



OFFICIAL

Abridged Performance Management Report

Audit Committee

Date: 21 October 2022

Agenda Item:

06

Submitted By: Head of Corporate Services

Purpose	To inform members of the Authority's performance against Key Performance Indicators where targets are not being achieved
Recommendations	That members note the report
Summary	The Performance Management and Activity Report which is presented to the Full Authority outlines the Authority's performance against key performance indicators thereby enabling the Authority to measure, monitor and evaluate performance against targets. This report highlights the key performance indicators where targets are not being achieved.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer:

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Background papers open to inspection: None

Annexes: Abridged Performance Management Report

1 Introduction

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

2 Information

- 2.1 The attached report highlights the key performance indicators where the targets are not being achieved.
- 2.2 Information regarding reasons why performance is not at the required level, together with actions being taken to address this, is provided within the report.

3 Financial Implications

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

4 Legal Implications

- 4.1 The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority's Constitution

5 Human Resource and Diversity Implications

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

6 Equality Impact Assessment

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

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

7 Health, Safety and Wellbeing Implications

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

8 Environmental Implications

8.1 There are no environmental implications associated with this report.

9 Your Fire and Rescue Service Priorities

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

10 Conclusions

10.1 That Members note the report.



Performance Management and Activity Report (Abridged) 2022/23

Period covered: 1 April – 30 June 2022
Date Issued: 21 October 2022



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1. Introduction/Summary

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

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

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

All data, unless specified, is for the reporting period 1 April - 30 June 2022.

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

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

2. Service Delivery Targets

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

	Actual Data (2012/13)	Three Year Average Target (2019/22)	Actual Data to date (2021/22)	Actual Data to date (2022/23)	Performance Against Three Year Average (2022/23)	End of Year Projection (2022/23)
Arson	8723	6383	1979	2089	31.3%	8379
Actual Rescues	821	1621	294	303	-25.0%	1215
Total Activity	30103	24209	6835	6987	15.8%	28025
Dwelling Fires	1492	1144	281	269	-5.7%	1079
Non-Domestic Building Fires	493	406	93	90	-11.1%	361
Prevalence of False Alarms	14714	10558	2609	2744	4.2%	11006
Fire-Related Injuries	282	181	41	44	-2.5%	176
Road Traffic Collisions	874	645	138	149	-7.3%	598
Malicious False Alarms	641	358	85	102	14.3%	409

3. Service Delivery Indicators – Performance compared to previous year

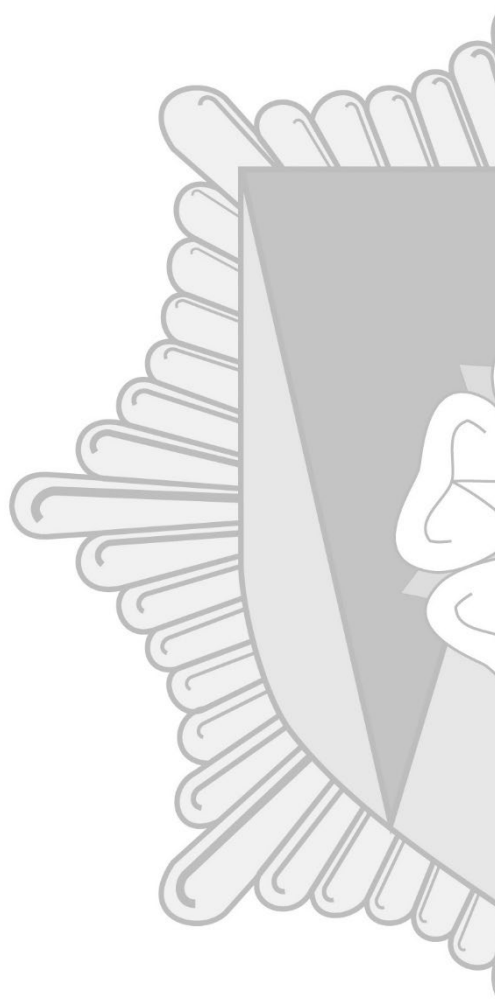
Description	2021-22	2022-23
Accidental Dwelling Fires (per 10,000 dwellings)	2.43	2.26
Number of deaths arising from accidental fires in dwellings (per 100,000 population)	0.09	0.00
Number of Fire-Related Deaths (per 100,000 population) arising from fires other than Accidental Dwelling Fires	0.04	0.09
Number of Injuries arising from accidental fires in dwellings (per 100,000 population)	1.30	1.17
(a) Number of Serious Injuries (per 100,000 population)	0.13	0.13
(b) Number of Slight Injuries (per 100,000 population)	1.17	1.04
The percentage of dwelling fires attended where there was a working smoke alarm which activated	57.30%	61.99%
The percentage of dwelling fires attended where a working smoke alarm was correctly fitted but did not activate	18.86%	18.08%
The percentage of dwelling fires attended where a smoke alarm, because it was faulty or incorrectly sited, did not activate	3.56%	3.69%
The percentage of dwelling fires attended where no smoke alarm was fitted	20.28%	16.24%
Number of calls to malicious false alarms (per 1000 population) – attended	0.04	0.04
False alarms caused by automatic fire detection equipment (per 1000 non-domestic properties)	7.84	8.54
False alarms caused by automatic fire detection equipment (per 1000 domestic properties)	1.01	1.04
Fires in non-domestic premises (per 1000 non-domestic premises)	1.10	1.08
Number of Primary Fires (per 100,000 population)	34.85	33.12
Number of Fire Casualties – excluding Precautionary Checks (per 100,000 population)	1.65	1.82
Arson Incidents – All Deliberate Fires (per 10,000 population)	8.58	9.08
Arson Incidents – Deliberate Primary Fires (per 10,000 population)	1.30	1.33
Arson Incidents – Deliberate Secondary Fires (per 10,000 population)	7.27	7.75

4. Service Delivery Indicators – WYFRS not achieving target

Description	Cumulative Year to Date Performance												Performance in 2021-22
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Number of Fire-Related Deaths (per 100,000 population) arising from fires other than accidental dwelling fires	0.04 (1)	0.04 (1)	0.09 (2)										0.04 (1)
Comments: The two fatalities this year have resulted from two separate incidents which are believed to have been started deliberately. We will continue to work with partners to reduce crime and support individuals with mental health concerns.													

Description	Cumulative Year to Date Performance												Performance in 2021-22
	To 30 Apr	To 31 May	To 30 Jun	To 31 Jul	To 31 Aug	To 30 Sep	To 31 Oct	To 30 Nov	To 31 Dec	To 31 Jan	To 28 Feb	To 31 Mar	
Number of Fire Casualties - excluding Precautionary Checks (per 100,000 population)	0.35 (8)	1.04 (24)	1.82 (42)										1.65 (38)
Comments: There is a variance of four when compared with the same period last year. 2021-22 was an exceptional year in terms of the low number of fire-related injuries. This is the first full year since covid where we have been able to deliver our full range of prevention activities and it is fully expected that performance against this indicator will improve as we progress through the year.													

PREVENTING PROTECTING RESPONDING



West Yorkshire Fire and Rescue Service
Oakroyd Hall
Birkenshaw
Bradford BD11 2DY



OFFICIAL

Internal Audit Quarterly Report

Audit Committee

Date: 21 October 2022

Agenda Item:

07

Submitted By: Chief Finance and Procurement Officer

Purpose	To present the Internal Audit Quarterly Report July to September 2022
Recommendations	That members note the content of the report
Summary	The report provides a summary of the audit activity for the period July to September 2022 and to report the findings to the Committee

Local Government (Access to information) Act 1972

Exemption Category: Nil

Contact Officer: Simon Straker
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Background papers open to inspection: Internal Audit Plan 2022/23

Annexes: Internal Audit Quarterly Report

1 Introduction

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 July to September 2022.

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

Substantial assurance
Adequate assurance
Limited assurance
No assurance

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

2 Information

Audit Work

This report contains an update on audit work included within the 2022/23 audit plan.

In the period July to September, one audit has been completed, which received a substantial assurance opinion. In addition internal audit have completed the National Fraud Initiative for 2022/23 on our behalf.

There is also one audit that is currently in progress.

3 Financial Implications

There are no financial implications associated with this report

4 Legal Implications

The Monitoring Officer has considered this report and is satisfied it is presented in compliance with the Authority's Constitution

5 Human Resource and Diversity Implications

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

6 Equality Impact Assessment

Are the recommendations within this report subject to Equality Impact Assessment as outlined in the EIA guidance? (EIA guidance and form 2020 form.docx (westyorksfire.gov.uk))	Yes / No
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7 Health, Safety and Wellbeing Implications

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

8 Environmental Implications

There are no environmental implications with this report.

9 Your Fire and Rescue Service Priorities

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

10 Conclusions

This report has updated members with the internal audits conducted within the first quarter of 2022/23, July to September 2022.



INTERNAL AUDIT QUARTERLY REPORT

2022/23

July to September 2022

Simon Straker: Audit Manager

ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2022/23 Audit Plan was approved by this Committee at the start of the year covering a variety of areas enabling an annual opinion to be formed on the Authority's governance, risk management and internal control arrangements.

For ease of reference the audits are categorised as follows:

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

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

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

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

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

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

1. SUMMARY

This report contains details of work completed during the second quarter of 2022/23 covering the Plan approved by the Committee. Four of the six audits due to have been completed by this point in the year have been and a further one is nearing completion. Each audit so far has produced a positive assurance opinion, albeit that a number of recommendations have been agreed to strengthen the control environment.

In addition, payroll and creditor payments data has been extracted from SAP, checked and uploaded to the secure Cabinet Office website in preparation for the National Fraud Initiative 2022/23 data matching exercise to identify potential fraud and error.

2. SPECIAL INVESTIGATIONS & REVIEWS

None during this time.

3. KEY FINANCIAL SYSTEMS & RISKS

System	Findings	Audit Opinion
Chief Finance & Procurement Officer		
CIPFA Financial Management Code Compliance	<p>The Code is designed to support good practice in financial management and to assist authorities in demonstrating their financial sustainability. Last year was the first one whereby compliance became a requirement.</p> <p>The audit review concurred with the self-assessment of the Chief Finance & Procurement Officer and Management Board. Overall, the evidential review showed a high level of compliance with the Code Standards and thus with the Principles of Good Financial Management. There are no elements of non-compliance. This outcome was reported in the 2021/22 Annual Governance Statement and it is intended to report this to Finance & Resources Committee too.</p>	Substantial Assurance

	<p>Some further action is required to reach full compliance with two of the Standards and in turn the Transparency Principle they underpin, in relation to the linkages with listening to what the key stakeholders are saying and being able to fully evidence value for money in the services provided.</p> <p>The applicability of local authority mechanisms to a fire and rescue setting or identifying appropriate alternatives is also another issue going forward.</p>	
National Fraud Initiative 2022/23	<p>The Cabinet Office lead on this biennial data matching exercise whereby public bodies are mandated to provide designated personal datasets to identify potential fraud and error. Internal Audit act as nominated key contact.</p> <p>Payroll data, including Members, and trade suppliers / creditor payments details have been extracted from SAP by Kirklees Council, verified and uploaded onto secure website in accordance with the required timetable. Exception reports will be available for review by the end of January 2023, so the outcome can be reported in the Quarter 4 Report. Historically the level of findings and reclaimed fraudulent and erroneous sums have been very low, providing assurance as to the control processes in these systems.</p> <p>Pensioner data is similarly provided and reviewed by Bradford MDC in respect of both operational and support employees' schemes.</p>	

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
Chief Employment Services Officer		
Attendance Management	Work in Progress	
Director of Corporate Services		
Corporate Governance	Brief being prepared.	

7. FOLLOW UP AUDITS

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

None during this period.

8. REVIEW OF KEY RECOMMENDATIONS & EXTENSIONS OF TIME TO IMPLEMENT

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

9. ADVICE, CONSULTANCY & OTHER WORK

Internal Audit has been commissioned to provide assurance, oversight and challenge to the FSHQ Programme Board. Terms of reference has been agreed to review progress at each of the key milestones on a rolling basis to enable any timely remediation, particularly with external contractors. This role is being performed through participation in the Finance Board, chaired by the Chief Finance & Procurement Officer.

10. AUDIT PLAN 2022/23 DELIVERY

Performance Indicators		21/22 Actual	22/23 Target	22/23 Actual
Audits completed within the planned time allowance		80%	90%	50%
Draft reports issued within 10 days of fieldwork completion		90%	90%	100%
Client satisfaction in post audit questionnaires		90%	90%	n/a
Chargeable audit days			160	53
QA compliance sample checks – percentage pass		100	100	100
Planned Audits Completed		13	14	4
Planned Audits in Progress				1
Planned Audit Deferred				0
Planned Audits Postponed				0
Unplanned Work Completed				0
Unplanned Work in Progress				0



West Yorkshire Fire and Rescue Service

Planning report to the Audit Committee for the year ending 31 March 2022

Issued on 4 October for the Audit Committee on 21 October 2022

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Associate Partner Introduction

The key messages in this report:

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

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

I have pleasure in presenting our planning report to the Audit Committee (the 'Committee') for the 2022 audit of West Yorkshire Fire & Rescue Authority (the 'Authority'). I would like to draw your attention to the key messages of this paper:

Audit Scope

Our principal audit objective is to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the statutory accounts of the Authority prepared in accordance with the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA for the period ending 31 March 2022. Our responsibilities as auditor, and the responsibilities of the Authority, are set out in the 'PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies' published by Public Sector Audit Appointments Limited.

Audit Plan

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

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

Key Risks

We have taken an initial view as to the significant audit risks the Authority faces. These are presented as a summary dashboard on page 11 and are consistent with the risks identified in the prior year.

Regulatory change

CIPFA consulted on implementing changes to the Code during 21/22 which would be applicable for 2021/22 financial statements. This has resulted in a further deferral of the implementation of IFRS 16 Leases to 1 April 2024.

The Department for Levelling Up, Housing and Communities has extended the deadline for publishing audited local authority accounts to 30 November 2022 for 2021/22 accounts, then 30 September for 6 years, beginning with the 2022/23 accounts.

Our Commitment to Quality

Audit quality is our number one priority. We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

Paul Hewitson

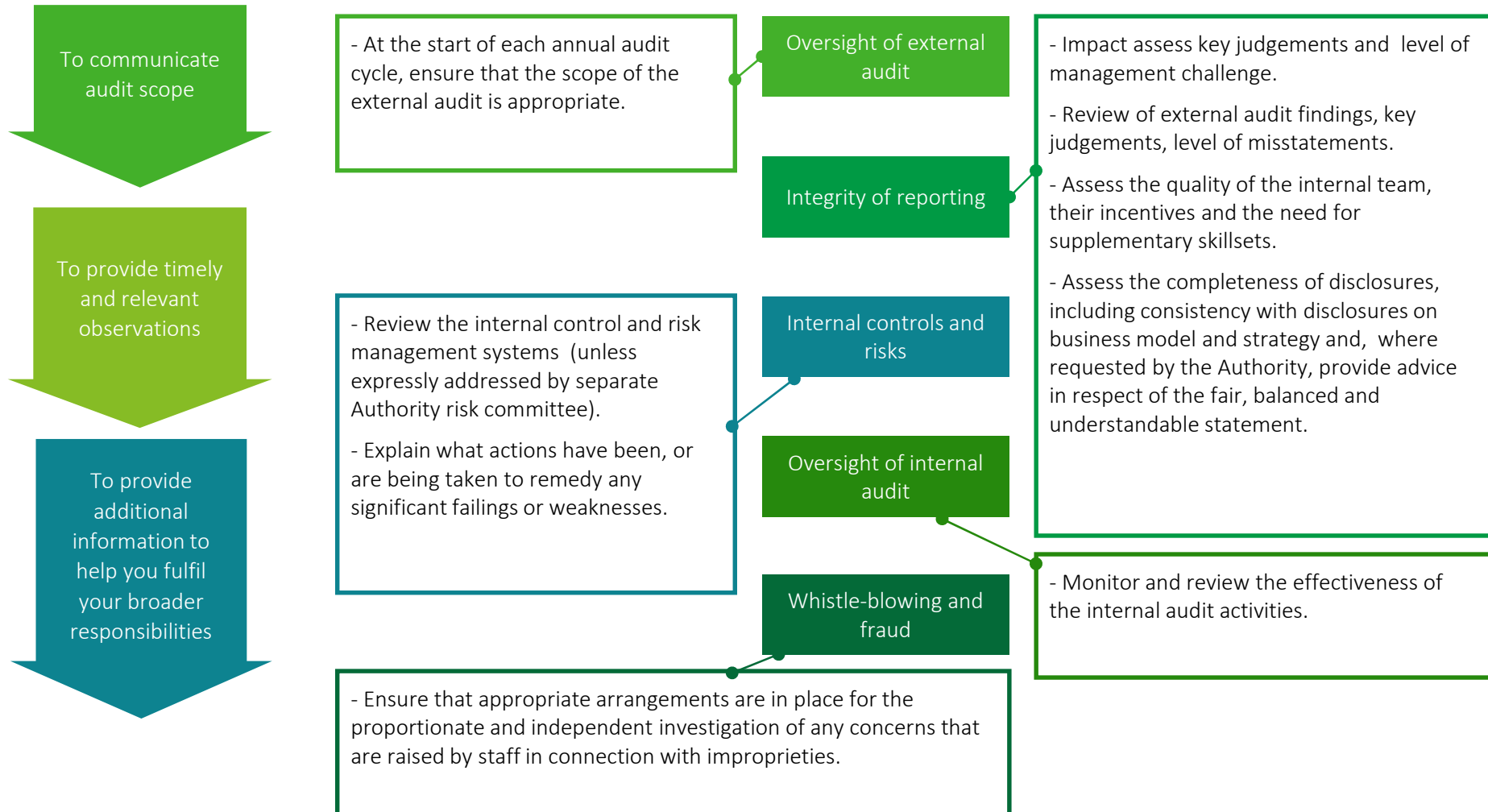
Audit Associate Partner

Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

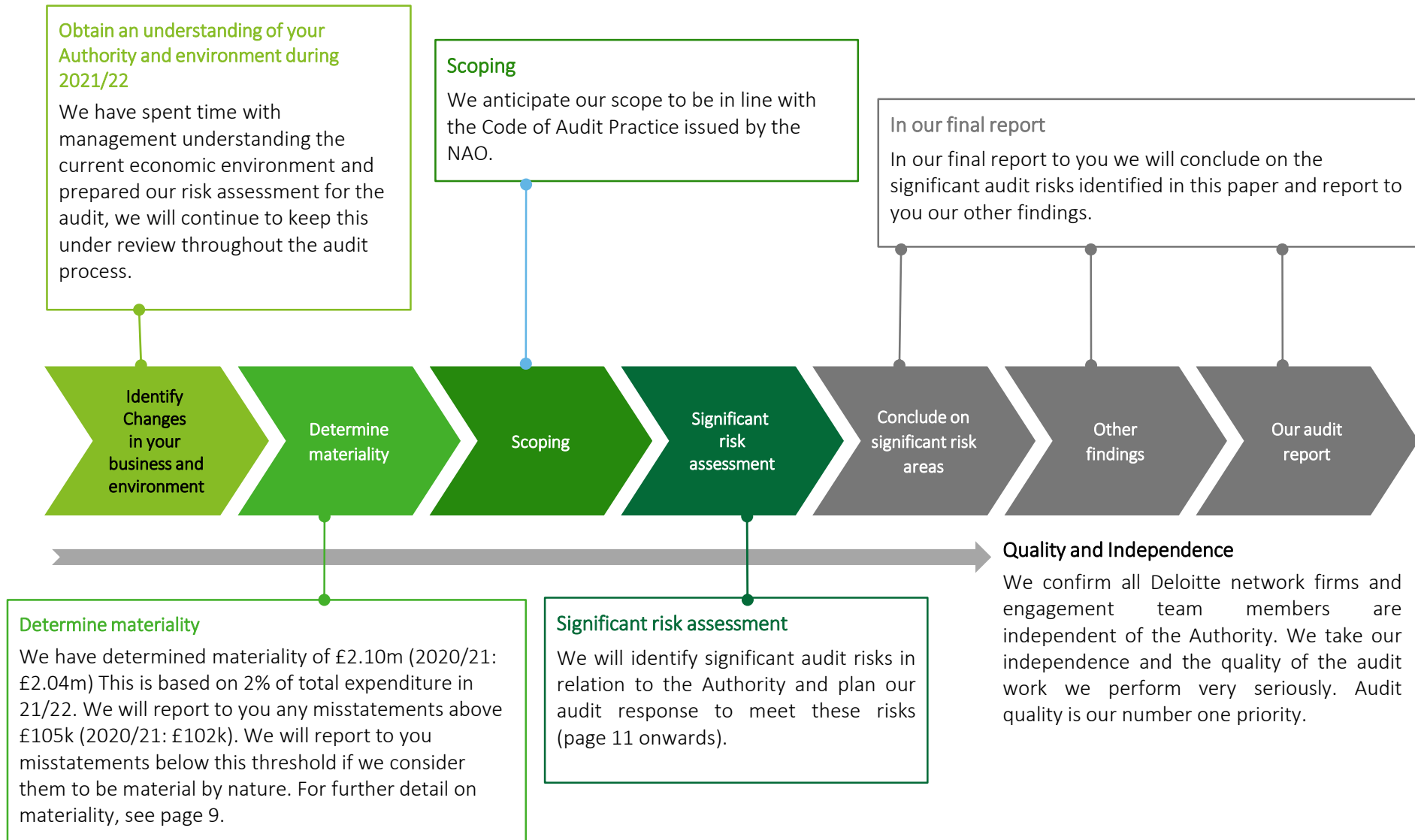
Why do we interact with the Audit Committee?

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 four key areas of responsibility under the Audit Code of Practice

Financial statements

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

We report on whether the financial statements:

- Give a true and fair view of the financial position and income and expenditure; and
- Are prepared in line with the Code of Practice on Local Authority Accounting (“the Code”).

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

The National Audit Office’s 2020 Code of Audit Practice revised the scope of the required work of the auditor on bodies’ arrangements to secure value for money, moving away from a binary conclusion on arrangements in the audit report to a narrative commentary in a new “Auditor’s Annual Report” (which replaces the Annual Audit Letter).

To perform this work, we are required to:

- Obtain an understanding of the Authority’s arrangements sufficient to support our risk assessment and commentary;
- Assess whether there are risks of a significant weakness in the Authority’s arrangements, and perform additional procedures if a risk is identified. If a significant weakness is identified, we report this and an accompanying recommendation;
- Report in our audit opinion if we have reported any significant weaknesses; and
- Issue a narrative commentary in our Annual Auditor’s Report on the arrangements in place.

This is consistent with the scope of work which applied in the prior year.

Whole of Government Accounts

We are required to issue a separate assurance report on the Authority’s separate return required to facilitate the preparation of the Whole of Government Accounts.

Our work on the return is carried out in accordance with instructions issued by the NAO and typically focuses on testing the consistency of this return with the Authority’s financial statements, together with the validity, accuracy and completeness of additional information about the Authority’s transactions and balances with other bodies consolidated within the Whole of Government accounts. We are also typically asked to report to the NAO on key findings from our audit of the accounts. The NAO has not yet issued its instructions for the current year. However, we anticipate that in keeping with previous years the Authority will be below the threshold for detailed audit work.

Our responsibilities as auditor, and the responsibilities of the Authority are set out in “PSAA Statement of Responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies” published by PSAA.

Scope of work and approach (continued)

Our approach

Liaison with internal audit

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

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

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

Approach to controls testing

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

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

Promoting high quality reporting to stakeholders

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

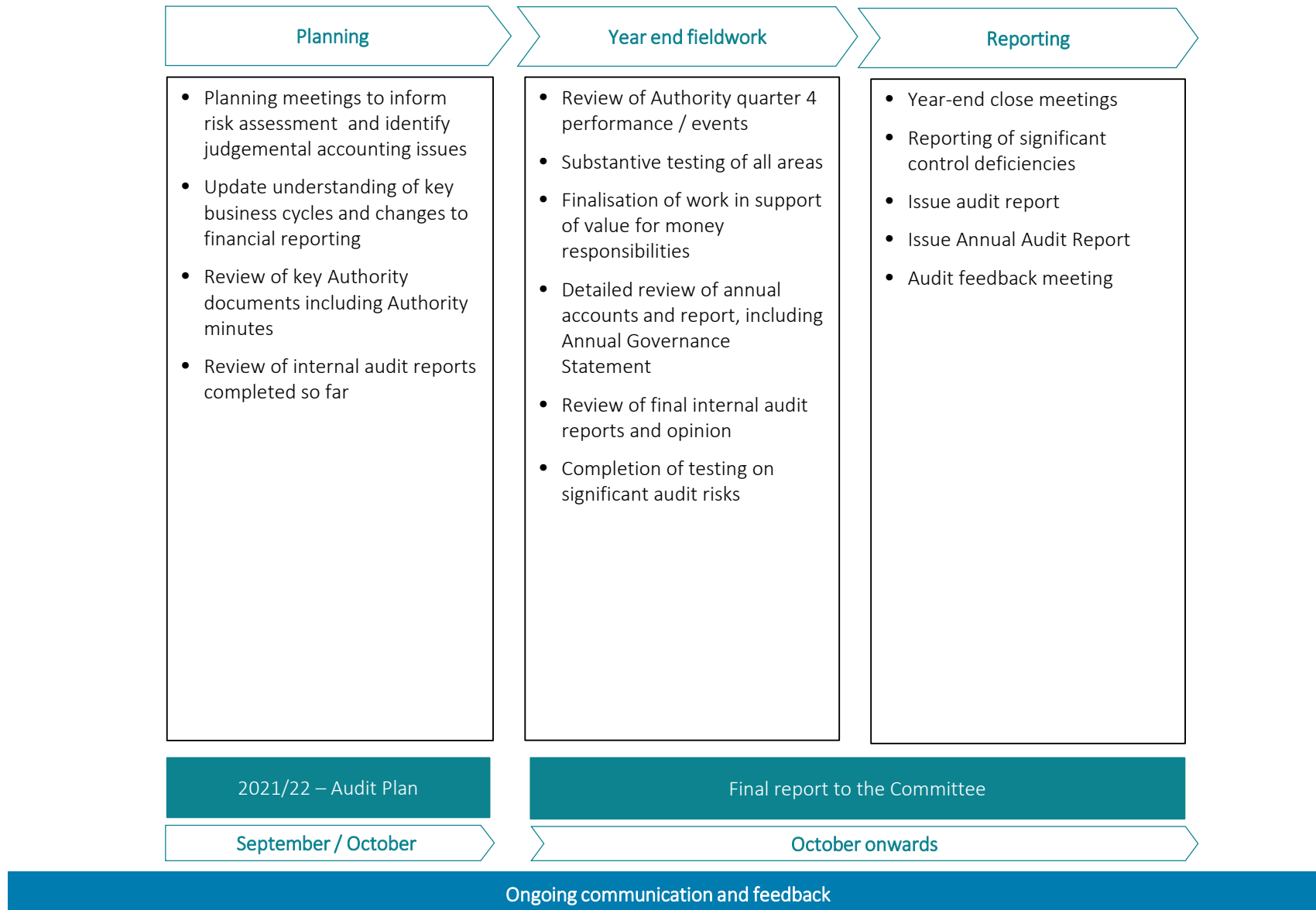
We recommend the Authority complete the Code checklist during drafting of their financial statements.

Public Auditor

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

Continuous communication and reporting

Planned timing of the audit



Materiality

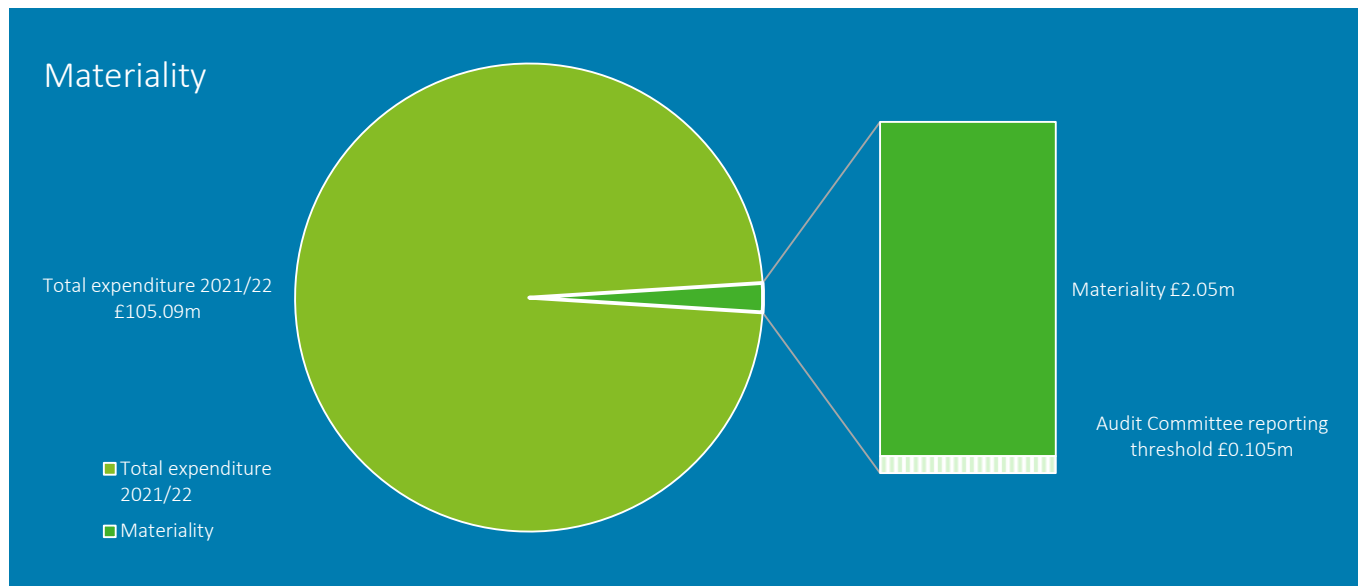
Our approach to materiality

Basis of our materiality benchmark

- The audit Associate Partner has determined materiality as £2.10m (2020/21: £2.04m), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 2% of total expenditure as per the 2021/22 financial statements.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £105k (2020/21: £102k).
- 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 Associate Partner, the Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Significant risks

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;
- critical judgements and estimates;
- the disclosures made by the Audit Committee in their previous Audit Committee report;
- our assessment of materiality; and
- the changes that have occurred in the Authority and the environment it operates in since the last annual report and financial statements.

Deloitte view

Management must carefully consider the principal risks, uncertainties and accounting estimates of the Authority.

Critical judgements and estimates as disclosed per the 2022 draft accounts




- Property, Plant and Equipment
- Provisions
- Pension liabilities
- Fair value measurement

Significant risks (continued)

Significant Audit Risk dashboard

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

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

Controls approach adopted

Assess design & implementation 

Significant risks (continued)

Risk 1 – Property Valuation

Risk identified

The Authority held £76.9m of property assets (land and buildings) at 31 March 2021 which has increased to £77.8m as at 31 March 2022.

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 physically inspected over a five year cycle. In keeping with the approach adopted by management in the previous year, 20% of the assets will be fully revalued and the remaining 80% subject to a desktop exercise.

As a result of the control findings reported in the prior year and the inherent complexities of the valuation, we consider this to be a significant risk.

Our response

- We will examine the terms of engagement of the valuer, the instructions issued and the management controls within the Authority concerning the receipt, review and acceptance of the report;
 - We will test the design and implementation of key controls in place around the valuations process;
 - We will test a sample of floor areas used in the valuation;
 - We will use our valuation specialists, Deloitte Real Assets Advisory, to support our review and challenge of the appropriateness of the assumptions used in the year-end valuation of the Authority's Land and Buildings; 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 risks (continued)

Risk 2 – Completeness of expenditure

Risk identified

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

In the prior period we identified that the control changed, however, we identified control weaknesses and also errors associated with this process, as such we have continued to identify a fraud risk in respect of the under recording of expenditure.

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

Our response

Our work in this area will include the following:

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

Significant risks (continued)

Risk 3 – Management override of controls

Risk identified

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

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

Our response

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

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

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

Use of this report

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

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

What we don't report

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

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

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

Other relevant communications

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

Deloitte LLP

Newcastle upon Tyne, October 2022

Appendices



Uncorrected misstatements identified in 2021

Uncorrected misstatements

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

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m
Misstatements identified in current year				
Benevolent Fund	[1]	(0.001)	0.001	
Payables Accuracy	[2]	0.321	(0.321)	
Componentisation	[3]	0.187	(0.187)	
Ordinary commuting mileage	[4]	0.200	(0.200)	
MMI Provision	[5]	0.163	(0.163)	
Walker	[6]	0.150	(0.150)	
Pension Fund	[7]	(0.816)	0.816	
Misstatements identified in prior years				
	[8]	0.193	(0.740)	0.547
Total		0.397	(0.944)	0.547

[1] From our cash testing we have identified the benevolent fund that could be the Service's cash. This adjustment reflects this as being cash.

[2] From our payables testing we identified that there was a duplication of an invoice, which we have extrapolated this error of £4,237 over the population. The adjustment listed here is a projected misstatement.

[3] Projected understatement of depreciation as a result of not applying componentisation.

[4] Projected downside scenario calculated by PS Tax in relation to non-compliance with laws and regulations.

[5] Factual overstatement of MMI provision as a result of accounting for the expenditure as general expenditure rather than against the provision.

[6] In July 2017 the Supreme Court handed down a judgement in the case of Walker v Innospec Ltd and others. The actuary has estimated that the impact would be less than 0.01% of liabilities and have made no allowance for this in the disclosures. The projected adjustment recognises this liability.

[7] There was a difference between the pension asset values provided to the Pension Fund for the purposes of calculating the IAS19 liability and the updated valuations obtained post year-end. This projected adjustment reflects the Service's share of this error.

[8] Errors identified in the prior year audit that affect the opening balances relate to extrapolated accruals error, McCloud adjustment for the LGPS scheme, error identified by the Pension Fund auditor in relation to private equity valuation and the application of componentisation on depreciation.

Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

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



Our responsibilities:

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

Fraud Characteristics:



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

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

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

Fraud responsibilities and representations (continued)

Inquiries

We will make the following inquiries regarding fraud:



Management:

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



Internal audit

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



Those charged with governance

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

Independence and fees

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

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Authority and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2022 in our final report to the Audit Committee.
Fees	There are no non-audit fees proposed for either the current or prior years. Details of audit fees are included on the next slide.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Authority, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees (continued)

The professional fees expected to be charged by Deloitte LLP in the period from 1 April 2021 to 31 March 2022 are as follows:

	Current year £	Prior year £
Financial statement audit scale fee	27,782	27,782
Procedures in respect of Value for Money assessment *	TBC	TBC
Additional fees**	-	TBC
Total audit	27,782	27,782
Total fees	27,782	27,782

* As set out in our previous reports to the Audit Committee, the scope of the Value for Money work, was widened for the 2020/21 year due to revisions to AGN03 which required the auditor to complete additional procedures. As such we will seek to agree additional fees with management for this work.

** As set out in our report to the Audit Committee in September 2021, the audit has taken longer to complete as a result of the late alteration to the audit schedule by management, delays in receipt of information and errors identified following receipt of the information from September 2021 onwards. As a result there will be additional fees in respect of the 2020/21 audit which we will seek to agree with management and present back to the Audit Committee.

Our approach to quality

FRC Audit Quality Inspection and Supervision report

We are proud of our people's commitment to delivering high quality audits and we continue to have an uncompromising focus on audit quality. Audit quality is and will remain our number one priority and is the foundation of our recruitment, learning and development, promotion and reward structures.

In July 2022 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2021/22 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, we are pleased that both the overall and FTSE 350 inspection results for our audits selected by the FRC as part of the 2021/22 inspection cycle show an improvement. 82% of all inspections in the current cycle were assessed as good or needing limited improvement, compared to 79% last year. Of the FTSE 350 audits reviewed, 91% achieved this standard (2020/21: 73%). This reflects our ongoing focus on audit quality, and we will maintain our emphasis on continuous improvement as we seek to further enhance quality.

We welcome the breadth and depth of good practice points identified by the FRC particularly those in respect of the effective challenge of management and group audit oversight, where the FRC also reports findings.

We are also pleased that previous recurring findings relating to goodwill impairment and revenue were not identified as key finding in the current FRC inspection cycle, reflecting the positive impact of actions taken in previous years. We nevertheless remain committed to sustained focus and investment in these areas and more broadly to achieve consistently high quality audits.

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 2021/22 Audit Quality Inspection and Supervision Report on Deloitte LLP

"In the 2021/22 public report, we concluded that the firm had made progress on actions to address our previous findings and made improvements in relation to its audit execution and firm-wide procedures. The firm has continued to show improvement, with an increase in the number of audits we assessed as requiring no more than limited improvements to 82% compared with 79% in the previous year and 80% on average over the past five years. It is also encouraging that none of the audits we inspected were found to require significant improvements.

The area which contributed most to the audits requiring improvement was the audit of estimates of certain provisions. There were also key findings in relation to group audits, the review and challenge by the Engagement Quality Control Review (EQCR) partner and the application of the FRC Ethical Standard."



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