



OFFICIAL

Internal Audit Quarterly Report

Audit Committee

Date: 8 February 2019

Agenda Item:

5

Submitted By: Chief Finance and Procurement Officer

Purpose	To present the Internal Audit report (October to December 2018) to Members
Recommendations	That Members note the content of the report
Summary	To provide a summary of the audit activity for the period October to December 2018 and to report the findings to the Committee.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer:

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Background papers open to inspection: None

Annexes: Internal Audit Quarterly report

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 October to December 2018.

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

Substantial assurance
Adequate assurance
Limited assurance
No assurance

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

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

2 Information

- 2.1 In the third quarter of 2018/19 there have been three business risk audits one of which received a limited assurance and one key financial systems audit which received substantial assurance. The special investigation into Additional Responsibility Allowances has been completed in quarter three resulting in limited assurance. There are currently three audits in progress.
- 2.2 In addition, the National Fraud Initiative 2018/19 exercise which is overseen by the Cabinet Office has been undertaken and a report will be produced in January 2019 which will identify any anomalies. This will be reported in the next audit quarterly report.
- 2.3 Internal audit continues to provide support to the Joint Command and Control project and the Emergency Services Mobile Communications Project (ESMCP).
- 2.4 Section 10 of the attached appendix compares current audit performance in the current financial year with the previous year.

3 Financial Implications

- 3.1 There are no financial implications associated with this report

4 Legal Implications

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

5 Human Resource and Diversity Implications

5.1 There are no human resource or diversity implications associated with this report

6 Health and Safety Implications

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

7 Conclusions

7.1 Members are asked to note the contents of this report.



INTERNAL AUDIT QUARTERLY REPORT

2018/19

October to

December 2018

ABOUT THIS REPORT

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

For ease of reference the audits are categorised as follows:

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

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

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

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

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

The final section of the report concerns Audit Plan delivery.

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

1. SUMMARY

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

Members may recall that a verbal update was provided at the last meeting concerning a review requested by the Chief Employment Services Officer and the Chief Finance & Procurement Officer of Additional Responsibility Allowances. The Review was a substantial undertaking given the way information is recorded in the payroll system and in training records. Management have now considered their response and a way forward has been agreed, so the findings of the Review can now be provided in detail below. A Limited Assurance opinion was allocated.

An audit of Training Recording systems and procedures also produced a Limited Assurance opinion and the two are linked to some degree as ARA monitoring requires easy reference to complete and up to date training records.

Audits of two key risk areas in Operations produced Substantial Assurance opinions.

A number of pieces of work are in progress with others to commence shortly to ensure completion of the audit plan.

A meeting has been held with the new external auditors, Deloitte, chaired by the Chief Finance & Procurement Officer, to understand respective priorities and ways of working to inform future audit work, providing assurance where appropriate and avoiding unnecessary duplication and misunderstanding.

2. SPECIAL INVESTIGATIONS & REVIEWS

Additional Responsibility Allowances Policy

A review of compliance with the Policy was requested by management and included in the current audit plan. Payments of the wide ranging number and types of allowance across operational personnel totalled £375,000 in 2017/18.

There is a wide range of ARAs available under the local policy, including specialist roles, assessor roles, training roles, charity representatives and mess managers. The majority are paid as a percentage of basic pay but with no reference within the wage type descriptor on the payroll system (which also appears on the pay slip) as to the reason. Combinations of ARA percentages, applied historically, make it even more difficult to determine for many exactly for what they are paid.

It is apparent that there is no central comprehensive record of what and why ARAs are paid to individuals.

The audit raised concerns as to who is actually monitoring or reviewing ARAs. Attempts to contact Station Managers to discuss what checks and monitoring are undertaken locally proved difficult, due in part to station transfers, out of date Firespace information and leave periods. The policy

stipulates a periodic check by SMs as part of personal development reviews. Given that SMs now manage at least 2 stations with District responsibilities, and internal staff transfers are commonplace, it is difficult to comprehend how they can quickly access the relevant information to undertake the requisite checks effectively. SMs likely place reliance on crews confirming that an ARA is payable without checking whether the qualification is current or that the numbers payable meet the requirement of that station type. In these circumstances there is a risk that officers are delivering assessments and/or training without the requisite or current qualification

Audit sample testing across 8 whole-time stations with 157 personnel in receipt of an ARA identified 15 cases where the officer concerned either did not have the necessary or current qualification recorded within SAP, or the responsibility was not required at that station. This in part may have been attributable to issues with the training recording system but in any event supports the lack of assurance regarding the ARA process.

The total overpayment sum for the exceptions noted could be in excess of £10k as many pre-date the current payroll system. Extrapolating these findings across all employees suggest a much higher figure may have been made similarly.

As there are restrictions as to how many officers can be eligible for an ARA on each station, the calculation could be formula based. Analysis by station of the same type and size to establish the requisite number of ARAs (PTI/charity rep/assessors and instructors) did not deliver consistent results. This could in part be due to some officers choosing not to claim entitlements and a lack of clarity as to the reasons. A refresh of the policy may raise the profile and there could be an influx of new applications, especially as the process has recently changed, so that an ARA is removed as standard when personnel transfer between stations.

Given the Conclusions, a **Limited Assurance** opinion was allocated and a number of recommendations made.

Management Response:

- A new ARA policy will be launched and put in place by April 1st, 2019
- Each ARA will be shown separately in the wage type descriptor to give clarity to management and employees in receipt
- Station Managers will be reminded of the need to make annual checks of ongoing entitlement as part of improved administration generally
- The issue of overpayments will be incorporated into the consultative process with the trades unions.

3. KEY FINANCIAL SYSTEMS

Risk	Findings	Audit Opinion
Chief Finance & Procurement Officer		
Insurance Cover and Claims	A review of insurance cover and claims history in connection with the key risks in the corporate Risk Matrix found these to be effective, although the Matrix is in need of updating in this regard.	Substantial Assurance
Income System	Audit in progress	
Creditors & Direct Debit Payments	Audit in progress	
National Fraud Initiative 2018/19	<p>The National Fraud Initiative is a biennial mandatory exercise overseen by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Chief Finance & Procurement Officer has overall responsibility, the Audit Manager acts as the Key Contact.</p> <p>Data was uploaded via secure website at the start of October and various exception reports containing potential anomalies and inconsistencies for review and investigation will be produced at the end of January 2019. Payroll, including Members' allowances and creditor payments data is submitted on behalf of the Authority. Pensioners' data – firefighters and support staff - is provided by Bradford MDC.</p> <p>Since the data was uploaded, various data validation tasks have been undertaken by the</p>	

	Cabinet Office and a number of queries reviewed and resolved.	
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4. OTHER FINANCIAL SYSTEMS & RISKS

None during this period.

5. LOCATION & DEPARTMENT AUDITS

None during this period.

6. BUSINESS RISK AUDITS

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

Risk	Findings	Audit Opinion
Director of Service Delivery		
Marauding Terrorist Firearm Attack	<p>Enquiries with key officers, sample testing of associated records, and observation at a multi-agency exercise indicated that the arrangements accord to documented guidance and operational procedures for enabling a deployment which is effective in supporting a multi-agency response to a MTFA (or other terrorist motivated incident).</p> <p>Management actions to make improvements in two areas were noted and agreed.</p> <p>The ongoing review of national guidelines in response to the Kerslake Report into the preparedness for, and emergency response to, the Manchester Arena attack in May 2017 has led to a West Yorkshire Local Resilience Forum Action Plan being developed in response to the Report's recommendations on which the Authority (and other regional partners) were providing input, with the LRF feeding back at a national level. The outcome of this review and the issue of the revised national guidelines will trigger an update of LRF and Authority documented arrangements.</p>	Substantial Assurance
Rise in the National Threat Level to Critical	Assurance was obtained that operational arrangements accord with the stated mitigating controls in the Corporate Risk Matrix, documented response arrangements following changes to the international terrorism threat and response levels are in place, which provide both clarity on responsibilities as well as detailed step-by-step actions to be taken.	Substantial Assurance

Director of Service Support

<p>Operational Competence and other Mandatory Training Records</p>	<p>The arrangements for recording training and operational competence are not operating effectively, resulting in unreliable data which prevents the effective identification and monitoring that requirements are being met. As a result the Authority risks both reputational and litigation damage in the event of an incident involving personnel who do not have (or alternatively the Authority cannot evidence that they have had) the required training. Moreover, an additional concern is that training represents a significant mitigating control action to many of the risks in the Corporate Risk Matrix, so an inability to evidence effectively this remediation could impact upon risk management too.</p> <p>In addition to which, the audit of Additional Responsibility Allowances (see above) highlights that there are also financial consequences to the Authority when Station Managers are unable to effectively monitor and validate that personnel have the necessary qualifications and competencies and should be in receipt of ARAs.</p> <p>The current migration to the new Access HR system now provides the opportunity for a full project review to be undertaken on system and recording requirements to effectively support training and operational competence requirements. This has been recognised by the Group Manager Training and Development, who plans to progress this over the next 12 month period.</p> <p>An action plan has been agreed which addresses the audit recommendations resulting from this review and progress will be followed up in due course.</p>	<p>Limited Assurance</p>
<p>Poor Data Quality</p>	<p>Audit in Progress</p>	

7. FOLLOW UP AUDITS

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

None during this period.

8. REVIEW OF KEY RECOMMENDATIONS

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

9. ADVICE, CONSULTANCY & OTHER WORK

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

Performance Indicators	16/17 Actual	17/18 Actual	18/19 Target	18/19 Actual
Audits completed within the planned time allowance	88%	67%	80%	100%
Draft reports issued within 10 days of fieldwork completion	100%	92%	90%	100%
Client satisfaction in post audit questionnaires	100%	100%	90%	100%
Chargeable audit days	156	141	160	92
QA compliance sample checks – percentage pass	100	100	100	100
Planned Audits Completed	17	16	19	7
Planned Audits in Progress	0	0		5
Planned Audits Outstanding				7
Unplanned Work Completed	2	2		1
Unplanned Work in Progress	0	0		0

2018/19 AUDIT PLAN

<u>Planned audits</u>	<u>Status</u>
<p><u>Key Financial Systems</u></p> <ul style="list-style-type: none"> • Payroll Key Controls • Creditor / Direct Debits Payments • Additional Responsibility Allowance Policy • Treasury Management • Debtors System <p><u>Other Systems</u></p> <ul style="list-style-type: none"> • Insurance Cover & Claims • Operational Competence & Other Mandatory Training <p><u>Business Risks & Controls</u></p> <ul style="list-style-type: none"> • Commercial Premises Risk Database • Industrial Dispute • Responding to a Marauding Terrorist Attack • Rise in National Threat Level • Failure to provide an Effective Control Function • Poor Data Quality • Incident Staff Fatality • Staff Safeguarding Issues • Loss of Key Staff <p><u>Corporate Governance</u></p> <ul style="list-style-type: none"> • Freedom of Information Compliance • National Fraud Initiative 2018/19 • Officer Delegation Scheme Compliance <p>Project Assurance - ESMCP</p>	<p>WIP Complete WIP WIP</p> <p>Complete Complete</p> <p>Complete Complete</p> <p>WIP</p> <p>Complete Ongoing</p> <p>Ongoing</p>
<u>Unplanned audits</u>	<u>Status</u>
ESMCP Grant Verification	Complete



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Abridged Performance Management Report

Audit Committee

Date: 8 February 2019

Agenda Item:

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Submitted By: Chief Legal and Governance Officer

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

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: Abridged Performance Management Report

1 Introduction

- 1.1 The Performance Management and Activity Report, which is presented 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.
- 2.3 The report also includes details of the applications, authorisations and rejections under the Regulation of Investigatory Powers Act (RIPA) 2000.

3 Financial Implications

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

4 Legal Implications

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

5 Human Resources and Diversity Implications

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

6 Health and Safety Implications

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

7 Service Plan Links

- 7.1 This report links to all the Service Plan priorities.

8 Conclusions

- 8.1 That Members note the report.



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Risk Management Strategy Group update

Audit Committee

Date: 8 February 2019

Agenda Item:

7

Submitted By: Director of Service Delivery

Purpose To report risk management activity and developments reported to Risk Management Strategy Group (RMSG) in December 2018 and highlight any future risks or risk related areas.

Recommendations That the Audit Committee note the report.

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

Local Government (Access to information) Act 1972

Exemption Category: None

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

Annexes: None

1 Introduction

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

2 Information

2.1 The Risk Management Strategy Group last met December 2018. The Audit Manager and the Risk and Insurance Manager from Kirklees Council attend RMSG meetings. The Audit Manager provides an update on recent internal audit activity. Councillor Ronald Grahame also attends the meetings.

2.2 Below is a summary of key areas:

- Between the September 2018 and December 2018 RMSG meetings, 11 risks have been reviewed by their respective owners.
- The risk associated with the Emergency Services Network (ESNI1.S) is a standing agenda item and therefore is reviewed/discussed at every RMSG meeting.
- A new standing agenda item 'National/Community Risks' has been added to the agenda, which will include risks and issues related to the UK Exiting the EU.
- A new risk AOPR1.S has been created with a description of 'Errors made in the application of Procurement Regulations either in relation to new or existing contracts causing the Authority to be placed at risk resulting from reputational damage, litigation or legal challenge'.
- A new risk HRVR1.S has been created with a description of 'Failure or significant delay in responding to requests and referrals for prevention home visits that have been assessed as high risk'.
- The risk DISC1.S 'Discrimination case including equal pay resulting in cost, reputational and staff morale implications' has been removed from the risk matrix. The risk related to a historic case which is now resolved and lessons were learnt and incorporated into the revised dignity and respect policy.
- A review of 'risk values' and insurance arrangements will be undertaken for each risk on the risk matrix.

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

Risk Factor Score	March 2018	June 2018	September 2018	December 2018
Very High (15-25)	7	5	5	5
High (9-14)	19	19	19	21
Medium (4-8)	25	26	26	25
Low (1-3)	3	3	3	3
Total number of risks	54	53	53	54

The 5 'very high' risks are:

LRGG1.S - Loss or reduction in government grant.

WAFL1.S - Wide area flooding.

MTFA1.S - Responding to a Marauding Terrorist Firearms Attack.

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

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

3 Financial Implications

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

4 Legal Implications

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

5 Human Resources and Diversity Implications

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

6 Health and Safety Implications

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

7 Service Plan Links

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

8 Conclusions

- 8.1 That the Audit Committee note the report.



OFFICIAL

External Audit Plan 2018/19

Audit Committee

Date: 8 February 2019

Agenda Item:

8

Submitted By: Chief Finance and Procurement Officer

Purpose To present the External Audit Plan for the 2018/19 Statement of Accounts

Recommendations Members note the report

Summary This report sets out the audit work that will be carried out on the 2018/19 financial statements and the basis of the audit fees.

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: None

Annexes: External Audit Planning Report 2018/19

1 Introduction

- 1.1 The attached document is the draft audit planning report for the 2018/2019 audit of accounts produced by Deloitte who are the appointed external auditors for the authority. This is the first year that Deloitte are the authority's external auditors.

2 Information

- 2.1 The document covers the preliminary assessment of the significant risks that have been identified by Deloitte.
- 2.2 The statutory requirement to produce the Statement of Accounts was brought forward to the 31st May from the 30th June and they have to be approved by Audit Committee by the 31st July. This is the second year the accounts will be closed under the revised deadlines and because this is the first year for Deloitte it remains important that finance staff in fire and Deloitte work closely to ensure that this statutory deadline is continued to be achieved. The finance team have already met with the audit team and some of the pre audit systems work has already been undertaken. The intention being that some audit work will commence whilst the accounts process is ongoing.
- 2.3 Paul Hewitson and Caroline Jamieson from Deloitte will be attending the meeting to present the report.

3 Financial Implications

- 4 Details of the Audit fee of £27,782 is included within the report on page 20 and is a reduction of £8,298 from that charged in 2017/18.

5 Human Resources and Diversity Implications

- 4.1 There are no human resources and diversity implications arising directly from this report.

6 Health and Safety Implications

- 5.1 There are no health and safety implications arising directly from this report.

7 Legal Implications

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



Planning report to the Audit Committee for the year ending 31
March 2019

January 2019

Deloitte Confidential: Public Sector - For Approved External Use

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Introduction

The key messages in this report:

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

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

We have pleasure in presenting our planning report to the Audit Committee (the 'Committee') for the 2019 audit of West Yorkshire Fire & Rescue Authority (the 'Authority'). We would like to draw your attention to the key messages of this paper:

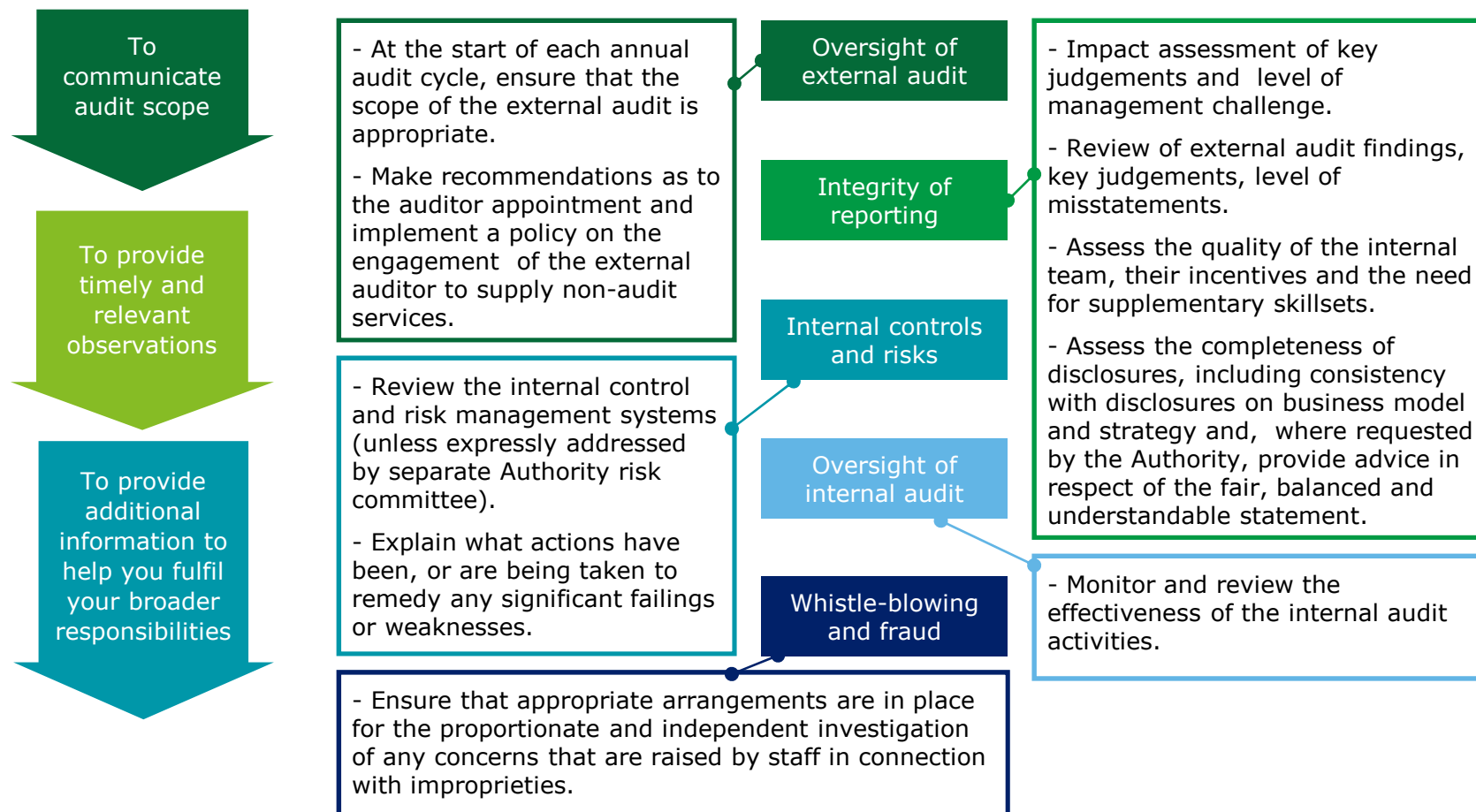
Audit Plan	<ul style="list-style-type: none">• We are developing our understanding of the Authority through discussion with management and review of relevant documentation from across the Authority.• Based on these procedures, we have developed this plan in collaboration with the Authority to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Authority.
Key risks	<ul style="list-style-type: none">• We have taken an initial view as to the significant audit risks the Authority faces. These are presented as a summary dashboard on page 11.
Regulatory change	<ul style="list-style-type: none">• Our audit is carried out under the Code of Audit Practice issued by the National Audit Office (NAO).• We will update Management and the Committee with sector and technical updates as they arise.

Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

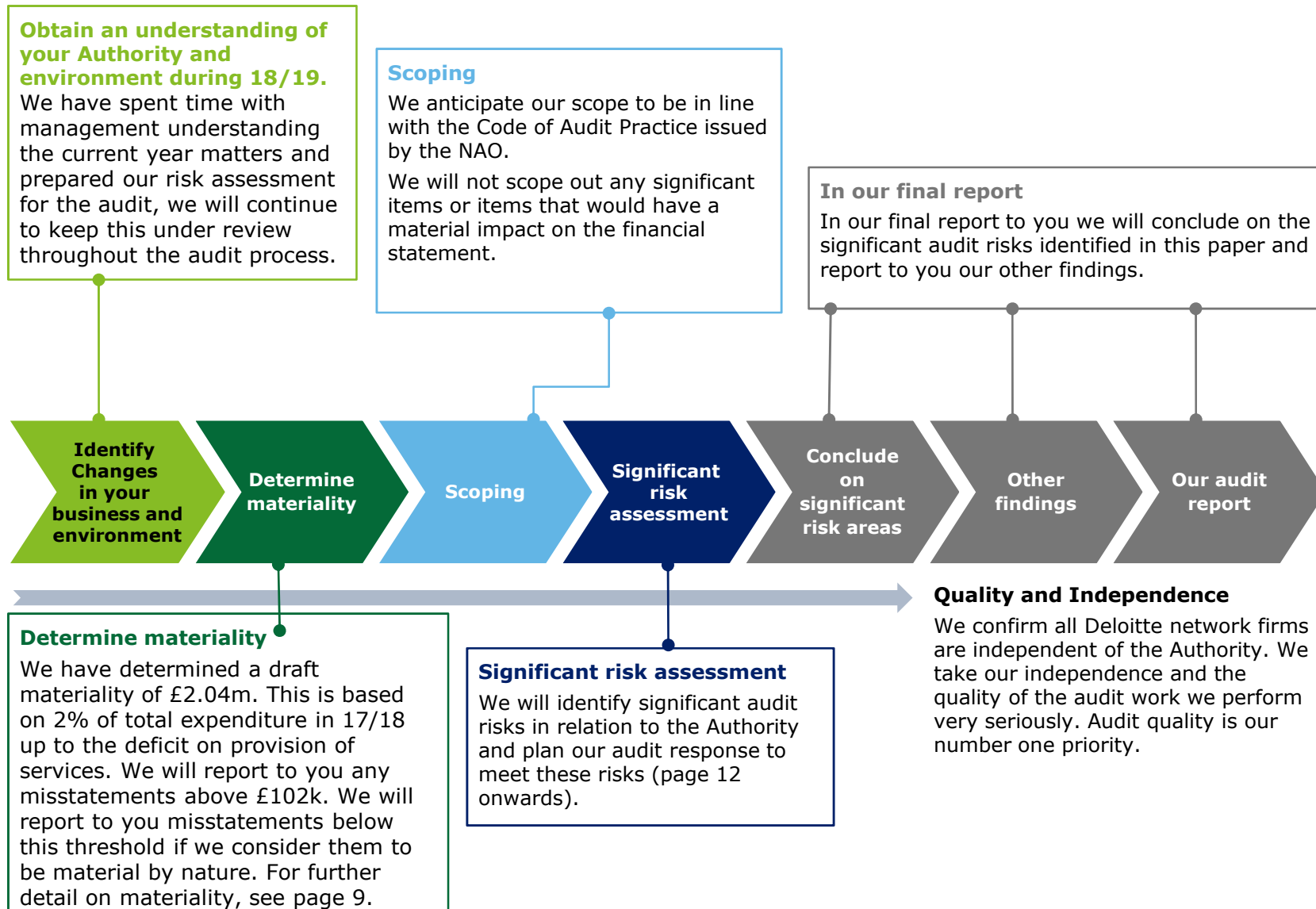
Why do we interact with the Audit Committee?

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



Our audit explained

We tailor our audit to your Authority and your strategy



Scope of work and approach

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

Financial statements

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

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

Annual Governance Statement

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

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

Value for Money conclusion

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

To perform this work, we are required to:

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

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

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

Scope of work and approach

Our approach

Liaison with internal audit

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

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

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

Approach to controls testing

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

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

Promoting high quality reporting to stakeholders

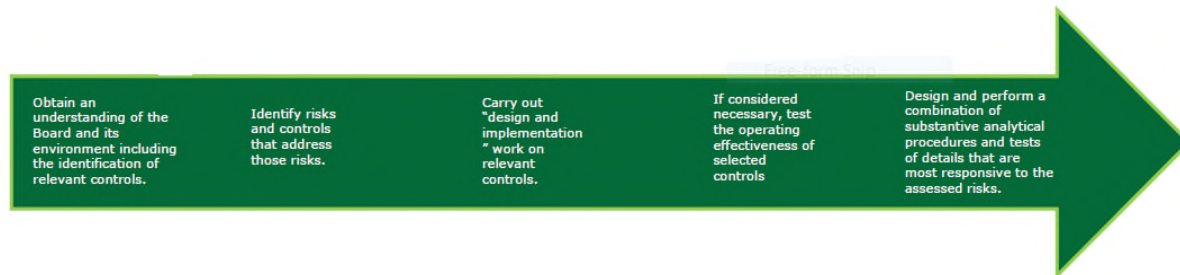
We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

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

We would like the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

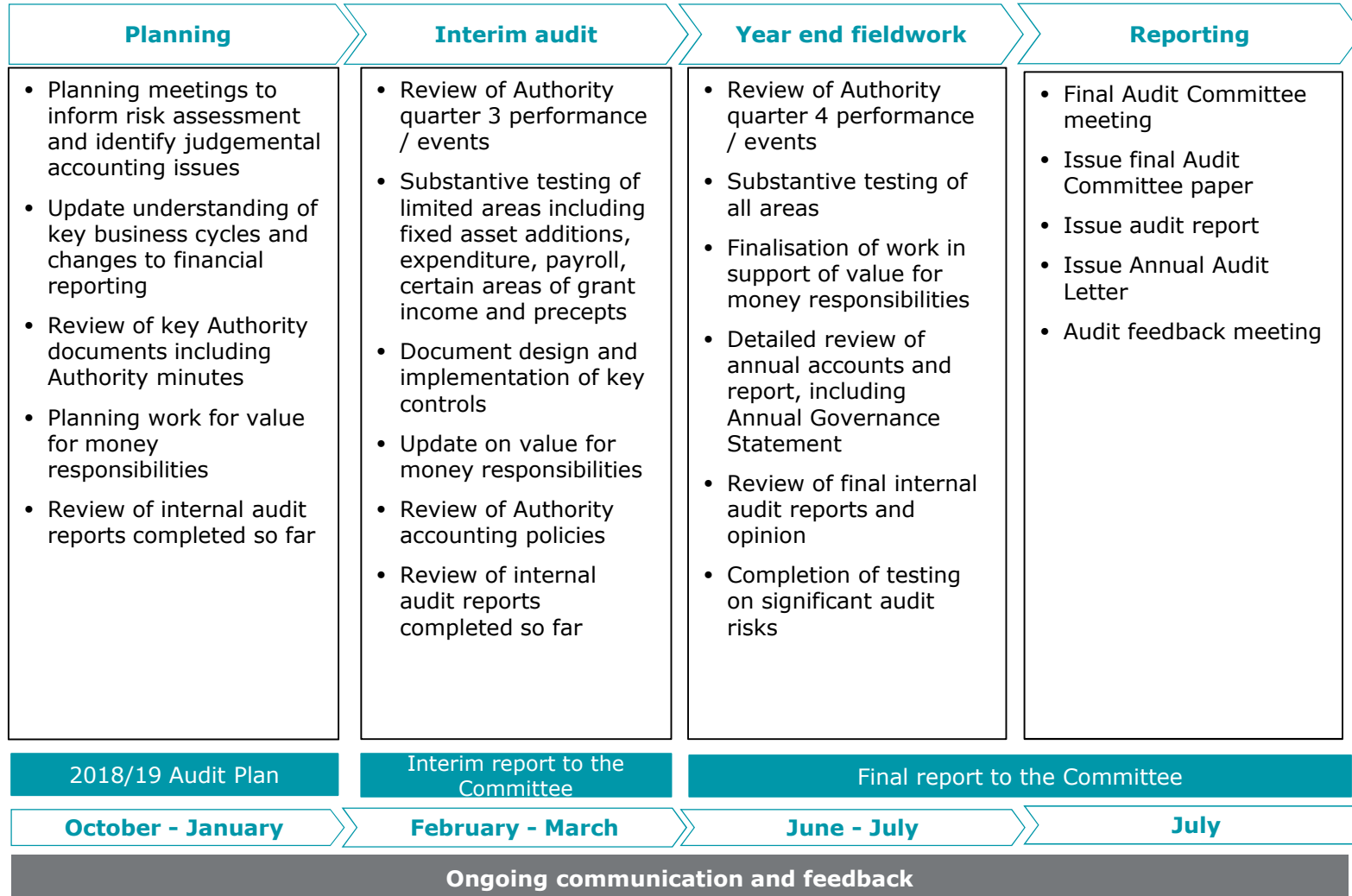
Value for Money and other reporting

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



Continuous communication and reporting

Planned timing of the audit



Materiality

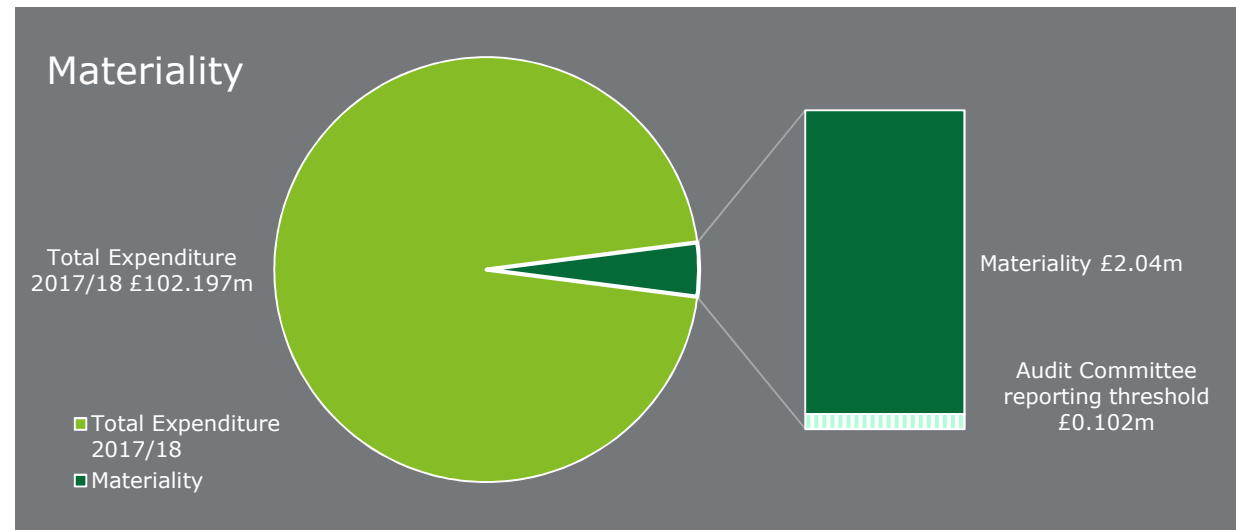
Our approach to materiality

Basis of our materiality benchmark

- The audit partner has determined a preliminary materiality as £2.04m, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements. We will update this at year-end based on actual outturn.
- We have used 2% of total expenditure excluding revaluation gains / losses, remeasurement of the net defined benefit liability and other adjustments based on the 2017/18 audited accounts as the benchmark for determining materiality.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.102m.
- We will report to you misstatements below this threshold if we consider them to be material by nature.



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

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- the disclosures made by the Audit Committee in their previous Audit Committee report;
- our assessment of materiality;
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements; and
- the Authority's actual and planned performance on financial, quality and other governance metrics compared to its peers.

Principal risk and uncertainties

- Economic environment
- Regulatory inspection

IAS 1 Critical accounting estimates













- Uninsured claim relating to exposure to asbestos
- Influences on going concern

Changes in your business and environment

- GMP equalisation
- Estates rationalisation

Significant Audit Risks

Significant Audit Risk dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Expected to be included in our report to the Audit Committee	Slide no.
Property Valuations			D+I			12
Completeness of expenditure			D+I			13
Management Override of Controls			D+I			14

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

D+I: Assessing the design and implementation of key controls

Low Level of Judgement



Medium Level of Judgement



High Level of Judgement



Significant audit risks

Risk 1 – Property Valuation

Risk identified

The Authority held £72.9m of property assets (land and buildings) at 31 March 2017 which increased to £74.5m as at 31 March 2018. The increase was due to additions in the year of £1.5m and the completion of £3.8m of assets under construction in the year.

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. Our understanding is that the Authority is undertaking a full revaluation for the 2018/19 year-end.

Our response

- We will examine the terms of engagement of the valuer, the instructions issued and the management controls within the Authority concerning the receipt, review and acceptance of the report;
 - We will test the design and implementation of key controls in place around the property valuation;
 - We will use our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the assumptions used in the year-end valuation of the Authority's Land and Buildings; and
 - We will test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.
-

Significant audit risks

Risk 2 – Completeness of expenditure

Risk identified

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

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

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

Our response

Our work in this area will include the following:

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

Significant risks

Risk 3 – Management override of controls

Risk identified

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

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

Our response

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

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

Other areas of audit focus

We have also identified an area of judgement which we consider a higher risk, which is detailed below.

Accounting for pensions

Risk identified	<p>The net pension liability represents a material element of the Authority's balance sheet. The Authority has pension balances with both West Yorkshire Pension Fund (Local Government Pension Scheme (LGPS)) and Firefighter's Pension Scheme. The valuation of the pension schemes rely on a number of assumptions, most notably around the actuarial assumptions and methodology which results in the Authority's overall valuation.</p> <p>Whilst not identified as a significant risk, there is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable.</p>
Our response	<p>We will:</p> <ul style="list-style-type: none">• Review the assumptions used in both the LGPS and Firefighter's Schemes;• Review the disclosures made in the financial statements;• Involvement of pensions specialists in relation to the assumptions used within the valuations; and• Review the GMP equalisation impact on the pension figures disclosed.

Whilst we have not identified any specific significant risk or area of focus in relation to the value for money (VfM) conclusion we will continue to monitor this and will provide updates to the Committee as the year progresses.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

Use of this report

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

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

What we don't report

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

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

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

Other relevant communications

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

Deloitte LLP

Newcastle Upon Tyne, January 2019

Appendices

Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

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



Our responsibilities:

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

Fraud Characteristics:



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

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

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

Fraud responsibilities and representations

Inquiries

We will make the following inquiries regarding fraud:



Management:

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

Internal audit



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

Those charged with governance



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

Fees and Independence

The professional fees expected to be charged by Deloitte LLP in the period from 1 April 2018 to 31 March 2019 are as follows:

	Current year £ (excluding VAT)
Financial statement audit, including Whole of Government Accounts and procedures in respect of Value for Money assessment	27,782
Total audit	27,782
Total fees	27,782

We confirm all Deloitte network firms are independent of the Authority. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Our approach to quality

AQR team report and findings

We maintain a relentless focus on quality and our quality control procedures and continue to invest in and enhance our overall firm Audit Quality Monitoring and Measuring programme.

In June 2018 the Financial Reporting Council ("FRC") issued individual reports on each of the eight largest firms, including Deloitte, on Audit Quality Inspections which provides a summary of the findings of its Audit Quality Review ("AQR") team for the 2017/18 cycle of reviews.

We take the findings of the AQR seriously and we listen carefully to the views of the AQR and other external audit inspectors. We remediate every finding regardless of its significance and seek to take immediate and effective actions, not just on the individual audits selected but across our entire audit portfolio. We are committed to continuously improving all aspects of audit quality in order to provide consistently high quality audits that underpin the stability of our capital markets.

We have improved the speed by which we communicate potential audit findings, arising from the AQR inspections and our own internal reviews to a wider population, however, we need to do more to ensure these actions are embedded. In order to achieve this we have launched a more detailed risk identification process and our InFlight review programme. This programme is aimed at having a greater impact on the quality of the audit before the audit report is signed. Consistent achievement of quality improvements is our aim as we move towards the AQR's 90% benchmark.

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

The AQR's 2017/18 Audit Quality Inspection Report on Deloitte LLP

"The overall results of our reviews of the firm's audits show that 76% were assessed as requiring no more than limited improvements, compared with 78% in 2016/17. Of the FTSE 350 audits we reviewed this year, we assessed 79% as achieving this standard compared with 82% in 2016/17. We are concerned at the lack of improvement in inspection results. The FRC's target is that at least 90% of these audits should meet this standard by 2018/19."

"Where we identified concerns in our inspections, they related principally to aspects of group audit work, audit work on estimates and financial models, and audit work on provisions and contingencies. During the year, the firm has continued to develop the use of "centres of excellence", increasing the involvement of the firm's specialists in key areas of the audit. We have no significant issues to report this year in most of the areas we reported on last year."

"The firm has revised its policies and procedures in response to the revised Ethical and Auditing Standards. We have identified some examples of good practice, as well as certain areas for improvement."

The firm has enhanced its policies and procedures in the following areas:

- Increased use of centres of excellence ("CoE") involving the firm's specialists, including new CoEs focusing on goodwill impairment (established in response to previous inspection findings) and corporate reporting, to address increasing complexity of financial reporting.
- Further methodology updates and additional guidance issued to the audit practice including the audit approach to pension balances, internal controls, data analytics, group audits and taxation.
- A new staff performance and development system was implemented with additional focus on regular timely feedback on performance, including audit quality.
- Further improvements to the depth and timeliness of root cause analysis on internal and external inspection findings.

Our key findings in the current year requiring action by the firm:

- Improve the group audit team's oversight and challenge of component auditors.
- Improve the extent of challenge of management's forecasts and the testing of the integrity of financial models supporting key valuations and estimates.
- Strengthen the firm's audit of provisions and contingencies.

Review of firm-wide procedures. The firm should:

- Enhance certain aspects of its independence systems and procedures.

Briefing on Audit matters

Published for those charged with governance



This document is intended to assist those charged with governance to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality.

Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

Approach and scope of the audit

Primary audit objectives

We conduct our audit in accordance with International Standards on Auditing (UK and Ireland) as adopted by the UK Financial Reporting Council (FRC). Our statutory audit objectives are:

- to express an opinion in true and fair view terms to the members on the financial statements;
- to express an opinion as to whether the accounts have been properly prepared in accordance with the relevant Financial Reporting Manual;
- for certain disclosures relating to directors' remuneration and the staff report, to form an opinion as to whether they are made in accordance with the relevant Financial Reporting Manual; and
- to express an opinion as to whether the directors' report, including the business review, is consistent with the financial statements.

Briefing on Audit matters (continued)

Other reporting objectives

Our reporting objectives are to:

- describe in our audit report those assessed risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team and how our audit scope responds to those risks;
- present significant reporting findings to those charged with governance. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and
- provide timely and constructive recommendations to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

"Materiality" is defined in the International Accounting Standards Board's "Conceptual Framework for Financial Reporting" in the following terms: "Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

Briefing on Audit matters (continued)

Uncorrected misstatements In accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)) we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of 'clearly trivial'. The Audit Engagement Director, management and those charged with governance will agree an appropriate limit for 'clearly trivial'. In our report we will report all individual identified uncorrected misstatements in excess of this limit.

We will consider identified misstatements in qualitative as well as quantitative terms.

Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to members and create value for management and the Board whilst minimising a "box ticking" approach.

Our audit methodology is designed to give directors and members the confidence that they deserve.

For controls considered to be 'relevant to the audit' we evaluate the design of the controls and determine whether they have been implemented. The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures

Briefing on Audit matters (continued)

Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters as and when there are items to report:

ISA (UK and Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities to consider fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities related to other information in documents containing audited financial statements

Briefing on Audit matters (continued)

Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

- Safeguards and procedures**
- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to an engagement quality control review by an independent member of our Professional Standards Review team.
 - Where appropriate, review and challenge takes place of key decisions by the Engagement Quality Control Review Partner and ensures the objectivity of our judgement is maintained.
 - We report annually to those charged with governance our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
 - There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
 - Periodic rotation takes place of the audit engagement partner, the Engagement Quality Control Review Partner and other key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
 - In accordance with the Ethical Standards issued by the Auditing Practices Board (APB), there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This includes particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.
 - In the UK, statutory oversight and regulation of auditors is carried out by the FRC. The Firm's policies and procedures are subject to external monitoring by both the Audit Quality Review Team (AQRT), which is part of the FRC's Conduct Division, and the ICAEW's Quality Assurance Department (QAD). The AQRT is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW's Audit Registration Committee.

Briefing on Audit matters (continued)

Independence policies

Our detailed ethical standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any closely-related person) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any closely-related person) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any closely related persons) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

APB Ethical Standards

The APB issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.



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OFFICIAL

Service Improvement & Assurance Policy

Audit Committee

Date: 8 February 2019

Agenda Item:

9

Submitted By: Director of Service Support

Purpose	To provide Members with the updated Service Improvement and Assurance Policy.
Recommendations	That Members review and approve the revised Service Improvement and Assurance policy and the assurance framework contained within it.
Summary	The previous Service Assurance Policy was introduced in September 2017. Since then there has been significant changes to the assurance requirements. This is due to a revision of the Fire and Rescue Service National Framework, the introduction of Her Majesty's Inspectorate for Constabulary and Fire & Rescue Services (HMICFRS), and an update to the West Yorkshire Fire and Rescue Service's (WYFRS) service assurance process.

Local Government (Access to information) Act 1972

Exemption Category: N/A

Contact Officer: Director of Service Support, Ian Bitcon

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Background papers open to inspection: Service Assurance Policy

Annexes: Service Improvement and Assurance Policy

1. Background

- 1.1 In 2014 Management Board approved a Service Delivery Assurance process and delivery plan which utilised the Operational Assurance (OpA) and Fire Peer Challenge Toolkit. The toolkit was specifically designed to look at the Service Delivery (Operational) side of the organisation. It was clear that if WYFRS were to meet the requirements of the National Framework then an assurance process which looks at all the organisation would need to be developed.
- 1.2 WYFRS recognised the importance of the provision of assurance and its responsibilities contained within the National Framework document, so an action was captured within the 2016-17 plan to introduce a new assurance process for support functions. Following the introduction of this process 'Service Delivery Assurance' became 'Service Improvement and Assurance' and the Service Delivery Assurance Team was renamed the 'Service Improvement and Assurance Team'.
- 1.3 The Service Improvement and Assurance Team provide high level assurance to Management Board and the Fire Authority through the management of the HMICFRS and service assurance processes. They also deliver and manage a number of service improvement and assurance work streams.
- 1.4 The service assurance process was introduced in September 2017 and coincided with the introduction of the HMICFRS inspection. It was agreed that the process would be put on hold to ensure sufficient time and resources could be applied to the HMICFRS inspection, and to assess if there was repetition between the two processes.
- 1.5 In July 2018 a gap analysis of the two processes was undertaken. It was evident from the analysis that there was stark contrast between the question sets, with very little overlap; therefore, moving forward, the two processes will run independently.
- 1.6 Revisions have been made to the service assurance process to ensure it adds real value without being bureaucratic, onerous, and time consuming for managers to complete.
- 1.7 The National Framework document was revised in 2018, and on the back of this, the Service Improvement and Assurance Team are undertaking a gap analysis of the revised Framework to ensure compliance.

2. Introduction

- 2.1 Service improvement and assurance forms part of WYFRS performance management framework and:
 - Supports the Service Plan.
 - Assists WYFRS to identify its strengths and areas for improvement.
 - Integrates with the wider performance assessment criteria.
 - Delivers a robust process for assessing operational performance.
 - Monitors and shares areas of best practice.
- 2.2 The emphasis of service improvement and assurance is on the outcomes and impact of activities carried out by personnel within all directorates, ensuring resources are utilised safely, effectively, efficiently and economically.

2.3 The specified high level reference for audits conducted by the Service Improvement and Assurance Team are generally the legal and regulatory requirements as set out in the Fire Service Act 2004, Fire and Rescue Service (Emergencies) (England) Order 2007, Civil Contingencies Act 2004, the National Framework Document 2018, and the Regulatory Reform (Fire Safety) Order 2005.

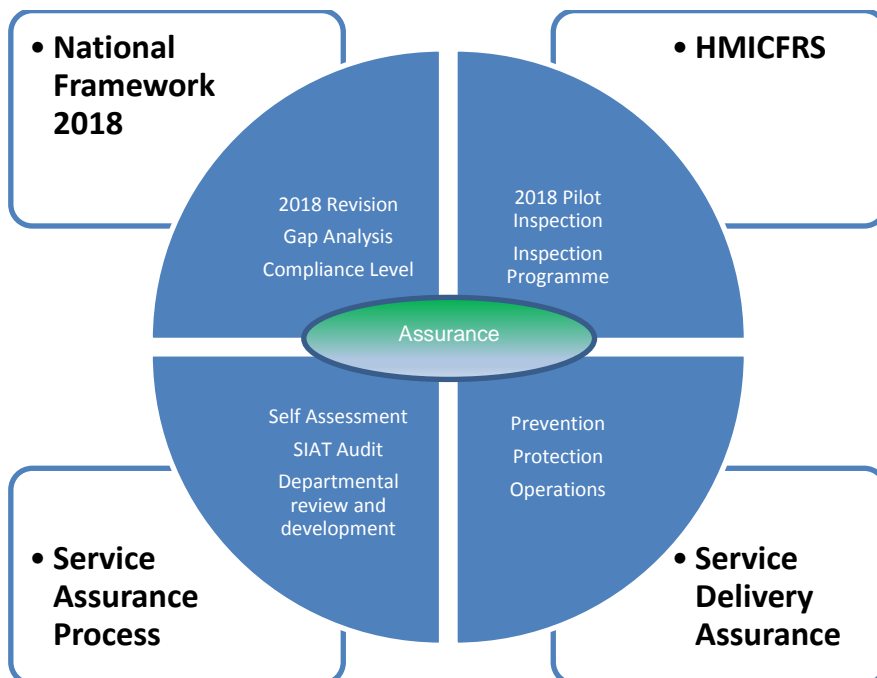
2.4 West Yorkshire Fire and Rescue Authority standing orders, regulations and policies, along with WYFRS policies and procedures provide a more detailed structure for undertaking audit work. The assurance framework is based on compliance and assessment from four key areas:

- Fire and Rescue National Framework 2018.
- HMICFRS inspection programme.
- WYFRS – Service Assurance Process.
- Service Delivery Assurance.

2.5 The assurance functions have been developed through assessment of best practice within the audit / assurance industry, combined with WYFRS specific outcome requirements. The output and audit information from the areas above provides the supporting detail to inform the Annual Statement of Assurance.

3. The Assurance Framework & Policy

3.1 The diagram below identifies how each of the key assurance mechanisms within the Assurance Framework feed into the overall assurance level for WYFRS.



4. FRS National Framework 2018

4.1 A gap analysis is being carried out to ensure compliance with each area of the National Framework. It is envisaged that this piece of work will provide high level assurance and will be evidenced in the Annual Statement of Assurance.

5. HMICFRS

5.1 A rolling independent inspection process which gathers evidence about the performance of the service via three key pillars:

- Efficiency
- Effectiveness
- People.

5.2 The evidence is gathered from a number of different areas such as self-assessments, data, documents, interviewing, and observations. The inspectorate will provide the service with graded judgements on performance. The outcomes of this process will feed the Annual Statement of Assurance.

6. Service Assurance Process

6.1 The service assurance Process is an internal process designed to complement the HMICFRS inspection process. Whilst the HMICFRS process is strongly focused on service delivery, the internal service assurance process incorporates the service support functions and governance within individual departments. This process will satisfy some requirements of the Fire and Rescue Service National Framework, and in conjunction with the outcomes of the HMICFRS process, give WYFRS a sound basis on which to drive improvement.

6.2 The Service Assurance process requires departments to carry out a self-assessment on an annual basis. Approximately 26 departments received a self-assessment in December 2018. These are due to be completed by February 2019. The Service Improvement and Assurance Team will then carry out assurance visits to each department to assess the evidence provided and assist them in producing improvement action plans, if required.

7. Service Delivery Assurance

7.1 Service delivery assurance is fundamental to the safety of frontline firefighters and the public. This assurance focuses on the three main frontline service delivery functions of prevention, protection and response. The key assessment areas are:

- Firefighter safety
- Public safety
- Effectiveness
- Value for money.

7.2 Processes are being developed between individual teams and the Service Improvement and Assurance Team to streamline the way that service delivery assurance is provided.

8. WYFRS Assurance Policy/ Framework

8.1 Annex A contains the new WYFRS Service Improvement and Assurance Policy. This policy provides additional high level detail on each of the four areas within the service assurance framework and the specific responsibilities of the Service Improvement and Assurance Team.

8.2 An element within the policy relates to the reporting and approval process for specific reports and updates. Some requirements and expectations of the Audit Committee include:

- Make recommendations as appropriate about service performance.
- Receive 6 monthly progress updates based on the information contained within this policy.
- Approve the annual high level assurance overview.
- Ensure compliance with Authority and other standards and controls.
- Provide advice, guidance and direction where required.

8.3 Additional information on reporting and approvals requirements for other committees, boards and teams is contained within the policy document.

9. Financial Implications

9.1 There are no direct financial implications associated with this report, although specific areas for development may require investment decisions. In addition, the outcomes and recommendations from assurance and audit work may provide robust evidence to drive efficiency savings.

10 Human Resources and Diversity Implications

10.1 There are no direct HR and diversity implications associated with this report, although specific actions may have equality impact implications.

11 Health and Safety Implications

11.1 Health and safety is a fundamental consideration for all aspects of service delivery. Identified issues relating the Health and Safety will be addressed and dealt with depending on their level of urgency either through the action plan or directly if required.

12 Service Plan Links

- [Deliver a proactive community safety programme](#)
- [Deliver a professional and resilient emergency response service](#)
- [Provide a safe and skilled workforce that serves the needs of a diverse community](#)
- [Provide effective and ethical governance and achieve value for money](#)

13 Recommendations

13.1 That Audit Committee members review and approve the revised Service Improvement and Assurance Policy and the assurance framework contained within it.



Service Improvement & Assurance Policy

Ownership: Director of Service Support
Date Issued: 08/02/2019
Version: 2



Revision and Sign off Sheet

Change Record

Date	Author	Version	Comments
10/01/2019	Matthew Walsh	1	Draft
11/01/2019	Gareth Atkins	2	Draft

Reviewers

Name	Version Approved	Position	Organisation	Date
N Smith	2	AM	WYFRS	21/01/2019

Distribution

Name	Position	Organisation

Document Properties

Item	Details
Document Title	Service Improvement & Assurance Policy
Author	Administrator
Creation Date	10/01/2019
Last Updated	30/01/2019

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1 Introduction

Service improvement and assurance forms part of WYFRS's performance management framework and:

- Supports the Service Plan.
- Assists WYFRS to identify its strengths, and areas for improvement.
- Integrates with the wider performance assessment criteria.
- Delivers a robust process for assessing operational performance.
- Monitors and shares areas of best practice.

The emphasis of service improvement and assurance is on the outcomes and impact of activities carried out by personnel within all directorates, ensuring resources are utilised safely, effectively, efficiently and economically.

The specified high level reference for audits conducted by the Service Improvement and Assurance Team are generally the legal and regulatory requirements as set out in the Fire Service Act 2004, Fire and Rescue Service (Emergencies) (England) Order 2007, Civil Contingencies Act 2004, the National Framework Document 2018, and the Regulatory Reform (Fire Safety) Order 2005. The Fire and Rescue Service National Framework 2018 states that:

“Each fire and rescue authority is required to produce an Annual Statement of Assurance that should outline the way in which the authority and its fire and rescue service has had regard – in the period covered by the document – to this National Framework, the Integrated Risk Management Plan and to any strategic plan prepared by the authority for that period. The authority must also provide assurance to their community and to government on financial, governance and operational matters.”

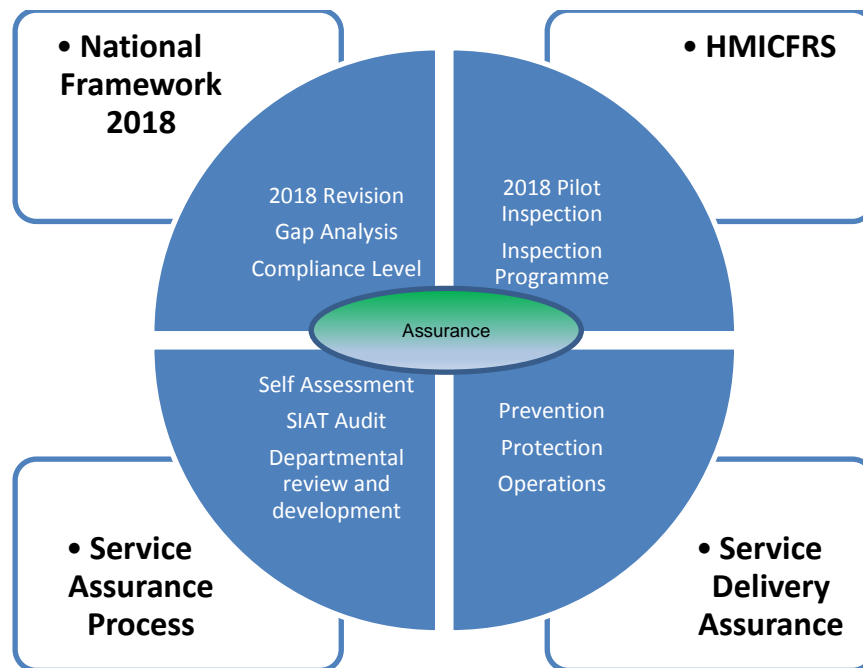
West Yorkshire Fire and Rescue Authority standing orders, regulations and policies, along with WYFRS policies and procedures provide a more detailed structure for undertaking audit work. The assurance framework is based on compliance and assessment from four key areas:

- Fire and Rescue National Framework 2018.
- HMICFRS inspection programme.
- WYFRS – Service Assurance Process.
- Service Delivery Assurance.

The assurance functions have been developed through assessment of best practice within the audit / assurance industry, combined with WYFRS's specific outcome requirements. The output and audit information from the areas above provides the supporting detail to inform the Annual Statement of Assurance.

The Assurance Framework

The diagram below shows how each of the key assurance mechanisms within the framework feed into the overall assurance level for WYFRS.



FRS National Framework 2018

The National Framework sets out the Government's expectations and requirements for fire and rescue authorities. The Government has a duty under the Fire and Rescue Services Act 2004 to produce the Framework and keep it current. Fire and rescue authorities must have regard to the Framework in carrying out their duties. On 15 December 2014 an addendum on firefighter fitness was added to the Framework, and in 2018 the Framework was updated and revised.

A key element of WYFRS's assurance framework is ensuring compliance with the requirements of the FRS National Framework.

The Service Improvement and Assurance Team will:

- Periodically check the current Framework for updates and amendments.
- Carry out a annual gap analysis between the requirements of the Framework and current performance.
- Provide strategic management with the outcomes of the gap analysis.
- Produce and monitor action plans arising from the gap analysis, if required.

2 Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

In July 2017, Her Majesty’s Inspectorate of Constabulary extended its remit to include inspections of England’s Fire and Rescue Service and was renamed HMICFRS. HMICFRS assess how well fire and rescue services prevent, protect against, and respond to fires and other emergencies, and how well they look after their people.

The fire and rescue services inspection programme enables HMICFRS to draw together evidence from inspections of all 45 fire and rescue services in England. The inspection programme was developed with the fire and rescue service by recruiting experts, and taking advice from senior service representatives.

The principal questions which the fire and rescue services inspection programme is designed to answer are set out in the table below:

Principle Question	Inspection Focus
How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?	How well the fire and rescue service understands its current and future risks, works to prevent fires and other risks, protects the public through the regulation of fire safety, responds to fires and other emergencies, and responds to national risks.
How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?	How well the fire and rescue service uses its resources to manage risk, and secures an affordable way of providing its service, now and in the future
How well does the fire and rescue service look after its people?	How well the fire and rescue service promotes its values/culture, trains its staff and ensures that they have the necessary skills, ensures fairness and diversity for its workforce, and develops leaders.

Below each of the principal questions is a set of more detailed sub-diagnostics which form the basis of the inspections. In addition to the question set the inspection team will utilise some or all of the following assessment methods:

- Data
- Self Assessments
- Documents
- Observations
- Interviews and professional discussions.

Fire and rescue services will be assessed and given graded judgments. The categories of graded judgment are:

- Outstanding
- Good
- Requires improvement
- Inadequate.

Good is the 'expected' graded judgment and is based on policy, practice and performance that meets pre-defined grading criteria.

If the policy, practice or performance exceeds what is expected for good, then consideration will be given to a graded judgment of outstanding. If there are shortcomings in policy, practice, or performance then consideration will be given to a graded judgment of requires improvement. If there are serious critical failings of policy, practice or performance then consideration will be given to a graded judgment of inadequate.

The Service Improvement and Assurance Team will:

- Designate a HMICFRS Service Liaison Officer.
- Assist directorates and departments to complete the HMICFRS Self-assessment.
- Provide data and documents as requested to HMICFRS.
- Facilitate the inspectors and their requirements during the inspection process.
- Provide the service with detail around the inspection process and the expectations of individuals and departments.

- Liaise with senior management and departments heads throughout the inspection process.
- Produce and monitor any action plans arising from the inspection process.
- Share good or best practice identified as part of the inspection process.

3 Service Assurance Process

The service assurance process has been established to compliment the HMICFRS inspection programme. The HMICFRS inspection focuses on the service delivery side of the fire and rescue service. The service assurance process, whilst still being completed by service delivery departments and teams, also includes the service support functions within the organisation. This is key to ensuring WYFRS are compliant with all aspects of the Fire and Rescue Service National Framework 2018.

The service assurance toolkit is in the form of a self-assessment and will be completed on an annual basis. The new process is designed to provide assurance at three distinct levels:

Level 1 (Business Operations - Direct Assurance)

This level will look at the day to day operations and structures within the department and how they can assure themselves against the descriptors within the table below; it focuses on areas such as:

- Clearly defined departmental objectives.
- Statutory provisions, legislation and guidance.

Level 2 (Corporate Governance Oversight – Risk Assurance)

This level will look at how departments assure they comply with areas such as organisational policies, risk assessments, and how they manage their own internal policies.

Level 3 (Third Party Review – Independent Assurance)

The final level of assurance is carried out independently, which includes internal and external audits.

The three separate levels contain a number of descriptors that will be completed as part of the self-assessment. These areas have been established by investigating industry best practice and organisational requirements. Each of the descriptors contains a number of sub-questions that will assist departments to provide a judgment of how they feel they are performing in each area. A detailed guidance document has been produced to assist both the departments carrying out the self-assessment, and the Service Improvement and Assurance Team members carrying out the audits.

The table below identifies each of the descriptors and the overarching question that will need to be answered.

Ref No.	Descriptor Title	Self-assessment
1.1	Objectives	Does the department have clearly defined departmental objectives?
1.2	Action Plan	Does the department have a clearly defined action plan?
1.3	Performance Indicators	Does the department have clearly defined performance indicators?
1.4	Health and Safety	Does the department have clearly defined and effective arrangements to take into account its health, safety and welfare responsibilities?
1.5	Legal/Policy Compliance	Does the department take into account statutory provisions, legislation and guidance?
1.6	Training and Competence	Does the department ensure that all employees have had suitable and sufficient training to carry out their role in line with the organisational Training and Development Strategy?
1.7	Financial Controls	Does the department have sufficient controls and systems in place to ensure its financial obligations are met?
1.8	Staffing and Resourcing	Does the department have sufficient staff and resources to operate effectively?
1.9	Value for Money	Does the department provide value for money?
2.1	Policies	Does the department comply with departmental and organisational policy?
2.2	Reporting and Monitoring	Does the department have comprehensive procedures in place for reporting and monitoring?
2.3	Corporate Risk Management	Does the department comply with the organisations Corporate Risk Management procedures i.e. Business Continuity?
2.4	Equality Impact Assessment	Does the department ensure that all activities are subject to an Equality Impact Assessment, where required?
2.5	Service Improvement and Assurance Team	Has the department been subject to a review within the last 12 months?
3.1	Internal Audit	Has the department been subject to any internal audits in the past 12 months?
3.2	External Audit	Has the department been subject to any external audits within the last 12 months?
3.3	External Inspectorate (Peer Challenge)	Has the department been involved in an external inspectorate process or peer challenge process within the last 12 months?

The following departments will carry out an annual self assessment:

1	Service Improvement and Assurance Team
2	Logistics
3	Property
4	ICT Services
5	Central Prevention
6	Fire Protection
7	Fire Investigation
8	Ops Risk
9	Ops Resilience
10	Strategic Development
11	Training
12	Control
13	5 x Districts (Including Prevention)
14	Ops Support
15	HR
16	Occupational Health & Safety
17	Employee Resourcing
18	Corporate Communications
19	Finance
20	Legal Services
21	Corporate Service
22	Organisational Development & Learning

Review and audit frequencies will be set by the Service Improvement and Assurance Team. The table below highlights the minimum expected frequency of visits based on the outcome of the self-assessment:

Grade	Action
Outstanding	Service Improvement and Assurance Team will visit on an annual basis to update the self-assessment with the department lead
Good	Service Improvement and Assurance Team will visit on an annual basis to update the self-assessment with the department lead
Requires Improvement	Service Improvement and Assurance Team will visit on a 6 monthly basis to update the self-assessment and monitor the progress of any actions
Inadequate	Service Improvement and Assurance Team will initially visit on a quarterly basis to update the self-assessment and monitor the progress of any actions

The Service Improvement and Assurance Team will:

- Provide each identified department with their confidential toolkit and guidance document.
- Assist departments in completing an initial self-assessment.
- Visit each department to audit the assessment findings and assist departments in producing individual action plans.
- Set review frequencies based on self-assessments judgements.
- Carry out an annual review of the process based on feedback.

4 Service Delivery Assurance

Assurance of service delivery includes prevention, protection, response, resilience, and call handling. This assurance will focus on:

- Firefighter Safety
- Public Safety
- Effectiveness

- Value for Money.

The Service Improvement and Assurance Team will:

- Liaise with the individual teams to assist in developing robust assurance processes.
- Monitor and review the assurance frameworks and policies.

5 Statement of Assurance

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

In April 2015, WYFRA published the Service Plan 2015-2020 which outlines key priorities and objectives. Annual action plans are produced during the five year period to focus the work of WYFRS, and to manage and monitor performance to achieve our ambition of 'Making West Yorkshire Safer'.

This Statement of Assurance provides assurance that WYFRA is delivering an efficient, effective, and value for money service to the communities of West Yorkshire.

Assurance Overview

The Service Improvement and Assurance Team will produce a high level assurance overview at the end of each year which summarises the work carried out. The overview will be presented to Management Team, Management Board, and Audit Committee. The report will include current levels of assurance, identified actions, and areas of best practice.

Reporting Process

Reporting on all elements of the assurance framework will be carried out as follows:

Service Improvement and Assurance Reporting and Approvals Process			
Report	Frequency	Report	Approval
Fire Authority	Annual	Annual Statement of Assurance	Yes
Audit Committee	Annual	Assurance Overview	Yes
Audit Committee	6 monthly	Assurance Update	No
Other Committees	As required	As required	As required
Management Board	Annual	Annual Statement of Assurance	Yes
Management Board	Annual	Assurance Overview	Yes
Management Board	6 monthly	Assurance Update	No
Management Team	As required	As required	As required

Service Improvement & Assurance Team

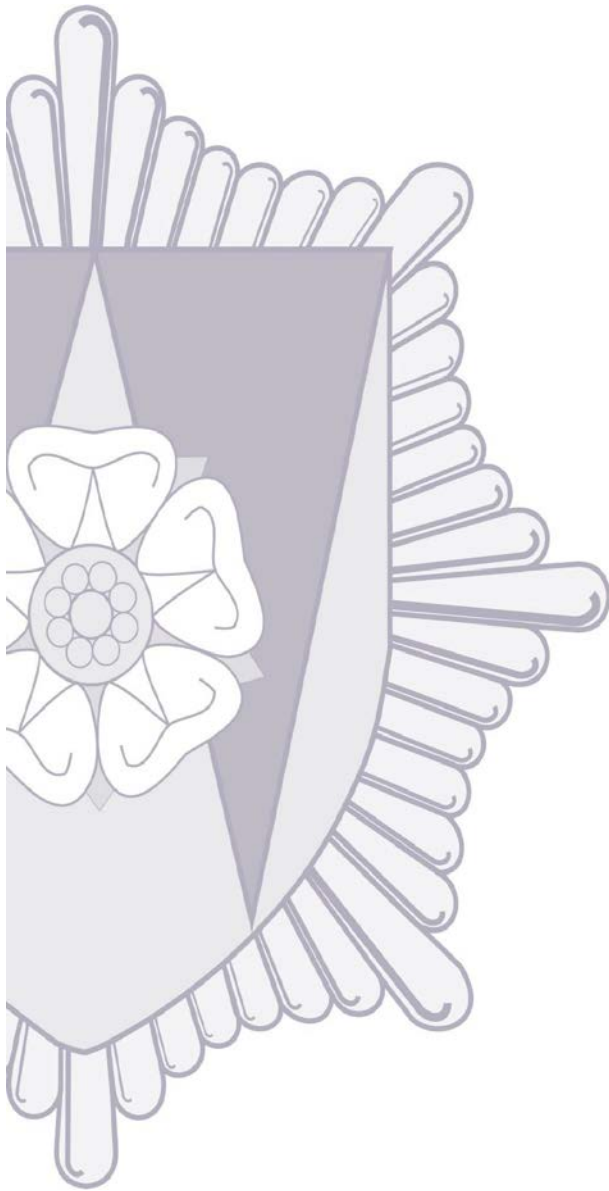
In addition to the responsibilities detailed previously within this policy, the Service Improvement and Assurance Team will:

- Carry out specific audits on request following approval from the Director of Service Support.
- Manage and monitor the WYFRS Audit Tracking Tool.
- Assist the Kirklees Audit Team.
- Support external audits.

6 The Role of the Audit Committee

The role of the Audit Committee is to oversee the assurance process and direct audit activity. They will:

- Make recommendations as appropriate about service performance.
- Receive 6 monthly progress updates based on the information contained within this policy.
- Approve the annual high level assurance overview.
- Ensure compliance with Authority and other standards and controls.
- Provide advice, guidance and direction where required.



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