West Yorkshire Fire & Rescue Authority

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Abridged Performance Management Report

Audit Committee

Date: 22 April 2022

Agenda Item: 6

Submitted By: Head of Corporate Services

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.

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

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? ([EIA guidance and form 2020 form.docx (westyorksfire.gov.uk)])	~~Yes~~ / No
Date EIA Completed	DD/MM/YY
Date EIA Approved	DD/MM/YY

The EIA is available on request from the report author or from diversity.inclusion@westyorksfire.gov.uk

7 Health, Safety and Wellbeing Implications

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

8 Environmental Implications

8.1 There are no environmental implications associated with this report.

9 Your Fire and Rescue Service Priorities

9.1 This report links to all the Your Fire and Rescue Service priorities.

10 Conclusions

10.1 That Members note the report.

West Yorkshire
Fire & Rescue Service

Performance Management and Activity Report (Abridged) 2021/22

Period covered: 1 April – 31 December 2021
Date Issued: 22 April 2022

Making West Yorkshire Safer
www.westyorksfire.gov.uk

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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 – 31 December 2021.

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

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

	Actual Data (2011/12)	Three Year Average Target (2017/20)	Actual Data to date (2020/21)	Actual Data to date (2021/22)	Performance Against Three Year Average (2021/22)	End of Year Projection (2021/22)
Arson	8723	6641	4490	4451	-11.0%	5908
Actual Rescues	821	1655	655	910	-27.0%	1208
Total Activity	30103	23990	18603	19261	6.6%	25565
Dwelling Fires	1492	1141	778	802	-6.7%	1064
Non-Domestic Building Fires	493	416	231	263	-16.1%	349
Prevalence of False Alarms	14714	10439	8542	8674	10.3%	11513
Fire-Related Injuries	282	193	106	103	-29.2%	137
Road Traffic Collisions	874	655	325	456	-7.6%	605
Malicious False Alarms	641	348	213	313	19.4%	415

3. Service Delivery Indicators – Performance compared to previous year

Description	2020-21	2021-22
Accidental Dwelling Fires (per 10,000 dwellings)	6.71	6.93
Number of deaths arising from accidental fires in dwellings (per 100,000 population)	0.22	0.26
Number of Fire-Related Deaths (per 100,000 population) arising from fires other than Accidental Dwelling Fires	0.13	0.13
Number of Injuries arising from accidental fires in dwellings (per 100,000 population)	2.77	3.16
(a) Number of Serious Injuries (per 100,000 population)	0.39	0.82
(b) Number of Slight Injuries (per 100,000 population)	2.38	2.34
The percentage of dwelling fires attended where there was a working smoke alarm which activated	56.10%	59.65%
The percentage of dwelling fires attended where a working smoke alarm was correctly fitted but did not activate	18.74%	19.18%
The percentage of dwelling fires attended where a smoke alarm, because it was faulty or incorrectly sited, did not activate	4.62%	2.85%
The percentage of dwelling fires attended where no smoke alarm was fitted	20.54%	18.32%
Number of calls to malicious false alarms (per 1000 population) – attended	0.09	0.14
False alarms caused by automatic fire detection equipment (per 1000 non-domestic properties)	28.32	29.81
False alarms caused by automatic fire detection equipment (per 1000 domestic properties)	3.26	3.44
Fires in non-domestic premises (per 1000 non-domestic premises)	2.74	3.12
Number of Primary Fires (per 100,000 population)	97.40	96.06
Number of Fire Casualties – excluding Precautionary Checks (per 100,000 population)	4.29	4.16
Arson Incidents – All Deliberate Fires (per 10,000 population)	19.46	19.32
Arson Incidents – Deliberate Primary Fires (per 10,000 population)	3.99	3.51
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	15.47	15.81

4. Service Delivery Indicators – WYFRS not achieving target

Description	Cumulative Year to Date Performance												Performance
	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	in 2020-21
Number of deaths arising from accidental fires in dwellings (per 100,000 population)	0.00 (0)	0.09 (2)	0.09 (2)	0.09 (2)	0.13 (3)	0.13 (3)	0.17 (4)	0.17 (4)	0.26 (6)				0.22 (5)

Comments: We have seen one additional accidental dwelling fire fatality compared with the same period in 2020 - 21. Of these deaths, four have resulted from smoking, one from electrical distribution and one from a fire caused by a space heating appliance. We fully returned to delivering safe and well visits in May and provide advice on smoking cessation and the safe use of electrical appliances. We have also entered into a pilot within Wakefield linked to fuel poverty and cold home which allows us to exchange older style heaters with safer more efficient heaters. It is expected that these measures will contribute to our aim of making people safer in their homes.

Description	Cumulative Year to Date Performance												Performance
	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	in 2020-21
Number of Injuries arising from accidental fires in dwellings (per 100,000 population)	0.78 (18)	1.00 (23)	1.30 (30)	1.95 (45)	2.34 (54)	2.43 (56)	2.51 (58)	2.90 (67)	3.16 (73)				2.77 (64)

Comments: We have seen a slight increase (9) in injuries arising from accidental fires, 7 of these can be attributed to one incident and required precautionary treatment only. It is pleasing to report that Injuries resulting from all fire incidents types are at all an time low for West Yorkshire Fire and Rescue Service.

Description	Cumulative Year to Date Performance												Performance
	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	in 2020-21
Number of calls to malicious false alarms (per 1000 population) – attended	0.02 (35)	0.03 (58)	0.04 (87)	0.06 (131)	0.05 (156)	0.08 (196)	0.10 (238)	0.12 (285)	0.14 (313)				0.09 (213)

Comments: A large proportion of these false alarms (41) result from 3 buildings in Bradford. The district team are working with partners to resolve ongoing issues with residents of these buildings. By pairing this approach with improved reporting arrangements we have started to see strong performance against this target and expect to see an improving picture through the rest of the year.

Description	Cumulative Year to Date Performance												Performance
	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	in 2020-21
Fires in non-domestic premises (per 1000 non-domestic premises)	0.38 (32)	0.72 (61)	1.11 (94)	1.39 (117)	1.67 (141)	2.14 (180)	2.54 (214)	2.82 (238)	3.12 (263)				2.74 (231)

Comments: It is difficult to compare this target to the previous year . In 2020 - 21 a large number of non-domestic properties were closed due to covid and led to very strong performance against the target. When compared to the three year target, 21 - 22 is achieving the target by over 16%.

West Yorkshire Fire and Rescue Service

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OFFICIAL

Accounting Policies

Audit Committee

Date: 22 April 2022

Agenda Item: **7**

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 2021/22.

Recommendations

That members note the report.

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
Contact Officer:	Emma Ayton, Senior Finance Manager E: emma.ayton@westyorksfire.gov.uk
Background papers open to inspection:	None
Annexes:	Accounting Polices

1 Introduction

1.1 The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022.

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 2021/22 and the Service Reporting Code of Practice 2020/21 supported by International Financial Reporting Standards (IFRS).

1.3 Revised regulations were introduced by the Ministry for Housing, Communities and Local Government in March 2021, to amend the publication date of the audited accounts from the 31st July to the 30th September and the preparation of draft accounts from the 31st May to the 31st July. Even though these revised regulations were introduced, 91% of local audits for 2020/21, missed the statutory deadline of the 30th September. This was primarily due to increased audit requirements and resourcing issues for external auditors. The final accounts for West Yorkshire were approved at Audit Committee on the 28th January.

1.4 In order to address this issue, the Department for Levelling Up, Housing and Communities (DLUHC), subject to consultation, will introduce secondary legislation to extend the deadline for publishing 2021/22 audited local authority accounts to the 30th November. The statutory deadline for the publication of the accounts on the website is the 31st July 2022.

The accounts will be presented to Audit Committee on the 25th November for approval.

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 2021/22 there have been no material changes to the set of accounting policies included within the 2020/21 Statement of Accounts.

2.5 The changes to IFRS16, the accounting standard applicable to leases, has been postponed for a further year to the 1st April 2023. In summary, the change to this accounting standard will require the authority to capitalise the lease cost of vehicles rather than treat them as a revenue cost.

2.5 The policies which will be followed in the preparation of the 2021/22 Statement of Accounts are set out in Appendix A.

3 Financial Implications

There are no financial implications associated with this report.

4 Legal Implications

The Monitoring 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

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

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk)	**No**

7 Health, Safety and Wellbeing Implications

There are no health, safety and wellbeing implications associated with this report.

8 Environmental Implications

There are no environmental implications associated with this report

9 Your Fire and Rescue Service Priorities

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

10 Conclusions

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 2021/22 Statement of Accounts.

Note 1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority’s transactions for the 2021/22 financial year and its position at the year end of 31st March 2022.

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 2021/22 and the Service Reporting Code of Practice 2021/22. 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 accrual’s 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 to be in operational existence for the foreseeable future. The Chief Finance and Procurement Officer is unaware of any material uncertainties relating to the Authority’s ability to continue as a going concern.

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.

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. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that may not be collected.

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 readily convertible to known amounts of cash with insignificant risk of change in value.

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.

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.

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.

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.

Employee Benefits

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.

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.

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.

From 1st April 2022 all Firefighters in active service will transfer to the 2015 Firefighters Pension Scheme.

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 determined in the actuaries' assumptions.
- 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 considering 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 2021/22 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 2021/22 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.

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.

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. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

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 re-purchase 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.

Financial Assets

There are two main classes of financial assets measured within the Authority at:

- Amortised cost and;
- Fair value through profit and loss

The Authority holds investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Authority's financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). The Authority therefore made the irrevocable election to designate changes in equity investments in other comprehensive income as permitted under IFRS. The Authority does not currently hold any equity investments and therefore all assets are currently held at amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 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 financial assets held by the Authority, 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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where the Authority has entered into a financial asset and recognises the potential for any loss, then this will be recognised over the lifetime of the asset.

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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.

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.

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.

Inventories and Long-Term Contracts

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

Leases

Finance 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 2021/22.

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.

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.

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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual's 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 expenditure on individual capital schemes below this limit are charged to revenue expenditure.

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:

Land and Buildings

- Operational Assets – including all fire stations, the Urban Search and Rescue Building and buildings at FSHQ - depreciated replacement cost

Vehicles, Plant and Equipment

- Non-property assets with short useful lives and/or low values – depreciated historical cost.
- Fire Appliances – due to their specialist nature these are valued at depreciated historical cost.

Assets Under Construction (AUC) - historical cost.

Surplus Assets – market value

Assets Held for Sale – market value

The Authority formally values via an external valuations team, 20% of its assets each year and for the remaining 80% that are not formally re-valued in year a desktop exercise is undertaken to assess their current value by the Authority's external valuer. This is determined and set out within the letter of engagement between the Authority and external valuer.

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

Increases in value of Property, Plant and Equipment 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.

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.

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 from 1st of October in year of acquisition. Buildings and motor vehicles are depreciated from the date they became operational. Estimated lives for new assets can vary but are generally as follows:

Land and Buildings:

- New Buildings and Refurbishments 21-50 years

Vehicles, Plant and Equipment:

- Fire Appliances 13 years
- Operational Equipment 5-13 years
- Fixtures and Fittings 10 years
- Computer Equipment 5 years

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.

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.

The asset life of any component will not exceed the timeframe set out underestimated asset lives and therefore not one component of an asset will ever be recognised as having an estimated life of greater than 50 years.

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. Amounts received under £10,000 are categorised as revenue 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.

There is a formal disposal process in place that departments complete when assets are disposed of to ensure that the asset register is complete.

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 2021/22 are shown in Note 6.

Provisions, Contingent Liabilities and Contingent Assets

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, considering relevant risks and uncertainties.

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

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.

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.

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. For the Authority this is considered to be £5m. The Authority also has a number of earmarked reserves which are held for identified specific expenditure in the future. These are reviewed annually and those no longer required are 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.

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. The Authority uses this approach for the installation of smoke and carbon monoxide alarms within premises.

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.

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 in 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 on 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 31st March 2022
- Provision for impairments of debtors in relation to Council Tax and Business rates retention arrears as at 31st March 2022
- 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.

The relationship with each billing Authority is held within the Balance Sheet as a net debtor or creditor to the Authority.

West Yorkshire
Fire & Rescue Authority

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Internal Audit Quarterly Report

Audit Committee

Date: 22 April 2022

Agenda Item: **8**

Submitted By: Chief Finance and Procurement Officer

Purpose To present the Internal Audit Report for January to March 2022

Recommendations That members note the report

Summary To provide a summary of the audit activity for the period January to March 2022 and to report the findings to the Committee

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Simon Straker simon.straker@kirklees.gov.uk 01484 221000
Background papers open to inspection:	Internal Audit Reports
Annexes:	Internal Audit Quarterly Report

Making West Yorkshire Safer
www.westyorksfire.gov.uk

1 Introduction

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 2022.

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

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 Information

In the period January to March, two audits have been completed one received a substantial assurance and the other received an adequate assurance opinion. In 2021/22, ten of the thirteen planned audits have been completed, one is currently in progress and two audits have been slipped into 2022/23.

3 Financial Implications

There are no financial implications associated with this report

4 Legal Implications

The Monitoring 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

There are no human resource or diversity implications with this report.

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	**No**

7 Health, Safety and Wellbeing Implications

There are no health, safety or wellbeing implications with this report.

8 Environmental Implications

There are no environmental implications with this report.

9 Your Fire and Rescue Service Priorities

The provision of internal audit satisfies all the fire and rescue service priorities.

10 Conclusions

That members note the internal quarterly review report.

INTERNAL AUDIT QUARTERLY REPORT

2021/22

January to March 2022

Simon Straker: Audit Manager

ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2021/22 Audit Plan was approved by this Committee at the start of the year 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 details of work completed during the final quarter of the current 2021/22 Audit Plan. To date ten of the thirteen planned audits have been undertaken with one in progress and two others deferred into next year at Management's request.

Both audits herein produced a positive assurance opinion.

2. SPECIAL INVESTIGATIONS & REVIEWS

None during this time.

3. KEY FINANCIAL SYSTEMS & RISKS

System	Findings	Audit Opinion
Chief Finance & Procurement Officer		
Payroll	Payroll processing is operating to a good standard with complete source documentation for employee set-up, termination and variation transactions, a clear audit trail for overpayments, loans and absences, and thorough checking of exception reports, resulting in accurate payments being made. During the course of audit testing, it was noted that the recent implementation of new IT software (Gartan & Access) that feeds certain transaction types into the payroll system (SAP) had resulted in several systematic overpayments. This related to the way the new systems were processing certain types of payment relating to overtime and sickness absence but these had been identified prior to the audit, demonstrating the effectiveness of exception report checking and were in the process of being reclaimed. The systems and processes in place had been amended to prevent these errors from recurring and audit testing did not identify any further overpayments.	Adequate Assurance

	Storage of supporting documentation and the audit trail for entries made would be improved if it was done using a document management system (Access HR) rather than in e-mail folders..	
Bank Reconciliation	Audit C/fwd into 2022/23 at Management's request	

4. OTHER FINANCIAL SYSTEMS & RISKS

System	Findings	Audit Opinion
Chief Finance & Procurement Officer		
Treasury Management	Audit C/fwd into 2022/23 at Management's request.	

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
Chief Finance & Procurement Officer		
Contract Procedure Rule Compliance	Contract Procedure Rules were introduced as part of the Constitution in July 2019, replacing Contract Standing Orders as one outcome of the Authority commissioned Local Government Association procurement peer review. The Risk Matrix identified the likelihood and implications of officers failing to comply with the new requirements with the consequence of unsuccessful supplier challenge and possible litigation. The audit established that to manage this risk a Procurement Manager was appointed (MCIPS[1]) in February 2020 and a centralised procurement team established. Skill sets have been developed and new staff recruited, all staff are qualified or working towards CIPS. Procedures and guidance have been revised and developed, and procurement training delivered across the Authority, in a relatively short time, during an unprecedented and challenging period. A sample of 9 procurement exercises undertaken since the CPRs were implemented was reviewed to assess compliance. The results determined a robust, clear, and consistent process compliant with CPRs with comprehensive supporting documentation of procurement preparation, authorisation, tendering process and subsequent evaluation and award. Further developments are planned to link orders and subsequent invoices to contract references which will allow clearer monitoring of contract spend. The findings of this audit review provide assurance that the Authority is managing the risk of non-compliance effectively.	Substantial Assurance

[1] Member of the Chartered Institute of Procurement and Supply

Director of Service Delivery		
Severe Weather (non-flooding) Risk	Audit in Progress	

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 & EXTENSIONS OF TIME TO IMPLEMENT

No key recommendations were outstanding, nor implementation times extended during this period.

9. ADVICE, CONSULTANCY & OTHER WORK

Internal Audit has been commissioned to provide assurance, oversight and challenge to the FSHQ Programme Board. Terms of reference has been agreed to review progress at each of the key milestones on a rolling basis to enable any timely remediation, particularly with external contractors.

10 AUDIT PLAN DELIVERY 2021/22

Performance Indicators	19/20 Actual	20/21 Revised Actual	21/22 Target	21/22 Actual
Audits completed within the planned time allowance	80%	80%	90%	60%
Draft reports issued within 10 days of fieldwork completion	90%	90%	90%	90%
Client satisfaction in post audit questionnaires	90%	90%	90%	n/a
Chargeable audit days	130*	110*	160	141
QA compliance sample checks – percentage pass	100	100	100	n/a
Planned Audits Completed	10	15	13	10
Planned Audits in Progress				1
Planned Audit Deferred				2
Planned Audits Postponed				0
Unplanned Work Completed				0
Unplanned Work in Progress				0

*Shortfall from 160 refunded, 80 days in total.

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Risk Management Strategy Group Update

Audit Committee

Date: 22 April 2022

Agenda Item: **9**

Submitted By: Chief Employment Services Officer

Purpose

To report risk management activity and developments reported to Risk Management Strategy Group (RMSG) in January 2022 and highlight any future risks or risk related areas.

Recommendations

That the Audit Committee note the report and approve the Risk Management Strategy and Policy.

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
Contact Officer:	John Tideswell, Risk Management Officer Corporate Services 01274 682311 ext 670729 John.tideswell@westyorksfire.gov.uk
Background papers open to inspection:	Risk Management Strategy and Policy
Annexes:	Risk Management Strategy and Policy (for approval)

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 January 2022. The Audit Manager from Kirklees Council attends RMSG meetings and provides an update on recent internal audit activity.

2.2 Below is a summary of key areas:

- Between the October 2021 and January 2022 RMSG meetings, 20 risks have been reviewed by their respective owners.
- The risk 'Ineffective response and recovery to the Coronavirus COVID-19 pandemic leading to and impacting on staff, absence levels, health/safety/wellbeing, service delivery, the public/community, partners, finance, reputation and legal issues' is reviewed every three months. The current risk score is 12.
- A new risk FSTD1.S - Failure to implement the requirements of the Fire Standards published by the Fire Standards Board, has been created and included on the risk matrix in October 2021.
- A new risk relating to the Headquarters development costs has been created – HQDC1.S – Price increase during RIBA Stages 3 & 4 due to the volatility of the current environment affecting the building and refurbishment costs of buildings prior to receiving a Guaranteed Maximum Price (GMP) from a Design and Build (D&B) contractor.
- The Risk Management Strategy and Policy is attached which has been updated to ensure alignment to the risk management standard ISO 31000:2018 Risk Management – Guidelines. The document is attached to this report for approval.

2.3 There are currently 55 risks split between the following categories. The table below shows movement over the past 12 months.

Risk Factor Score	March 2021	June 2021	October 2021	January 2022
Very High (15-25)	6	6	6	6
High (9-14)	20	20	20	21
Medium (4-8)	23	23	23	24
Low (1-3)	4	4	4	4
Total number of risks	53	53	53	55

The 6 'very high' risks remain the same as October 2021:

LRGG1.S - Loss or reduction in government grant.

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

MTAE1.S - Responding to a marauding terrorist attack event.

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

PLOS1.S - Temporary loss of personnel (e.g. flu, industrial action) resulting in reduced levels of service.

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 Monitoring 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 significant human resources and diversity implications associated with this report.

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	~~Yes /~~ No
Date EIA Completed	DD/MM/YY
Date EIA Approved	DD/MM/YY

The EIA is available on request from the report author or from diversity.inclusion@westyorksfire.gov.uk

7 Health, Safety and Wellbeing Implications

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

8 Environmental Implications

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

9 Your Fire and Rescue Service Priorities

9.1 This report supports the following priorities which have been identified in the 'Your Fire & Rescue Service 2020-2023' plan.

- Reduce the risks to the communities of West Yorkshire
- We will continue to develop ways of working which improve the safety & effectiveness of our firefighters

10 Conclusions

10.1 That the Audit Committee note the report and approve the Risk Management Strategy and Policy.

Risk Management Strategy and Policy
(including procedures)

OFFICIAL
Ownership: Corporate Services
Date Issued: 05/01/2021
Version: 4.0 Status: DRAFT

Revision and Signoff Sheet

Change Record

Date	Author	Version	Comments
6/5/2014	John Tideswell	1.1	Revised to align to ISO 31000:2009 and internal requirements/ arrangements.
19/9/2014	John Tideswell	2.0	Approved by Audit Committee
18/9/2017	John Tideswell	3.0	3 year review (no amendments) - Approved by Audit Committee
05/01/2021	John Tideswell	4.0	Revised to align to ISO 31000:2018 and internal requirements

Reviewers

Name	Version Approved	Position	Organisation	Date
Michael Barnes	1.1	CLGO	WYFRS	27/8/2014
Management Team	4.0	N/A	WYFRS	TBC
Audit Committee	4.0	N/A	N/A	TBC

Distribution

Name	Position	Organisation

Document Properties

Item	Details
Document Title	Risk Management Strategy and Policy
Author	Administrator
Creation Date	21 January 2014
Last Updated	18 September 2017

Contents

1 Introduction

West Yorkshire Fire and Rescue Service (WYFRS) like other organisations of all types and sizes face internal and external factors and influences that cause a level of uncertainty whether and when their objectives will be achieved. The effect this uncertainty has on WYFRS objectives is ‘risk’.

The aim of this policy is to provide a clear and defined strategy, framework and risk processes, which will enable WYFRS to identify, assess and manage risk in an effective, systematic and consistent manner. It will also assist in embedding a risk management culture.

The Authority accepts that an element of risk is inherent in everything that an organisation does and that it has both a moral and legal obligation to safeguard employees, assets and the community from such risk. This policy therefore aims to ensure that risk management forms an integral part of WYFRS corporate governance and provides clear guidance in regard to the Authority’s objectives and who/what is involved in the overall strategy.

Risk management is a systematic process used to effectively manage potential opportunities and threats. The risk management process is the identification, analysis and economic control of those risks that can threaten the assets of the organisation or the ability of the organisation to provide a service. Risk management should not be seen as a ‘bolt on’; it should be integral to policy planning and operational management within the Authority. Applying the risk management cycle methodology will help Fire Authority elected members and WYFRS managers to make informed decisions in regard to the viability of adopting policy or service delivery options.

The risk management cycle will generate information that will facilitate avoidance or the minimisation of risk. It will also enlighten judgements on the type and degree of insurance cover and the balance to be reached between self-insurance and external protection.

Although it is not possible to eliminate all organisational risks, the overall objective is to instigate cost effective processes within a framework, which will reduce risk levels to an acceptable level, eliminate unacceptable risk and facilitate risk transfer via insurance or similar means. There is a direct relationship between risk management and business continuity management, as business continuity management activities and plans may reduce the impact of certain risks if they were to occur.

The cost of risk is made up of two components, the evident cost of risk and the hidden cost of risk. Evident costs associated with risk include increased/decreased insurance premiums, uninsured losses met from the insurance fund, the cost of risk control measures and direct administration costs. Examples of hidden costs are harder to identify or evaluate and may include reduction in staff morale, loss of staff availability to dealing with risks, damage to reputation, indirect administration costs and time lost to sickness, following accidents. It is a common conception that hidden costs of risk have the potential to be many times that of the respective evident costs.

Risk management is an integral part of good organisational management, which protects and strengthens organisational assets (people, property and finances) and contributes to sustainability. Good risk management will help to ensure the quality of services provided by WYFRS and maintain the Authority's good reputation. Risk management also assists in the prevention of breaches of law and regulations, which could expose the Authority to unnecessary accusations and legal action.
A summary of additional benefits are listed below (this list is not exhaustive):

- Increase the likelihood of achieving objectives.
- Reduced risk of interruptions to service delivery.
- Improve the identification of opportunities and threats.
- Reduction in accidents, injuries and other safety events.
- A reduction in managerial time devoted to managing risk event consequences.
- Facilitation of a systematic methodology for addressing legislative and regulatory requirements.
- Reduction in the financial costs linked with losses due to service interruption, litigation, bad investment decisions, etc.
- Improved financial control as a result of risk identification, analysis, control and monitoring.
- Reduced insurance premiums.
- Improve stakeholder confidence and trust.
- Increase organisational resilience.

1.1 Legislation and Acts

WYFRS must manage risks to ensure adherence and compliance with relevant legislation and acts.

A number of legal requirements are placed upon fire and rescue services in relation to the generic provision of services. These requirements are complemented by additional Governmental and departmental expectations. The following sections summarise the existing legislative requirements and expectations placed upon fire and rescue services. The core functions for fire and rescue services are set out in Sections 6 to 8 of the Fire and Rescue Services Act 2004. These functions specify clear requirements upon fire and rescue services in regard to:

- Promotion of fire safety.
- Extinguishment of fires.
- Protecting life and property in the event of fires.
- Rescuing persons in the event of road traffic collisions.

Section 9 enables the Secretary of State to specify by order other core functions relating to emergencies for which fire and rescue services must make provision. An order, under this section, became effective on 6 April 2007 - The Fire and Rescue Services (Emergencies)(England) Order 2007.

The Civil Contingencies Act 2004 requires ‘Category 1 responders’ (organisations at the core of the response to most emergencies) to maintain plans to ensure that they can continue to exercise their respective functions in the event of an emergency so far as is reasonably practicable. The Act makes specific requirements upon Category 1 responders, to maintain arrangements for continuation of all organisational functions and not just those associated with civil protection. The legislation requires Category 1 responders to maintain plans to deal with emergencies. An effective risk management framework and processes will assist in minimising any disruption to service delivery.

The Fire and Rescue Services (Emergencies)(England) Order 2007 aims to improve national resilience in respect of disruptive incidents such as terrorist attacks and serious accidents by giving fire and rescue services in England mandatory duties in regard to Chemical Biological

Radiological and Nuclear (CBRN) and Urban Search and Rescue (USAR) emergencies. These duties extend to the provision, on request from an affected authority to use specialist CBRN or USAR resources outside their respective areas to an extent reasonable to deal with the emergency. An effective risk management framework and processes will assist in minimising any disruption to providing these services.

The Government sets clear priorities and objectives for fire and rescue services, via The Fire and Rescue National Framework. The Framework clearly identifies the Government's expectations of fire and rescue services and what support mechanisms are available.

1.2 Risk and Opportunity

Risks are often thought of only as hazards and threats to organisations, however, risks can present significant opportunities and possibilities for organisations to develop and innovate in order to achieve their strategic aims and objectives.

Some risks are termed 'unrewarded' in that they have no upside or positive outcome when managed correctly, except for the fact that the risk may not occur. Other risks may be termed 'rewarded' in that they may also present opportunities.

This risk strategy and the risk management process, includes the identification of the positive side of risk and potential benefits of managing each risk effectively. Such benefits are likely to be as a result of implementing effective mitigating actions and control measures.

Opportunities that are identified as a result of the risk management process will be managed using established procedures and systems within the Authority. At a strategic level this will be by members of Management Board supported by the Strategic Development Team and the IRMP process as appropriate, with functions/departments managing tactical and operational level opportunities.

Some opportunities may only be realised through the investment of significant resources and therefore will be managed using the Authority's project framework. Projects of this nature will have their associated risks managed through established procedures and project risk registers.

2 Scope

This policy is directly linked to corporate governance (Authority's Code of Corporate Governance, Risk Management and Internal Controls) and the establishment of good managerial practice. The policy applies to all of the functions undertaken by WYFRS with particular focus being placed upon the mitigation and preparation for service interruptions and facilitating the continuance of service delivery.

This policy relates to corporate/strategic risks. Department/function risks are managed within Business Continuity Plans. Risks relating directly to specific projects are managed within the project framework.

3 Principles

The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives.

To ensure WYFRS risk management strategy and policy are effective they are based on the following principles of best practice.

- Creates and protects value through achieving objectives.
- Is an integral part of WYFRS processes and activities.
- Is structured and comprehensive to ensure consistent and comparable results.
- The framework and processes are tailored and proportionate to the organisation's external and internal context related to its objectives. This ensures alignment with the risk profile of the Authority.
- Involvement of stakeholders enables knowledge, views and perceptions to be considered, which results in improved awareness and informed risk management and decision making.
- Is dynamic, as risks can emerge, change or disappear as the external and internal context changes. Risk management anticipates, detects, acknowledges and responds in an appropriate and timely manner.
- Risk management is based on historical and current information, which should be timely, clear and available to relevant stakeholders.

- Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
- Risk management is continually improved through learning and experience.

Source: ISO 31000:2018

4 Risk Framework

4.1 General

This policy is aligned to ISO 31000:2018 Risk Management – Guidelines. This standard establishes a number of principles that need to be satisfied to make risk management effective. The standard recommends that organisations develop, implement and continuously improve a framework whose purpose is to integrate the process for managing risk into significant activities and functions, the organisations overall governance, strategy and planning, management, reporting processes, policies, values and culture.

The ISO standard defines risk as "the effect of uncertainty on objectives".

4.2 Mandate and Commitment

WYFRS will ensure risk management is effective through the commitment of all levels of management. WYFRS will ensure that the risk framework and processes are effective through the implementation and maintenance of all elements of this risk policy, with support from stakeholders.

4.3 Framework for Managing Risk

The risk management framework is the set of components that provide the foundations and organisational arrangements for integrating, designing, implementing, evaluating and continually improving risk management throughout WYFRS. The framework will be developed and tailored to meet the needs of WYFRS.

4.3.1 Organisation Context

WYFRS risk management framework has been created based on an understanding of the external and internal context in which the organisation operates. External factors include the social, cultural, political, legal, regulatory, financial, technological, economic and natural environment on a national, regional and local level. Also key drivers and trends, external stakeholders, relationships and commitments and networks and dependencies.

Internal factors include vision, mission, values, governance, organisational structure, roles and accountabilities, priorities, objectives, strategies, policies, capabilities, culture, information systems, data, standards, capabilities and internal stakeholders.

4.3.2 Risk Management Strategy and Policy

A corporate approach is crucial if the risks are to be identified and managed in a systematic and consistent way across the Authority. A corporate risk management strategy offers a framework to structure this approach.

The following processes are key elements of this strategy:

- Clear identification of roles and responsibilities associated with the management of risk.
- The establishment of SMART objectives for management of specific risks.
- Effective arrangements for monitoring and reviewing risks and resources.
- Arrangements for establishing and delivering training requirements, associated with risk management.
- The identification of an approach to risk financing.

The key objectives of this strategy are:

- To identify existing and potential risks to the community and the Authority, by use of appropriate analysis techniques.
- Integrate risk management with the purpose, governance, leadership and commitment, strategy, objectives, culture, operations, activities and decision making including conflicting objectives.

- Evaluation of the effectiveness of Prevention, Protection and Response arrangements.
- The protection and promotion of the Authority's reputation.
- To identify opportunities for improvement.
- To assist in determining policies and standards for Prevention, Protection and Response and promote effective resilience in all three areas.
- Assist with determining resource requirements to meet agreed policies and standards.
- To determine arrangements for implementation, monitoring, audit and review, including performance measurement and reporting.
- Enhancement for the co-ordination of risk management action throughout the Authority.
- The promotion of a risk management culture throughout the Authority.
- To identify the financial costs associated with each risk in order to determine the level of the General Fund Reserve and to ascertain what risks are covered by existing insurance provision.

4.3.3 Accountability and Roles

It is the role of management to implement policies on risk and control. In fulfilling their responsibilities management should identify and evaluate the risks faced by the organisation and design, operate and monitor a suitable system of internal control, including implementation of policies. All employees have some responsibility for internal control as part of their accountability for achieving objectives. Employees collectively should have the necessary knowledge, skills, information, and authority to establish, operate and monitor the system of internal control. This will require an understanding of the organisations objectives, the environment in which it operates and the risks it faces.

Responsibility for maintenance, review and coordination of the corporate risk management policy lies with the Chief Employment Services Officer.

All departments and function groups have a responsibility to identify circumstances which could result in service interruptions and when an actual interruption has taken place (See Business Continuity Strategy/Policy).

The overall responsibility of the Risk Management Strategy Group (RMSG) is to maintain the Authority's risk management capabilities and to develop strategies to effectively manage new and existing risks.

Specific objectives for the RMSG include:

- Development of risk management strategies in conjunction with the Chief Employment Services Officer.
- To ensure full implementation of this strategy and policy.
- Evaluation of the likelihood and severity levels connected with threats to the Authority and associated control measures that currently exist and those which are required.
- The implementation of cross functional risk management initiatives.
- Identification of resource requirements in connection to risk management strategies/plans.
- The communication of risk management issues to all managers/function groups.
- To regularly monitor, review and evaluate the effectiveness of risk management strategies.
- To share and promote examples of best practice in relation to risk management.

The Risk Management Officer has responsibility for the development, administration, review and maintenance of the Authority's planning and risk management systems and the provision of advice on corporate initiatives to ensure that the Authority complies with any legislation now and in the future.

The main duties and responsibilities associated with this role are:

- To develop and implement the Authority's risk based strategic planning process and risk management strategy, by ensuring the development, maintenance and dissemination of a portfolio of resources including policy, standards, performance indicators, strategy and tools.
- To facilitate the implementation and embedding of risk based strategic planning and risk management within departmental policy and decision making.
- Ensure that appropriate training is undertaken with departments to raise awareness of corporate governance, strategic planning and risk management, and facilitate their embedding within department's policy and decision making.

- Monitor and report upon the performance of planning and risk management arrangements.
- Coordinate and facilitate the Risk Management Strategy Group, maintain the Risk Management Matrix and develop strategic risk management arrangements.
- Prepare plans for planning and risk management in conjunction with the Corporate Services Manager and regularly monitoring work programmes to ensure targets are met.
- Provide professional advice and guidance to departments on a range of planning, risk management and business continuity issues on a proactive and reactive basis in order to integrate risk management into daily working practices of all departments.
- To provide technical assistance and identify awareness training to all departments with respect to reducing liability and insurance indemnity provisions.
- To keep informed about current developments and trends in the field of strategic planning, corporate governance and risk management.
- Assess and respond to changes in current and proposed legislation and regulations in conjunction with the Corporate Services Manager.
- In conjunction with the Chief Finance and Procurement Officer, evaluate the financial impact upon the service of various risks which cannot be eliminated, and identify and make recommendations to management on the most efficient method of treating such risks.

The involvement of all function groups and associated staff members within the risk management process is essential and all individuals employed by the Authority have responsibilities in regard to the management of risk.

The respective roles and responsibilities in respect of specific groups and individuals connected with WYFRS are detailed below.

Fire Authority Elected Members
Role
To ensure that a comprehensive approach to risk management is developed and implemented by management.
Responsibilities

To attain a knowledge of risk management and its benefits. To oversee the effective management of risk by the senior management of the Authority.

Management Board
Role
To ensure that the Authority continues to manage risk in a systematic and economic manner.
Responsibilities
To possess a knowledge of risk management. Assist in the development of the risk management strategy and communicate it to the elected members. Promote the strategy across the Authority. Assist in monitoring and reviewing the risk management strategy. Assess inputs and resources necessary to support the strategy.

Risk Management Strategy Group
Role
Maintain the Authority's risk management capabilities and to develop strategies to effectively manage new and existing risks.
Responsibilities
Develop risk management strategies. To share and promote experience of risk management and strategies across the Authority. Evaluate the likelihood and severity levels connected with threats to the Authority and associated control measures that currently exist and those which are required. The implementation of cross functional risk management initiatives. Identification of resource requirements in connection with risk management strategies. Communicate risk management issues to all function groups. To regularly monitor, review and evaluate the effectiveness of risk management strategies. To share and promote examples of best practice in relation to risk management.

Heads of Functional Groups/ Managers
Role To ensure the effective management of risks for the respective functional group.
Responsibilities
Ensure that the strategy is implemented across the function. Contribute to the development of the risk management strategy. Identify and communicate any relevant specific risk management issues. Negotiate departmental budget requirements for risk control projects. Disseminate strategy contents and allocate responsibilities for its implementation. Establish the training requirements for staff in regard to risk management. Provide feedback to the Risk Management Strategy Group upon their experience of implementing the strategy and their perceptions of the effectiveness of the strategy.

All WYFRS Employees
Role
To contribute to the management of risk for the department, station or group.
Responsibilities
To identify potential and actual hazards/risks within the workplace. Assist in the removal and reduction of hazards and risks. Comply with current risk management and health and safety policies. Effectively apply knowledge and skills gained from training and development initiatives.

Internal Audit - Kirklees
Role
To provide assurance and an independent annual opinion on the Authority's overall control environment and risk management arrangements.
Responsibilities
To provide the Audit Strategy (approved by Audit Committee). Undertake an agreed programme of audits, which examine and test the adequacy and effectiveness of controls and actions to manage the risks identified. Attend quarterly RMSG meetings.

4.3.4 Integration

WYFRS will ensure that risk management is embedded into the organisation's standard process, including policy development, strategic and service planning, review and change management process, project management and business continuity.

4.3.5 Resources

WYFRS will ensure that the appropriate resources are made available and allocated to ensure the risk management framework and processes operate effectively, to produce the desired outcomes. This will include staff training/skills/experience/competency, processes and procedures, systems, tools, information management systems and professional development and training needs.

Periodic risk management training will be given to senior managers of the Authority. This training will be extended to include members of the Authority and will be achieved by the provision of either in-house training or by use of an external provider.

Staff who are assigned specific responsibilities in respect of risk management will receive the necessary training to enable them to competently perform these functions.

The provision of risk management training is an organisational necessity and is a key component of risk management promotion and the development of a risk aware culture. It is essential that all employees understand what risk management is and how they can contribute to the management of risk. All employees will continue to receive training in regard to risk management specific to their particular role within the Authority, as required.

Training input given may be as simplistic as risk assessment methodology, or an overview of procedures. More detailed training will be required for Authority managers, especially those with specific risk management responsibilities.

Training to members of the Authority in respect of risk management will be provided as required. All training will be reflective of the current risks posed to the Authority and will be informed by specific risk analysis, such as that undertaken at the Risk Management Strategy Group meetings.

4.3.6 Internal Communication and Reporting

The maintenance and further development of risk management, forms the basis of each Risk Management Strategy Group meeting. These meetings will be attended by senior managers from each function group, representatives from the Authority's auditors and insurers and will be chaired by the Director of Service Delivery. The group will meet at quarterly intervals to ensure that new and existing risks, processes, organisational changes are addressed and that appropriate contingencies are in place (via the Business Continuity Group). The Risk Management Officer is responsible for managing actions arising from these meetings and communicating any relevant points to the appropriate departments, functions and staff.

The promotion of risk management and risk awareness is an integral part of the risk management strategy, as it assists in the development of a risk management culture within the Authority. Despite a number of managers within the Authority possessing specific responsibilities in regard to risk management, it is the responsibility and expectation of all employees to contribute to the reduction of risk. Each function group within WYFRS will actively engage with staff, the local community and other stakeholders to facilitate the promotion of a risk management culture.

Examples of effective communication strategies currently being used by the Authority include:

- Community safety and risk reduction strategies.
- Integrated risk management planning.
- Operational risk management planning.
- Business continuity planning.
- Regular health and safety updates.
- Operational debrief processes, including health and safety performance.
- Detailed human resources policies.

A report on risk management is submitted to the Audit Committee on an annual basis.

4.3.7 External Communication and Reporting

The Authority communicates externally through a number of different routes. The Authority's Annual Accounts includes an Annual Governance Statement which states the process used to manage risks by way of the internal control environment. Integrated Risk Management Plans and planning are published externally and consulted upon as and when required.

WYFRS have a number of Business Continuity Plans (BCPs) which relate to specific risk areas. If such risks were to occur, the relevant BCP may be invoked. The contingency arrangements WYFRS have in place to minimise the impact of any risk may be communicated to external stakeholders.

4.4 Risk Management Implementation

4.4.1 Framework

WYFRS have an established risk framework in place which ensures the risk process can operate and is effective. The framework ensures that the risk policy is applied to all relevant areas of the organisation, and that the Authority complies with legal and regulatory requirements. Staff are made aware through the publication and guidance of risk related documents on Firehub. Regular monitoring and reviews of the framework will ensure that it remains appropriate and that implementation has been successful.

4.4.2 Process

WYFRS risk management processes have been established over a number of years and have reached a level of maturity where they provide the expected outcomes. Areas for further development are discussed at the RMSG meetings. Where additional or further action is requirement a risk management plan will be created and progressed.

4.5 Framework Monitoring and Review

WYFRS will periodically evaluate the effectiveness of the risk management framework in terms of performance against its purpose, implementation plans, indicators and expected behaviour to ensure it remains suitable to support achieving WYFRS objectives.

The report on risk management which is submitted to the Audit Committee on an annual basis states actions taken and progress made in the previous twelve months, actions and development areas which WYFRS are currently working on and risk areas/issues which are likely to arise in the next twelve months.
This annual performance report ensures WYFRS risk management strategy, framework, policy, processes and plans are effective in delivering the required outcomes.

The corporate risk matrix is also submitted to Audit Committee for approval, which highlights the number of risks in each risk range.

Each quarterly RMSG meeting provides the opportunity to review and discuss risk management performance and will monitor progress towards the policy objectives including:

- Risk assessments linked to BIA and the Community Risk Register for West Yorkshire.
- Effective risk framework, process with supporting documentation.
- Evaluation of risk related events and business continuity events/near misses.
- Action plans to address any areas identified for improvement by internal/external audits and best practice.
- Monitor the progress of actions agreed at RMSG meetings.

To promote strong corporate governance the risk management framework and processes will be subjected to the following monitoring protocols:

- Progress and update reports will be provided at each RMSG meeting.
- Amendments to existing risk management policies will be submitted to the Authority's Management Team for review and approval, prior to being signed off.
- The Chief Employment Services Officer will sign off the Authority's strategy document after consulting with Executive Officers.
- Peer reviews may take place between other regional fire and rescue services.
- Audit may be conducted by external organisations and suitably qualified professionals.

A structured review of the Authority's risk arrangements will be conducted on an annual basis by the Risk Management Officer. The review process will consider all elements of the risk strategy, policy, framework, processes, documents, systems, organisational structure and will include the development of planning arrangements.

Periodic audit of risk management arrangements will be carried out against compliance with this strategy/policy document, legislative requirements and expectations of stakeholders. Regular updates and reports will be provided to the RMSG, Management Board and Team and Audit Committee, as required.

4.6 Continuous Improvement

WYFRS will aim to continually improve the suitability, adequacy and effectiveness of the risk management framework and the way the risk management processes are integrated.

The frequent monitoring and review of risk arrangements may identify areas which can be developed and improved. Any such improvement areas will be submitted to RMSG where they will be discussed prior to being actioned and implemented, if it is believed that they will improve the organisations management of risk and risk management culture.

WYFRS will also adapt the risk management framework to address external and internal changes.

5 Risk Management Process

5.1 General

The risk management process is the systematic application of policy, procedures and processes to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, reviewing, recording and reporting risk.

The risk process is an integral part of management, embedded in the organisation's culture and activities, and is relevant to the organisations operating processes.

5.2 Communication and Consultation

WYFRS have established processes to communicate and consult with stakeholders on risk and the management of risk. WYFRS will provide, share and obtain risk related information to ensure the risk management process is effective.

This is achieved when risks are reviewed at RMSG meetings and when risks are reviewed by the identified risk owner with the relevant teams/ groups. Each risk has an associated Risk Review Record, which identifies which teams/groups should be communicated with and consulted. Decisions can be made based on factual, timely, relevant, accurate and understandable exchange of information.

5.3 Scope, Context and Criteria

5.3.1 Scope

The purpose of establishing the scope, and the context and criteria is to ensure the risk management process is tailored to WYFRS to achieve effective risk assessment/risk treatment.

The scope of the risk management process applies to strategic/corporate risk related areas/objectives/priorities. However, there may be operational, programme, project, and other activities that have significant related risks attached, and therefore may be managed under this process.

There is also a number of other risk management systems/processes for managing other risk related areas e.g. Health and Safety.

5.3.2 Internal and External Context

The internal and external context for the risk management process is the environment in which WYFRS operates and understands in order to achieve its objectives. It will reflect the specific environment of the activity to which the risk management process is to be applied.

WYFRS currently utilises a number of different tools and methodologies to inform the risk management strategy and risk profile for the organisation.

Examples of these include:

- National Risk Register.
- Community Risk Register.
- National Fire Service Emergency Cover Toolkit.
- Active database.
- Community Risk Management Plan (CRMP).
- Risk Management Matrix.

Understanding the external context will enable WYFRS to understand the concerns of external stakeholders, which will assist in creating an effective risk process.

The internal context is anything within WYFRS which could influence the way in which risks are managed and will take into consideration the organisations structure, roles, objectives, priorities, capabilities, culture, projects, initiatives, activities and processes.

5.3.3 Criteria

WYFRS through the risk management process will determine the amount and type of risk that it may or may not take in relation to its objectives and priorities. The criteria upon which risks will be evaluated will include the significance of the risk, the purpose and scope of related activities, reflect available resources and be consistent with policies and statements.

The criteria will also consider the Authorities obligations, the views of stakeholders and be dynamic in nature.

The significance of each risk is initially evaluated during the risk assessment/scoring process. The scoring scales include “descriptors” for likelihood and severity. The likelihood is based on probability over a three year period and severity can be based on either service delivery, financial, reputational or a combination of all three.

The risk matrix highlights the risk profile of the Authority and identifies which corporate objectives may be affected. Each risk has a final target risk factor score, which is the level at which the Authority considers the risk to be acceptable or tolerable.

The Authority must also consider the combination of multiple risks, as some internal/external factors may cause multiple risks to occur at the same time or cause a “domino effect”.

5.3.4 The Risk Management Process

This risk management strategy, policy and processes apply to the Authority’s corporate and strategic risks, which may impact on the ability of the organisation to achieve its short, medium and long term objectives.

There are a number of other risk areas and processes which fall outside the scope of this policy, as they are managed by other functions. However, risk areas managed by these other functions may be included within the corporate risk process/matrix if they ultimately would have an impact on the organisation achieving its objectives. Risks that relate to department critical functions are managed within the business continuity process, however, if such risks are of a generic nature and could impact on numerous departments/functions and the achievement of the organisations objectives, then they may be included on the risk matrix.

Risk areas not directly covered by this strategy and policy include:

- Integrated Risk Management Planning.
- Health and Safety Risk Assessments.
- Project Risks.
- Critical Function Risks.
- Operational and Premises Risks.
- Partnership Risks.
- Road Risks.
- Physical Security Risk Assessments/Authority premises.
- Information Assurance Risk/Information Assets.
- Health specific risk assessments.
- Foreseeable Risk Register
- National Operational Guidance (NOG) Strategic Gap Analysis

Corporate and strategic risks can be identified by any member of staff, department, function, team, group or committee. Any identified risks will be discussed at the RMSG meetings prior to establishing a risk owner and inclusion on the risk matrix. Each risk is then reviewed on a periodic basis using the Risk Review Record document. The relevant directorate and function group will assume ownership of risks which fall within their respective departmental responsibilities and where appropriate, initiate the necessary control measures to address the risk.

The risk management matrix will reflect risks which pose a significant threat to the Authority and list them in order of an overall risk factor. Risk factors are determined by using a standard risk assessment likelihood and severity calculation, using a 5 x 5 matrix and a risk factor score ranging from 1 (low) to 25 (very high).

Risk scores may increase or decrease based on external and internal factors and the control measures and mitigating actions WYFRS implement. Any changes in risk scores will be highlighted at RMSG meetings and will reflect the performance and effectiveness of risk management

5.4 Risk Assessment

5.4.1 General

WYFRS risk assessment process is based upon risk identification, analysis and evaluation. It will be structured, use the knowledge and views of stakeholders, use the best available information and seek additional information if required.

5.4.2 Risk Identification

Finding, recognising, describing and understanding the risks that the Authority faces is essential for informed decisions to be made about strategy, objectives, policies and service delivery methods. The risk associated with these decisions can then be effectively managed. This will assist WYFRS to achieve its objectives.

Organisational risks can be identified by all employees within the Authority during their day to day work. Risks need to be analysed and incorporated into the corporate planning process in order to ensure a coordinated, joined up approach is achieved by all sections of the Authority.

There are a number of risk identification tools and techniques that can be used, along with relevant and up to date information which is important in identifying risks. Staff with appropriate knowledge should also be continually “horizon scanning” for possible risks which may affect the Authority in the future.

WYFRS will use a range of techniques for identifying risks and uncertainties that may affect one or more objectives. These include tangible/intangible sources of risk, causes/events, threats/opportunities, vulnerabilities/capabilities, changes in the external and internal context, indicators of emerging risks, assets/resources, consequences, knowledge gaps, information issues, time-related factors and assumptions/beliefs. The relationship between these factors also needs to be considered and not all risks that WYFRS identify will have sources that it can control.

Physical site and process audits/inspections can identify risks using checklists and self-assessment. Organisational charts are useful in illustrating different aspects of the Authority's activities and structure. They may identify areas of risk, usually areas of duplications, dependencies and concentrations. Performance targets and figures can be used to identify risks and risk areas. Periodic performance reviews will prove useful when attempting to determine risks and may highlight trends/patterns. Flow charts allow a whole process to be illustrated and allow problems and possible risk areas to be broken down into manageable pieces. Fault tree analysis breaks down a hazard into its contributing factors and investigates combinations of events and conditions that lead to the hazard. A HAZOP (hazard and operability study) is a qualitative approach to risk identification that can be applied at the planning stage of a project or process.

Risk categorisation assists with the identification of risks within each of the Authority's respective directorates and function groups and provides managers with a useful checklist. Examples of strategic risk categories include:

Strategic Risk Categories
Political Those connected with the failure to deliver either local or central government policy, or meet the local administration's manifesto commitments.
Economic Those affecting the Authority's ability to meet its financial commitments. These include internal budgetary pressures, the failure to purchase sufficient insurance cover or the effects of proposed investment decisions.
Social Those relating to the consequences of changes in demographic, residential or socio-economic trends on the Authority's ability to meet its objectives.
Technological Those associated with the Authority's ability to cope with the scale and pace of technological change, and its ability to use technology to meet changing demands.
Legislative Those associated with present or future law.
Environmental Those relating to the environmental consequences of progressing the Authority's strategic

objectives. (e.g. in terms of pollution and energy efficiency).
Competitive Those concerning the competitiveness of the service in terms of cost or quality and/or its ability to deliver "best value".
Customer/Citizen Those connected with the failure to meet the present and shifting needs and expectations of customers and citizens.
Organisational Capacity & Resources Those relating to the identification and management of the Authority's organisational capacity and the resources required to deliver its objectives.

5.4.3 Risk Analysis

Once risks have been identified they require systematic analysis to comprehend the nature of the risk and determine the level of risk, using proven techniques and all available data on the potential frequency and consequences of events. If a risk is seen to be unacceptable, steps need to be taken to control or respond to it (risk treatment).

Risk analysis may be influenced by difference of opinions, perceptions, quality of information, assumptions, exclusions and the techniques used, and therefore should be considered by risk owners/decision makers. The analysis provides an input to risk evaluation in terms of treatment strategy and methods.

Risks need to be categorised by their respective potential for occurrence (likelihood) and impact upon the organisation (severity). Likelihood and severity is represented by a rating, or score, which is reflective of a number of pre-defined factors. In turn, the likelihood and severity scores are multiplied together to provide an overall risk factor score which enables risks to be arranged in order.

Likelihood is based on the probability of the risk occurring over a three year period, as this relates to strategic and corporate risks. Quantitative, qualitative, historical management information, previous events and near misses, other organisations facing similar risks and commercial insurance premiums can provide a useful guide as to the likelihood of an event. Professional judgement and opinion will also form the basis of judging the likelihood of an occurrence, which may include group assessments to ensure that a broadly informed perspective can be achieved.

Once the likelihood level has been established, the potential severity of the consequences of a risk must be assessed. This is a subjective process which involves group assessment by managers, utilising historical risk information, experience, professional judgement and similar events in other organisations to determine the potential impact.

Likelihood Rating			
Level	**Descriptor**	**Description**	**Probability (over 3 years)**
1	Rare	May occur in exceptional circumstances	< 1%
2	Unlikely	Will seldom occur	1 – 5 %
3	Possible	May occur	6 – 20 %
4	Probable	Will often occur	21 – 75 %
5	Highly Probable	Near certain to occur	> 75%

Severity Rating				
Level	**Descriptor**	**Service Delivery**	**Financial**	**Reputational**
1	Insignificant	Unnoticeable internal interruption only	Less than £0.5m	Rumours-potential requirement for clarification of facts.
2	Minor	Internal interruption only	£0.5 to £1m	Minimal interest by local/regional media that may require informal or formal response.
3	Moderate	Significant internal interruption or loss	£1m to £2.5m	Significant interest by local/regional media with formal response required.
4	Significant	Noticeable external interruption or loss	£2.5 to £5m	Interest by national media requiring strategic response.
5	Major	Major external interruption or loss	Greater than £5m	Extensive interest by national/international media requiring continued strategic response, press office management, resulting in sustained media exposure.

The table below highlights the overall risk factor score.

		Severity				
		1	2	3	4	5
Likelihood	1	1	2	3	4	5
	2	2	4	6	8	10
	3	3	6	9	12	15
	4	4	8	12	16	20
	5	5	10	15	20	25

Use of a matrix allows risks to be placed in order of significance, or priority and for subsequent control measures to be applied by the Authority. The definitions of risk values/ratings are identified below, with the corresponding course of action:

Risk Factor Score	Description/Action Required
Very High (15-25)	Primary or critical risks, requiring immediate attention. They may have high or low likelihood of occurrence, but their consequences must be treat as high priority. Strategies should be developed to reduce or eliminate the risks but also mitigation by multi-agency, general planning, exercising & training. Frequently monitor risk & consider specific planning, rather than generic.
High (9-14)	These risks are classed as significant irrespective of the likelihood of occurrence. Consider development of strategies to eliminate the risks, but also mitigation by multi-agency, general planning, exercising & training. Frequently monitor risk.
Medium (4-8)	These risks are less significant, but may cause upset and inconvenience in the short term. These risks should be monitored to ensure that they are being appropriately managed, including generic emergency planning arrangements.
Low (1-3)	These risks are both unlikely to occur and not significant in their impact. They should be managed using normal or generic planning arrangements and require minimal monitoring and control.

5.4.4 Risk Evaluation

Once risks have been analysed they can then be evaluated, and decisions made on which risks require treatment and the priority for treatment implementation. The outcome of risk evaluation will be recorded on Risk Review Records along with any action taken or not taken.

The level of risk determined during the analysis process should be compared with the established risk criteria, the risk appetite/attitude, the risk profile and the strategy of the organisation. This will highlight and determine the treatment required.

The risk capacity of the organisation also needs to be taken into account at this stage, to determine if the actual risk profile of the Authority is within or outside actual risk capacity. Is the

Authority being 'risk aggressive' and operating with too much risk, or is the Authority being 'risk averse' and operating with very little risk?

It is also useful at this stage to establish a 'tolerance line' to determine the Authority's appetite for risk. If a risk is seen to be intolerable, steps need to be taken to control or respond to it. The Authority will not use any single methodology or tool in isolation, in the determination of risk and will utilise a combination of techniques for analysis and evaluation purposes.

5.5 Risk Treatment

5.5.1 General

The purpose of risk treatment is to select and implement options for addressing risk. The process is used to modify the risk and involves an iterative process of formulating and selecting risk treatment options, planning and implementing risk treatment, assessing the effectiveness of that treatment, deciding whether the remaining risk is acceptable, and if not acceptable taking further treatment.

5.5.2 Risk Treatment Options

Risk treatment can include ceasing or avoiding the activity that creates the risk, removing the risk source, changing the likelihood or severity through the use of control measures and mitigating actions, transferring the risk (insurance) or retaining the risk by informed decision at the required management level. Different risk treatment options may also be applied in combination.

The selection of risk treatment options will consider the risk criteria, resources, the values, perceptions and stakeholders. Monitoring and review of risk treatment options needs to be conducted to provide assurance that implementation has been effective. Some risks may not have suitable treatment options available, however, such risks will still be reviewed on a periodic basis by the risk owner.

Risk control is the process of taking action to reduce the likelihood of a risk occurring and/or the impact of the risk should it occur (modify the risk). These factors should be reduced to the lowest point where the action taken is still economical. Risk control often requires projects to be implemented or operating procedures to be revised.

Failure to pay appropriate attention to the likelihood, severity and consequence of risks could cause significant damage to WYFRS.

Examples of such damage include:

- Disruptions to service delivery.
- Public safety being jeopardised.
- Financial loss.
- Litigation.
- Damage to reputation.

A common misconception is that insurance transference is the best way to manage risk, however, a wider view must be taken to manage risk effectively as insurable risk is only a small part of the risks that an organisation faces. Transference of risk to insurance is a necessity for certain risks, but in general it should only be utilised after other mitigating strategies have been explored and do not offer a suitable solution.

Risk treatments must be monitored to ensure that they are, and remain effective and do not introduce additional risks.

5.5.3 Risk Treatment Plans

Risk treatment plans will document how the chosen treatment options will be implemented within WYFRS. Treatment plans will typically fall within proposed additional control measures and mitigating actions, which will be implemented by the relevant department/functions within WYFRS. The plan will identify the priority for implemention.

Treatment plans are integrated with the risk management process and standard management processes, in consultation with appropriate stakeholders. The nature and extent of residual risk will be identified on the Risk Review Record, and reviewed/monitored at subsequent risk reviews and RMSG meetings.

5.6 Monitoring and Review

To complete the risk management process, all risk management arrangements need to be monitored and reviewed in order to identify change from the required or expected performance levels. It is also important to assess whether the nature of respective risks has changed with time. Monitoring and reviewing of risk control actions is essential to ensure that the actions implemented are both economic and efficient.

The purpose of monitoring and review is to improve the quality and effectiveness of process design, implementation and outcomes, which is achieved through an assurance process.

For the risk management strategy to be complete there must be monitoring and review of:

- The implementation of the risk control actions (including revisions to operating procedures) that have been agreed.
- How effectively actions are controlling the risk.
- How the risk has changed with time.
- The effectiveness of the risk management strategy.

Financial Reporting Council (FRC) – The FRC published the revised Guidance for board effectiveness in July 2018. Section 4 Audit, risk and internal control looks at the audit committee's (or risk committee's if separate) responsibility in this area.

Risk control actions should always be SMART so that management can monitor performance and it should be clear who has responsibility for completing/implementing control measures, at what cost and against agreed timeframes.

The effectiveness of the control action is assessed on the basis of its success in reducing the likelihood of an event and/or minimising the severity of the consequences should an event occur. Judgements will be made by comparing the likelihood and severity of future risk events with;

- Past events prior to the control being put in place.
- The likelihood and severity of similar risk events in other services, councils or organisations.
- Any targets set by managers relating to expected likelihood or predicted severity.

The formal identification of new risks and the review of existing risks will take place at quarterly RMSG meetings.

Representatives from Internal Audit and Insurance (Kirklees MC) attend the RMSG meetings and oversee the monitoring process. A review of the Authority's risk arrangements is reported to the Audit Committee on an annual basis.

The Risk Management Officer will continually monitor and review the risk framework, risk process, risk reviews, identified new risks, the effectiveness of controls/mitigating actions, risk assessments, events and near misses and future risks (horizon scanning). Any significant issues that are identified will be reported to the DCFO/RMSG.

5.7 Records and Reporting

All risk arrangements within the Authority are documented and records are kept to maintain traceability. There are legal, regulatory and operational requirements for record keeping. Consideration will be given to the method of access, ease of retrieval and storage media. The retention period of risk records/documents will meet the requirements of the Authority's retention schedule. Records and documents may be of a sensitive or confidential nature and will therefore adhere to the Authority's classification process.

Recording and reporting through the RMSG and Audit Committee will ensure risk management activities and outcomes are known, provide information for decision-making, improve the risk management system and assist interaction with stakeholders including those with responsibility and accountability for risk management activities. Reporting is an integral part of the Authority's governance arrangements and will support senior management and oversight bodies in meeting their responsibilities.

West Yorkshire Fire & Rescue Authority

OFFICIAL

Internal Audit Annual Report 2021 - 2022

Audit Committee

Date: 22 April 2022

Agenda Item: **10**

Submitted By: Chief Finance and Procurement Officer

Purpose

To seek Members' endorsement of the Chief Finance and Procurement Officer's conclusion as to the effectiveness of the system of internal audit. To note the audit opinion on risk management and the internal control environment during 2021/22.

Recommendations

Members endorse the Chief Finance & Procurement Officer's conclusion as to the effectiveness of the system of internal audit.
Members note the audit opinion on governance, risk management arrangements and the internal control environment, thereby providing assurance for the Annual Governance Statement.
Members approve the 2022/23 Audit Charter and Strategy
Members approve the Audit Plan for 2022/23 as endorsed by Management Board.

Summary

The Chief Finance & Procurement Officer concludes the Authority's systems of internal audit are effective. This report concludes that the Authority's governance, risk management arrangements and internal control environment were effective and robust during the financial year to 31 March 2022.

Local Government (Access to information) Act 1972

Exemption Category:	None
Contact Officer:	Simon Straker E: Simon.straker@kirklees.gov.uk. T: 01484 221000
Background papers open to inspection:	Annual Report of Internal Audit 2020/21 Annual Governance Statement 2020/21 Corporate Risk Matrix Internal Audit Plan 2021/22 Quarterly Reports of Internal Audit 2021/22 Audit Charter & Strategy
Annexes:	Appendix 1 Audit Charter and Strategy Appendix 2 Summary of Audit Coverage Appendix 3 Internal Audit Plan 2022-23

1 Introduction

1.1 The Authority is required (by the Accounts & Audit Regulations 2015) to undertake an annual review of the effectiveness of its system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives,
- ensure that the financial and operational management of the Authority is effective; and
- incorporates effective arrangements for the management of risk

and includes undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS) and Code of Ethics.

1.2 The annual self-assessment has confirmed that the matters arising last year have been actioned and the overall level of compliance has continued to be maintained.

1.3 Coupled with the analysis of the performance of the internal audit function against its performance indicators and quality assurance process and delivery of the 2021/22 Audit Plan, the Chief Finance & Procurement Officer has used this data in formulating her assessment of the Authority's system of internal audit to conclude the degree of reliance can be placed on its work and opinion on the internal control environment.

1.4 In accordance with best practice the annual review of the Audit Charter and Strategy has been conducted and discussed with Management Board.

1.5 This report then provides an opinion on the adequacy and effectiveness of the Authority's governance, risk management system and internal control environment during the year, particularly in support of the Draft Annual Governance Statement that accompanies the Annual Accounts.

1.6 The opinion is drawn from the matters included in the Quarterly Reports to the Committee during the year on the audit opinions reached on the level of assurance concerning each risk, system or process controls examined.

2 Information

Effectiveness of the System of Internal Audit

2.1 Despite the impact of the pandemic leading to operational changes to established ways of working, staff absence due to Covid or self-isolation and other pressures of work and priorities in these exceptional times, all but one of the planned audits has been completed by 31 March with two being carried forward into 2022/23 at management's request.

Therefore, there is a sufficient body of evidence to provide a meaningful opinion on the overall internal control, governance and risk management framework in these unprecedented times, albeit with a caveat that all work has been conducted mainly on-line in accordance with national requirements over essential travel, and the planned scope of several audits has been curtailed and prioritised to fit with time available.

2.2 The Internal Audit function is included in the Financial Services Service Level Agreement with Kirklees Council which the Chief Finance & Procurement Officer has reviewed recently in conjunction with officers from the Council. The most recent benchmarking information from CIPFA, albeit increasingly dated, showed internal audit operations have been at approximately the lower quartile of costs (based on £m gross expenditure) compared with Metropolitan and Unitary authorities.

2.3 The annual self-assessment of compliance with the PSIAS for 2021/22 has confirmed the overall position was maintained last year.

2.4 As referred to above, the Audit Charter & Strategy (see Appendix 1) has been reviewed to ensure it continues to meet the needs of the Authority. The review has confirmed that overall it remains fit for purpose. Management Board have considered the audit strategy and are minded to refocus the emphasis on aspects of the internal control environment and governance, being satisfied that the consistent positive assurance on the management of risks in the Corporate Matrix means the current strategy of a rolling three year cycle is no longer appropriate to obtain most value from the internal audit SLA. This conclusion is reflected in the Draft 2022/23 Plan attached. Members are asked to approve this change as highlighted in Section 12, along with a small number of other minor ones reflecting changed titles and responsibilities.

2.5 A summary of the performance of Internal Audit in delivering the 2021/22 Plan as reported to the Audit Committee during the year is shown below:

Performance Indicators		**21/22 Target**	**21/22 Actual**
Audits completed within the planned time allowance		80%	60%
Draft reports issued within 10 days of fieldwork completion		90%	90%
Client satisfaction in returned post audit questionnaires		90%	n/a
Chargeable audit days (cumulative)		130	141
QA compliance sample checks – pass rate		90%	100
Planned Audits Completed		13	10
Planned Audits in Progress			1
Planned Audits Postponed			0
Planned audit deferred by Management			2
Unplanned Audits Completed			0

2.6 A summary of plan delivery itself is shown as Appendix 2, together with the opinion reached for each audit completed.

2.7 The positive working relationship with the previous external auditors has continued with Deloitte colleagues, to maximise the use of audit resources and ensure our mutual roles are fulfilled effectively.

2.8 Members may wish to endorse the positive opinion on the effectiveness of the system of internal audit and control reached by the Chief Finance & Procurement Officer.

3 Operational Information

3.1 The scope of activity is established by the Financial Procedure Rules, the Audit Charter & Strategy and statements of operating practice.

3.2 In line with the Audit Strategy, assurance about the governance, risk management and internal control environment is obtained by the maintenance and delivery of a risk based audit plan approved by Members. Planned work targeted areas of significant risk and where most value could be added, particularly on wider business and governance controls. Areas of significant risk are determined by the Authority through its risk management process and in particular the Corporate Risk Matrix.

3.3 Each audit concludes with an opinion about the level of assurance derived on the adequacy and effectiveness of the system, process or location concerned at the time of the audit, based upon the management of risk and the adequacy and operation of financial and other controls. The approach involves the follow up of any activities about which less than "Adequate Assurance" is given, as a means of seeking to ensure that the work carried out by Internal Audit maximises the chances of improving the Authority's control environment.

3.4 The Audit Committee has previously agreed definitions of the different levels of assurance given and how these are derived from audit recommendations. Implementation of the agreed recommendations by management should provide for a satisfactory degree of control in all cases.

3.5 The outcome of individual audits is summarised quarterly and reported to the Audit Committee for consideration. These reports also include action taken by management regarding the implementation of any agreed key recommendations.

4 Summary of Audit Outcomes in 2021/22

4.1 The agreed Audit Plan for 2021/22 included 160 days of planned work in the following main areas:

- financial system and process audits,
- main business and governance risks and controls,
- follow up audits, and
- ongoing project assurance to the Emergency Services Mobile Communication Project Board

Liaison with the Chief Finance & Procurement Officer throughout the year ensures that internal audit work undertaken continues to focus on the high-risk areas and is reflective of any new developments or particular areas of concern so as to ensure the most appropriate use of internal audit resources. Appendix 2 provides a summary of the audits undertaken and status reached.

4.2 At the time of writing 10 of 13 planned audits had been completed with a further one in progress and 2 deferred at management's request into 2022/23. Each planned audit performed during the year concluded with a positive Assurance opinion.

4.3 The Authority's risk management arrangements have been considered in individual pieces of audit work, whereby management activity to address particular business risks, as recorded on the Corporate Risk Matrix, has been assessed. These audits all concluded with positive assurance opinions and conclusions that management controls to address the key risks to the Authority were robust and operating effectively, noting the issue in 4.3 above. Where appropriate, management has agreed recommendations to further enhance the control environment.

4.4 In accordance with our commitment to provide help, assistance and add value, questions and issues raised by managers have been resolved, particularly in relation to advice/approval for authorisation of contracting matters, and to evaluation of potential suppliers. In addition, the Audit Plan is designed to be sufficiently flexible to accommodate any ad hoc requests for audit reviews.

5 Internal Audit in 2022/23 and beyond

5.1 Whilst there is still some uncertainty concerning how and to some extent when normality will return and more usual audit work can resume, as ever, Internal Audit will continue to strive to reliably achieve planned audit work and to address Authority priorities and activities that will add value for the organisation, particularly supporting the roll out of revised procurement arrangements.

5.2 Under PSIAS each Head of Audit is required to undertake an external assessment of compliance every five years. 2022/23 marks five years since this took place at Kirklees Council. A peer review process is in place with a number of West and South Yorkshire authorities and it has been agreed that Kirklees, and hence WYFRS Internal Audit will be reviewed by the Head of Audit at Doncaster MBC. Further information will be provided to Members nearer the time of the assessment.

5.3 We will continue to develop the approach to organisational and business controls encompassed in the revised Audit Strategy to focus on areas of highest risk and thus to contribute to the level of assurance required by the Chief Fire Officer / Chief Executive, Chair of the Authority and Chief Finance & Procurement Officer in order to complete the Annual Governance Statement.

5.4 Planned audit work due and a number of requests from Management Board for 2022/23 have been the basis of compiling a draft plan that includes a degree of catch up on reviewing controls to manage key business risks and governance areas deferred due to Covid, plus the cross section of probity audits on key financial systems now due again.

5.5 The summary 2022/23 Draft Audit Plan for approval forms Appendix 3.

6 Financial Implications

6.1 The internal audit service is provided by Kirklees Council through a Service Level Agreement at a cost of £47,734 in 2022/23 which is provision for 160 days of audit work.

7 Legal Implications

7.1 The Monitoring 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.

8 Human Resource and Diversity Implications

8.1 There are no human resource and diversity implications associated with this report.

9 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	~~Yes~~ / **No**

10 Health, Safety and Wellbeing Implications

10.1 There are no health, safety and wellbeing implications associated with this report.

11 Environmental Implications

11.1 There are no environmental implications associated with this report.

12 Your Fire and Rescue Service Priorities

12.1 Effective internal audit underpins all the Service's priorities as detailed in the "Your Fire and Rescue Service" document.

13 Conclusions

13.1 This report has summarised the main activities of Internal Audit during 2021/22, detailed information on which has been provided to this Committee during the year.

13.2 Audit work during the year and the annual self-assessment of PSIAS compliance provided sufficient evidence to demonstrate that overall the system of internal audit is effective and has been undertaken in compliance with the PSIAS.

13.3 A review of the Authority's framework of governance, risk management and control, and business systems controls, has provided sufficient evidence and assurance that overall each is robust and effective and that in the small number of occasions where it has been necessary, management have taken/agreed appropriate action to address weaknesses.

13.4 Overall, the Authority has a sound control environment, and no matters are brought to the attention of management as worthy of consideration for inclusion in the Annual Governance Statement for 2021/22 as a Significant Governance Issue.

Appendix 1

West Yorkshire Fire & Rescue Authority

INTERNAL AUDIT CHARTER & STRATEGY

April 2022

1. Introduction

The Public Sector Internal Audit Standards (PSIAS) and Code of Ethics are mandatory guidance which state the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance. These standards in local authorities are supplemented by additional guidance from CIPFA that has regulatory authority in this respect for local government in the UK.

The PSIAS require that there is a formal Internal Audit Charter defining its purpose, authority and responsibilities, which must be consistent with its definition of internal audit, code of ethics and professional standards.

The Authority is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit advises the Authority on whether effective and efficient arrangements exist, cumulating in the annual Internal Audit opinion, which informs the Annual Governance Statement. Optimum benefit to the Authority arises when Internal Audit work in partnership with management to improve the control environment and assist in achieving objectives.

2. The Purpose of the Charter

The purpose of this Charter is to set out the nature, objectives, outcomes and responsibility of the Internal Audit function.

3. Definition of Internal Audit

The PSIAS definition of Internal Audit is:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

This definition goes beyond basic compliance by, where appropriate, evaluating and improving the effectiveness of risk, control and governance arrangements.

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4. Accountability and Reporting Lines

Internal Audit will report to the Audit Committee

- Quarterly on each piece of work completed in the period, the opinion arising from that work and performance of internal audit (achievement of the annual audit plan, issuing reports on time, completing work within time allocated, client satisfaction and quality assessment).
- Annually on the overall achievement and assessment of the Authority's internal audit work programme, including an opinion on the assurance arrangements, and on the overall risk environment and the overall planned work on assurance in the forthcoming year, plus any investigative and consultancy tasks. This will include an assessment on the availability of resources, and any impact this may have on the ability to assess the control environment.

- As necessary on any matter impacting on the overall integrity of the Authority's control environment, where any significant risk or threat to the organisation identified through audit assurance work has not been adequately addressed by management, or on any operational matter that seriously impacts on the delivery or resourcing of the internal audit function.

Internal Audit reports to all levels of management, with reporting of detailed operational work usually being to Directors. All Directors and the Chief Executive receive the full Authority wide summary of activity.

Operationally Internal Audit report to the Chief Finance & Procurement Officer but has the right to communicate directly with the Chief Fire Officer / Chief Executive as necessary, for example in relation to audit work on activities for which the Chief Finance & Procurement is responsible and ultimately with the Chair of the Audit Committee as necessary.

5. Scope of Internal Audit

Internal Audit's remit extends to the adequacy and effectiveness of the entire control environment of the Authority as encompassed in the Audit Strategy as approved by the Audit Committee. It involves the examination of all business processes to evaluate the adequacy, effectiveness and efficiency of control, governance and risk management arrangements. It will assess the quality of performance in carrying out assigned responsibilities to achieve the Authority's objectives.

6. Responsibilities and Objectives of Internal Audit

The responsibilities and objectives of Internal Audit are as follows:

- To provide soundly based assurances to management on the adequacy and effectiveness of their internal control, risk and governance arrangements, including; ethics, information management and technology.
- To review, appraise and report on the extent to which the assets and interests of the Authority are accounted for and safeguarded from loss.
- To review, appraise and report on the suitability and reliability of financial and other management data and information.
- To assess the adequacy and effectiveness of the Authority's procurement, contract and partnership arrangements.
- To assess the corporate risk management processes.
- To evaluate the risk of fraud and how it is managed and controlled. To provide corporate fraud and irregularity prevention, detection and investigation services in accordance with the Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy.
- To reach conclusions about the effectiveness of the Authority's control environment, and to recommend improvements to management.
- To contribute to assurances in relation to the robustness and reliability of internal controls and governance to support the Annual Governance Statement.

- To support the achievement of efficiency, value for money and effective change management.
- To provide advisory and consultancy services intended to add value and improve value for money, governance, risk management and control processes.
- To provide advice in respect of the development of new or significant changes to existing programmes and processes including the design of appropriate controls. This is usually through membership of groups, boards or working parties as well as direct contact with officers within directorates.
- To support effective procurement.
- To support activities of the Audit Committee to discharge its responsibilities.
- To support the Chief Finance & Procurement Officer and all senior management in meeting their corporate responsibilities.
- To monitor the implementation of agreed recommendations.
- To plan, manage and operate the internal audit function in an efficient and effective manner.

7. Organisational Independence of Internal Audit

An effective Internal Audit function must be independent, objective and unbiased. To ensure this, Internal Audit will operate within a framework that allows:

Unrestricted access to all of the Authority's

- employees
- premises and assets
- records, information and data (in all forms)
- contractors and partners
- and to the Authority's External Audit provider.

Whilst the Head of Audit & Risk, Kirklees Council has ultimate responsibility for the delivery of Internal Audit to the Authority, he has determined that one of the Audit Managers will assume the lead for internal audit for the Authority and report directly to the Chief Finance & Procurement Officer.

As an outside provider, Internal Audit at Kirklees has the advantage of total segregation from line operations, so has no responsibility for developing or implementing procedures or systems and does not prepare records or engages in processing functions or business activities. If staff move from the Authority to Internal Audit they will not be involved in the audit of any system or process for which they had previous operational responsibility for a period of two years

Audit responsibilities are periodically rotated to avoid over-familiarity and complacency and also to provide for service continuity and resilience.

8. Ethical Standards

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined, working with honesty, diligence and responsibility. They must at all times observe the law and respect and contribute to the legitimate and ethical objectives of the Authority.

Objectivity:

Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by:

- taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment;
- declaring any real or perceived interests on an annual basis, or at any time that they recognise any impairment to the objectivity.
- accepting anything that may impair or be presumed to impair their professional judgement such as gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties.
- disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review;
- not using information obtained during the course of duties for personal gain and;
- complying with the Bribery Act 2010.

Confidentiality:

Internal Auditors must:

- act prudently when using information acquired in the course of their duties and protecting that information and;
- not use information (derived or obtained through their official role) for any personal gain.

Integrity:

- In the conduct of audit work, Internal Audit staff will:

- comply with relevant professional standards of conduct and perform their work with honesty, diligence and responsibility.

Competency:

Internal Auditors are expected to be competent in their role by:

- possessing the knowledge, skills and technical proficiency relevant to the performance of their duties;
- being skilled in dealing with people and communicating audit, risk management and related issues effectively;
- maintaining their technical competence through a programme of continuous professional development;
- exercising due professional care in performing their duties and;
- complying with all requirements of the PSIAS & Code of Ethics.

9. Relationships

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort. Periodic meetings and contact between internal and external audit are held to discuss matters of mutual interest. External Audit has full and free access to all internal audit plans, working papers and reports.

Where appropriate the Internal Audit function will obtain assurance from other internal and external review agencies that offer opinions or appropriate analysis of the Authority's functions or can otherwise contribute to the understanding of the overall risk profile and assurance environment.

The existence of Internal Audit does not diminish the responsibility of management to establish and maintain systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

10. Arrangements for Anti-Fraud, Anti-Corruption & Anti-Bribery Work

The Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy and other supporting fraud related policies set out the Authority's approach. The Policy requires the Chief Finance & Procurement Officer to be notified of all suspected or detected fraud, corruption, impropriety or other irregularity, in order to inform the annual internal audit opinion and the risk-based plan.

Internal Audit's role in respect of fraud-related work is as follows:

- to advise the Chief Finance & Procurement Officer about the Corporate Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy, and provide guidance for managers and Members;
- to co-ordinate the Authority's response to the biennial mandatory National Fraud Initiative (NFI) exercise;
- to contribute to the corporate counter fraud arrangements, and;
- to assume a lead role in the investigation of certain alleged irregularities. In some cases whistleblowing or outcomes from routine work will lead to an initial investigation, outcomes of which will be discussed with management, and a way forward agreed involving an Internal Audit lead investigation. In other instances irregularities are investigated by management with support from Internal Audit.

11. Authority of Internal Audit

The scope of Internal Audit allows for unrestricted coverage of all the Authority's activities and unrestricted access to all functions, records, data, personnel, premises and assets of the Authority.

Internal Audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Recipients of audit reports must respond within prescribed timeframes (draft reports within 2 weeks and final reports within 6 weeks).

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. All internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

12. Appropriate Resourcing of Internal Audit

At least annually, Internal Audit will submit to the Audit Committee an Internal Audit plan for review and approval. The plan will consist of a schedule of planned assurance and consultancy work (including some contingency) which will establish resource requirements for the next financial year. This will be balanced between resource requirement and capacity. The standard requires the Head of Audit to advise the Audit Committee if the amount of resources available compromises the ability to offer appropriate levels of assurance.

The internal audit plan results from a risk-based assessment. As the internal auditor of Kirklees Council which provides the Authority's key financial systems, the audit plan is able to reflect a level of knowledge and assurance from all audit work on these areas to maximise coverage efficiency. A revised Audit Strategy recognises that the requirement to provide an annual opinion on risk management can be achieved from a smaller base of reviews of the management of key risks, reflecting the consistent positive assurance opinions produced in this area in recent years. A fuller coverage of the wider internal control environment and corporate governance matters will provide stronger assurance about these areas in a changing, fluid post pandemic world.

Any material variations from the approved Internal Audit plan are reported to the Audit Committee.

13. Assurances Provided to Outside Parties

Internal Audit also undertakes work for Kirklees Council and Kirklees Active Leisure (a charitable trust that is Kirklees Council's leisure centre operator partner). Internal Audit provide assurances (where requested) about the bona fide of transactions and claims as required by government departments and West Yorkshire Combined Authority. Internal audit would if requested provide assurance to other partner public sector bodies as appropriate.

14. Assurances Obtained from Outside Parties

Internal Audit will obtain assurances from third parties where this is an appropriate form of assurance related to activity carried out on behalf of the Authority.

15 Assessment of Internal Audit

In addition to maintaining its own quality assurance process, performance against which will be reported quarterly to the Audit Committee, annually the Head of Internal Audit will conduct a self-assessment of ongoing compliance with the PSIAS which will be validated by the Chief Finance & Procurement Officer and reported to the Audit Committee.

At least every five years the Authority will conduct an external assessment of its internal audit compliance with PSIAS, the outcome of which will be reported to the Audit Committee, together with an Action Plan as necessary to address any issues arising.

16 Review

This Charter will be reviewed at least annually by the Audit Committee to ensure it remains relevant to the corporate objectives of the Authority and the operational needs of the Brigade.

Definitions alignment to the Public Sector Internal Audit Standards

For the purposes of Internal Audit activity, the term;

- 'board' refers to the Audit Committee.
- 'senior management' refers to the Directors, namely the Chief Fire Officer / Chief Executive, Deputy Chief, Assistant Chief, Chief Finance & Procurement Officer and the Chief Employment Services Officer.

The PSIAS refer to the officer responsible for the Internal Audit function as the Chief Audit Executive. This role is undertaken by an Audit Manager at Kirklees Council.

Appendix 2

Summary of Audit Coverage 2021/22

Audit	Report Status	Assurance Opinion
Financial Systems & Risks • *Payroll*	*Draft*	***Adequate***
Other Systems & Risks • *Stores* • *Access & Gartan System Implementation*	*Final* *Final*	***Substantial*** ***Substantial***
Corporate Governance • *Implementation of HMI Recommendations*	*Final*	***Substantial***
Business Risk Management • *Faulty PPE* • *Vehicle Accidents* • *Retained Duty Systems* • *CPR Compliance* • *Asbestos in Authority Estate*	*Final* *Final* *Final* *Final* *Final*	***Adequate*** ***Substantial*** ***Substantial*** ***Substantial*** ***Adequate***
Follow up Audits • *Additional Responsibility Allowances*	*Final*	***Substantial***
Planned audits in progress • *Management of Severe Weather Risk*	*WIP*	
Planned audits carried forward to 2022/23 • *Bank Reconciliation* • *Treasury Management*		

Appendix 3

Draft Internal Audit Plan 2022/23

Work (& time) B/fwd from 2021/22 Plan (as agreed with CFPO)

- Bank Reconciliation
- Treasury Management

New Work

Audit Opinion on **Governance**

- CIPFA Financial Management Code Compliance
- Standards of Conduct in the Code of Corporate Governance,
  (scope to include declarations of interest, secondary employment, gifts & hospitality, codes of conduct compliance, whistleblowing, complaints procedures, transparency agenda reporting, in conjunction with the Director of Corporate Services.

Audit Opinion on **Risk Management**

- Cyber risk / Digital Attack (Risk 6, Score 15)
- High Risk Referrals for Prevention Home Visits (Risk 17, Score 12)
- Negligent Fire Safety Work (Risk 19, Score 9)

Audit Opinion on **Internal Control**

- Attendance Management – line and corporate management compliance with policy and consistency of application
- National Fraud Initiative 2022/23 – mandatory data matching led by Cabinet Office
- Creditor Payments
- Leased Car Scheme
- Inventories – Stores was reviewed in the current year, so scope would be all other premises and valuable and attractive equipment, especially with so many moves of staff and offices imminent
- Overtime management at departments/stations – compliance with policy, terms and conditions & VFM
- Asset Disposals – which links into inventories (i.e.) oversight of when assets are disposed and how are they recorded. This would assist closedown processes.

Consultancy

per Terms of Reference agreed with the respective Boards

- FSHQ Development Programme
- ESN Programme
- Management request

Deloitte.

West Yorkshire Fire & Rescue Service

West Yorkshire Fire and Rescue Authority

Auditor’s Annual Report 2020/21

Deloitte Confidential: Government and Public Services - For Approved External Use Only

Issued on 29 March 2022

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Auditor's Annual Report

Appendices

Purpose of this report

Our Auditor’s Annual Report sets out the key findings arising from the work we have carried out at West Yorkshire Fire and Rescue Authority (“the Authority”) for the year ended 31 March 2021.

This report is intended to bring together the results of our work over the year at the Authority, including commentary on the Authority’s arrangements to secure economy, efficiency and effectiveness in the use of resources (“Value for Money”, “VfM”). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

In preparing this report, we have followed the National Audit Office’s (“NAO”) Code of Audit Practice and its Auditor Guidance Note (“AGN”) 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

A key element of this report is our commentary on the Authority’s arrangements to secure economy, efficiency and effectiveness in the use of resources. Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Authority has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Authority has in place, nor does it provide positive assurance that the Authority is delivering or represents value for money.

We have not identified any significant weaknesses in the Authority’s VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses. We have however raised some recommendations in the body of the report, however, these do not constitute significant weaknesses.

Key Messages

Audit opinion on the financial statements	We issued an unmodified opinion on the Authority's financial statements on 4 February 2022.

The Authority's arrangements to secure Value for Money

Financial Sustainability *How the body plans and manages its resources to ensure it can continue to deliver its services*	• The Authority has a total of £37.4m (2019/20: £34.7m) in usable reserves at the year-end, suggesting prudent historic financial planning. • The Authority reports the financial position on a quarterly basis to the Finance and Resources Committee which includes an analysis of actual expenditure incurred compared to budget.
Governance *How the body ensures that it makes informed decisions and properly manages its risks*	• The Authority has a number of policies in place to ensure it makes properly informed decisions, which are reviewed and approved by the Full Authority. • The Authority has an established risk management process in place and has reviewed its risks throughout the year. The Authority maintains a Risk Management Strategy and risk register, which are reviewed on a quarterly basis by the Risk Management Strategy Group. The risk management framework was approved in March 2011 and therefore should be reviewed and updated. • The Authority utilises a internal audit function which undertakes a risk based programme of internal audit work in accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. They provide and present an annual audit report and opinion on the framework of governance, risk management and control, highlighting any significant control weaknesses. • The Authority responded to the impact of COVID-19 by implementing remote meetings and maintaining decision logs.
Improving economy, efficiency and effectiveness *How the body uses information about its costs and performance to improve the way it manages and delivers its services*	• The Authority assesses its performance regularly throughout the year. The information produced is used to identify areas of deviation from budget and this output is RAG rated with deviations from budget requiring explanation to the Chief Finance and Procurement Officer. • The Authority has a number of partnerships with other blue light services, health bodies and also other Local Authorities. These partnerships are governed by concordats which have action plans and monitoring programmes in place.

Assurance sources for the Authority

The diagram below illustrates the assurances provided by external audit around finance, quality, controls and systems and the future of the Authority (in the green rows) and how this fits with some of the other assurances available over the Authority's position and performance.

	Financial How is the Authority performing financially?	**Quality and Operational** How is the Authority performing operationally and in quality of outcomes?	**Controls and systems** Does the Authority have adequate processes?	**Future of the Authority** Is the Authority's strategy appropriate and sustainable?
Business processes and Board oversight	Is reliable reporting and data being produced through the year, at each level within the Authority, and appropriately reviewed and followed up?			
	Is the Annual Report and Accounts, taken as a whole, fair, balanced and understandable?		Are the Authority's processes operating effectively?	Are the Authority's plans realistic and achievable?
	Is the Authority meeting its legal and regulatory obligations, and are appropriate plans in place to maintain compliance?			
	Has the Authority delivered on its financial plans?	Are quality priorities selected appropriate for the Authority?	Does the Authority have efficient systems and processes?	Are appropriate actions in place to deliver the Authority's plans?
	Is the Authority generating sufficient surplus for reinvestment?	Are the quality metrics reported accurate and complete?	Are risks around legacy systems etc appropriately mitigated?	What are the risks to achievement of the Authority's plans and are appropriate mitigations in place?
Internal audit assurance	Is there a generally sound system of internal control on key financial and management processes?			
	Has the Authority suffered losses due to fraud?		Does the Authority have appropriate arrangements in place to mitigate fraud risks?	
External Audit assurance on reported performance	Do the financial statements give a true and fair view? Have the financial statements have been properly prepared?		Is the Annual Governance Statement misleading or inconsistent with information we are aware of from our audit? *	Is there significant uncertainty over the going concern assumption?
	Is the Annual Report consistent with the financial statements? *		Has the Authority made proper arrangements for securing economy, efficiency and effectiveness in the use of resources?	

* The scope of external audit in this area is "negative assurance" of reporting by exception of issues identified.

Opinion on the financial statements

We provide an independent opinion whether the Authority's financial statements:

- Give a true and fair view of the financial position of the Authority at 31 March 2021 and of the Authority's income and expenditure for the year then ended;
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom in 2020/21.

The full opinion is included in the Authority's Annual Report and Accounts, which can be obtained from the Authority's website.

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

We are independent of the Authority in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements:	We issued an unmodified opinion on the Authority's financial statements on 4 February 2022. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
Narrative Report:	We reported that the information given in the Narrative Report for the year ended 31 March 2021 is consistent with the financial statements.
Annual Governance Statement:	We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the code of practice on Local Authority Accounting, was misleading, or was inconsistent with information of which we are aware from our audit.
Reports in the public interest and use of other powers	We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2021.
Audit Certificate	We are unable to certify completion of the audit until the Whole of Government Accounts reporting is completed. When the instructions for this are issued and reporting completed, we will be able to certify the audit.

Our financial statement audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Authority and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit director, Paul Hewitson. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuation and pensions.

Materiality

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality of £2.04m, on the basis of 2% of gross expenditure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £102k as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the Authority's financial statements

Our audit of the Authority's financial statements included:

- developing an understanding of the Authority, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the Authority's financial statements;
- interviewing members of the Authority's management team and reviewing documentation to test the design and implementation of the Authority's internal controls in certain key areas relevant to the financial statements;
- performing sample tests on balances in the Authority's financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy and completeness of those balances; and
- data analytic techniques which were used as part of audit testing, in particular for journal testing.

Approach to audit risks

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Authority's Audit Committee setting out what we considered to be the significant audit risks for the Authority, together with our planned approach to addressing those risks. We have provided a summary of each of the significant audit risks on the following pages.

We have made recommendations in our Audit Committee reporting to management for improvement in the Authority's policies, procedures and internal controls based on observations from our work. However, we do not consider these recommendations to reflect significant weaknesses in the Authority's Value for Money arrangements.

Significant audit risks

Property Valuation

Risk identified	The Authority held £79.5m of property assets (land and buildings) at 31 March 2019 which decreased to £76.4m as at 31 March 2020. As at 31 March 2021 this increased to £76.9m. 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, in line with the Authority's rolling programme, in the current year 20% of assets will be fully revalued with the remaining 80% subject to a desktop exercise.
Our response	• We have examined 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 have tested the design and implementation of key controls in place around the valuations process; • We have used our valuation specialists, Deloitte Real Estate, to support our review and challenge of the appropriateness of the assumptions used in the year-end valuation of the Authority's Land and Buildings in line with ISA540 requirements; and • We have tested a sample of revalued assets and re-performed the calculation assessing whether the movement has been recorded through the correct line of the accounts.
Conclusions	We reported to those charged with governance eleven control insights. We identified one disclosure deficiency and one non-material error which remained uncorrected in the final financial statements.

Significant audit risks (continued)

Completeness of expenditure

Risk identified	Under UK auditing standards, there is a presumed risk of incorrect 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. 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.
Our response	Our work in this area has included the following: • We have obtained 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 have performed focused testing in relation to the completeness of expenditure by examining the application of cut off primarily through the focussed testing of accruals balance; and • We have reviewed and challenged the assumptions made in relation to year-end estimates and judgements to assess completeness of recorded expenditure.
Conclusions	We reported to those charged with governance three control insights. We identified one error which was corrected in the final financial statements and one error which remain uncorrected in the final financial statements.

Significant audit risks (continued)
Management override of controls

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.
Our response	In considering the risk of management override, we have performed the following audit procedures that directly address this risk: • We have tested the design and implementation of key controls in place around journal entries and management judgments; • We have risk assessed journals and selected items for detailed testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest; • We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting; • We have reviewed accounting judgements for biases that could result in material misstatements due to fraud; • We have reviewed management estimates for biases that could result in material misstatements due to fraud and in line with ISA540 requirements; and • We have not become aware of any significant transactions 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.
Conclusions	We reported to those charged with governance two controls insights in respect of reconciliation and review of journals. We did not identify any significant bias in the key judgements made by management based on work performed.

Auditor’s work on Value for Money (VfM) arrangements

The Section 151 Officer and Authority are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The Section 151 Officer reports on the Authority’s arrangements, and the effectiveness with which the arrangements are operating as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Under the National Audit Office’s Auditor Guidance Note 3, we are required to assess arrangements under three areas:

Financial Sustainability	*How the body plans and manages its resources to ensure it can continue to deliver its services*
Governance	*How the body ensures that it makes informed decisions and properly manages its risks*
Improving economy, efficiency and effectiveness	*How the body uses information about its costs and performance to improve the way it manages and delivers its services*

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Authority can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around Authority’s arrangements, and events occurring outside of the Authority’s control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:

- **Meetings with key stakeholders across the organisation including the Chief Finance and Procurement Officer and the Executive Team.**
- **Review of Authority and committee reports and attendance at committee meetings.**
- **Reviewing reports from third parties including internal audit.**
- **Considering the findings from our audit work on the financial statements.**
- **Review of the Authority’s annual governance statement and annual report.**

VfM arrangements: Financial Sustainability

Approach and considerations	Commentary
We have considered how the Authority plans and manages its resources to ensure it can continue to deliver its services, including: • How the Authority ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them; • How the Authority plans to bridge its funding gaps and identifies achievable savings; • How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; • How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and • How the Authority identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.	As at 31 March 2021, the Authority has net liabilities of £1,483m (2019/20: £1,334m) which is driven by the pension liability of £1,563m (2019/20: £1,411m) as a result of the Firefighter's Pension Scheme being an unfunded scheme. Excluding the pension balance the Authority, therefore has net assets of £81m (2019/20: £78m). The Authority continues to be in a strong balance sheet position, after adjusting for the pensions balance, with a cash and cash equivalents balance at the end of 2020/21 of £16.5m and short term investments of £20m (2019/20: £11.1m and £20m respectively). The Authority has a total of £37.4m (2019/20: £34.7m) in usable reserves at the year-end, suggesting prudent historic financial planning, which is supported by an approved reserves strategy. Although the Authority reported a deficit on the provision of services of £11.1m for the year ended 31 March 2021 (2019/20: £15.5m), after taking in to account the statutory adjustments sets out in note 10, the Authority made a net contribution to General Fund balances of £2.6m (2019/20: decrease £1.6m). The Authority has a reserves strategy, which is approved annually, and sets out the planned usage of over £28.6m of the earmarked reserves by 2025/26 primarily to support the revenue budget. The Authority communicates its budget to the general public and stakeholders via its website, however, there appears to be limited proactive identification of and engagement with stakeholders over budget priorities and investment decisions. We understand that the workforce plan and district plans drive the budgets, however, these documents are not presented to members as part of the scrutiny of the budget. The reports prepared to support and calculate the budget should be provided to members to ensure greater scrutiny of the budget.

VfM arrangements: Financial Sustainability (continued)

Commentary

The Authority has an established annual financial planning process with key events scheduled throughout the year to facilitate this. The budgeting process is led by the Chief Finance and Procurement Officer. The annual planning cycle identification is based on presentations of director approved capital and revenue bids at Star Chamber. These reports include information on capital / revenue bids / growth / savings / budget and pay awards. There is a process that requires approval of capital bids at appropriate levels within the Authority at either Management Board or Finance and Resources Committee. There is scope to enhance the reporting in respect of the capital bids and the approval / rejection of schemes at the Star Chamber / Management Board and Finance and Resources Committee as the minutes do not allow schemes to be easily traced between the various meetings.

In preparing the 2020/21 budget, the Authority has considered a range of financial scenarios to enable the Authority to achieve a balanced budget against a number of possible financial scenarios after 2020. This includes: Standstill budget, a 5% and 10% reduction in funding. This detail is also included in the budget report presented to Full Authority in February annually as part of the approval of the budget. As part of this report, there is also a review of options to examine scenarios where pension and Collection Fund deficits are funded by the Government and where they are not. As part of this the reporting provided to Executive Committee included 14 proposals for efficiency and financial savings are presented for consideration, there is scope to enhance the reporting of acceptance or rejection of the proposed savings plans.

To identify and manage risk relating to financial resilience the Authority operates a foreseeable risk register across multiple areas and consider the financial impact of those. The Authority is part of the West Yorkshire Local Resilience Forum (WYLRF) which considers the UK National Risk Register produced by the Cabinet Office. The WYLRF develop a local risk register which reflects how the risks could manifest in West Yorkshire. The Authority also participates in the Community Risk Management Plan which sets out how local resources will be managed and how the impact of these risks will be mitigated.

VfM arrangements: Governance

Approach and considerations

We have considered how the Authority ensures that it makes informed decisions and properly manages its risks, including:

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the body approaches and carries out its annual budget setting process;
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Commentary

The Authority has an established risk management process in place, overseen by the Risk Management Strategy Group, and this includes a Risk Management Strategy and associated Risk Registers. The Authority's risk management matrix is reviewed quarterly at the Risk Management Strategy Group meetings. The Authority has a scoring methodology for risk ratings for both likelihood and severity which was approved by the Authority in March 2011. Given that these ratings were approved ten years ago, there would be merit in the Authority:

- reviewing the severity ratings used within the risk register to ensure that they remain appropriate, within the context of available cash on hand of £16.5m, short term investments of £20m and usable reserves of £37.4m; and
- reviewing the likelihood ratings as the current bandings grade risks as being probable even when the three year likelihood is only 21% (which implies an absolute 1 year risk of only 8%). It is our view that this approach may result in risks congregating within the probable range when a more nuanced approach might facilitate greater focus on those risks which present the greatest threat.

The Authority has a series of policies covering internal controls, including a whistleblowing and anti-money laundering policy. These policies are available on the Authority's website. The Audit Committee is responsible for approving the annual Internal Audit plan and receives updates at Committee meetings throughout the year.

The Authority has a Service Level Agreement (SLA) with Kirklees Council in relation to areas such as Internal Audit and Treasury management. This arrangement has been in place for a number of years and is subject to annual review and scrutiny by the Chief Finance and Procurement Officer alongside quarterly meetings to review contract performance. There is scope to further enhance the scrutiny of the SLA by reviewing this at Full Authority or Management Team level when a new SLA is being negotiated to ensure that there is independent additional scrutiny to the function.

VfM arrangements: Governance - continued

Commentary

The Authority uses an Internal Audit function to provide independent, objective assurance and designed to add value to improve operations. The Internal Audit opinion for the year was that the systems and procedures provide effective systems of management control enabling the Authority to provide an efficient, effective and economic service to the public of West Yorkshire.

The annual budget setting is conducted as part of the annual planning exercise performed by the Authority with key activities scheduled throughout the year including the Organisation Planning Day, Departmental / Directorate meetings and Star Chamber meetings. Once approved, performance against the budget is controlled through the monthly review process. This process includes the production of a Budget Monitoring Report each month which is issued to budget holders, and this report is RAG rated, and for movements not meeting the metrics set by the Authority an explanation is required to be provided by the budget holder to the Chief Finance and Procurement Officer. To support the Monthly Budget Monitoring Report, meetings are also held with budget holders to review at an account code level reasons for variances and to also facilitate discussion surrounding increasing / decreasing budgets. However, we would observe that the Authority has a relatively small finance function and as a result there is reliance on a few key members within the team. The Authority should consider widening the level of understanding over key accounting areas to ensure that more than on person has knowledge over that area to build resilience within the team.

The Authority has a number of staff policies in place including a code of conduct, which is set out within the Constitution which is accessible via the Authority's website. Declarations of interest are required to be made by senior members of staff and decision making officers. Engagement with the staff is facilitated through the "Let's Talk" staff briefings which are chaired by DCFO Dave Walton with the rest of the Management Board in attendance. Employees are able to send in questions either anonymously or with their name attached to facilitate discussion and challenge from employees where appropriate.

As a result of COVID-19, governance decisions have been made which have facilitated the move to remote meetings, with the Crisis Management Team used as a business continuity mechanism. The logs of decisions made at these meetings where maintained within the Authority's sharefile system and access given to those at an appropriate level.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations:

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Authority commissions or procures services, how the Authority ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits.

Commentary

The Authority assesses its performance through Budget Monitoring reports which are RAG rated and primarily consider budget against actual outturn. These reports are presented to Finance and Resource Committee and Full Authority.

The Authority has an approach to Lean Working which was established out of the 2019-2022 Integrated Risk Management Plan (IRMP) to identify efficiencies primarily in four areas. Following conclusion of this work the principals of lean working and seeking efficiencies is taken forward by the Smarter Working Manager. As part of this programme the Authority looks to external reports / interviews with stakeholders in order to identify areas of interest that could be improved, with focus being placed on areas of interest highlighted by Internal Audit / Her Majesty's Inspectorate of Constabulary and Fire & Rescue Service. however, there may be scope to bring greater structure to the areas being challenged and reviewed to ensure maximum impact.

The Authority uses surveys in order to gain feedback on the services provided and these surveys are sent to people affected at domestic and non-domestic incidents attended by the Authority. The Authority also participated in the Customer Service Excellence assessment and for financial year 2020/21 the overall conclusion was that "This is a long-standing CSE compliant service and managers and staff, with enthusiasm, keep it this way. This Service is fully compliant with the CSE Standard."

The Authority has a number of partnership working arrangements with other blue light services, health bodies and also other Local Authorities. These arrangements are governed by concordats which detail the roles and responsibilities of each party and also sets out the framework for an action plan and also a monitoring programme. The Authority also operates a number of District Plans which include key priorities and are monitored at the Community Safety Committee. The Authority also is active within the Local Resilience Forum and also Co-Chairs the Strategic Local Resilience Forum, alongside Chairing three of the tactical sub-groups. The Authority is also a part of the West Yorkshire TCG, however, following turnover of a key member of staff in this area, there is scope for the Authority to review its records keeping in respect of this.

The Authority has a procurement function which is headed by a fully qualified Procurement Specialist. The work of the Procurement function is reported to the Finance and Resources Committee with an annual report provided each February.

We understand that in response to COVID-19, the Authority reviewed its contracts and partnerships to ensure that they remained fit for purpose, however, there appears to be little documented evidence of this review. We therefore consider that there is scope for improvement in relation to the record keeping around such reviews.

Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Authority's arrangements.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

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.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Audit Committee.

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, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

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

Deloitte LLP

Leeds | 29 March 2022

Appendix 1: Authority’s responsibilities

Public bodies spending taxpayers’ money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Finance and Procurement Officer, as Section 151 Officer of the Authority, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Section 151 Officer is required to comply with the CIPFA code of practice and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the Section 151 Officer has applied the ‘continuing provision of services’ approach set out in the CIPFA code of practice as it is anticipated that the services the Authority provides will continue into the future.

The Section 151 Officer is required to confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for patients, regulators and stakeholders to assess the Authority’s performance, business model and strategy.

The Section 151 Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Authority’s resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Authority, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Section 151 Officer and the Authority are responsible for ensuring proper stewardship and governance, and reviewing regularly the adequacy and effectiveness of these arrangements.

Appendix 2: Auditor’s responsibilities

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Auditor’s responsibilities relating to the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Authority has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Authority’s arrangements, are reported in our Auditor’s Annual Report.

Auditor’s other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Authority, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Authority or an officer of the Authority is:
    - about to make, or has made, a decision which involves or would involve the Authority incurring unlawful expenditure; or
    - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.