



OFFICIAL

Internal Audit Quarterly Report

Audit Committee

Date: 26 April 2019

Agenda Item:

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Submitted By: Chief Finance and Procurement Officer

Purpose	To present the Internal Audit report (January to March 2019) to Members <input type="checkbox"/>
Recommendations	That Members note the content of the report
Summary	To provide a summary of the audit activity for the period January to March 2019 and to report the findings to the Committee.

Local Government (Access to information) Act 1972

Exemption Category: Nil

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Background papers open to inspection: None

Annexes: Internal Audit Report January to March 2019

1 Information

- 1.1 This Committee has the responsibility for monitoring the work of internal audit. In order to facilitate this, Internal Audit provide a quarterly report of its progress which includes a summary of the work completed and an assessment of the level of assurance provided by the systems examined. This report covers the period from January to March 2019.

On completion of each audit the Auditors provide an assessment of the level of assurance that the control systems in place provide. There are four rankings as detailed below. :-

Substantial assurance
Adequate assurance
Limited assurance
No assurance

More details of how these classifications are measured are provided in the attached appendix.

This report includes a detailed explanation of action which has been taken on any audits which are ranked as providing either limited assurance or no assurance.

2 Audit Work

- 2.1 There have been three audits of key financial systems one of which received substantial assurance and the other two adequate assurance. There were also four business risk audits in the period two of which received substantial assurance and two received adequate assurance. There are currently two audits that are currently in progress.

3 Audit Performance 2018/2019

- 3.1 Section 10 of the attached appendix compares current audit performance in the current financial year with the previous year.

4 Legal Implications

- 4.1 The Chief Legal and Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and / or respond to any requests by Members for legal advice at the meeting.

5 Recommendations

- 5.1 Members are asked to note the contents of this report.



INTERNAL AUDIT QUARTERLY REPORT

2018/19

January to March

2019

ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2018/19 Audit Plan as approved by this Committee at the start of the year is risk based and included 19 pieces of work covering a variety of areas enabling an annual opinion to be formed on the Authority's governance, risk management and internal control arrangements.

For ease of reference the audits are categorised as follows:

1. Summary
2. Major and Special Investigations
3. Key Financial Systems
4. Other Financial Systems & Risks
5. Locations and Departments
6. Business Risks & Controls
7. Follow Up Audits
8. Recommendation Implementation
9. Advice, Consultancy & Other Work
10. Audit Plan Delivery

Investigation summaries may be included as a separate appendix depending upon the findings.

When reports have been agreed and finalised with the Director concerned and an Action Plan drawn up to implement any improvements, the findings are shown in the text. Incomplete audits are shown as Work in Progress together with the status reached: these will be reported in detail in a subsequent report once finalised.

Good practice suggests that the Authority's management and the Audit Committee should receive an audit opinion reached at the time of an audit based upon the management of risk concerning the activity and the operation of financial and other controls. At the first meeting of the Audit Committee, Members resolved to adopt an arrangement relating to the level of assurance that each audit provides.

As agreed with the Audit Committee, the report has been expanded to include details of the key recommendations applicable to each audit that does not result in a formal follow up visit and the action taken by management regarding their implementation.

The final section of the report concerns Audit Plan delivery.

It is the practice of Internal Audit to undertake follow up audits to ensure that agreed actions have been undertaken. Any audits that produce less than "adequate assurance" will be followed up, together with a sample of the remainder and a new opinion will be expressed about the level of assurance that can be derived from action taken by management to address the weaknesses identified.

1. **SUMMARY**

This report contains an update on audit work completed during the final quarter of 2018/19.

Each audit produced a positive opinion, of which two were a Substantial Assurance opinion.

At the time of writing four pieces of work are in progress but are scheduled to be completed by the time of the meeting, so it will be possible to provide a verbal update. Two audits will be carried forward into 2019/20 to be undertaken in addition to those included in the Draft Plan, which is an item later on the agenda.

2. **SPECIAL INVESTIGATIONS & REVIEWS**

None during this quarter.

3. KEY FINANCIAL SYSTEMS

Risk	Findings	Audit Opinion
Chief Finance & Procurement Officer		
Income System	Income is processed on a daily basis through Kirklees Council's income management system to SAP General Ledger and reconciled to the bank account. This was found to be working well, apart from a delay in banking cheque and cash income paid directly to the Authority. More proactive review of aged debt and credit balances would be advisable. Greater emphasis could be put on collecting income at the point of order electronically, where appropriate.	Adequate Assurance
Treasury Management	Audit testing confirmed transactions undertaken by Kirklees Council were compliant with the Strategy and professional best practice for transaction activity in 2018/19. Controls could be strengthened in relation to the transaction limits used for processing and also authorisation processes, reflecting a greater awareness of the potential for fraudulent activity in the public sector in general, since the previous audit was undertaken. Council management has re-asserted that they believe the current level of control is appropriate and is reflected in the current SLA.	Adequate Assurance
Creditors & Direct Debit Payments	Audit testing provided overall assurance that the processing of invoices for payment continues to operate to a good standard, with robust internal controls and adequate division of duties.	Substantial Assurance
Payroll	Audit in Progress	

National Fraud Initiative 2018/19	<p>The National Fraud Initiative is a biennial mandatory exercise overseen by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Chief Finance & Procurement Officer has overall responsibility, the Audit Manager acts as the Key Contact.</p> <p>As only a small number of matches have arisen and there are no findings of note to report, assurance can be taken as to the robustness of the control processes in place.</p>	
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4. OTHER FINANCIAL SYSTEMS & RISKS

None during this period.

5. LOCATION & DEPARTMENT AUDITS

None during this period.

6. BUSINESS RISK AUDITS

This category of audits reflects the Audit Strategy to incorporate coverage of the controls and management actions to respond to the key risks to the Authority’s objectives as codified in the Corporate Risk Matrix.

Risk	Findings	Audit Opinion
Director of Service Delivery		
Safeguarding	Managed action on the risk register reflected current arrangements, which in turn is in line with best practice as promoted by the multi- agency Safeguarding Boards.	Substantial Assurance
Staff Fatality at an Incident Risk	Audit in Progress	
Director of Service Support		

<p>Poor Data Quality Risk</p>	<p>The Authority has identified the data to support its' requirements and put in place appropriate controls for the collection, recording, analysis and reporting of data used to monitor and publish performance. Increased use of electronic means of capturing, collating and reporting of data has led to significant changes in a relatively short space of time to processes, working practices and outputs and much of this remains a work in progress and as such only adequate assurance can be provided at this time that data quality is managed robustly. A Data Quality Policy exists but is overdue for review of which data quality standards and monitoring process are part.</p> <p>The impending migration of Firespace to the 2016 SharePoint version necessitates a full review of Firespace content and what is migrated. By default this should trigger a review of the quality and currency of data. The risk is that some departments may not fully engage with the preparatory work required and outdated and poor quality data is migrated to the new version.</p>	<p>Adequate Assurance</p>
<p>Chief Employment Services Officer</p>		
<p>Loss of Key Personnel Risk</p>	<p>Following the outcome of the recent HMICFRS inspection, it has been recognised that a more strategic and systematic approach to succession planning and talent management needs to be developed, so as to ensure appropriate management and that the risk is mitigated by having a pool of talent available to fill key roles should certain individuals choose to leave the organisation.</p> <p>A report on 'Talent Management & Succession Planning' was considered by HR Committee on 05/04/19, including a Talent Management & Succession Planning Policy, the purpose of which is to provide a systematic process to ensure that the issues identified in the Inspection are addressed. The first step under this policy is to identify the business-critical positions or roles in the organisation for which potential successors are needed; then establish who is immediately available to back fill those roles from a business continuity point of view. If no one is immediately available, then potential candidates from existing employees will be identified and provided with the skills and competencies required for the key position, assuming that the people exist within the organisation. If the role and skill set is highly specialised, then the Authority will identify how that role would be fulfilled in the short term e.g. an external interim appointment.</p>	<p>Adequate Assurance</p>
<p>Managing an Industrial Dispute Risk</p>	<p>Managed action on the risk register reflected current arrangements.</p>	<p>Substantial Assurance</p>

7. FOLLOW UP AUDITS

Any audits that result in a less than adequate assurance opinion are followed up usually within six months, depending upon the timescale for implementing the agreed recommendations. Additionally, a sample of other audits is followed up periodically too.

None during this period.

8. REVIEW OF KEY RECOMMENDATIONS

No key recommendations were outstanding other than those in follow up audits.

9. ADVICE, CONSULTANCY & OTHER WORK

System	Comments
Director of Service Support	
Emergency Services Mobile Communications Project (ESMCP)	Internal Audit has been requested to provide ongoing assurance about the financial probity and governance arising from the delivery of the project, both as regards WYFRS and within the Yorkshire & Humber region as a whole. WYFRS acts as custodian for the region of grant monies from the Home Office. The terms of reference of the former have been agreed by the Project Board. Assurance has been provided concerning validation of a grant and VFM return to the Home Office for monies received and expended on the project to date. National Project slippage and revision to financial support from Government has necessitated a review of the financing arrangements locally, which is still ongoing.

10 AUDIT PLAN DELIVERY 2018/19

Performance Indicators	16/17 Actual	17/18 Actual	18/19 Target	18/19 Actual
Audits completed within the planned time allowance	88%	67%	80%	100%
Draft reports issued within 10 days of fieldwork completion	100%	92%	90%	100%
Client satisfaction in post audit questionnaires	100%	100%	90%	100%
Chargeable audit days	156	141	160	136*
QA compliance sample checks – percentage pass	100	100	100	100
Planned Audits Completed	17	16	19	13
Planned Audits in Progress	0	0		4
Planned Audits Outstanding				2
Unplanned Work Completed	2	2		1
Unplanned Work in Progress	0	0		0

<ul style="list-style-type: none"> • National Fraud Initiative 2018/19 • Officer Delegation Scheme Compliance <p>Project Assurance - ESMCP</p>	<p>WIP Outstanding Ongoing</p>
<p><u>Unplanned audits</u></p>	<p><u>Status</u></p>
<p>ESMCP Grant Verification</p>	<p>Complete</p>



OFFICIAL

Abridged Performance Management report

Audit Committee

Date: 26 April 2019

Agenda Item:

6

Submitted By: Chief Legal and Governance Officer

Purpose	To inform Members of the Authority's performance against Key Performance Indicators where targets are not being achieved
Recommendations	That Members note the report
Summary	The Performance Management and Activity Report which is presented to the Full Authority outlines the Authority's performance against key performance indicators thereby enabling the Authority to measure, monitor and evaluate performance against targets. This report highlights the key performance indicators where targets are not being achieved. The report also includes details of applications, authorisations and rejections under the Regulation of Investigatory Powers Act (RIPA) 2000

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Abridged Performance Management Report

1 Introduction

- 1.1 The Performance Management and Activity Report, which is presented to each Full Authority meeting outlines the Authority's performance against key performance indicators thereby enabling the Authority to measure, monitor and evaluate performance against targets. These are detailed in three categories as shown below:
- o Key Performance Indicators
 - o Service Delivery Indicators
 - o Corporate Health Indicators
- 1.2 The Performance Management and Activity Report is monitored bi-monthly by Management Team and by the Full Authority at each meeting.
- 1.3 A traffic light system is used to provide a clear visual indicator of performance against each specific target and comparison is made with the same period the previous year to indicate whether performance has improved, remained the same or deteriorated.

2 Information

- 2.1 The attached report highlights the key performance indicators where the targets are not being achieved.
- 2.2 Information regarding reasons why performance is not at the required level, together with actions being taken to address this, is provided within the report.
- 2.3 The report also includes details of the applications, authorisations and rejections under the Regulation of Investigatory Powers Act (RIPA) 2000.

3 Financial Implications

- 3.1 There are no financial implications arising from this report.

4 Legal Implications

- 4.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

5 Human Resources and Diversity Implications

- 5.1 Measurement against key indicators on human resources and diversity are included in the Performance Management Report.

6 Health and Safety Implications

- 6.1 There are no health and safety implications associated with this report.

7 Your Fire and Rescue Service priorities

- 7.1 This report links to all the Service's priorities as detailed in the "Your Fire and Rescue Service" document.

8 Conclusions

8.1 That Members note the report.

Performance Management and Activity Report (Abridged) 2018/19

Period covered: 1 April – 31 December 2018
Date Issued: 31 January 2019



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1. Introduction/Summary

The purpose of this report is to provide information regarding the performance of West Yorkshire Fire and Rescue Service against selected performance indicators for which performance has decreased compared with the same period the previous year.

The first section provides a summary of performance against all performance indicators detailed within the full Performance Management and Activity Report which is presented to each Full Authority Committee meeting.

In this report, appropriate and progressive monthly statistics have been utilised to identify trends in performance, with corresponding information regarding the action being taken to address areas of under-performance.

All data, unless specified, is for the reporting period 1 April – 31 December 2018.

A traffic light system has been employed to provide straightforward visual indication of performance against each specific indicator.

If further data is available following the last Performance Management Report presented to the Full Authority, this has been included to show the performance trend.

2. Service Delivery Targets

	Not achieving target (by more than 10%)
	Satisfactory performance (within 10% of target)
	Achieving or exceeding target

	Actual Data (2009/10)	Three Year Average Target (2014/17)	Actual Data to date (2017/18)	Actual Data to date (2018/19)	Performance Against Three Year Average (2018/19)	End of Year Projection (2018/19)
Arson	10897	6355	5822	6377	33.2%	8464
Actual Rescues	875	784	536	602	1.9%	799
Total Activity	34270	22504	18626	20636	21.7%	27390
Dwelling Fires	1549	1169	813	888	0.8%	1179
Non-Domestic Building Fires	513	448	309	305	-9.6%	405
Prevalence of False Alarms	16750	11249	8138	8304	-2.0%	11022
Fire-Related Injuries	270	214	147	143	-11.3%	190
Road Traffic Collisions	1060	634	463	458	-4.1%	608
Malicious False Alarms	713	352	282	273	2.9%	362

3. Service Delivery Indicators – Performance compared to previous year

Description	Same Period 2017-18	2018-19 To Date
Accidental Dwelling Fires (per 10,000 dwellings)	7.10	7.34
Number of deaths arising from accidental fires in dwellings (per 100,000 population)	0.44	0.26
Number of Fire-Related Deaths (per 100,000 population) arising from fires other than Accidental Dwelling Fires	0.18	0.09
Number of Injuries arising from accidental fires in dwellings (per 100,000 population)	3.73	4.20
(a) Number of Serious Injuries(per 100,000 population)	0.48	0.43
(b) Number of Slight Injuries (per 100,000 population)	3.24	3.77
The percentage of dwelling fires attended where there was a working smoke alarm which activated	56.33%	54.62%
The percentage of dwelling fires attended where a working smoke alarm was correctly fitted but did not activate	20.66%	20.05%
The percentage of dwelling fires attended where a smoke alarm, because it was faulty or incorrectly sited, did not activate	4.06%	4.84%
The percentage of dwelling fires attended where no smoke alarm was fitted	18.94%	20.50%
Number of calls to malicious false alarms (per 1000 population) – attended	0.12	0.12
False alarms caused by automatic fire detection equipment (per 1000 non-domestic properties)	28.32	26.32
False alarms caused by automatic fire detection equipment (per 1000 domestic properties)	2.86	3.01
Fires in non-domestic premises (per 1000 non-domestic premises)	3.83	3.62
Number of Primary Fires (per 100,000 population)	113.29	115.60
Number of Fire Casualties – excluding Precautionary Checks (per 100,000 population)	5.83	5.85
Arson Incidents – All Deliberate Fires (per 10,000 population)	25.52	27.64
Arson Incidents – Deliberate Primary Fires (per 10,000 population)	5.46	5.21
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	20.06	22.43

4. Service Delivery Indicators – WYFRS not achieving target

Description	Cumulative Year to Date Performance												Performance in 2017-18
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Number of injuries arising from accidental fires in dwellings (per 100,000 population)	0.61 (14)	1.17 (27)	1.69 (39)	2.21 (51)	2.51 (58)	2.60 (60)	2.90 (67)	3.21 (74)	4.20 (97)				3.73 (85)
<p>Comments: WYFRS attended 718 accidental dwelling fires in the reporting period, compared to 683 in the previous year. Of the 97 reported injuries arising from accidental house fires, 87 were reported as being 'slight' with 10 reported as being more serious. The vast majority of the injuries reported as 'slight' (75 out of 87) are where an occupant has suffered smoke inhalation and has attended hospital for a precautionary check up. Other injuries recorded as slight are where occupants attended hospital for a minor burn injury whilst 1 attended hospital after suffering cuts. 8 people suffered from more serious burns and 2 people attended hospital with more serious breathing difficulties.</p>													

Description	Cumulative Year to Date Performance												Performance in 2017-18
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Number of slight injuries arising from accidental fires in dwellings (per 100,000 population)	0.48 (11)	1.04 (24)	1.52 (35)	1.99 (46)	2.30 (53)	2.38 (55)	2.64 (61)	2.90 (67)	3.77 (87)				3.24 (74)
<p>Comments on slight injuries included above</p>													

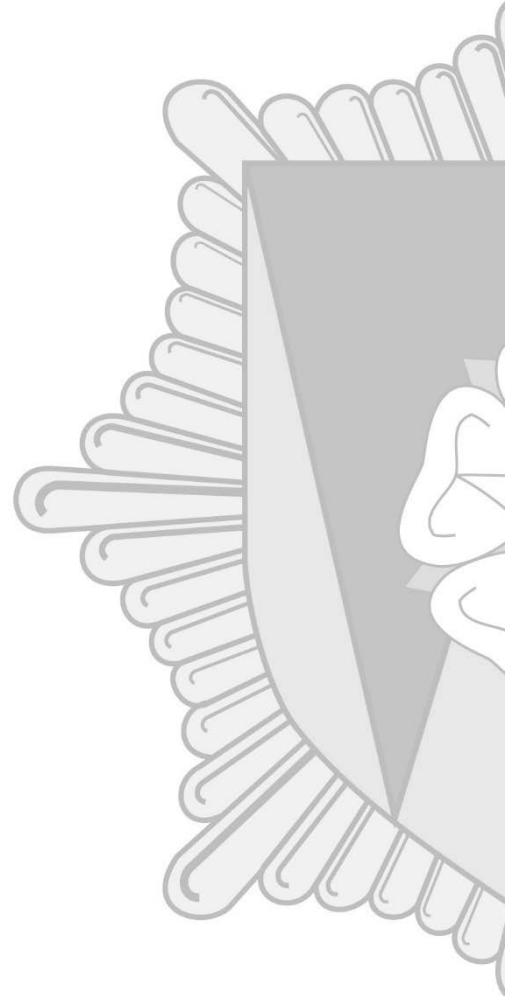
Description	Cumulative Year to Date Performance												Performance in 2017-18
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	1.24 (287)	3.56 (821)	6.90 (1592)	12.34 (2846)	15.46 (3567)	17.82 (4112)	19.97 (4608)	21.82 (5035)	22.43 (5175)				20.06 (4577)
<p>The summer period in 2018 saw very little rainfall and a prolonged period of hot weather that resulted in a significant increase in the number of secondary fires. Many were recorded as grass fires and the months of June, July, August and September saw a significant increase compared to previous years. To put this into context, in July 2017, WYFRS attended 549 incidents in this category. In July 2018, the figure was 1254. The months of April, May, October, November and December have seen fewer deliberate secondary fires compared to the previous year. The extraordinary period of hot dry weather in summer has impacted on this figure.</p>													

5. Regulation of Investigatory Powers Act (RIPA) 2000

The Regulation of Investigatory Powers Act (RIPA) 2000 regulates the use of the powers to conduct covert surveillance by public bodies including West Yorkshire Fire and Rescue Authority. The Authority adheres to procedures based on the Codes of Practice produced by the Home Office. Annual returns are submitted to the Office of Surveillance Commissioners and the Interception of Communications Commissioners Office. The annual number of applications, authorisations and rejections are stated in the Annual Corporate Health Report which is submitted to the Full Authority Annual General meeting. A breakdown for this period is stated below.

Period: 1 April to 31 December 2018	Applications	Authorisations	Rejections
Directed Surveillance	0	0	0
Covert Human Intelligence Sources	0	0	0
Disclosure of Communications Data	0	0	0

PREVENTING PROTECTING RESPONDING



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OFFICIAL

Risk Management Strategy Group Report

Audit Committee

Date: 26 April 2019

Agenda Item:

7

Submitted By: Director of Service Delivery

Purpose To report risk management activity and developments reported to Risk Management Strategy Group (RMSG) in March 2019 and highlight any future risks or risk related areas.

Recommendations That the Audit Committee note the report.

Summary The overall responsibility of the RMSG is to maintain the Authority's risk management capabilities and to develop strategies to effectively manage new and existing risks. The RMSG meet on a quarterly basis and the group is chaired by the Deputy Chief Fire Officer/Director of Service Delivery. The RMSG is one element that supports the Authority's Code of Corporate Governance in terms of risk management and internal control.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: Risk Management Strategy and Policy
Risk Management Matrix

Annexes: None

1 Introduction

- 1.1 The Authority's Risk Management Strategy and Policy provides a clear and defined strategy to enable risk management objectives to be met.
- 1.2 The Risk Management Strategy Group (RMSG) has the responsibility of maintaining the Authority's risk management capabilities and developing strategies to effectively manage new and existing risks. The group meet every three months at which time a summary of risk reviews that have occurred in the past three months is provided by each risk owner.
- 1.3 The group is also responsible for sharing and promoting experience of risk management and strategies across the Authority.

2 Information

2.1 The Risk Management Strategy Group last met March 2019. The Audit Manager and the Risk and Insurance Manager from Kirklees Council attend RMSG meetings. The Audit Manager provides an update on recent internal audit activity. Councillor Ronald Grahame also attends the meetings.

2.2 Below is a summary of key areas:

- Between the December 2018 and March 2019 RMSG meetings, 27 risks have been reviewed by their respective owners.
- The risk associated with the Emergency Services Network (ESNI1.S) is a standing agenda item and therefore is reviewed/discussed at every RMSG meeting.
- Risks and issues relating to the UK Exiting the EU are currently discussed at each RMSG meeting.
- The risk relating to supply chains has been reviewed and the description amended to take into account possible disruption/delays in relation to the UK Exiting the EU.
- A review of the Risk Management Strategy and Policy is currently being conducted.
- The score relating to the risk 'Failure or delay in implementing IRMP initiatives which impact on service delivery and expected cost savings' has increased from 6 to 8. This was following feedback from the FBU on Command Leadership Management negotiations.
- The risk area relating to cyber threats/attacks is currently being reviewed in line with the WYFRS Cyber Security Response Plan.

2.3 There are currently 54 risks split between the following categories. The table below shows movement over the past 12 months.

Risk Factor Score	June 2018	September 2018	December 2018	March 2019
Very High (15-25)	5	5	5	5
High (9-14)	19	19	21	21
Medium (4-8)	26	26	25	25
Low (1-3)	3	3	3	3
Total number of risks	53	53	54	54

The 5 'very high' risks are:

LRGG1.S - Loss or reduction in government grant.

WAFL1.S - Wide area flooding.

MTFA1.S - Responding to a marauding terrorist firearms attack.

CTLI1.S - Rise in the national threat level to critical for a short period of time.

ARDS1.S - Generic reduced availability of retained duty system staff.

3 Financial Implications

3.1 There are no significant financial implications associated with this report.

4 Legal Implications

4.1 The Chief Legal and Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and / or respond to any request by Members for legal advice made at the meeting.

5 Human Resources and Diversity Implications

5.1 There are no significant human resources and diversity implications associated with this report.

6 Health and Safety Implications

6.1 There are no significant health and safety implications associated with this report.

7 Service Plan Links

- 7.1 This report links to the strategic priority 'provide effective and ethical governance and achieve value for money', in terms of the management of risk and systems of internal control.

8 Conclusions

- 8.1 That the Audit Committee note the report.



OFFICIAL

Accounting Policies

Audit Committee

Date: 26 April 2019

Agenda Item:

8

Submitted By: Chief Finance and Procurement Officer

- Purpose** To present the accounting policies that will be applied in the preparation and presentation of the Statement of Accounts 2018/19.
- Recommendations** That Members approve the accounting policies
- Summary** It is considered good practice for the Audit Committee to review the proposed accounting policies to be used in the preparation of the Authority's Statement of Accounts.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: CIPFA Accounting Code of Practice

Annexes: Accounting Policies

1 Introduction

- 1.1 The Statement of Accounts summarises the Authority's transactions for the 2018/2019 financial year and its position at the year end of 31 March 2019.
- 1.2 The Authority is required to prepare an annual Statement of the Financial Accounts as per the Accounts and Audit Regulations 2015. These regulations require the Financial Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in 2018/19 and the Service Reporting Code of Practice 2018/19 supported by International Financial Reporting Standards (IFRS).

2 Information

- 2.1 Accounting policies are defined by the Code as "the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements".
- 2.2 As a starting point in selecting its accounting policies, the Authority uses the example policies set out in the CIPFA Code of Practice guidance notes. However, the policies are then tailored to meet the Authority's own needs and circumstances. The policies settled upon should cover all material transactions and balances (e.g. revenue recognition, non-current assets and retirement benefits) and should be followed in practice.
- 2.3 Policies do not need to be disclosed in respect of immaterial transactions or balances, or where they are not applicable to the Authority. The policies are reviewed and, if necessary, updated annually to reflect changes to the Code, accounting standards or statutory guidance.
- 2.4 For 2018/19 there have been no material changes to the set of accounting policies included within the 2017/18 Statement of Accounts.
- 2.5 The policies which will be followed in the preparation of the 2018/19 Statement of Accounts are set out in Annex A.

3 Financial Implications

- 3.1 There are no financial implications associated with this report

4 Legal Implications

- 4.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

5 Human Resource and Diversity Implications

5.1 There are no human resources and diversity implications associated with this report.

6 Health and Safety Implications

6.1 There are no health and safety implications associated with this report

7 Your Fire and Rescue Service priorities

7.1 This report links to all the Service's priorities as detailed in the "Your Fire and Rescue Service" document.

8 Conclusions

8.1 In accordance with good accounting practice it is recommended that Members approve the accounting policies that will be used during the preparation and production of the 2018/19 Statement of Accounts.

Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/2019 financial year and its position at the year end of 31 March 2019.

The Authority is required to prepare an annual Statement of the Financial Accounts as per the Accounts and Audit Regulations 2015. These regulations require the Financial Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in 2018/19 and the Service Reporting Code of Practice 2018/19. Supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The following accounting concepts have been applied and policies adopted in preparing the financial accounts:

Fundamental Accounting Concepts

The financial statements, other than cash flow information, are prepared on an accruals basis. This means that revenue and capital expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.

Consistent accounting policies have been applied both within the year and between years unless otherwise identified.

The accounts have been prepared on a going concern basis that is on the assumption that the Authority will continue in operational existence for the foreseeable future.

The concept of materiality has been utilised such that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided in aggregate they would not affect the interpretation of the accounts.

Where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

(a) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received in accordance with section 2.7 of IFRS15. In particular:

- Revenue from the provision of services is recognised when the Authority can measure reliably the completion of the transaction.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received (including the services from employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

(b) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of more than 24 hours. The Authority has deposits in financial institutions that are repayable on demand which are classified in the accounts as cash and cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts which form an integral part of the Authority's cash management.

(c) Exceptional Items

Any exceptional items are included in the cost of service to which they relate or on the face of the Comprehensive Income and Expenditure Statement, if such a degree of prominence is necessary to give a fair presentation of the accounts. Details of such items are given in the notes to the accounts.

(d) Prior Period Adjustments

Prior year adjustments may arise from changes in accounting policies or from the correction of a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors that are identified in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(e) Charges to Revenue for Non-Current Assets

Front line services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the loss can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations; however, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, which is calculated by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are replaced by a contribution in the General Fund Balance of Minimum Revenue Provision, by way of an

adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(f) Employee Benefits

(i) Benefits payable during employment

Short term benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements, accrued flexi time and time in lieu earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the deficit on the Provision of Services but then removed from the account, matched by a corresponding adjustment to the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

(iii) Post-Employment Benefits

Accounting for retirement benefits is carried out in line with International Accounting Standard 19 (IAS19). IAS19 requires an authority to see beyond its commitment to pay contributions to pension funds and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. Inclusion of the attributable share of the fund assets and liabilities does not mean that legal title or obligation has passed to the employer, instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit via reduced contributions from a surplus in the scheme.

IAS19 only applies to defined benefit schemes that are those where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits.

The Authority participates in the following retirement schemes:

- 1992 Firefighters' Pension scheme (FPS).
- 2006 Firefighters' Pension scheme (NFPS).
- Retained Modified scheme.
- 2015 Firefighters' Pension scheme.
- Firefighters' Compensation scheme (FCS).
- The Local Government Pension scheme (LGPS).

The Government introduced a new pension scheme on the 1st April 2015, the 2015 Firefighters Pension Scheme. Members of the 1992, 2006 and retained modified scheme either transferred to the scheme with no protection, have tapered protection or have full protection in the existing schemes as follows:

1992 Firefighters' Pension scheme

If a member at the 1/4/12 was within 10 years of the normal pension age (50 years old), and were aged 45 and over then full protection is awarded and the member remains in the 1992 FPS.

If a member at the 1/4/12 was aged between 41 and 45 they have tapered protection and will join the 2015 scheme at a specified date unique to the member.

2006 Firefighters' Pension scheme

If a member at the 1/4/12 was within 10 years of the normal pension age, and were aged 50 and over then full protection is awarded and the member remains in the 2006 FPS.

If a member at the 1/4/12 was aged between 46 and 50 they have tapered protection and will join the 2015 scheme at a specified date unique to the member.

Retained Modified Scheme

Members have the same protection as those in the 1992 FPS because they have a normal retirement age of 55.

Firefighters' Compensation Scheme

Under the Firefighters' Compensation Scheme injury awards are payable to those firefighters who have sustained a qualifying injury in the exercise of their duties as a firefighter which are paid from the Authority's revenue account.

Local Government Pension Scheme

The Local Government Pension scheme (LGPS) is accounted for as a defined benefit scheme

- The liabilities of the LGPS attributable to the Authority are included in the Balance Sheet on an actuarial basis using an assessment of the future

payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projections of expected earnings for current employees.

- Liabilities are discounted to their value at current prices using a discount rate of 2.9%.
- The assets of the LGPS attributable to the Authority are included in the Balance Sheet at their fair value.

The change in the net pension's liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service to which the employee worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined liability (asset) which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits to employees – debited or credited to the deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the LGPS – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to

pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirements benefits on the basis of cash flows rather than as benefits earned by employees.

The 2018/19 Code (and IAS 19 Employee Benefits Revised) requires that administration costs directly related to the management of plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligations, are recognised as a reduction in the return on plan assets and recorded in Other Comprehensive Income and Expenditure.

The 2018/19 Code does not prescribe a specific accounting treatment for administration costs that are not deducted from the return on plan assets. The accounting treatment adopted by West Yorkshire Pension Fund is to deduct administration costs from the cost of services.

(iv) Discretionary Benefits

The Authority also has the restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension scheme.

Pension Fund

The Authority maintains a Firefighters' Pensions Fund from which pension payments are made and into which all contributions (employees and employer's) are received. The annual deficit is topped up as necessary by specific government grant.

(g) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

(h) Financial Instruments

(i) Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading losses over the life of the replacement loan and gains over a similar period up to a maximum of ten years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

(ii) Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

(iii) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment line in the Comprehensive Income and Expenditure Statement.

Any gains/losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment line in the Comprehensive Income and Expenditure Statement.

(iv) Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the CIES when it becomes receivable by the Authority.

(i) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, if not, future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. The Authority has set a de Minimis level for revenue grants and contributions at £20,000.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it is applied, it is posted to the Capital

Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(j) Intangible Assets

Expenditure on the acquisition of intangible assets is capitalised, brought onto the balance sheet at cost and amortised over the period benefit is received. Software licences that are purchased by access to a web portal rather than the software being installed on a fire authority IT device are charged as an expense to the revenue account.

Estimated lives for new intangible assets are 5 years and are amortised on a straight line basis.

Intangible assets are amortised on their current net book value and it is assumed that residual value is insignificant or nil. Intangible assets are reviewed annually for impairment. All services are charged with a provision for amortisation and, where required, any related impairment loss, for all intangible assets used in the provision of the service.

(k) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

(l) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. Leases that do not meet the definition of finance leases are accounted for as operating leases. The Authority had no finance leases in 2018/19.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant or equipment.

Charges are made on a straight line basis over the life of the lease, even if this does match the pattern of payments.

The Authority leases no assets to other organisations.

(m) Overheads and Support Services

The cost of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and performance.

(n) Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of services or for administering services and are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

(i) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

The cost of enhancement work to existing assets is added to the appropriate fixed asset balance where the enhancement increases either the value or life of the asset. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits is charged as an expense when it is incurred.

The Authority has a de minimis level of £10,000 whereby new capital schemes below this limit are charged to revenue expenditure.

(ii) Measurement

Assets are initially measured at cost comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are carried in the Balance Sheet using the following measurement bases:

- Assets under construction – historical cost.
- Operational Assets – including all fire stations, the Urban Search and Rescue Building and buildings at FSHQ - depreciated replacement cost
- Surplus land at Fire Service Head Quarters - market value.
- Non-property assets with short useful lives and/or low values – depreciated historical cost.
- Assets held for sale – market value
- Fire Appliances – due to their specialist nature these are valued at depreciated historical cost.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

A full valuation of all land and buildings has been completed as at the 31st March 2019. The authority formally values a fifth of its assets each year and for those that are not formally valued in year a detailed desk top evaluation of assets is undertaken to assess their current value. This is determined by using a range of indices.

Valuations are also carried out when there is a major natural disaster and/or there are major refurbishments.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated in the Capital Adjustment Account.

(iii) Impairment

Assets are assessed at the end of each financial year as to whether there is any indication that an asset may be impaired.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where identified, the impairment losses are accounted for by:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

(iv) Depreciation

Depreciation is provided for all fixed assets with a determinable finite life except for freehold land and assets under construction. Assets are depreciated on a straight line basis. Buildings and motor vehicles are depreciated from their date they became operational. All other assets are depreciated from 1st October in year of acquisition. Estimated lives for new assets vary but are mainly as follows:

- | | |
|--------------------------------------|-------------|
| - New Buildings and refurbishments | 21-50 years |
| - Vehicles and operational equipment | 5-13 years |
| - Fixtures and fittings | 10 years |
| - Computer equipment | 5 years |

From 2019/20, estimated lives for all new appliances will be 13 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

(v) Componentisation

For those assets where the cost of the component parts is significant, they are depreciated separately from the rest of the asset. The Authority has a £500,000 de minimis level on the net book value which means that if the carrying value of the asset is lower than this de Minimis the asset is not componentised. For those assets that are assessed for componentisation each component must represent 25% of the total cost of the asset or the depreciation charges must be significant to the charge if componentisation was not used. The componentisation of an asset is also reviewed if the asset has significant enhancement expenditure during the year, is purchased/built from new and also during the formal 5 yearly property valuations.

(vi) Disposals and Non-Current Assets Held for Sale

Once management has made the decision that an asset has become surplus to requirements and it is being actively marketed for sale it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

(o) Unusual or material charges or credits in the Accounts

These are items that due to their nature and/or value require separate disclosure. Details of unusual or material charges or credits in the Accounts for 2018/19 are shown in Note 5.

(p) Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are made, they are charged to the provision carried in the Balance Sheet.

(ii) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

(iii) Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

(q) Reserves

These are amounts set aside for purposes falling outside the definition of provisions. The Authority's reserves some of which can be used to support expenditure and others which have been established for other purposes. The General Fund Balance can be used to meet both capital and revenue expenditure and a minimum level must be maintained for risk management purposes. The Authority also has a number of earmarked reserves which are held for identified specific expenditure in the future. These will be reviewed periodically and those no longer required will be transferred to the General Fund Balance.

The balances on the following reserves: capital adjustment account, the financial instruments adjustment account, the revaluation reserve, the pension reserve, and the collection fund adjustment account cannot be used for future expenditure.

(r) Revenue Expenditure Funded from Capital under Statute

This represents expenditure which may properly be capitalised under statutory provisions but which does not represent fixed assets. The expenditure is written off to revenue in the

year it is incurred and an adjustment is made on the statement of General Fund Balance for the same amount so that there is no impact on council tax.

(s) Value Added Tax

VAT is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure as appropriate.

VAT receivable is excluded from income.

(t) Council Tax and Business Rates Income

Billing Authorities in England are currently required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and the business rates retention scheme. In its capacity as a billing authority, an authority acts as an agent - it collects and distributes council tax and business rates income on behalf of itself and other major preceptors such as the Fire Authority.

Council tax and business rates income collected by billing authorities is credited to their collection fund and represents accrued income for the year. Regulations determine when this income should be released from the collection fund and transferred to the general fund of the billing authority and other major preceptors (which in turn is credited to their general funds). The amount credited under these regulations is the authority's precept and income from the business rates retention scheme for the year, plus the authority's share of the surplus or deficit on the collection fund for the previous year.

The income which must be included in the Comprehensive Income and Expenditure statement is the accrued income for the year and not the actual income received in the year. Any difference between these figures is charged to the Collection Fund Adjustment account which is held on the Balance Sheet and is included in the Movement of Reserves Statement. This ensures that the difference between the accrued income and the actual income received does not impact on the general fund.

Since the collecting Authority is collecting income on behalf of the Fire Authority, then the Fire Authority must also share in any surplus or deficit or collection.

The Authority therefore makes provision for the following items in its balance sheet at the financial year end:

- Debtors for the Authority's share of council tax and business rates retention arrears at 31 March 2019.
- Provision for impairments of Debtors in relation to council tax and business rates retention arrears as at 31 March 2019.
- Income in advance from council tax and business rate payers who have paid their bills early.

- Creditor provision where the billing authorities have over-collected council tax and business rates income in year compared to the value of amounts actually paid over to the Authority.
- Creditor provision for appeals by business rate payers who disagree with the Valuation of their premises for business rates purposes.



OFFICIAL

Annual Governance Statement 2018 - 19

Audit Committee

Date: 26 April 2019

Agenda Item:

9

Submitted By: Chief Finance and Procurement Officer

Purpose	To present the Annual Governance Statement of the Authority for approval. □
Recommendations	That the Annual Governance Statement be approved.
Summary	This report presents the Annual Governance Statement of the Authority for approval and inclusion in the 2018/19 Statement of Accounts.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Annual Governance Statement

1 Introduction

- 1.1 The Authority is required to include its Annual Governance Statement within its Statement of Accounts.
- 1.2 The purpose of the Annual Governance Statement is to set out the formal procedures for governance within the Authority, and to report upon their effectiveness and to identify any significant issues. Although it forms part of the statement of accounts document it relates to the overall governance of the Authority rather than just the financial systems. The statement is prepared by the Chief Executive and his Management Board and is signed by the Chief Executive, the Chair of the Authority and the Chief Finance & Procurement Officer.
- 1.3 The Annual Governance Statement remains a live document which can be changed prior to final approval as part of the Statement of Accounts.

2 Information

- 2.1 The statement is split into five sections which explain how the system of governance works and what procedures and policies are in place to ensure that the systems remain effective. Detailed below is a brief explanation of each of the sections.

i) Scope of responsibility and Code of Corporate Governance

Provides a definition of corporate governance which is the requirement the Authority has to conduct its business lawfully and in accordance with proper standards linked to the Nolan principles of Standards in Public Life.

ii) The Purpose of the Governance Framework – provides a brief explanation of the purpose of the Governance Framework along with an assurance that the framework has been in place for the whole of the financial year 2018/19.

iii) The Governance Framework – provides a detailed explanation of the core elements that make up the governance framework within West Yorkshire Fire & Rescue Authority and how they contribute to it achieving its ambition of ‘Making West Yorkshire Safer’.

iv) Review of Effectiveness - The Authority has a responsibility to review the effectiveness of the systems of governance annually. Included within this section is a self-assessment of the effectiveness of the governance structure and the means by which it is measured. It concludes with an assurance from the Management Board that it considers the current systems to be effective.

v) Significant Governance Issues

The final section identifies the key areas of challenge to the systems of governance that the review of the governance has identified. Not surprisingly these issues are related to the uncertainty over the future funding of the Authority the specific issues included are:-

1. Grant Loss
2. Assumptions in the Medium Term Financial Plan
3. Pay increases
4. Implications Matzak Court of Justice Ruling
5. Policing and Crime Act 2017

This process of self-assessment provides the Authority with the evidence to support Managements' conclusion that it is continuing to provide a high quality service with the resources available.

- **Statement of Assurance**

The Authority is required to produce an annual Statement of Assurance as part of the Fire and Rescue National Framework for England. The purpose of the statement is to provide independent assurance to communities and the Government that the service is being delivered efficiently and effectively. Whilst the Fire and Rescue National Framework sets out the Government's priorities and objectives for fire and rescue authorities in England, it does not prescribe operational matters as these are determined locally by fire and rescue authorities.

This Statement of Assurance provides assurance that WYFRA is providing an efficient, effective and value for money service to the community of West Yorkshire in its financial, governance and operational matters.

3 Financial Implications

3.1 There are no financial implications associated with this report

4 Legal Implications

4.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/

5 Human Resource and Diversity Implications

5.1 There are no human resources and diversity implications associated with this report

6 Health and Safety Implications

6.1 There are no health and safety implication associated with this report.

6 Your Fire and Rescue Service Priorities

6.1 This report links to all the Service's priorities as detailed in the "Your Fire and Rescue Service" document.

7 Conclusions

7.1 Overall, the Authority and its Management Board conclude that the systems and procedures provide effective systems of management control enabling the Authority to provide and efficient, effective and economic service to the public of West Yorkshire.

Annual Governance Statement

Scope of Responsibility and Code of Corporate Governance

Corporate governance is a phrase used to describe the systems and procedures that are in place to ensure that business is conducted in accordance with the law and proper standards, and that public money is properly accounted for and used economically, efficiently and effectively.

The Authority has a duty to achieve best value in the way it functions and to ensure that arrangements are in place to secure continuous improvement in all areas of service provision.

The Authority has set out its arrangements for the governance of its affairs in its Constitution (a copy of this can be found at www.westyorkshire.gov.uk) which includes the Authority's Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government (2016).

These principles are:

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing West Yorkshire Fire and Rescue capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

In publishing this statement, the Authority fulfils the requirement under regulation 4(2) of the Accounts and Audit Regulations 2015, and accompanies the 2018/19 Statement of Accounts.

It is a requirement to produce this statement under regulation 6(1) b of the Accounts and Audit (England) Regulations and that it is approved by Audit Committee in advance of them agreeing the Statement of Accounts.

By applying the principles within the Authority's own Code of Corporate Governance and applying the Nolan Principles of Standards in Public Life, the Authority commits to deliver its services with integrity, accountability, transparency, effectiveness, and inclusivity.

The Purpose of the Governance Framework

The governance framework comprises systems and processes, and cultures and values, by which the Authority is directed and controlled. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The Authority acknowledges that it can never eliminate risk entirely from its operations and this statement explains the systems used to manage this risk to a reasonable level, a key element of which is the system of internal control.

The governance framework has been in place at West Yorkshire Fire and Rescue Authority for the year ending 31 March 2019 and will remain in place up to the date of the approval of the statement of accounts.

The Governance Framework

Summarised below are some of the key elements of the governance framework:

Strategic Objectives and the Service Planning Process

The Authority's Ambition and Priorities are set out in Your Service 2019-2022. This document is the Authority's Integrated Risk Management Plan (IRMP) and is supported by the Workforce Plan and the Medium Term Financial Plan, all of which are reviewed and approved annually by the Authority. These plans are published on the website at www.westyorksfire.gov.uk. The Authority's Ambition and Priorities are;

Ambition: 'Making West Yorkshire Safer'

Priorities:

- Reduce the risk to the communities of West Yorkshire
- Continue to keep our fire-fighters safe
- Maintain our current 40 fire stations and 46 fire engines
- Reduce what we spend by at least £2.4m by 2020
- Work smarter through the service
- Make better use of technology and innovate where possible
- Be more efficient across all areas of the service to make savings
- Identify options to make further savings beyond 2020
- Manage recruitment to avoid compulsory redundancies wherever possible

These objectives form part of area plans, departmental plans and station plans. There is an on-going system of monitoring and reporting achievement of the service Authority against its corporate aims with regular reports on progress monitored by senior management and

the Authority through its committee structure. Copies of the plan are distributed to all fire stations and departments of the Authority.

The Internal Control Environment

Internal Control describes the systems and processes that ensure the Authority is able to achieve its objectives with integrity and in compliance with laws, regulations and its own policies. They define the decision making processes and the controls that are in place to monitor these processes. The fundamentals include making sure that decisions are taken at the correct level and that there are clear separations of duty within the decision making processes.

It covers the reliability of financial reporting and performance management against the achievement of the Authority's strategic goals.

The Authority's systems of internal control conform to the standards of financial governance set out in CIPFA statement of the role of the Chief Financial Officer in Local Government.

The Constitution

The Authority has a written constitution which is reviewed annually by the Chief Legal and Governance Officer and is formally approved by the Authority at its Annual General Meeting. It is published on the website at (www.westyorkshire.gov.uk) and is included within the body of evidence which supports this statement. This document forms the basis of the Governance Framework and sets out the way the Authority is governed and is made up of the following documents:-

- Authority committee standing orders and procedures
- The roles and responsibilities of the executive officers
- Access to information rules
- Contract standing orders
- Financial procedure rules
- Anti-fraud and corruption strategy
- Code of corporate governance
- Members' code of conduct
- Officers' code of conduct
- Member v officer relations protocol
- Officers' employment rules

- Protocol regarding the use of Authority resources by Members
- Members' allowances
- Management structures
- Officer delegation scheme
- Complaints procedure
- Whistle blowing policy

The Committee Structure

The constitution sets out the Framework under which the Authority is governed. It sets out in detail the composition of the Authority, the role and functions of the elected members, the roles and responsibilities of designated office holders and the roles, functions and terms of reference of the Authority and its Committees.

The Authority has four standing committees each of which, along with the Authority, meet 4 times per year and an executive committee which deals with urgent business.

Human Resources Committee (11 Members)

This committee deals with all issues relating to the employment of staff including conditions of service, industrial relations, equal opportunities and training.

Finance and Resources Committee (11 Members)

This committee is responsible for all issues relating to the Assets of the Authority. This includes Finance (including recommendation to the Authority in relation to the revenue budget, capital planning and precepts), Insurance, Treasury Management, buildings, land and property, and ICT. This committee receives regular reports on the financial performance of the Authority along with detailed updates on treasury management activity.

Audit Committee (6 Members)

This committee is established in accordance with CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities'. In addition to all matters relating to both internal and external audit, the committee is responsible for performance review and risk management and business continuity.

Community Safety Committee (11 Members)

This committee is responsible for the oversight of all aspects of service delivery, which includes the key areas of emergency response, fire protection and fire prevention. This

covers responsibility for integrated Risk Management Planning, national resilience support arrangements and shared services.

Executive Committee

The Executive Committee consists of 6 members which deals with any urgent matters.

The terms of reference of all the Authority's committees are available on the Authority's website. All meetings are open to the general public and wherever possible items are considered within the public sessions of the meetings. Copies of reports and minutes of all meetings are published on the Authority's website.

Management Structure

The Corporate Management Board is made up of the following Executive Officers who meet monthly:

- Chief Executive/Chief Fire Officer
- Deputy Chief Fire Officer / Director of Service Delivery
- Director of Service Support
- Chief Legal and Governance Officer
- Chief Finance and Procurement Officer
- Chief Employment Services Officer

The Corporate Management Board is supported by a Management Team which, in addition to the Board members, includes senior officers from both the operational and non-operational sides of the organisation.

There is a close interaction between management and elected members based around a formal briefing process prior to each committee. Management also provide training and briefings for the elected members prior to their consideration of key issues such as the Medium Term Financial Plan and the Integrated Risk Management Plan.

The Chief Executive's Strategy Group, consisting of Management Board members and the Chair and Vice Chair of the Authority, meet bi-monthly. The purpose of this group is to allow senior management and the political leadership to consider major issues affecting the Authority and the Fire Service as a whole. Leading elected members from the opposition are invited to attend the meeting when key issues, including the budget, are being discussed.

Tri-service Collaboration Board.

The Tri-Service Collaboration Board (TSCB) was established in 2017 and is supported by leading representatives of each blue-light service. The Board consists of the key political leaders of the organisations including the Chair of the Fire Authority, Yorkshire Ambulance Service and the Police and Crime Commissioner supported by members of senior management. The aim and purpose of the TSCB is to act as an enabling forum to bring about closer working arrangements across all three emergency services in West Yorkshire. This formal agreement regulates the relationship between the three parties and provides opportunities for increased efficiency, effectiveness and improved service delivery.

The TSCB Structure is available on the Authority website

Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements. The review process is on-going and is informed by the work of the Management Board, the Chief Finance and Procurement Officer, Internal Audit, External Audit and other external assessors. The results of the reviews are reported to the Authority through the committee structure.

A self-assessment of our effectiveness:

- Integrated Risk Management Planning (IRMP)

The Authority is systematically reviewing the service it provides throughout the county through the IRMP process. This process aims to improve community safety and wellbeing and reduce the risk of fires and other emergencies. The Authority maintains an integrated risk management model which bands the county into groups from low to very high based on underlying risk. This information allows the Authority to proportionately allocate resources and evaluate service delivery performance against the level of risk. This is a revised methodology which builds on the risk management process which has transformed service delivery over the last 8 years.

Through this process, the Authority is able to continue to achieve its aim of making West Yorkshire safer.

- Effective Performance Management

It is important that the Authority is able to measure its performance against its aims and objectives. The Authority has a well-established performance management structure which is focused on outcomes. The system is embedded throughout the organisation from individual Fire Station level through District Command to Authority wide achievement.

Each year the Authority produces district plans which set service delivery priorities for the coming year. Districts are also set a series of performance indicator targets for a variety of incident types that we attend. The targets are challenging, outcome based and are designed

to build on the success of the previous year. The service delivery framework is planned for a review in 2019/20 to ensure that our data and intelligence can allow us to target the Authority's resources towards reducing risk across where the risk exist the five districts.

Performance against the service delivery plan is monitored within each district. Reports are produced for consideration at the Safer Communities Programme and Management Team. Reports on performance are presented to the Community Safety Committee which meets on a quarterly basis. Members of the Community Safety Committee are also encouraged to meet with their respective District Commander to discuss priorities, objectives within the local district plan and performance targets.

This system of monitoring has proved successful in measuring performance and provides the vital evidence needed to support the Integrated Risk Management Plan.

- **Effective Financial Planning and Management**

The Government's austerity measures have seen the Fire Authority lose £26m in government grant from the start of the spending review in 2011/12 to the end of 2019/20. The Authority has from the start taken a strategic approach to this grant loss matching changes to service delivery through the Integrated Risk Management Plan to the reducing resources. This planning coupled with significant capital investment has seen the construction of 7 new fire stations to replace 11 old fire stations delivering over £31m in ongoing revenue savings.

In 2016/2017 the Authority received Home Office approval of its 4- year efficiency plan which secured the 4-year settlement to 2019/20 which resulted in further grant loss of £7.9m. This has offered a degree of certainty over funding to 2020 allowing the Authority to develop a strategy for the use of balances linked to its precept strategy.

The finance team have developed a comprehensive expenditure monitoring system delivering financial information and forecasts from individual cost centre level through the organisation to senior management and the Fire Authority. A red, amber, green (RAG) rating system has been introduced both for revenue and capital budget monitoring whereby budget holders have to provide written explanation to the Chief Finance and Procurement Officer if they are projected to be 5% over or under budget at the end of the financial year.

The authority maintains a strong record of financial management which is evidenced by its track record of maintaining expenditure within the approved budget.

- **Effective Arrangements for Accountability**

The Authority can demonstrate robust systems of accountability both to elected members and the general public. The district command structure, which mirrors the 5 local authorities' / district boundaries in West Yorkshire, provide for close interaction with the local district councils on service delivery and joint working.

The Authority presents its budget proposals to the district councils and provides representatives of the business community with the opportunity to comment on the budget proposals.

- Internal Audit

The Authority procures its internal audit service from Kirklees Council which complies with Public Sector Internal Audit Standards. This not only provides better value for money but also gives the Authority access to specialist auditors and gives an added element of independence.

The work of internal audit extends well beyond the normal probity audits and includes examination of the key financial systems as well as verification work on the Authority's business continuity plan. During 2018/19 the Internal Audit section provided an independent review role within the new command and control project implementation and overview to the Emergency Services Mobile Communications Project.

- Human Resources

Work over the last year has been dominated by two major pieces of work, the procurement of a new HR and Rostering Solution and further work on organisational development to ensure appropriate values and behaviours were properly embedded across the organisation and to develop a leadership strategy.

Two separate systems were procured for HR and Rostering, Access for HR and Gartan for Rostering. These systems will replace the existing SAP system. The systems, once implemented, will be much easier for staff to use, will offer staff more control over their working time, whilst offering significant financial savings to the Authority.

In terms of organisational development, a leadership strategy has been developed and a delivery partner appointed to work with the service to provide 360-degree appraisal tool and educational interventions to help ensure that there is consistent and effective leadership right across the organisation.

Business as usual continued with the recruitment of a further 65 firefighters following a recruitment process that generated some 3,400 applications.

The Authority continues to prioritise the health and well-being of its staff. A 24-hour Employee Assistance Programme is in place to provide staff with an additional level of support. Sickness levels across the Authority remain low.

- Information Management Framework

Information governance is a framework to bring together all of the requirements, standards and best practice that apply to the handling of information.

The Authority is required to comply with legislation including the Data Protection Act 2018 and the General Data Protection Regulations which regulate information data processing, storage, and, access rights. The Authority has appointed a Management Board Member (the Chief Legal and Governance Officer) as the statutory Data Protection Officer who in conjunction with other officers and working groups oversees the development of best practice policies and procedures aimed at ensuring compliance with the legislative requirements.

The information governance group which is chaired by the authority's Senior Technical Services Manager and supported by the Corporate Information Management Group meets quarterly and is attended by senior managers within the organisation. This group is responsible for setting and reviewing policies, standards, procedures, best practices, controls, risk management and ensure compliance with them.

The process of self-assessment provides the Authority with the evidence to support Managements' conclusion that it is continuing to provide a high quality service with the resources available.

Statement of Assurance

The Authority is required to produce an annual Statement of Assurance as part of the Fire and Rescue National Framework for England. The purpose of the statement is to provide independent assurance to communities and the Government that the service is being delivered efficiently and effectively. Whilst the Fire and Rescue National Framework sets out the Government's priorities and objectives for fire and rescue authorities in England, it does not prescribe operational matters as these are determined locally by fire and rescue authorities.

This Statement of Assurance provides assurance that WYFRA is providing an efficient, effective and value for money service to the community of West Yorkshire in its financial, governance and operational matters.

Conclusion

Overall, the Authority and its Management Board conclude that the systems and procedures provide effective systems of management control enabling the Authority to provide and efficient, effective and economic service to the public of West Yorkshire.

- External Review

Following the Public Sector Audit Appointments tender process, Deloitte will become the Authority's external auditors from 1st April 2018.

Deloitte will provide an external review of systems and procedures as part of their role as the appointed external auditors to the Authority which will include;

- The audit of the financial statements 2018/19
- Reach a conclusion on the economy, efficiency and effectiveness in the use of resources, the value for money (VFM) conclusion
- Review the Whole of Government Accounts return

The Policing and Crime Act 2017 included the establishment of a Fire Service Inspectorate which will perform independent reviews on all Fire and Rescue Services. The inspection will review the efficiency, effectiveness and people within the organisation. West Yorkshire was one of three fire services who were chosen to pilot the new inspection regime which took place in May 2018. The Authority's full inspection as part of the formal regime will take place in Spring 2019.

- Compliance

These systems and reviews demonstrate that the Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010). They also demonstrate the systems that are in place to enable the Monitoring Officer and Chief Finance and Procurement Officer to discharge their functions in relation to the governance of the Authority.

- Significant Governance Issues

The continuing reduction in government funding remains a significant challenge to the Authority as it continues to maintain service standards with reducing resources. In addition, the potential for changes in the governance of the Authority also provide a degree of uncertainty.

- a) Grant Loss

The Government as part of the Local Government Finance Settlement 2018/19 commenced a review of how local government which includes fire and rescue services are funded. This Fair Funding Review will set new baseline funding allocations delivering an up to date assessment of their relative needs and resources. This means that the financial position of the Authority will remain unclear until this review has been completed.

This coupled with the unknown impact of 'Brexit' means that the Authority should be prepared for further financial restraint in the next spending review period.

- b) Assumptions Underpinning the Medium Term Financial Plan

The assumptions made in the medium term financial plan, particularly around savings, inflation, pay awards, employer pension contributions, income from council tax and

business rates whilst based on the best information available, are subject to change from economic circumstances and public finances in general. This represents a potential risk to the Authority's Medium Term Financial Plan and any adverse effects will mean that the Authority will have to find further savings or use reserves. Budget monitoring and forecasting processes are in place which enables the Chief Finance and Procurement Officer to identify variations to assumptions and amend the Medium Term Financial Plan accordingly.

c) Pay Increases

The removal of the public sector pay cap of 1% on public sector pay will cause increasing financial pressures for the fire authority. Although provision has been included within the Medium Term Financial Plan for a 3% pay award for operational and 2% for non-operational staff for the next four years, this may be an underestimate. It is expected that Trade Unions will put pressure on employers to increase pay in line with current levels of inflation which currently exceed 2%.

Every additional 1% pay increase over that included within the Medium Term Financial Plan would cost the Authority £0.5m per annum which would have to be funded by identifying further efficiency savings.

d) Implications of the Ville de Nivelles v Matzak Court of Justice Ruling

A recent judgement relating to the working hours and related payments of a Belgium on call firefighter (Matzak) could have implications for the fire authority. The ruling has the potential to impact adversely on current arrangements for the effective provision and affordable cost of on call services. The Authority along with every other fire and rescue service is working with the Local Government Association in seeking advice from Leading Council and reviewing potential options for changing current arrangements to mitigate against the impact of the ruling. However, due to the current uncertainty it is considered appropriate to flag up the risk of potential extra costs which have yet to be fully identified.

e) Policing and Crime Act 2017

The Police and Crime Act imposes a statutory requirement on emergency services to collaborate to improve public safety and deliver better efficiency. The emergency services in West Yorkshire have established a joint body to review areas of collaboration this is yet to deliver any significant change. This process is dependent on the services agreeing joint priorities and delivering change with willing partners. This must remain one of the key priorities if the Authority is to comply with the Act.

Summary

The Fire Authority continues to operate in a difficult environment and we accept that the above issues present the Authority and its Management Board with a major challenge. However, previous performance demonstrates the ability of the Authority and its management to manage in challenging times. We are therefore confident that we have the ability to continue to deliver a high quality service whilst driving through major changes to the organisation, and that the systems are in place to further enhance our governance arrangements.

John Roberts

Chief Fire Officer / Chief Executive

26th July 2019

Alison Wood

Chief Finance and Procurement Officer

26th July 2019

Chair, West Yorkshire Fire & Rescue Authority

26th July 2019



OFFICIAL

Draft Internal Audit Plan 2019 - 20

Audit Committee

Date: 27 April 2019

Agenda Item:

10

Submitted By: Chief Finance and Procurement Officer

Purpose	To present the details of the Draft Internal Audit Plan 2019/20
Recommendations	That Members note the content of the report and approve the draft internal audit plan for 2019/20.
Summary	This report provides an outline of the proposed programme of audit work for 2019/20.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Internal Audit Plan 2019/20

1 Introduction

- 1.1 The Chief Finance and Procurement Officer has a statutory duty to provide a continuous and effective internal audit for the Authority. Internal Audit is provided as one of a number of financial services provided under a Service Level Agreement with Kirklees Council which determines that 160 days of audit time is allocated to the Authority each financial year.

2 Information

- 2.1 Internal audit work is undertaken to provide an independent annual opinion to the Authority on its risk management matrix and internal control environment, which then plays a significant role in informing the Annual Governance Statement, signed by the Chief Executive, Chair of the Authority, that forms part of the Statement of Accounts.
- 2.2 The audit planning process is based upon an extrapolation from a five-year strategic plan, during which all activities are reviewed at varying frequencies based upon the level of risk attached to each system, activity or location.

A number of other factors are then taken into account. Consideration is placed upon the Authority's Risk Matrix and management processes and the requirements of the external auditor, who places some reliance on the work of internal audit to inform their opinion on the Statement of Accounts accordingly.

Finally, the views of the and concerns of the Chief Finance and Procurement Officer and Directors are incorporated to produce the Internal Audit Plan for 2019/20.

- 2.3 The Annual Plan for 2019/20 includes reviews of the Authority's internal control systems, four risks from the Risk Management matrix and a contingency provision for any special investigations that may be required.

3 Financial Implications

- 3.1 The internal audit service is provided by Kirklees Council through a Service Level Agreement at a cost of £46,500 in 2019/20 which is provision for 160 days of audit work.

4 Legal Implications

- 4.1 The Chief Legal & Governance Officer has considered this report and has no observations to make at the time of submission of this report but may provide legal advice at the committee meeting and/or respond to any requests by members for legal advice made at the meeting.

5 Human Resource and Diversity Implications

- 5.1 There are no human resources and diversity implications associated with this report

6 Health and Safety Implications

6.1 There are no health and safety implication associated with this report.

7 Your Fire and Rescue Service Priorities

7.1 This report links to all the Service's priorities as detailed in the "Your Fire and Rescue Service" document.

8 Conclusions

8.1 This reports requires members to approve the Internal Audit Plan for 2019/20, the progress of which will be reported to members on a quarterly basis.



West Yorkshire
Fire & Rescue Authority

Internal Audit Draft Plan

2019/20

NOTE TO CPFO / MANAGEMENT BOARD - DRAFT INTERNAL AUDIT PLAN 2019/20

Background

The Chief Finance & Procurement Officer has a statutory duty to provide a continuous and effective internal audit. Internal Audit is provided as one of a number of financial services under a SLA with Kirklees Council. In total 160 days of audit time is provided to the Authority each financial year.

Kirklees Internal Audit is delivered in accordance with the Public Sector Internal Audit Standards which require Internal Audit to provide an independent annual assurance opinion to the Management Board and the Audit Committee on the systems and environment for

- internal control,
- governance and
- risk management

This opinion then plays a significant role in informing the Annual Governance Statement, signed by the Chief Fire Officer / Chief Executive and the Chair of the Authority, which forms part of the Annual Accounts.

The audit planning process is risk based using an extrapolation from a strategic plan, which includes all activities undertaken by the Authority and these are reviewed at varying frequencies based upon the level of risk attached to each system, activity or location. A number of other factors are then taken into account. Consideration is placed upon the Authority's Risk Matrix and management processes and the requirements of the external auditor, who may place some reliance on internal audit work to inform their opinion on the Annual Accounts accordingly. Finally, the views and concerns of the Chief Finance & Procurement Officer and Directors are incorporated to produce an annual plan.

The Audit Strategy approved by Committee, determined that on average roughly 50% of audit time will be spent reviewing business risks and controls as identified in the Corporate Matrix, the remaining days being allocated between specific areas of activity and a contingency provision. The Draft Annual Plan for 2019/20 includes a slightly more financial risk focussed review as a consequence of audits due within the 3 and 5 yearly cycles undertaken.

The Risk Management Strategy Group has been consulted about the priority of reviewing the remaining risks not covered so far and this is reflected in the proposal overleaf. Coverage of these will result in over 70% of the Authority's business risks being subject to ongoing audit review, with the remainder considered unsuitable for audit review (e.g. operationally complex, or low risk - with a risk factor score less than 6).

The suggested areas of activity for next year are shown overleaf, as well as those falling due which have been discounted. A scope and terms of reference, if required, will be agreed with the auditee prior to commencement of each audit.

Simon Straker
Audit Manager

WEST YORKSHIRE FIRE & RESCUE AUTHORITY

INTERNAL AUDIT DRAFT PLAN 2019/20

Audit Area

Internal Control Systems

- Pensions (information flows to Pensions bodies)
- Absence Management (compliance with and effectiveness of policy)
- Off Payroll Compliance (IR35) (legal compliance)
- Bank Reconciliation & Contract
- IT Asset Management (accountability and physical checks)
- Facilities Management (Standing Order compliance & contract delivery)
- Responsive Building Repairs (Follow up from previous reviews)
- Stores
- Transport Maintenance
- Hydrant Maintenance
- IT Software Licencing (legal compliance and value for money)
- Communications – Protecting Brand & Reputation

Risk Management Strategy / Risks & Controls

- Risk 2 Score 20 - Wide Area Flooding
- Risk 20 Score 9 – Fraud
- Risk 21 Score 9 - Loss of Critical ICT
- Risk 30 Score 6 - GDPR Compliance

Ongoing support to the Risk Management Strategy Group.

Governance

- Local Code of Corporate Governance / Ethics

Contingency

- Support to the Procurement Review
- ESMCP – Assurance to Board
- Follow up audits as required

Total Days per SLA

160

Other Areas Due this Year and Discounted

- Stations – since the revised Audit Strategy was adopted we have not visited any station on a routine basis, visits covered various aspects of financial administration, asset inventory & security
- VAT
- Fixed and Mobile Phone Contracts
- Health & Safety
- PPE Risk
- Disbursement Account / Purchase Cards