



# Minutes

## Audit Committee

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Date: 18 October 2019

Time: 10.30 am

Venue: Fire and Rescue Headquarters, Birkenshaw

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Present: Councillor R Grahame (in the Chair), R Downes, P Harrand and K Renshaw

In Attendance: P Hewitson – Deloitte (external audit)  
C Jamieson – Deloitte (external audit)  
S Straker – Kirklees MC (internal audit)

Apologies: Councillor G Almas

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### 11 Minutes of the last meeting

#### RESOLVED

That the Minutes of the meeting held on 26 July 2019 be signed by the Chair as a correct record.

### 12 Matters arising

There were no matters arising from the previous Minutes.

### 13 Urgent items

None.

### 14 Admission of the public

#### RESOLVED

That the public and press be excluded from the meeting during consideration of the item of business specified below as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during this item, there would be disclosure to them of exempt information of the description specified.

AGENDA ITEM NO.	TITLE OF REPORT	MINUTE NUBMER	Description of exempt information by reference to the paragraph number in Schedule 12a of the Local Government Act 1972
E12	Risk Management and Business Continuity annual report	22	Paragraph 3 – financial and business affairs

## 15 Declarations of interest

There were no declarations of disclosable pecuniary interest made in any matter under consideration at the meeting.

## 16 Internal Audit quarterly review

The Chief Finance and Procurement Officer submitted a report which presented the internal audit activity for the period July to September 2019.

Members were advised that five audit plans had been completed and two remained outstanding. From the five completed audits it was reported that the Bank Reconciliation audit (key financial systems) had been completed with substantial assurance and, at the Chair’s request, full details of the audit had been circulated to Members in advance of the meeting.

It was further reported that reassurance had been provided that, whilst the current audit programme was behind schedule, work on the audit plan would be completed within the financial year.

### RESOLVED

That the report be noted.

## 17 ICT strategy programme review

Consideration was given to a report of the Director of Service Support which provided a review of the third year of the ICT strategy programme.

It was reported that the strategy had been revised and a new version had been approved by the Finance and Resources Committee at its October 2019 meeting. Project updates for the new strategy would be reported to the Full Authority as part of the programme of change report.

Members were advised that work on the following projects was in progress;

- HR & rostering
- Sharepoint upgrade

- Protection and risk information database
- Voice over internet telephony protocol
- Vehicle CCTV
- Tranman fleet management system
- Hydrant management, and
- Rich media management solution

## **RESOLVED**

That the report be noted.

## **18 Abridged performance management report**

The Chief Legal and Governance Officer submitted a report which advised Members of the performance against key performance indicators where targets were not being achieved as follows;

- Actual rescues
- Accidental dwelling fire deaths
- Fire-related deaths

A copy of updated figures to date had been circulated at the meeting.

In response to a comment about the reduction in arson figures, Members were advised that the peak the previous year was due in a large part to the moorland fires and environmental factors.

As advised at the previous meeting, no formal record was reported on issues related to the Regulation of Investigatory Powers Act (RIPA) 2000, as this was no longer a statutory requirement of Fire and Rescue Services.

## **RESOLVED**

That the report be noted.

## **19 Service assurance update**

Members received a report of the Director of Service Support which provided an overview of progress with the following;

- Service assurance
- Operational assurance framework, and
- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services

## **RESOLVED**

That the report be noted.

## **20 External audit action plan**

The Chief Finance and Procurement Officer submitted a report which presented the recommendations and action plan consequent upon the external audit of the Statement of Accounts 2018 – 19.

Members were advised that the ISA 260 report had been submitted to the July meeting of this Committee and the current report set out a detailed action plan which had been implemented to address the recommendations therein.

It was reported to Members that there would be an additional that there would be an additional £15,000 charge for the external audit of the Statement of Accounts 2018 – 19 in addition to the previously agreed £27,782 fee.

### **RESOLVED**

- a) That the report be noted, and
- b) That future external audit action plan reports be made available to Members at the earliest opportunity after the 31 July statutory deadline for the submission of the Statement of Accounts.

## **21 Annual Audit Letter 2018 – 19**

Consideration was given to the content of the Annual Audit Letter 2018 – 19 provided by Deloitte, the external auditors.

### **RESOLVED**

That the report be noted.

## **22 Risk Management and Business Continuity annual report**

(This item was considered as exempt information under Schedule 12(A) of the Local Government Act 1972 – relating to financial or business affairs)

Members received a report of the Chief Legal and Governance Officer which advised of the arrangements and work undertaken to ensure the effective delivery of the risk and business continuity policies during 2018 – 19 and in the current municipal year to date together with detail of the Risk Management Matrix.

### **RESOLVED**

- a) That the report be noted; and
- b) That the current Risk Management Matrix be approved.

Chair



**DRAFT**

**EXCLUSION OF THE PUBLIC - SECTION 100A LOCAL GOVERNMENT ACT 1972**

**RESOLVED :** That the public be excluded from the meeting during the item of business specified below as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during this time, there would be disclosure to them of exempt information of the description respectively specified.

<b>AGENDA ITEM NO.</b>	<b>TITLE OF REPORT</b>	<b>MINUTE NUMBER (to be added)</b>	<b>Description of exempt information by reference to the paragraph number in Schedule 12a of the Local Government Act 1972</b>
None			

**Disclosure of Disclosable Pecuniary Interests (DPI's)**

- 1 Members present at the meeting who are aware that they have a DPI in a matter being considered must disclose the details of that DPI to the meeting unless it is already recorded on the Authority Members DPI Register.
- 2 Any Member with a DPI may not participate in any discussion or vote and under Authority Standing Orders is required to leave the meeting during any discussion or vote unless they have been granted a dispensation from exclusion from the meeting by the Executive Committee or in certain circumstances by the Monitoring Officer before any consideration of the item by the committee starts.

**Footnote:**

- (1) Members are referred to the Authority Constitution and to the provisions of sections 30-34 of the Localism Act 2011 and to the statutory regulations made thereunder which define the meaning of a DPI.
- (2) Members are reminded of the potential criminal sanctions and disqualification provisions under Section 34 of the Act applicable to breaches of disclosure and non- participation requirements.
- (3) A Member with a sensitive DPI need not disclose the details of that interest with the Monitoring Officers agreement but must still disclose the existence of a DPI and must withdraw from the meeting.

*Application for dispensation to vote*

*Attached is a blank “application for dispensation” form which Members of the Committee may use to seek the grant of an individual dispensation on any item on the agenda.*

*Where possible, the completed form should be returned to the Monitoring Officer in advance of the meeting so that he can consider whether a dispensation should be granted. Block dispensations affecting a significant number of Members will be referred to the Executive Committee for approval, if time permits.*

West Yorkshire Fire and Rescue Authority

Sections 31 and 33 Localism Act 2011

## **Member Participation & Voting Dispensation Request**

### **Section for completion by Member**

Name of Member:

Correspondence/ email address:

Dispensation applied for: (1) Participation (2) Voting (3) Both

Details of Meeting/agenda Item:

Full details of why you are applying for a dispensation:

Signed:

Dated:

Please send your application to the Monitoring Officer at Fire & Rescue Service  
Headquarters Birkenshaw BD11 2DY – [Michael.barnes@westyorksfire.gov.uk](mailto:Michael.barnes@westyorksfire.gov.uk)

### **Section for completion by Monitoring Officer:**

No in Register:

Received on:

Granted/ Refused

Reasons for refusal / Statutory Grounds relied upon for grant:



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# Internal Audit Quarterly Report

## Audit Committee

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Date: 31 January 2020

Agenda Item:

Submitted By: Chief Finance and Procurement Officer

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<b>Purpose</b>	To present the Internal Audit report (October 2019 to December 2019) to Members
<b>Recommendations</b>	That Members note the content of the report
<b>Summary</b>	To provide a summary of the audit activity for the period October 2019 to December 2019 and to report the findings to the Committee

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Local Government (Access to information) Act 1972

Exemption Category: Nil

Contact Officer: Simon Straker

[Simon.straker@kirklees.gov.uk](mailto:Simon.straker@kirklees.gov.uk)

01484 221000

Background papers open to inspection: Nil

Annexes: Quarterly Internal Audit Report

## **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 October to December 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 eight audits in the third quarter, covering October to December 2019:
- Three financial systems and risk audits
  - Two business risk audits and,
  - Three follow up audits

## **3 Audit Performance 2019/20**

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

## **4 Financial Implications**

- 4.1 There are no financial implications associated with this report. Internal audit is provided as part of the Authority's Service Level Agreement with Kirklees Council.

## **5 Legal implications**

- 5.1 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.

## **6 Human Resources and Diversity Implications**

6.1 There are no human resource or diversity implications.

## **7 Health, Safety and wellbeing implications**

7.1 There are no health, safety and wellbeing implications arising directly from this report.

## **8 Environmental Implications**

8.1 There are no environmental implications arising directly from this report.

## **9 Your Fire and Rescue Service Priorities**

9.1 The provision of internal audit satisfies the following fire and rescue service priorities:

- work smarter throughout the service
- be more efficient across all areas of the service to make savings
- make better use of technology and innovate where possible



# INTERNAL AUDIT QUARTERLY REPORT

2019/20

October to December

2019

## ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2019/20 Audit Plan as approved by this Committee at the start of the year is risk based and included 17 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 internal audit work during the third quarter of 2019/20.

The original plan included 17 audits. Management have requested that 2 of these be deferred into 2020/21 (GDPR compliance & Stores). The planned time will be used to resource an expanded review of Facilities Management Procurement requested by Management.

8 audits have been completed this quarter. Each of the audits completed has produced a positive assurance opinion, the majority receiving the highest assurance opinion, apart from the follow up audit of the Electronic Maintenance of Competence and other Mandatory Training. Due to the time necessary to implement an appropriate and reliable IT solution to record keeping and management reporting this is likely to be the case for some time and this needs to be acknowledged and managed in the interim. This is problematic in its own right, however doubly so because of the impact on the Authority's Risk Management arrangements, as having and being able to evidence trained suitably skilled and competent personnel is a key action to manage many of the risks facing the organisation. Risk owners and senior managers are currently reviewing the impact and an appropriate response.

## 2. **SPECIAL INVESTIGATIONS & REVIEWS**

None during this time.

### 3. KEY FINANCIAL SYSTEMS

None during this time.

### 4. OTHER FINANCIAL SYSTEMS & RISKS

System	Findings	Audit Opinion
<b>Chief Finance &amp; Procurement Officer</b>		
IR35 Off-Payroll Workers	<p>Management have responded appropriately to the risk of HMRC prospective sanctions on employers by reviewing payments to a small number of consultants and others made through the Creditors System and concluded they do not meet the HMRC criteria for inclusion on the payroll (and consequent tax deductions).</p> <p>Key Recommendation</p> <ul style="list-style-type: none"><li>• Guidance for IR35 assessments should be added to the vendor set-up instructions, referencing examples of off-payroll workers e.g. consultants and training services. Those requiring an assessment should be referred back to HR for assessment to confirm that appropriate checks have been undertaken and the evidence retained together both as an audit trail and in the event of HMRC inspection.</li></ul> <p>Classification: Significant Owner Chief Employment Services Officer</p>	<b>Substantial Assurance</b>

<p>Absence Management</p>	<p>Effective management arrangements are in place to monitor and report sickness absence performance. The Authority's performance relating to duty days sickness absence per staff member was 3.26 which is below the national FRA average of 4.21 and is on course again to achieve the target of 6.99 average number of working days/shifts lost to sickness for 2019/20.</p> <p>Clear policies and procedures are in place and guidance documents which set out responsibilities and a framework for managing and supporting the absence management process. These are clearly communicated via the Sharepoint site, induction process, and a programme of training for managers. A formal process of sickness monitoring is followed which now uses the Bradford Formula score to trigger a three stage sickness monitoring process (since April 2019 and replaces the 3 periods or 8 days triggers).</p> <p>There are some issues relating to the Access HR system which need further consideration / investigation, including ensuring Managers and employees complete the sign off of return to work meetings but primarily around the accuracy of some of the more complex work patterns and their impact on the Bradford formula score calculations (as identified from the audit testing). It appears unlikely that this will be material enough to impact the accuracy of sickness reporting.</p> <p>Key Recommendation</p> <ul style="list-style-type: none"> <li>• Further enquiry should be carried out to identify the reason why the Access HR system calculation of the Bradford formula score against some employees appears to be inaccurate.</li> </ul> <p>Classification: Significant  Owner / Timescale  Corporate HR Manager by March 2020</p>	<p>Substantial Assurance</p>
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**Director of Service Delivery**

Hydrant Management & Maintenance	Operating to a high standard with a clear inspection programme, accurate data and good use of electronic recording in the database to provide a hydrant network that supports operations in a cost effective and efficient way with minimal disruption. There is a good working relationship with Yorkshire Water and defect repairs are monitored closely and in the main completed in a timely fashion, ensuring hydrant availability is maintained. Charges for the sample tested were seen to be accurate and are monitored against the capital allocation for hydrant maintenance. No recommendations made.	<b>Substantial Assurance</b>
<b>Director of Service Support</b>		
Facilities Management	Audit in Progress	
Stores	Deferred at Management's request due to changes in procurement practice.	

**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
<b>Director of Service Delivery</b>		
<p>Wide Area Flooding</p> <p>(High Risk – score 20)</p>	<p>The risk to operational personnel from performing water rescues, along with the increasing frequency of serious flood events (both locally and nationally) supports the high classification of this risk. However, the definition needs some clarification so as to ensure that it encompasses all serious flood risk and not just that which meets the overly complex wide area flood definition documented in the Risk Matrix.</p> <p>Arrangements for managing the risk associated with flooding incidents accorded with the stated mitigating controls in the Risk Matrix, albeit that the audit identified some issues with regards to evidencing specialist competencies. Management acknowledges that the current Electronic Maintenance of Competence database is not effective in providing accurate evidence that personnel are competent in required skills and knowledge areas, and the findings from this audit support this assertion. Although the majority of operational personnel at the six specialist stations were recorded as being up to date with their respective water related competencies, instances were found of specialist personnel either not being registered for, or recorded as having completed the specialist training / competencies. Investigation established this was because records had not been migrated onto a newer version of the Redkite system. The absence of the training / competency being logged accurately on the system (and signed off) creates risks both reputational and litigation damage in the event of an incident involving personnel who do not have (or alternatively the Authority cannot evidence that they have had) the required training.</p> <p>Operational response requirements for swift water rescue and flood response are well documented and are reflective of national guidelines, the aim of which is to provide clarity on the framework for inter-agency working and the joint operational response to a serious flooding incident. The Authority has representation at various multi-agency meetings to improve joint working and sharing best practice to further enhance preparation with regards to responding to a serious incident. Debrief procedures help ensure that any operational learning requirements are highlighted and addressed following exercises and live incidents. The Authority has contingency plans in place to ensure that they can exercise their critical functions in the event of a serious flood incident.</p> <p>Key Recommendations</p> <ul style="list-style-type: none"> <li>• The station managers at each of the six specialist stations should be required to provide assurance that each of their operational personnel have the required water</li> </ul>	<p>Adequate Assurance</p>

competencies - Module 2, 3, and 4 where applicable. They should ensure that this is accurately reflected on EMOC records.

Classification: Significant

Owner / Timescale

Station Managers Clark & England / July 2020

- A formal decision needs to be taken as to whether Station Managers are required to maintain Module 2 competency, and if so, an instruction issued to the Training department in order to get all relevant personnel enrolled on the system.

Classification: Significant

Owner / Timescale

Station Manager Clark / July 2020

**Chief Finance & Procurement Officer & Chief Legal & Governance Officer**

<p>Counter Fraud &amp; Corruption</p> <p>(Medium Risk – score 9)</p>	<p>Overall the Authority's counter fraud and corruption arrangements are appropriate and sound and have stood the test of time. However, the Authority cannot afford to be complacent as this risk is a very fluid one, and there is every reason to believe the Authority will be the target for future external attempted activity, especially with the publication of more transparency related data and a possible reduction in the level of internal control as a result of diminishing resources leading to lower levels of segregation of duties and transaction checking.</p> <p>Review of CIPFA Code compliance has identified some areas where there is scope for development, or a refresh of existing measures that will help prevent and deter fraud and corruption. Examples of what other FRAs have done were provided as appropriate.</p> <p>Management have agreed that in summary the key actions required by the time of the next Annual Meeting are:</p> <ul style="list-style-type: none"> <li>• there is a need for Management Board to review aspects of training delivery in terms of ethical behaviour guidance to all staff through the induction process and to officers with particular procurement and exercise of enforcement and discretion responsibilities</li> <li>• the Anti-Fraud &amp; Corruption Strategy &amp; Response Plan should be revisited and revised as appropriate by the Chief Finance &amp; Procurement Officer</li> <li>• greater clarity should be included in a revised financial services SLA with Kirklees Council regarding control assurance of this risk and subsequent response and investigation.</li> </ul>	<p>Substantial Assurance</p>
<p><b>Chief Legal &amp; Governance Officer</b></p>		
<p>GDPR Compliance</p>	<p>The planned audit has been deferred until 2020/21 at the request of the Chief Legal &amp; Governance Officer.</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.

System	Findings	Audit Opinion
<b>Director of Service Delivery &amp; Director of Service Support</b>		
Protection (Commercial Premises) Database	<p>An audit of the Commercial Premises Risk Database was undertaken in October 2018 since it was a key control in operational response to manage the risk to firefighter safety, operational effectiveness and organisational reputation and it attracted a Limited Assurance opinion. The database had been provided by a sole supplier for many years who continued to do so following his retirement presenting continuity risks and development issues. 3 recommendations were agreed at the close of the audit.</p> <p>The contract with the previous supplier was terminated. Good progress has been made on the development of an in-house solution OSARIS and although the solution has not been implemented so far, progress on the project is on target. The Authority now has control of and maintains the previous database of over 65,000 records relating to premises information which is presented to crews on the MDT. Data will be migrated prior to go live.</p> <p>Full implementation is unlikely to occur until both elements of the database have been fully tested which is unlikely to be before April 2020. There are also other major IT projects running at the same time so testing and implementation timings have to be carefully planned.</p> <p>Key Recommendations</p> <ul style="list-style-type: none"> <li>As a matter of priority, all Managers who have not yet done so, should be instructed of the need to check and confirm that individuals can evidence the requisite qualifications, competencies or disciplines to be in receipt of the ARA and respond promptly to queries from Central Staffing Team. Classification – Significant Owner / Timescale Group Manager Ambler / June 2020</li> <li>The old allowance type descriptors should be ceased on SAP Payroll on expiration of the 6 month pay protection period agreed by management. Classification – Significant Owner / Timescale Chief Finance &amp; Procurement Officer – completed by the end of the audit.</li> </ul>	Adequate Assurance
<b>Director of Service Support</b>		

<p>(Electronic Maintenance of) Operational Competence &amp; other Mandatory Training</p>	<p>The original audit in January 2019 concluded that the arrangements were not operating effectively, resulting in unreliable data which prevented the effective identification and monitoring that requirements were being met, and as a result a 'limited assurance' opinion was allocated.</p> <p>Although action is being taken to address the two high priority audit recommendations, work remains in progress at this time and the initial target completion dates have been exceeded. As a result the risks to the Authority (as identified in the original audit and during recent audit work) remain at this time. Priority needs to be given to the completion of actions against the two audit recommendations, with progress continued to be overseen by the Director.</p> <p>Training and competency is a key management control to mitigate a significant number of entries in the Risk matrix. Risk owners have been requested to review the adequacy of this control mechanism, responses to which are currently in the process of being collated and evaluated to inform the Authority's risk management process.</p>	<p>Limited Assurance</p>
	<p><b>Key Recommendations</b></p> <ul style="list-style-type: none"> <li>• Replace the current system to record, evidence and report on EMoC and other mandatory training Classification:- Fundamental Currently in the scoping phase for the system replacement, a number of systems have been reviewed, a stakeholder user group has reviewed the output requirements and consideration is being given to decide if an internal solution using development staff or an external product would be the best option. Report to be submitted to the Change Management Board. Completion date cannot yet be set.</li> <li>• The Risk Management Strategy Group should consider whether the level of reliance placed on training as a management mitigation to entries in the Authority's Risk Matrix is appropriate, and whether the findings of this report impacts the risk scores. Classification:- Significant Despite the issues with the EMoC system, line management at a local level have certain responsibilities to ensure personnel competence and training. The policy and ownership is clear and further communication to staff will take place accordingly. Further consideration to be given to discuss all options, assurance and short term actions led by the Director of Service Support.</li> </ul>	
<p><b>Chief Finance &amp; Procurement Officer</b></p>		

<p>Additional Responsibility Allowances (ARAs)</p>	<p>An audit review of ARAs was undertaken in June 2018 at the request of the Chief Finance &amp; Procurement Officer and Chief Employment Services Officer which attracted a Limited Assurance opinion. There was a wide range of ARAs for duties undertaken outside of the relevant role map, including specialist, assessor and training roles, charity representatives and mess managers and the previous audit concluded that there was no central comprehensive record of what was paid and why, and no reference within payslips. Combinations of ARA percentages to basic salary, applied historically, made it even more difficult to determine what they were paid for and consequently to be reviewed.</p> <p>Six recommendations were agreed with Management at the close of the audit in October 2018. Good progress has been made regarding implementation of the recommendations as follows:</p> <ul style="list-style-type: none"> <li>• The Authority has an Employment Services Policy which details the circumstances where an ARA is payable and what the employee must fulfil to qualify for the ARA. Management has reviewed the Policy to more clearly define ARAs and duty system allowances, however this has not been formally released yet due to the pending national position review of firefighter role maps. In the interim period detailed guidance has been issued to Station Managers (SMs) about administration of ARAs.</li> <li>• Responsibility for recording ARAs has been assigned to the Central Staffing Team (CST) and a central record is now in place recording all ARAs on each station and the requisite numbers which cannot be exceeded.</li> <li>• Responsibility for reviewing ARAs remains with SMs. A reset date of 19/08/2019 was initiated and SMs were requested to review ARAs on station before this date and return the results to CST. This required checks to qualification, competencies and disciplines for each individual. However, to date this exercise remains incomplete and needs to be finished promptly to ensure payments made fairly reflect duties being performed and actually required at a station level.</li> <li>• There remain issues around integrity and content of the systems recording competencies and qualifications which impact on the validation of evidence to substantiate ARAs in payment, see previous entry.</li> <li>• The ARA SAP Payroll descriptors have been amended aiding clarity and transparency to payslips for payments made, or ceased if applicable, from the reset date.</li> <li>• At the time of the previous audit ARAs in payment were estimated at around £353k per annum. Revised pay types at Period 7 in this financial year was an estimated £288k per annum, a reduction of almost 20%. £195k relates to “Specialist Skills Allowances” which may become part of the role map as part of the national review on pay and role maps.</li> </ul> <p>Once the policy has been formally released and all the individual assessments by SMs have</p>	<p>Adequate Assurance</p>
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	<p>been completed an actioned the Authority can be fully assured management arrangements are adequate and effective in administering this condition of service.</p>	
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**8. REVIEW OF KEY RECOMMENDATIONS**

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

**9. ADVICE, CONSULTANCY & OTHER WORK**

<b>System</b>	<b>Comments</b>
<b>Director of Service Support</b>	
Emergency Services Mobile Communications Project (ESMCP)	<p>Internal Audit provides ongoing assurance about the financial probity and governance arising from the delivery of the project, both as regards WYFRS and within the Yorkshire &amp; 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.</p> <p>National Project slippage and revision to financial support from Government has meant there has been a gap in audit activity but the project is now gathering pace again and the scope of new audit work is currently being considered.</p>

**10 AUDIT PLAN DELIVERY 2019/20**

<b>Performance Indicators</b>	<b>18/19 Target</b>	<b>18/19 Actual</b>	<b>19/20 Target</b>	<b>19/20 Actual</b>
Audits completed within the planned time allowance	80%	100%	80%	100%
Draft reports issued within 10 days of fieldwork completion	90%	100%	90%	100%
Client satisfaction in post audit questionnaires	90%	100%	90%	n/a
Chargeable audit days	160	155	160	90
QA compliance sample checks – percentage pass	100	100	100	n/a
Planned Audits Completed	19	18	17	6
Planned Audits in Progress				1
Planned Audit Deferred				2
Planned Audits Outstanding				8
Unplanned Work Completed				3
Unplanned Work in Progress				0



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# Abridged Performance Management Report

## Audit Committee

Date: 31 January 2020

Agenda Item:

7

Submitted By: Chief Legal and Governance Officer

<b>Purpose</b>	To inform Members of the Authority's performance against Key Performance Indicators where targets are not being achieved
<b>Recommendations</b>	That Members note the report
<b>Summary</b>	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.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Alison Davey  
Corporate Services Manager  
[alison.davey@westyorksfire.gov.uk](mailto:alison.davey@westyorksfire.gov.uk)  
T: 01274 655801

Background papers open to inspection: None

Annexes: Abridged Performance Management Report

## **1 Introduction**

- 1.1 The Performance Management and Activity Report, which is presented quarterly to the 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 quarterly by Management Team and the Full Authority.
- 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.

## **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, Safety and Wellbeing implications**

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

## **7 Environmental implications**

- 7.1 There are no environmental implications associated with this report.

## **8 Your Fire and Rescue Service Priorities**

- 8.1 This report links to all the Your Fire and Rescue Service 2019 – 22 priorities.

# Performance Management and Activity Report (Abridged) 2019/20

Period covered: 1 April – 30 September 2019  
Date Issued: 28 October 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 Full Authority Committee meetings.

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 – 30 September 2019.

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 (2016/19)	Actual Data to date (2018/19)	Actual Data to date (2019/20)	Performance Against Three Year Average (2019/20)	End of Year Projection (2019/20)
Arson	10897	6811	4983	3390	-0.7%	6761
Actual Rescues	875	775	405	524	34.9%	1045
Total Activity	34270	23646	15067	12583	6.1%	25097
Dwelling Fires	1549	1145	597	549	-4.4%	1095
Non-Domestic Building Fires	513	438	211	232	-5.6%	463
Prevalence of False Alarms	16750	11306	5590	5340	-5.8%	10651
Fire-Related Injuries	270	198	97	93	-6.3%	185
Road Traffic Collisions	1060	618	286	350	13.0%	698
Malicious False Alarms	713	361	181	151	-16.6%	301

### 3. Service Delivery Indicators – Performance compared to previous year

<b>Description</b>	<b>2018-19</b>	<b>2019-20</b>
Accidental Dwelling Fires (per 10,000 dwellings)	4.86	4.65
Number of deaths arising from accidental fires in dwellings (per 100,000 population)	0.09	0.13
Number of Fire-Related Deaths (per 100,000 population) arising from fires other than Accidental Dwelling Fires	0.09	0.17
Number of Injuries arising from accidental fires in dwellings (per 100,000 population)	2.60	2.38
(a) Number of Serious Injuries(per 100,000 population)	0.22	0.09
(b) Number of Slight Injuries (per 100,000 population)	2.38	2.30
The percentage of dwelling fires attended where there was a working smoke alarm which activated	52.26%	55.07%
The percentage of dwelling fires attended where a working smoke alarm was correctly fitted but did not activate	20.27%	18.48%
The percentage of dwelling fires attended where a smoke alarm, because it was faulty or incorrectly sited, did not activate	5.53%	4.89%
The percentage of dwelling fires attended where no smoke alarm was fitted	21.94%	21.56%
Number of calls to malicious false alarms (per 1000 population) – attended	0.08	0.07
False alarms caused by automatic fire detection equipment (per 1000 non-domestic properties)	17.46	19.31
False alarms caused by automatic fire detection equipment (per 1000 domestic properties)	2.00	2.08
Fires in non-domestic premises (per 1000 non-domestic premises)	2.50	2.78
Number of Primary Fires (per 100,000 population)	81.32	71.09
Number of Fire Casualties – excluding Precautionary Checks (per 100,000 population)	4.03	3.73
Arson Incidents – All Deliberate Fires (per 10,000 population)	21.60	14.70
Arson Incidents – Deliberate Primary Fires (per 10,000 population)	3.78	3.04
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	17.82	11.66

#### 4. Service Delivery Indicators – WYFRS not achieving target

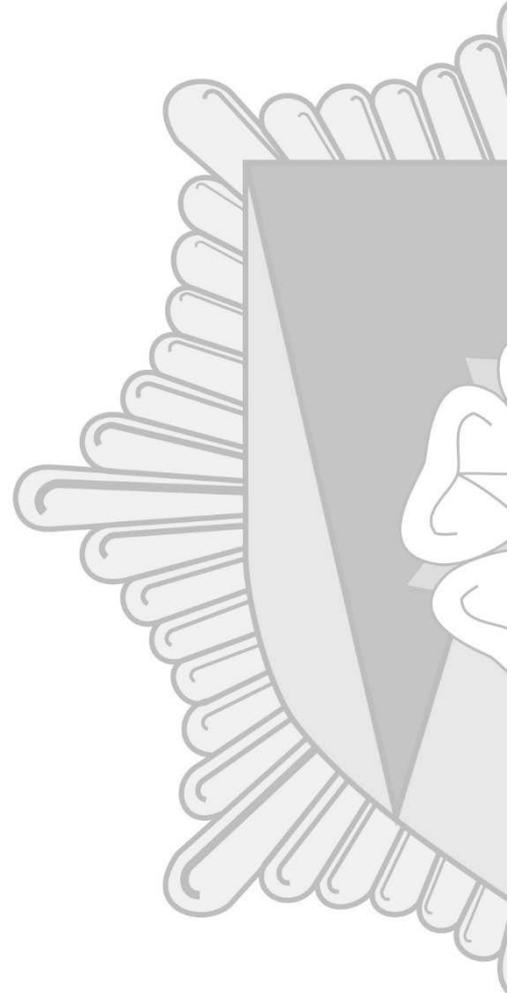
Description	Cumulative Year to Date Performance												Performance in 2018-19
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Number of deaths arising from accidental fires in dwellings (per 100,000 population)	0.00	0.00	0.04 (1)	0.04 (1)	0.09 (2)	0.13 (3)							0.09 (2)
<p><b>Comments:</b> WYFRS have attended 3 fatal fires between April and the end September that were accidental. We conduct serious incident reviews of all fatal fires to ensure any learning is captured to inform our prevention activity. We also involve other agencies if they were in contact with the individual prior to the fire to ensure that any learning that can make improvements to all relevant agencies is also considered. Our safe and well home visit programme aims to identify and provide our service to the most vulnerable and at risk members of the community.</p>													

Description	Cumulative Year to Date Performance												Performance in 2018-19
	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 Fire-Related Deaths (per 100,000 population) arising from fires other than Accidental Dwelling Fires	0.00	0.09 (2)	0.13 (3)	0.13 (3)	0.17 (4)	0.17 (4)							0.09 (2)
<p><b>Comments:</b> It is of concern that 3 fire fatalities in the reporting period occurred following fire being set by the person who sadly died. People who have poor mental health are at increased risk from fire and it is one of the key questions that we ask to filter people into risk categories. We are developing our awareness of suicide through a training programme that we are introducing across the service following close work with the West Yorkshire Suicide Prevention Alliance Network. This will raise the awareness of suicide to all staff and allow them to identify signs of vulnerability and signpost to support services. Another fatality occurred following a fire that was deliberately set in the hallway of a house and an individual has been identified by the Police and this is being progressed through the CPS.</p>													

Description	Cumulative Year to Date Performance												Performance in 2018-19
	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	
False alarms caused by automatic fire detection equipment (per 1000 non-domestic properties)	2.29 (193)	25.02 (423)	8.10 (683)	11.73 (989)	15.73 (1326)	19.31 (1628)							17.46 (1472)
<p><b>Comments:</b> There has been a slight reduction in the total number of false alarms compared to the same period in 2018. We have attended 5348 false alarm incidents in the reporting period compared to 5590 in the same period in 2018. Of these, the ones caused by automatic fire detection equipment increased compared to the previous year. WYFRS continue to raise charges to businesses if they have repeated false alarms caused by faulty or poorly maintained fire alarms systems.</p>													

Description	Cumulative Year to Date Performance												Performance in 2018-19
	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	
Fires in non-domestic premises (per 1000 non-domestic premises)	0.46 (39)	0.84 (71)	1.28 (108)	1.80 (152)	2.22 (187)	2.78 (234)							2.50 (211)
<p><b>Comments:</b> Performance is currently on track to just miss the target but we need to ensure that our operational risk visit programme is delivering the arson advice to building owners and managers. We are well aware of the economic cost of fires in commercial properties with many companies failing to recover from a serious fire. It is essential that we continue to work across our business communities to keep fire safety high on the agenda.</p>													

# ***PREVENTING PROTECTING RESPONDING***



West Yorkshire Fire and Rescue Service

Oakroyd Hall

Birkenshaw

Bradford BD11 2DY



OFFICIAL

# Risk Management Strategy Group

## Audit Committee

Date: 31 January 2020

Agenda Item:

8

Submitted By: Director of Service Delivery

<b>Purpose</b>	To report risk management activity and developments reported to Risk Management Strategy Group (RMSG) in December 2019 and highlight any future risks or risk related areas.
<b>Recommendations</b>	That the Audit Committee note the report.
<b>Summary</b>	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

Contact Officer: John Tideswell, Risk Management Officer  
Corporate Services  
01274 655738  
John.tideswell@westyorksfire.gov.uk

Background papers open to inspection: Risk Management Strategy and Policy

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 in December 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 September 2019 and December 2019 RMSG meetings, 13 risks have been reviewed by their respective owners.
- HRVR1.S Failure or significant delay in responding to requests and referrals for prevention home visits that have been assessed as 'High Risk' - The score has increased from 9 to 12, due to the queue length for prevention advice. A plan has been put in place as resource allocation and the sharing of resources across districts could be improved.
- HSEC1.S Health and Safety exposure by property contractors working on Authority premises to ensure legal compliance - The score has increased from 9 to 12, due to a Health and Safety audit highlighting improvement areas, which has resulted in an action plan.
- FSPT1.S Failure to achieve Service Plan Five Year Strategy - This risk has been removed as it is no longer relevant.
- LEMP1.S Loss of one or more key employees and resultant loss of expertise and experience - This risk has been removed, as following the internal audit the Talent Management and Succession Planning Policy has been issued and this area is no longer a risk.
- A cyber attack and response exercise will be conducted in 2020 to exercise the Cyber Security Response Plan that relates to risk CYBS1.S - A digital attack or an unauthorised attempt to access WYFRS systems that impacts on the integrity, confidentiality or availability of systems and / or the information within them.
- Risks and issues relating to the UK Exiting the EU are currently discussed at each RMSG meeting.

- A member development session on corporate risk management is currently being created to assist members to fulfil their roles. The session will be scheduled for early 2020.

2.3 There are currently 53 risks split between the following categories. The table below shows movement over the past 12 months.

Risk Factor Score	March 2019	June 2019	September 2019	December 2019
Very High (15-25)	5	7	7	7
High (9-14)	21	20	19	19
Medium (4-8)	24	24	24	23
Low (1-3)	4	4	4	4
Total number of risks	54	55	54	53

The 7 'very high' risks are:

LRGG1.S - Loss or reduction in government grant.

WAFL1.S - Wide area flooding and swift water rescue.

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.

DSYS1.S - Inability to continue/deliver duty systems.

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

CYBS1.S - A digital attack or an unauthorised attempt to access WYFRS systems that impacts on the integrity, confidentiality or availability of systems and / or the information within them.

### 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 and Wellbeing Implications**

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

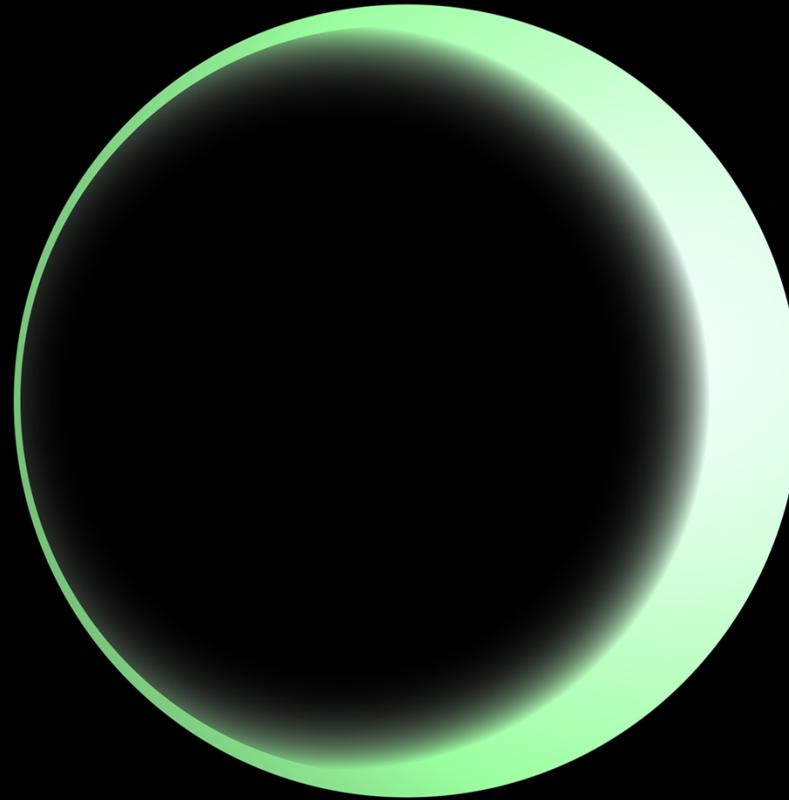
## **7 Environmental Implications**

7.1 There are no significant environmental implications associated with this report.

## **8 Your Fire and Rescue Service priorities**

8.1 This report supports the following priorities which have been identified in the 'Your Fire & Rescue Service 2019-2022' plan.

- Reduce the risks to the communities of West Yorkshire
- Continue to keep our firefighters safe



Planning report to the Audit Committee  
for the year ending 31 March 2020  
January 2020

# Contents

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## 01 Planning report

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# Director Introduction

## The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our planning report to the Audit Committee (the 'Committee') for the 2020 audit of West Yorkshire Fire & Rescue Authority (the 'Authority'). I would like to draw your attention to the key messages of this paper:

### **Audit Plan**

We have updated our understanding of the Authority including discussion with management and review of relevant documentation from across the Authority.

Based on these procedures, we have developed this plan in collaboration with the Authority to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Authority.

### **Key Risks**

We have taken an initial view as to the significant audit risks the Authority faces. These are presented as a summary dashboard on page 10 and are consistent with the risks identified in the prior year.

### **Regulatory change**

Our audit is carried out under the Code of Audit Practice issued by the National Audit Office (NAO).

We will update Management and the Committee with sector and technical updates as they arise.

### **Audit Quality**

Audit quality is our number one priority. Our plan is compiled in conjunction with management and we are committed to delivering a high quality audit.

**Paul Hewitson**

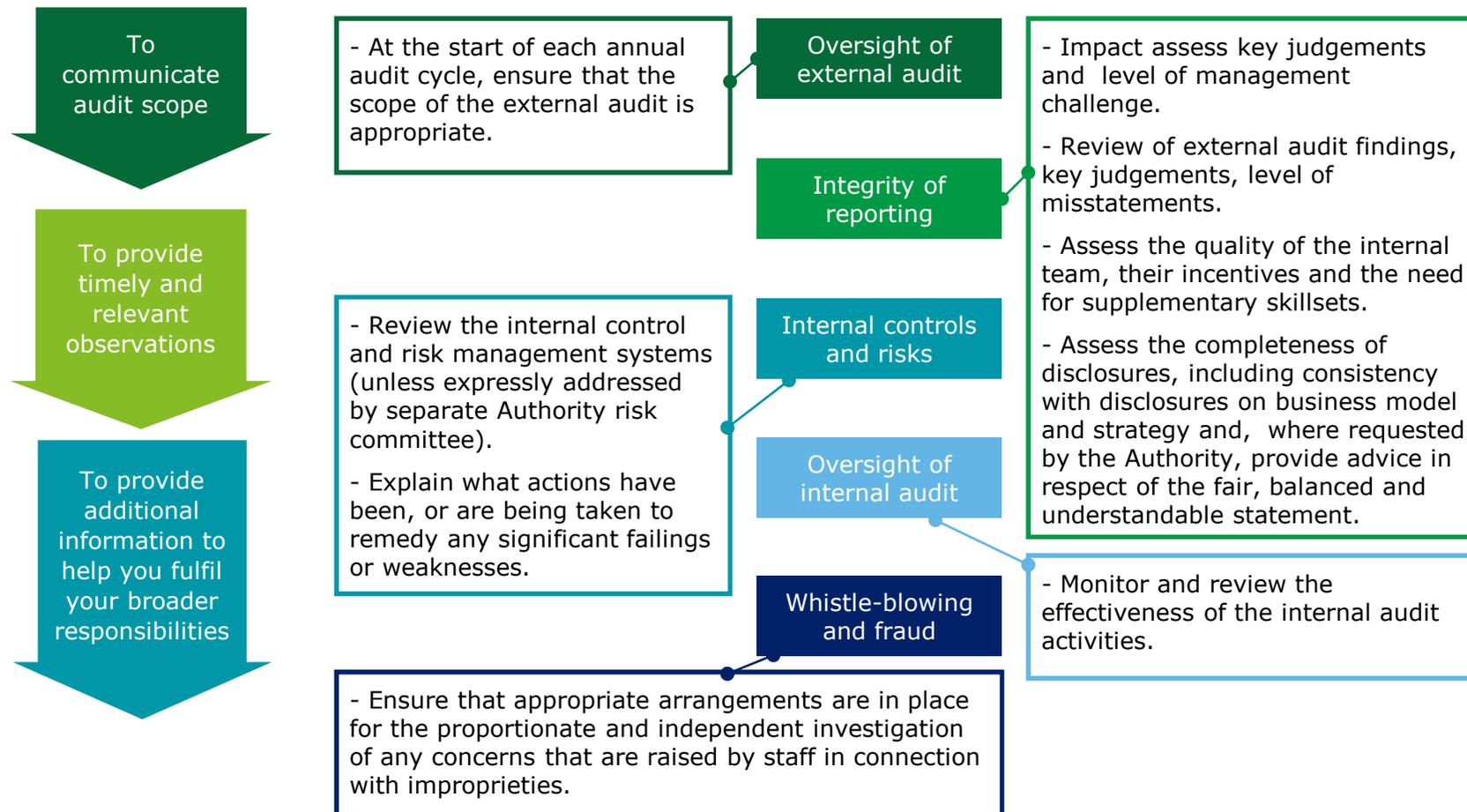
**Audit Director**

# Responsibilities of the Audit Committee

## Helping you fulfil your responsibilities

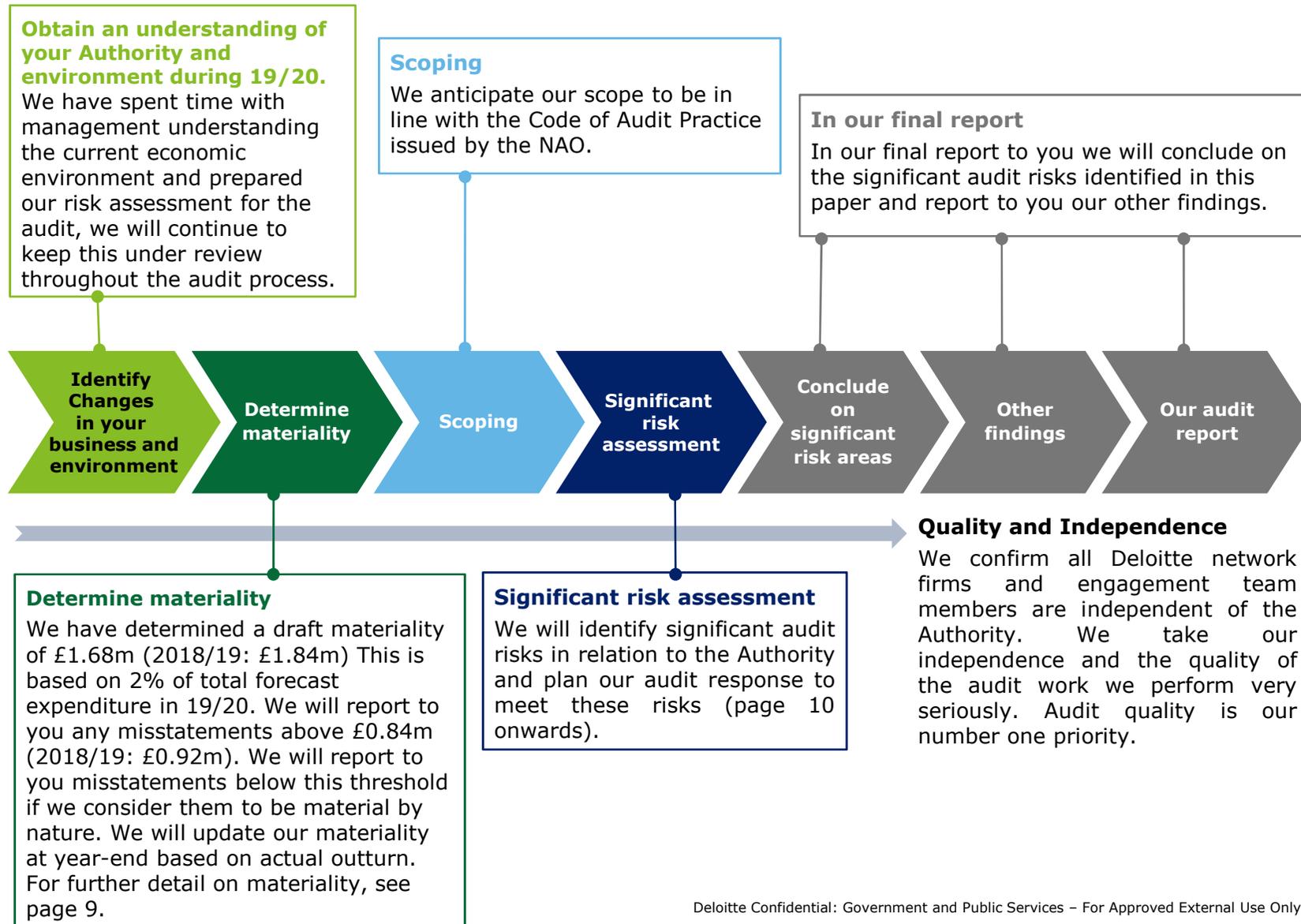
Why do we interact with the Audit Committee?

As a result of regulatory change in recent years, the role of the Committee has significantly expanded. We set out here a summary of the core areas of the Committee's responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.



# Our audit explained

## We tailor our audit to your Authority and your strategy



# Scope of work and approach

## We have three key areas of responsibility under the Audit Code of Practice

### **Financial statements**

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA (UK)") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the NAO. The Authority will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

We may be required to issue a separate assurance report to the NAO on the Authority's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts. We will update the Committee on this matter once NAO instructions are confirmed for the year.

### **Annual Governance Statement**

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Authority.

### **Value for Money conclusion**

We are required to satisfy ourselves that the Authority has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

To perform this work, we are required to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VFM.

Our work therefore includes a detailed risk assessment based on the risk factors identified in the course of our audits. This is followed by specific work focussed on the risks identified.

We then provide a conclusion on these arrangements as part of our final reporting to you.

# Scope of work and approach (continued)

## Our approach

### Liaison with internal audit

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Authority's staff.

### Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

### Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Authority complete the Code checklist during drafting of their financial statements.

### Value for Money and other reporting

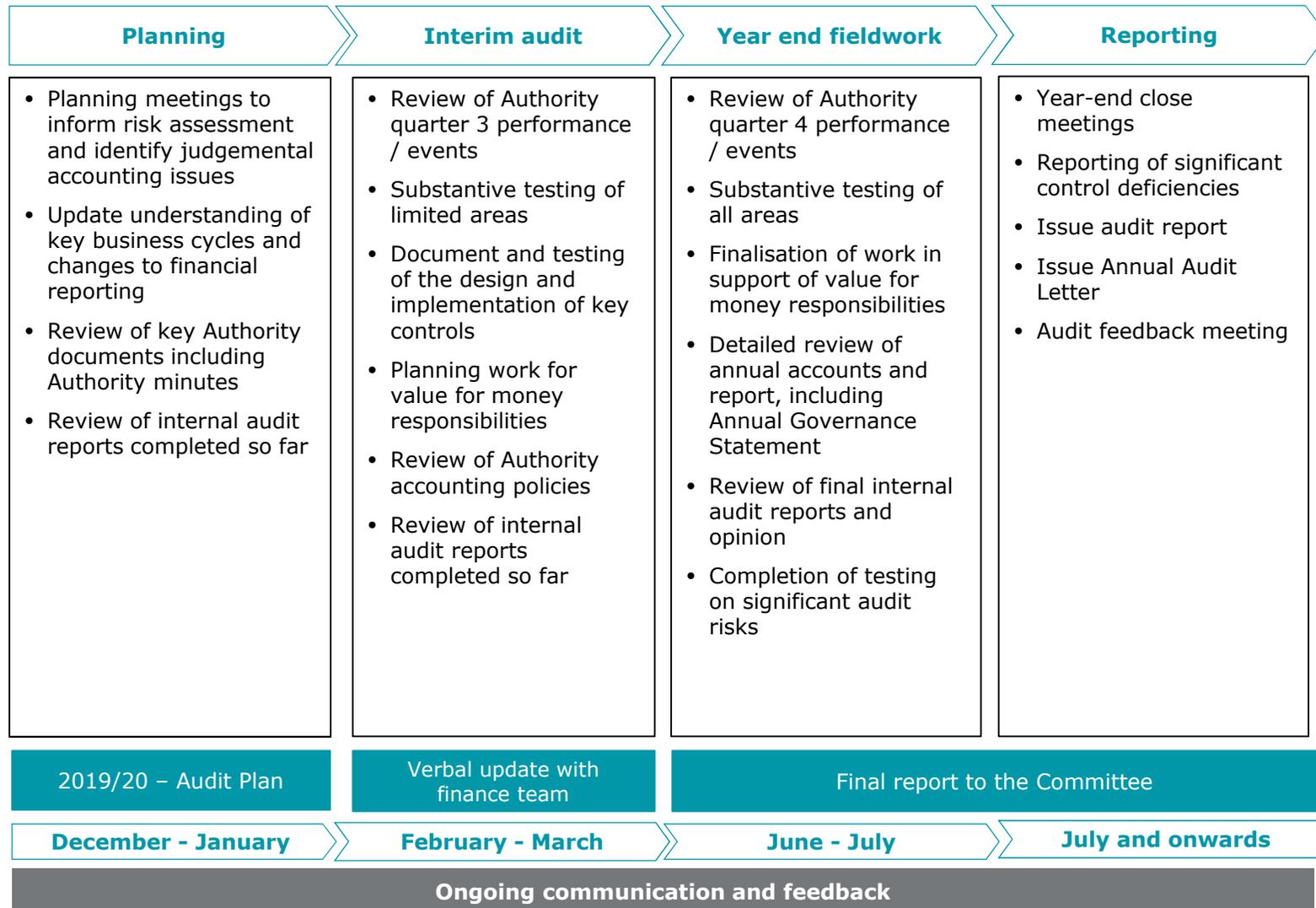
The Code of Audit Practice requires us to report by exception in our audit report any matters that we identify that indicate the Authority has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Public Auditor

Under the terms of the local audit and accountability act and in accordance with AGN04 we have certain other duties including, where necessary reporting in the public interest. We are not currently aware of circumstances that would lead us to exercise the powers afforded to the appointed auditor under the act.

# Continuous communication and reporting

## Planned timing of the audit



# Materiality

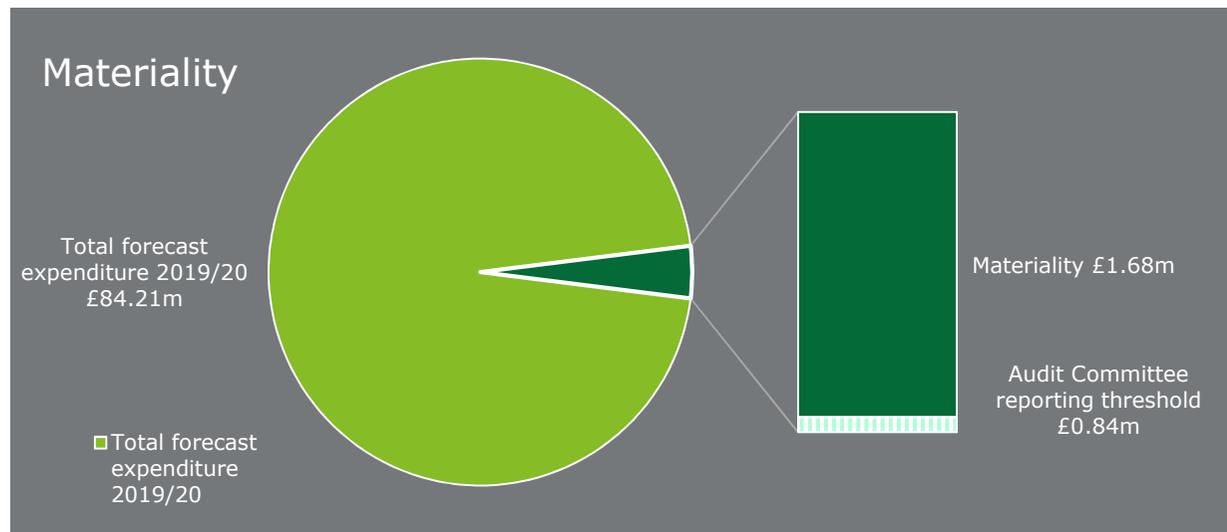
## Our approach to materiality

### Basis of our materiality benchmark

- The audit director has determined a preliminary materiality as £1.68m (2018/19: £1.84m), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements. We will update this at year-end based on actual outturn.
- We have used 2% of total forecasted expenditure as per the 2019/20 operational plan for determining materiality for the financial statements as a whole, which is in line with the approach taken in the prior year.

### Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.84m (2018/19: £0.92m).
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit director, the Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

# Significant Audit Risks

## Significant Audit Risk dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Expected to be included in our report to the Audit Committee	Slide no.
Property Valuation						11
Completeness of expenditure						12
Management Override of Controls						13

Note that this is a preliminary assessment of the significant risks of material misstatement and an update will be provided to the Committee should changes arise.

We have not identified any specific significant risks or areas of focus in relation to the value for money conclusion. We will continue to monitor this and will provide updates to the Committee if this changes.

- Low Level of Judgement
- Medium Level of Judgement
- High Level of Judgement

**Controls approach adopted**  
 Assess design & implementation

# Significant audit risks

## Risk 1 – Property Valuation

---

**Risk identified** The Authority held £74.5m of property assets (land and buildings) at 31 March 2018 which increased to £79.5m as at 31 March 2019. The increase was due to additions in the year of £1.19m and net movement on revaluation and depreciation of £3.81m.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. There is therefore a risk that the carrying value of assets not included in the authority's revaluation process in the current year materially differ from the year end fair value. A full revaluation was undertaken in 2018/19 and we understand from our discussions with management, that in the current year, 20% of assets will be fully revalued with the remaining 80% subject to a desktop exercise.

---

**Our response**

- We will examine the terms of engagement of the valuer, the instructions issued and the management controls within the Authority concerning the receipt, review and acceptance of the report;
- We will test the design and implementation of key controls in place around the valuations process;
- We will use our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the assumptions used in the year-end valuation of the Authority's Land and Buildings;
- We will test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts; and
- We will review a sample of assets that were not revalued and consider the accuracy of the valuation as at 31 March 2020.

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# Significant audit risks

## Risk 2 – Completeness of expenditure

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**Risk identified**

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. In line with last year, we have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure.

Given the Authority's current under spend budget position, and the pressures across the whole of the public sector, there is an inherent fraud risk associated with the under recording of expenditure in order for the Authority to report a more favourable year-end position.

There is a risk that the Authority may materially misstate expenditure through manipulation of the accruals balance, including year-end transactions, in an attempt to move expenditure between years to report a more favourable year end position. The Authority does not have material provisions balances and based upon discussions to date we do not consider the completeness of provisions to fall within the scope of this risk.

---

**Our response**

Our work in this area will include the following:

- We will obtain an understanding of the design and implementation of the key controls in place in relation to recording of accruals including year-end creditor transactions;
  - We will perform focused testing in relation to the completeness of expenditure by examining the application of cut off primarily through the focussed testing of accruals balance;
  - We will undertake further analytical procedures aimed at identifying distortion to the pattern of expenditure recorded; and
  - We will review and challenge the assumptions made in relation to year-end estimates and judgements to assess completeness of recorded expenditure.
-

# Significant risks

## Risk 3 – Management override of controls

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**Risk identified**

In accordance with ISA 240 (UK) management override is a presumed significant risk for all audit engagements. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions.

The key judgments in the financial statements are those which we have selected to be the significant audit risks: completeness of expenditure and valuation of the Authority's estate. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements. Whilst not noted as a significant risk, the valuation of pensions is also a key judgement.

---

**Our response**

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will test the design and implementation of key controls in place around journal entries and management judgements;
  - We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;
  - We will test the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;
  - We will review accounting judgements for biases that could result in material misstatements due to fraud; and
  - We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Authority, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
-

# Maintaining audit quality

## Responding to challenges in the current audit market

This is a time of intense scrutiny for our profession with questions over the role of auditors, market choice and the provision of non-audit services by an audit firm. We welcome the debate and are engaging fully with all parties who have an interest in the current audit market reform initiatives, so that our profession, our people, our clients and most importantly, the public interest, are served to the highest standards of audit quality and independence.

---

The role of audit	<ul style="list-style-type: none"><li>• Public confidence in audit has weakened over recent years and the expectation gap has widened with differences between what an audit does and what people think it should do (largely in areas of internal controls, fraud, front half assurance and long term viability).</li><li>• Deloitte fully supports an independent review into the role of auditors.</li><li>• The Government's Brydon Review will consider UK audit standards and how audits should evolve.</li></ul>
Would it be better to have audit only firms?	<ul style="list-style-type: none"><li>• Deloitte believes that multidisciplinary firms have more knowledge, greater access to technology and a deeper talent pool. The specialist input from industry, valuation, controls, pensions, cyber, solvency, IT and tax services are critical to an effective audit.</li><li>• Our investment in audit innovation, training and technology is greater because of the multidisciplinary model.</li></ul>
Is the current audit market uncompetitive?	<ul style="list-style-type: none"><li>• We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholders.</li><li>• There are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tendering.</li><li>• The audit profession has engaged with the Competition and Markets Authority (CMA) with ideas on how to provide greater choice in the market, and responded to the CMA's suggested market remedies.</li></ul>
Independence and conflicts from other services	<ul style="list-style-type: none"><li>• Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clients.</li><li>• Deloitte invests heavily in systems, processes and people to check for potential conflicts.</li><li>• We have governance arrangements in place to assess any areas of potential conflict, including where required to protect the public interest.</li><li>• Fees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue).</li></ul>
Deloitte	<ul style="list-style-type: none"><li>• Our Impact Report and Transparency Report are available on our website <a href="https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html">https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html</a></li></ul>

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# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and governance updates, relevant to you.

### Use of this report

This report has been prepared for the Authority, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Authority.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

We will update you if there are any significant changes to the audit plan.

**Deloitte LLP**  
Newcastle Upon Tyne, January 2020

# Appendices



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# Prior year audit adjustments

## Uncorrected misstatements

The following uncorrected misstatements were identified during the course of our prior year audit:

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) reserves £m
<b>Misstatements identified in prior year</b>				
Depreciation	[1]	1.091 (1.091)	1.091 (1.091)	
Creditors	[2]	0.294	(0.294)	
<b>Aggregation of misstatements individually &lt;£92k</b>				
Cumulative total of errors <£92k		0.102	(0.102)	
<b>Total</b>		<b>0.396</b>	<b>(0.396)</b>	

(1) Noted from our depreciation testing that there is an analysis error between the depreciation charge in the year and the amount reported as Income and Expenditure gains. The overall position in the General Fund, Capital Adjustment Account and Net Book Value of PPE is accurate, however, this is an analysis error within the note. Enquiries are ongoing between the Authority and CIPFA Asset Manager regarding the reversals of previous losses against the CIES. The Authority is awaiting a technical paper from CIPFA regarding the proposed changes from the version of the system that was used to complete the 2018/19 Statement of Accounts and if the systems processes were compliant with the Code of Practice and likewise to ensure compliance for 2019/20 after the changes. We will provide an update to the Committee regarding this in due course.

(2) Relates to an extrapolated under accrual for expenditure noted from the six errors in our creditors testing.

# Prior year audit adjustments

## Disclosures

### **Disclosure misstatements**

The following uncorrected disclosure misstatements were identified during the course of our prior year audit:

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#### Disclosure

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The disclosure of the impact upon transition to IFRS 15, as required by IAS 1, was not included within the financial statements.

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The accrued interest on Financial Instruments held by the Authority had been incorrectly analysed within the Financial Instruments Note (Note 18).

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# Fraud responsibilities and representations

## Responsibilities explained



### Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



### Our responsibilities:

- We are required to obtain representations from management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of fraud in completeness of expenditure, and management override of controls as a key audit risk for your organisation.



### Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### We will request the following to be stated in the representation letter signed on behalf of the Authority:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.]
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

# Fraud responsibilities and representations

## Inquiries

We will make the following inquiries regarding fraud:



### **Management:**

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the Authority.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the Authority.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the Authority.
- We plan to involve management from outside the finance function in our inquiries.



### **Internal audit**

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the Authority, and to obtain its views about the risks of fraud.



### **Those charged with governance**

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the Authority and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the Authority.
- The views of those charged with governance on the most significant fraud risk factors affecting the Authority.

# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

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<b>Independence confirmation</b>	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Authority and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2020 in our final report to the Audit Committee.
<b>Fees</b>	There are no non-audit fees proposed for either the current or prior years. Details of audit fees are included on the next slide.
<b>Non-audit services</b>	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
<b>Relationships</b>	We have no other relationships with the Authority, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

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# Independence and fees

The professional fees expected to be charged by Deloitte LLP in the period from 1 April 2019 to 31 March 2020 are as follows:

	Current year £	Prior year £
Financial statement audit, including Whole of Government Accounts and procedures in respect of Value for Money assessment	27,782	27,782
Additional fees		*
<b>Total audit</b>	27,782	TBC
<b>Total fees</b>	<b>27,782</b>	<b>TBC</b>

\* We are still in discussions with management to agree an appropriate sum of additional audit fees to reflect the additional work that was required in respect of the 2018/19 audit, as communicated in our report to those charged with governance in July 2019.

# Our approach to quality

## AQR team report and findings

We maintain a relentless focus on quality and our quality control procedures and continue to invest in and enhance our Audit Quality Monitoring and Measuring programme. In July 2019 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2018/19 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality. We have further transformed our internal review processes including a new focus for reviewing in progress audits, developing our Audit Quality Indicators ('AQI') which are monitored and reported to the firm's executive, and on enhanced remediation procedures.

Whilst we are pleased that overall our quality record, as measured by external inspections, has improved from 76% to 84%, we remain committed to continuous improvement and achieving as a minimum the 90% benchmark across all engagements. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions. We are also pleased to see the impact of our previous actions on impairment, group audits and contingent liability disclosures reflected in the audits under review and there being limited or no findings in those areas. These continue to be a focus in our training, internal coaching and internal review programmes.

We invest continually in our firm wide processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

All the AQR public reports are available on its website.  
<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

### The AQR's 2018/19 Audit Quality Inspection Report on Deloitte LLP

"We assessed 84% of the firm's audits that we reviewed as requiring no more than limited improvements, compared with 76% in 2017/18. Of the FTSE 350 audits we reviewed this year, we assessed 75% as achieving this standard compared with 79% in 2017/18. We note that our inspection results show only modest improvements in audit quality."

"We had no significant findings arising from our firm-wide work on internal quality monitoring, engagement quality control reviews and independence and ethics."

#### **"Our key individual review findings related principally to the need to:**

- Exercise greater professional scepticism in the audit of potential prior year adjustments and related disclosures in the annual report and accounts.
- Strengthen the extent of challenge of key estimates and assumptions in key areas of judgement, including asset valuations and impairment testing.
- Improve the consistency of the quality of the firm's audit of revenue.
- Achieve greater consistency in the audit of provisions and liabilities."

#### **"The firm has enhanced its policies and procedures during the year in a number of areas, including the following:**

- Through the firm's global audit quality programmes, there has been an increased focus on consistency of audit work across the audit practice. For certain account balances, standardised approaches have been adopted, further use has been made of centres of excellence and delivery centres and new technologies embedded into the audit process to support and enable risk assessments, analytical procedures and project management activities.
- Further methodology updates and additional guidance and training for the audit practice covering group audits, accounting estimates, financial services (including the adoption of IFRS 9) provisions and contingencies and the evidencing of quality control procedures (including EQCR) on individual audits.
- Increased support for audit teams throughout the audit cycle including coaching programmes for teams and greater use of diagnostics to monitor progress.
- Continued focus on the approach to the testing of internal controls. The firm provided additional training and support to audit teams adopting a controls-based audit approach, increased focus on reporting to Audit Committees on internal controls and on the wording of auditor's reports."



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