency response standard, and has made significant investment in community safety and preventative work. It contributes to wider community outcomes through effective partnership working and uses this involvement to identify communities at risk. Weaknesses identified in our 2005 Comprehensive Performance Assessment, when the Authority was assessed as Fair, have now been addressed.
- 2 The Authority also performs well in its use of resources. It has a sound financial position and has robust arrangements in place to manage its finances and maintain systems of internal control. Financial reporting in particular this year has been recognised as representing best practice.
- 3 I have issued unqualified opinions on the 2006/07 accounts and value for money arrangements, and on the Best Value Performance Plan.
- 4 Two thirds of performance indicators have improved in 2006/07, but some areas still need to improve. The Authority has one of the highest success rates with smoke alarm activations and has also made real progress in reducing automated false alarms, a previous area of poor performance. However, the number of accidental dwelling fires has remained at the same level, and although the severity of fires and the number of deaths and injuries are reducing, the levels of reported incidents are still amongst the highest in the country. The Authority has a high public satisfaction rating, but is only slowly improving its workforce diversity and links with hard to reach groups.

Action needed by the Authority

- 5 The Authority should engage more effectively in the national agenda for equality and diversity, by strengthening links with hard to reach groups and ensuring that the workforce represents the community that it serves.
- 6 The Authority is well managed but not low cost. It needs to demonstrate a better understanding of the relationship between cost and quality of service, and between investment made and outcomes achieved. In particular, the Authority needs to develop measures to evaluate the significant investment made in community safety and prevention work against achievement of desired outcomes and delivering value for money.
- 7 The Authority needs to set challenging targets for reducing accidental dwelling fires, which in Tyne and Wear are 60% above the national average. National guidance allows legitimate differences of interpretation, but this only partly explains the high level of reported incidents. Officers need to ensure that home fire risk assessments are targeted at areas of greatest risk; and that lessons are learnt from successful initiatives and approaches elsewhere.

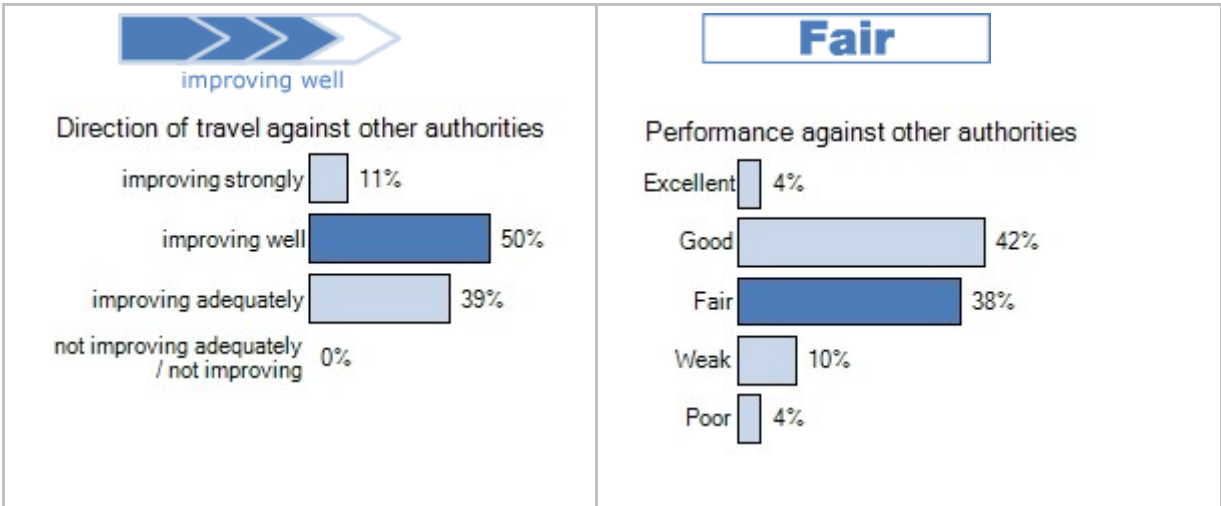
Purpose, responsibilities and scope

- 8 This report provides an overall summary of the Audit Commission's assessment of the Authority. It draws on the most recent Comprehensive Performance Assessment (CPA) and Direction of Travel review and from the findings and conclusions from the 2006/07 audit.
- 9 We have addressed this letter to members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Authority in meeting its responsibilities, and to help support future improvement.
- 10 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. The Authority is also planning to publish the letter on its own website.
- 11 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Authority's accounts;
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Authority's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 12 This letter includes the latest assessment on the Authority's performance under the CPA framework, including our Direction of Travel report. It summarises the progress made since CPA in 2005..
- 13 We have listed the reports issued to the Authority relating to 2006/07 audit and inspection work at the end of this letter.

How is the Authority performing?

- 14 The Audit Commission’s overall judgement is that Tyne and Wear Fire and Rescue Authority is improving well. The Authority was assessed as Fair in the last Fire and Rescue Comprehensive Performance Assessment carried out in 2005, which assessed all fire authorities on their corporate management, their achievements, community fire safety and how they planned to respond to incidents through their Integrated Risk Management Plan (IRMP). It did not consider tactical management of emergency response.
- 15 The following chart shows the latest position across all Authorities.

Figure 1 Overall performance of authorities in CPA



- 16 The Authority is improving well in areas that it has identified as priorities and important to local communities. Over two thirds of its key indicators improved in 2006/07 with significant progress made in reducing fire related injuries and false alarms. The Authority has achieved sustained high levels of smoke alarm ownership, but dwelling fires remain static. The Authority has made a clear shift from response into community safety. Community safety initiatives have been targeted at areas identified as being high risk. The Authority contributes to wider community outcomes through effective partnership working and uses its involvement to identify communities at risk of exclusion. The Authority has arrangements in place to improve value for money, and has delivered significant efficiency savings. The Authority has improved its performance management, communications and member engagement. There are robust workforce development and training arrangements in place and rank to role has been fully implemented. The Authority has made limited progress, in improving its poor workforce diversity. The Authority recognises the challenges that remain and has plans in place to address these.

The improvement since last year - our Direction of Travel report

Improving outcomes

- 17 Tyne and Wear Fire and Rescue Authority is improving well in areas that it has identified as priorities and those important to local communities. The Authority is making progress on its key priorities of reducing fires, deaths and injuries, and maintains a high emergency response standard.
- 18 Two thirds of performance indicators have improved in 2006/07, but there are some mixed messages. The number of accidental dwelling fires has remained static and minor arson incidents have increased. Primary fires are reducing but numbers remain amongst the highest nationally. However the Authority has one of the highest success rates with smoke alarm activations and has also made real progress in reducing automated false alarms, a previous area of poor performance. The Authority has a high public satisfaction rating, one of the highest scores nationally at 73 per cent and up 10 per cent from the previous survey.
- 19 The Operational Assessment of Service Delivery (OASD) in 2006 judged the Authority to be performing well. It highlighted Authority's strong national reputation in the development of community fire safety and the strong emphasis on prevention and protection.
- 20 The Authority is effectively contributing towards wider community outcomes. It has restructured to align with local authority areas and this has helped ensure greater access to key partnerships. It is involved in local area agreements in Newcastle and in North Tyneside, and has been supporting wider community safety schemes in partnership with other public agencies, for example a carbon monoxide alarm campaign, joint work on road safety, and supporting the Fostering Network.
- 21 The Authority has continued to innovate with initiatives aimed at disaffected youth and arson. The Authority is seeking to provide a qualification such as a BTec for those attending its youth courses, to provide a longer term benefit.
- 22 Community fire stations have improved public engagement. An estimated 40,000 people have visited these stations and the Authority is looking at how the older stations can adapt to achieve similar results. The OASD highlighted as notable practice 'Safety Works', an interactive safety centre which has a wide portfolio and is now targeting young people, elderly people, minority groups, single parents and victims of domestic violence.
- 23 The Authority has a number of approaches to strengthening its links with hard to reach groups. Community advocates have recently been recruited to strengthen links with vulnerable groups and a new regional equality and diversity officer has been appointed. However these are relatively new developments and their impact is yet to be seen.

- 24 The Authority is improving its value for money and has successfully delivered a complex, high profile public/private partnership. It is now working on a further joint regional scheme and has taken difficult decisions in terms of changing crewing levels and working conditions in line with its Integrated Risk Management Plan (IRMP). Its costs are average, after taking into account the higher fire risk associated with having the third highest level of deprivation nationally. The Authority has exceeded its annual efficiency savings targets, and continues to set relatively low precept increases.

Implementing plans to sustain future improvement

- 25 The Authority has clear plans for future improvement. The Medium Term Financial Strategy demonstrates good links to both the IRMP and strategic plan. The workforce development plan also supports the IRMP. Station plans include specific performance targets and it is intended to supplement these with district plans aligned to local authority boundaries. The Authority is making good progress in implementing its improvement plans and this is monitored by members.
- 26 The Authority has improved performance management. Quarterly reports using a traffic light format are used to highlight risks and notable practice. Performance management is now embedded down to watch level, with watch targets and personal targets contained in personal development plans.
- 27 The Authority has strengthened its capacity to deliver sustainable improvement. It has restructured internally, and invested in ICT. Corporate health performance indicators have improved and a number of key areas are now above average for the fire service e.g. females in the top five per cent of earners and the number of female fire fighters. Sickness absence has continued to reduce and is now below average.
- 28 Member engagement has improved, with a programme of regular station visits and greater challenge at meetings. Members have had individual training needs assessments, and receive training, mentoring and briefings to support them in their decision and scrutiny roles.
- 29 The Authority has robust workforce development and training arrangements in place, as set out in its Workforce Development Strategy. A holistic approach to learning and training is ensuring opportunities for developing workforce skills and capacity across the service, at all levels.
- 30 The workforce is not yet representative of the communities it serves. The Authority is seeking to improve the diversity of its workforce and has significantly increased the number of women firefighters, but will not achieve the national targets set. It has carried out various initiatives to build up links with under-represented communities and opened several posts formerly restricted to uniformed officers, but this has had limited impact on the composition of the workforce so far. The Authority has progressed to level 2 of the Equality Standards for Local Government and is working towards level 3 by March 2008.

- 31** The regional management board is improving capacity but the scope and pace of change is limited and the potential for further savings has not been fully explored. Recent regional appointments include an equalities and diversity co-ordinator and a new programme manager. A pooled budget is in place to support development work and there are good examples of joint working. The resilience work stream has largely been delivered, but issues remain about ongoing management and funding. There is a significant amount of regional working on the delivery of Human Resources services, which has enhanced capacity in this area, but this has not been progressed to regional delivery. Procurement activity is less advanced, although a number of regional arrangements are in operation.
- 32** There are no significant weaknesses in arrangements for securing continuous improvement or failures in corporate governance that would prevent improvement levels being sustained.

Service assessment

- 33** In 2006 the Audit Commission carried out a fire and rescue service assessment of the Authority. The assessment focused on service delivery and looked at the effectiveness of the service as experienced by recipients of the service. The assessment was constructed from two elements:
- The performance information element (an analysis of outcome focused best value performance indicators selected from those nationally available to assess the outcome of the services delivered by the authority); and
 - The operational assessment of service delivery element (provided to the Commission by the Department of Communities and Local Government).
- 34** The assessments for Tyne and Wear Fire and Rescue Authority are set out below.

Table 1 Fire and rescue service assessment

Element	Assessment
Performance indicators	2 out of 4
Operational assessment of service delivery	3 out of 4
Overall fire and rescue service assessment	2 - Adequate performance (only at minimum requirements)

Source: Audit Commission

- 35** The following text was provided by DCLG as part of their assessment of the Authority:

“Tyne and Wear Fire and Rescue Authority is performing well in all areas of service delivery, from its initial analysis of risk through to emergency response.. The Service has robust policies and systems in place for the identification and analysis of risk and uses information to target and re-locate its resources. The Service places strong emphasis on prevention and protection. It has built an effective portfolio of partnerships across the community safety agenda, and its community fire stations make excellent provision for community interaction. The Service is committed to ensuring that its managers are professionally developed, and its workforce development strategy is designed to ensure competence throughout the population of supervisory, middle and strategic managers. Its holistic approach to learning and development is creating opportunities for developing leadership skills and increasing capacity across the Service. Arrangements for monitoring, auditing and reviewing call management and incident support activities are operating effectively. The Service performs well in responding to emergencies and uses a range of advanced firefighting techniques”.

The audit of the accounts and value for money

- 36** As your appointed auditor I have reported separately to the Audit and Governance Committee on the issues arising from our 2006/07 audit and have issued:
- an unqualified opinion on the 2006/07 accounts
 - a conclusion on the Authority's value for money arrangements to confirm that these arrangements were adequate during the year ended 31 March 2007; and
 - our report on the Best Value Performance Plan, confirming that the Plan has been audited and published in accordance with statutory requirements.
- 37** There are no significant matters arising from this work to bring to members' attention.

National Fraud Initiative

- 38** The National Fraud Initiative is a computerised data matching exercise led by the Audit Commission. It is designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies.
- 39** Referrals from the current exercise were released to participating bodies in January 2007 and have been followed up by Internal Audit. There has been no evidence of fraud found in the payroll matches reported to the Authority.

Internal Audit

- 40** Local authorities, including fire services, are required to maintain an internal function, and to conduct an annual review of its effectiveness. Internal Audit services for Tyne and Wear Fire and Rescue Authority are provided by Sunderland City Council. As external auditors, part of our assessment of the overall control environment requires us to consider whether Internal Audit arrangements are both adequate in principle, and properly applied in practice.
- 41** Professional standards for Internal Audit are contained in the CIPFA Code of Practice for Internal Audit in Local Government. Our review has focussed on a review of Internal Audit's "Quality System" against the professional and statutory requirements contained within the Code, coupled with a sample review of their files. This work confirmed that Internal Audit is meeting its professional and statutory duties. Processes in place are driven by an effective, and externally accredited, Quality System.

Use of Resources

- 42 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting - the preparation of the accounts of the Authority and the way these are presented to the public;
 - Financial management - how financial management is integrated with strategy to support Authority priorities;
 - Financial standing - the strength of the Authority's financial position;
 - Internal control - how effectively the Authority maintains proper stewardship and control of its finances; and
 - Value for money - an assessment of how well the Authority balances the costs and quality of its services.
- 43 For the purposes of the CPA we have assessed the Authority's arrangements for use of resources in these five areas as follows.

Table 2 Use of resources judgements 2007

Element	Assessment 2007	Assessment 2006
Financial reporting	4 out of 4	3 out of 4
Financial management	3 out of 4	3 out of 4
Financial standing	3 out of 4	3 out of 4
Internal control	3 out of 4	2 out of 4
Value for money	2 out of 4	2 out of 4
Overall assessment of the Audit Commission	3 out of 4	3 out of 4

(Note: 1 = lowest, 4 = highest)

- 44 The Authority's performance demonstrates commitment to improvement. In overall terms, it has maintained and strengthened its level three assessment (performing well), and scores have increased from last year in two overall themes and in four of the eleven sub-theme areas. In particular:
- Improvements have been made to financial reporting in terms of the quality of working papers to support year end financial statements, and by publishing a high quality annual report. Both elements of this theme have now been assessed at level four (performing strongly);
 - Risk management processes have become more embedded ;and

- the Authority has demonstrated a robust approach to ethical governance and ensuring probity.
- 45 The key priority for the Authority is to demonstrate an improved understanding of the relationship between cost and quality of service, and between investment made and outcomes achieved. This applies particularly to community safety and prevention work, where significant investment over recent years has reduced the severity of fires and the number of deaths and injuries, but not the total number of incidents overall. Specific action points agreed with officers include the following:
- ensure that the corporate value for money framework is embedded and delivering results;
 - develop benchmarking activity and expand this to include support services; and
 - develop a forward programme of service and management reviews with a clear focus on demonstrating or improving value for money.

Local risk-based work

- 46 During the year we undertake work in specific areas of the Authority's activities. This is done:
- to inform our overall use of resources and value for money assessments; and
 - in response to audit risks identified locally or nationally.
- 47 Our work this year has focussed on Ethical Governance arrangements, and Data Collection (accidental dwelling fires).

Ethical Governance arrangements

- 48 Part III of the Local Government Act 2000 imposes a duty on all local authorities to put in place rigorous mechanisms for improving the standards of conduct of public officer holders. The Standards Board for England was set up in 2002 to oversee the implementation of the Act, monitor compliance and investigate alleged breaches of the Code of Conduct.
- 49 The aim of our review was to assess how well the Authority is meeting these requirements. We looked at behaviour, culture and values as well as compliance with statutory requirements, and undertook a web based survey of members and officers to gauge how well published arrangements are understood and applied in practice.
- 50 Our work confirmed that all statutory requirements have been met. Current ethical governance arrangements are effective and both members and officers displayed a good understanding of the need for high standards of ethical behaviour.
- 51 To enhance existing arrangements still further, officers agreed to:
- raise the profile of the Standards Committee;
 - use existing ICT systems to test officer and member understanding of new or updated guidance in a confidential manner; and
 - provide additional guidance to members and officers around conflicts of interest and registers of gifts and hospitality.

Data Collection (accidental dwelling fires)

- 52 We reviewed data collection arrangements at the 3 north east fire and rescue authorities that we audit, in respect of the key fire performance indicators that varied most significantly during 2006/07. The most striking variation at Tyne and Wear Fire and Rescue Authority is that accidental dwelling fires are 60% above the national average. Accordingly, our work focussed on:
- the accuracy of collected data, and compliance with DCLG guidance; and
 - how to reduce accidental dwelling fires in Tyne and Wear.

- 53** We concluded that arrangements for data quality are adequate, but guidance allows legitimate differences of interpretation and these differences do partly explain some of the variations in reported performance.
- 54** The Authority is correctly adopting a strategy of targeted home fire risk assessments to reduce accidental dwelling fires but evidence from other fire services confirms that such a strategy needs time to embed. After staying stable for three years the number of accidental dwelling fires in Tyne and Wear has fallen by ten per cent in the first half of 2007/2008. Accordingly, the Authority appears to be on the right track but we have made a number of suggestions to officers to help enhance its strategy for reducing accidental dwelling fires. In particular, the Authority needs to set challenging targets for improvement and ensure that
- home fire risk assessments are targetted at areas of highest risk; and
 - lessons are learnt from successful initiatives and approaches elsewhere.

Looking ahead

- 55** The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements.
- 56** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with an enhanced annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 57** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.
- 58** At a local level, we have already agreed an outline audit plan and fee for 2007/8. This will be reviewed in the coming weeks following discussions with officers and review of documents to update our assessment of key risks. We will also be developing our outline plan and fee for 2008/9, and would welcome contributions and suggestions from members.
- 59** In addition to mandatory testing on the financial statements and use of resources, we anticipate that the focus of our work during 2007 will be on two main issues, namely:
- workplace equality and diversity; and
 - the regional control rooms initiative.

Closing remarks

- 60 This letter has been discussed and agreed with senior officers of the Authority. A copy of the letter will be presented to the Authority in March 2008. Copies have also been provided all Authority members.
- 61 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Review of ethical standards	April 2007
Review of Internal Audit	April 2007
Annual Governance Report	September 2007
Opinion on financial statements Value for money conclusion Final accounts memorandum	September 2007
Best Value Performance Plan certificate	December 2007
Use of resources judgements	December 2007
Review of data collection arrangements	January 2008
Annual audit and inspection letter	February 2008

- 62 The Authority has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Authority's staff for their support and cooperation during the audit.

Availability of this letter

- 63 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Authority's website.

Lynne Snowball
Relationship Manager and District Auditor

March 2008