



OFFICIAL

Internal Audit Quarterly Report

Audit Committee

Date: 26 April 2024

Agenda Item:

06

Submitted By: Chief Finance and Procurement Officer

Purpose	To present the Internal Audit Quarterly Report January to March 2024
Recommendations	That members note the content of the report
Summary	The report provides a summary of the audit activity for the period January to March 2024 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 2023/24

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 January to March 2024

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 2023/24 audit plan.

In the period January to March 2024, two audits have been completed, all of which received a substantial assurance opinion. In addition there is 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))	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 between January and March 2024.



INTERNAL AUDIT QUARTERLY REPORT

2023/24

January to March 2024

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 2023/24 Audit Plan was approved by this Committee at the start of the year covering a variety of areas enabling an annual opinion to be formed on the Authority's governance, risk management and internal control arrangements.

For ease of reference the audits are categorised as follows:

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

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

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

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

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

The final section of the report concerns Audit Plan delivery.

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

1. SUMMARY

This report contains details of work completed during the final quarter of 2023/24, covering the current Plan approved by the Committee at the start of the year.

Both audits produced a positive assurance opinion, albeit that several recommendations have been agreed to strengthen the control environment. The final audit in the Plan of the Disbursement Account remained in progress at the time of compilation of this report, an update will be provided at the Meeting.

2. SPECIAL INVESTIGATIONS & REVIEWS

None during this period.

3. KEY FINANCIAL SYSTEMS & RISKS

System	Findings	Audit Opinion
Chief Finance & Procurement Officer		
Payroll Key Controls	<p>Given that employee expenditure accounts for such a significant part of the overall budget, payroll system and processes are a key part of the control environment.</p> <p>Payroll is heavily dependent on the accuracy of manual input into SAP by the small payroll team and by the Kirklees team for a number of transaction types based on data supplied by HR. To mitigate the risk of error there is a strong control environment which ensures segregation of duties and robust processes in place which include the 100% checking of accuracy of every permanent variation to the payroll information. Audit testing reinforced the level of assurance around the current effectiveness of the processes and controls in place, although testing did highlight some minor exceptions around the documentation and audit trail of manual calculations and expenses checks, the remediation of which will help to strengthen these controls even further.</p> <p>The robust processes around input are extended by the payroll and finance team through to the effective and thorough scrutiny of the exception reports, and the subsequent review of finance reports. Finance proposals to introduce detailed payroll reporting from April 2024</p>	Substantial Assurance

will extend this oversight to the Budget Holder level and promote further scrutiny at a more detailed level so long as there is a process in place to ensure the reporting is reviewed effectively.

The final key control of reconciliation to SAP Business Information was carried out for the larger lunar payroll but had not been introduced for the smaller Member's monthly payroll. This does not raise concerns over the accuracy of payroll as the critical reconciliation from gross to net pay is part of the Kirklees processing routines. However this control is still key in that it provides assurance over the consistency of the payroll and financial systems and should be introduced immediately going forward.

4. **OTHER FINANCIAL SYSTEMS & RISKS**

System	Findings	Audit Opinion
Chief Finance & Procurement Officer		
Disbursement Account & Purchasing Card Payments	Audit in Progress	
Director of Service Support		
Vehicle Replacement Procurement	<p>Compliance with CPRs regarding the tender processes and procurement was found to be robust. The inclusion of a 'Procurement Approval Document' was successfully embedded with the appropriate authorisations verified in accordance with set limits. The PAD document is now enforced for all tenders and facilitates each procurement project through from start to finish with the appropriate approval milestones (i.e. before going out to tender and then to allow a more thorough review and award of the contract).</p> <p>Overall, it was found that an established and effective procedure and system is in place for the accounting, monitoring and reconciliation of the capital expenditure relating to the appliances/aerial appliances build. Sampled payments successfully reconciled to SAP and were supported with a clear audit trail of working papers. Audit queries relating to invoice checking procedures provided assurance that error invoices found within the sample were being challenged effectively for correction prior to payment thus ensuring payment accuracy.</p> <p>Sufficient controls for segregation of duties and document version control/security were also found to be in place providing clear and effective finance oversight of expenditure alongside the contract manager with centralised cost tracking to ensure detailed monitoring and timely reconciliation.</p>	Substantial Assurance

5.

6. LOCATION & DEPARTMENT AUDITS

None during this period.

7. 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.

None during his period.

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 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 that meets on a monthly basis, which is chaired by the Chief Finance & Procurement Officer / Director of Service Support. Latterly an interim audit of the performance and management of the contract to date has been undertaken.

10. AUDIT PLAN 2023/24 DELIVERY

Performance Indicators	22/23 Actual	23/24 Target	23/24 Actual
Audits completed within the planned time allowance	80%	90%	80%
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	143
QA compliance sample checks – % pass	100	100	100
Planned Audits Completed	14	13	10
Planned Audits in Progress			1
Planned Audits Postponed			2
Unplanned Work requested by Management Board Completed			2
Unplanned Work in Progress			0



OFFICIAL

Internal Audit Annual Report 2023/24

Audit Committee

Date: 26 April 2024

Agenda Item:

07

Submitted By: Chief Finance and Procurement Officer

Purpose

To review the effectiveness of the Authority's system of internal audit and control and the Audit Charter & Strategy.
To note the audit opinion on governance and risk management arrangements and the internal control environment during 2023/24.
To approve the Audit Plan for 2024/25.

Recommendations

Members endorse the Chief Finance & Procurement Officer's conclusion as to the effectiveness of the system of internal audit and control and re-approve the Audit Mission, Mandate, Charter & Strategy for 2024/25. Members note the audit opinion on governance, risk management arrangements and the internal control environment in 2023/24, thereby providing assurance to the compilation process for the Draft Annual Governance Statement.
Members approve the Audit Plan for 2024/25 as endorsed by Management Board

Local Government (Access to information) Act 1972

Exemption Category: None

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Background papers open to inspection: Annual Report of Internal Audit 2022/23
Annual Governance Statement 2022/23
Corporate Risk Matrix
Internal Audit Plan 2023/24
Quarterly Reports of Internal Audit 2023/24
Audit Mission, Mandate, Charter & Strategy

Annexes: Appendix 1 Audit Charter and Strategy
Appendix 2 Summary of Audit Coverage
Appendix 3 Internal Audit Plan 2024/25

Summary

The Chief Finance & Procurement Officer concludes the Authority's systems of internal audit are effective.

This report concludes that the Authority's governance, risk management arrangements and internal control environment were effective and robust during the financial year to 31 March 2024.

1 Introduction

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

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

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

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

1.3 Moreover, an external assessment of compliance with the PSIAS and Code of Ethics towards the end of 2022/23 concluded that Internal Audit “Generally Conforms”, being the highest of three opinions possible.

1.4 Coupled with the analysis of the performance of the internal audit function against its performance indicators and quality assurance process and delivery of the 2023/24 Audit Plan, the Chief Finance & Procurement Officer has used this data in formulating her assessment of the Authority’s system of internal audit to conclude the degree of reliance can be placed on its work and opinion on the internal control environment.

1.5 In accordance with best practice the annual review of the Audit Charter and Strategy has been conducted.

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

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

2 Effectiveness of the System of Internal Audit

2.1 Ten of the planned thirteen audits have been concluded at the time of writing of this report with a further one expected to be concluded by the time of the meeting. Two pieces of work requested by Management Board during the year were substituted for the other two planned audits.

2.2 This body of evidence provides a meaningful opinion on the overall internal control, governance and risk management framework.

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

- 2.4 At no point during the year has any Officer or Member sought to influence or restrict the scope or areas of activity of any piece of work. The conclusions reached in all the work presented are those of Internal Audit.
- 2.5 The new Global Internal Audit Standards (GIAS) (prepared by the Institute of Internal Auditors, an essentially American based international organisation) take effect from early 2025. In contents these standards are not substantially different from those in place during 2023/24, but they are more substantially codified (in a way more like the UK CIPFA interpretation, that applied to local authorities) and more complex in terms of specific requirements. It is not yet clear if the government will publish enhanced UK public sector obligations. Because of this uncertainty, no specific additional comparison of our practice to the current standards, as of March 2024 has been prepared this year. A full comparative analysis will feature in next year's report.
- As referred to above, the Audit Charter & Strategy (see Appendix 1) has been reviewed to ensure it continues to meet the needs of the Authority. The review has confirmed that overall, it remains fit for purpose, although clearer description of the Audit Mission and Mandate would provide for greater Standard compliance, and this has been incorporated in a re-draft in Appendix 1. As agreed by Members and the Management Board, the audit strategy has been refocused with a greater emphasis on aspects of the internal control environment and governance, being satisfied as to the consistent positive assurance on the management of risks in the Corporate Matrix. This conclusion continues to be reflected in the Draft 2024/25 Plan attached. Members are asked to re-approve the document accordingly.
- 2.6 A summary of the performance of Internal Audit in delivering the 2023/24 Plan as reported to the Audit Committee during the year is shown overleaf:

Performance Indicators	23/24 Target	23/24 Actual
Audits completed within the planned time allowance	80%	80%
Draft reports issued within 10 days of fieldwork completion	90%	90%
Client satisfaction in returned post audit questionnaires	90%	n/a
Chargeable audit days (cumulative)	160 + 20 b/fwd	143
QA compliance sample checks – pass rate	90%	100
Planned Audits Completed	13	10
Planned Audits in Progress		1
Planned Audits Postponed		2
Planned audit deferred by Management		0
Unplanned Audits Requested by Management Board Completed		2

- 2.7 A summary of plan delivery itself is shown as appendix 2, together with the opinion reached for each audit completed.
- 2.8 The Authority has appointed new external auditors in Grant Thornton, and both sets of auditors are keen to develop a positive working relationship, facilitated by GT also fulfilling this role for Kirklees Council which provides the key financial systems to the Authority, in order to maximise the use of audit resources and ensure our mutual roles are fulfilled effectively.
- 2.9 Members may wish to endorse the positive opinion on the effectiveness of the system of internal audit and control reached by the Chief Finance & Procurement Officer.

3 Operational Information

- 3.1 The scope of activity is established by the Financial Procedure Rules, the Audit Charter & Strategy and statements of operating practice.
- 3.2 In line with the Audit Strategy, assurance about the governance, risk management and internal control environment is obtained by the maintenance and delivery of a risk-based audit plan approved by Members. Planned work targeted areas of significant risk and where most value could be added, particularly on wider business and governance controls. Areas of significant risk are determined by the Authority through its risk management process and in particular the Corporate Risk Matrix.
- 3.3 Each audit concludes with an opinion about the level of assurance derived on the adequacy and effectiveness of the system, process or location concerned at the time of the audit, based upon the management of risk and the adequacy and operation of financial and other controls. The approach involves the follow up of any activities about which less than "Adequate Assurance" is given, as a means of seeking to ensure that the work carried out by Internal Audit maximises the chances of improving the Authority's control environment.
- 3.4 The Audit Committee has previously agreed definitions of the different levels of assurance given and how these are derived from audit recommendations. Implementation of the agreed recommendations by management should provide for a satisfactory degree of control in all cases.
- 3.5 The outcome of individual audits is summarised quarterly and reported to the Audit Committee for consideration. These reports also include action taken by management regarding the implementation of any agreed key recommendations.

4 Summary of Audit Outcomes in 2023/24

- 4.1 The agreed Audit Plan for 2023/24 included 160 days of planned work in the following main areas:
- financial system and process audits,
 - main business and governance risks and controls,
 - follow up audits, and
 - ongoing project assurance to the Emergency Services Mobile Communication and Headquarters Finance Project Boards.

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

- 4.2 At the time of writing 10 of 13 planned audits had been completed with the remainder expected to be concluded by the time of the Meeting enabling a verbal update. Each planned audit performed during the year concluded with a positive Assurance opinion.
- 4.3 The Authority's risk management arrangements have been considered in individual pieces of audit work, whereby management activity to address particular business risks, as recorded on the Corporate Risk Matrix, has been assessed. These audits all concluded with positive assurance opinions and conclusions that management controls to address the key risks to the Authority were robust and operating effectively. Where appropriate, management has agreed recommendations to further enhance the control environment.
- 4.4 In accordance with our commitment to provide help, assistance and add value, questions and issues raised by managers have been resolved, particularly in relation to advice/approval for authorisation of contracting matters, and to evaluation of potential suppliers. In addition, the Audit Plan is designed to be sufficiently flexible to accommodate any ad hoc requests for audit reviews.

5 Internal Audit in 2024/25 and beyond

- 5.1 Internal Audit will continue to strive to reliably achieve planned audit work and to address Authority priorities and activities that will add value for the organisation, particularly supporting the roll out of revised procurement arrangements.
- 5.2 We will ensure the activity continues to comply with the prevailing professional standards as revised from time to time.
- 5.3 We will continue to review the probity of the Authority as well as its' key organisational and business controls encompassed in the revised Audit Strategy to focus on areas of highest risk and thus to contribute to the level of assurance required by the Chief Fire Officer / Chief Executive, Chair of the Authority and Chief Finance & Procurement Officer in order to complete the Annual Governance Statement.
- 5.4 The risk based Draft Audit Plan for 2024/25 reflects the refocus in the revised Audit Strategy and identifies both key areas that are due for cyclical review within all the areas of activity that are subject to audit, such as accounts payable and counter fraud arrangements, plus topical issues given current activities around the capital construction programme, both at Headquarters but also elsewhere, plus absence management and managing the recommendations of the Grenfell tragedy. Both the Chief Finance & Procurement Officer and Management Board have agreed the 2024/25 Draft Plan, and a summary forms Appendix 3 for approval.

6 Financial Implications

- 6.1 The internal audit service is provided by Kirklees Council through a Service Level Agreement at a cost of £52,957 in 2023/24 which is provision for 160 days of audit work.

7 Legal Implications

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

8 Human Resource and Diversity Implications

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

9 Equality Impact Assessment

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

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

11 Environmental Implications

11.1 There are no environmental implications associated with this report.

12 Your Fire and Rescue Service Priorities

12.1 This report links with the Community Risk Management Plan 2022-25 strategic priorities below;

- Improve the safety and effectiveness of our firefighters.
- Promote the health, safety, and wellbeing of all our people.
- Encourage a learning environment in which we support, develop, and enable all our people to be at their best.
- Focus our prevention and protection activities on reducing risk and vulnerability.
- Provide ethical governance and value for money.
- Collaborate with partners to improve all of our services.
- Work in a sustainable and environmentally friendly way.
- Achieve a more inclusive workforce, which reflects the diverse communities we serve.
- Continuously improve using digital and data platforms to innovate and work smarter.
- Plan and deploy our resources based on risk.

13 Conclusions

13.1 This report has summarised the main activities of Internal Audit during 2023/24, detailed information on which has been provided to this Committee during the year.

13.2 Audit work during the year and consideration of professional standards compliance provided sufficient evidence to demonstrate that overall the system of internal audit and wider audit arrangements are effective.

- 13.3 A review of the Authority's framework of governance, risk management and control, and business systems controls, has provided sufficient evidence and assurance that overall each is robust and effective and that in the small number of occasions where it has been necessary, management have taken/agreed appropriate action to address weaknesses.
- 13.4 Overall, the Authority has a sound control environment, and no matters are brought to the attention of management as worthy of consideration for inclusion in the Annual Governance Statement for 2023/24 as a Significant Governance Issue.



Appendix 1 – Audit **Mission, Mandate,** Charter & Strategy

West Yorkshire Fire & Rescue Authority

INTERNAL AUDIT **MISSION,**

MANDATE, CHARTER & STRATEGY

Any areas of addition or amendments to this document are shown by shading.

April 2024

INTERNAL AUDIT MISSION, MANDATE, STRATEGY & CHARTER

1. Internal Audits mission is to independently assure the organisation and its management in achieving its objectives, by providing assurance, advice and insight.
2. Internal Audits mandate is set out principally in the Financial Procedure Rules.
3. Its work will involve.
 - a) Assurance about the internal financial and (other) business controls, and the broader assurance framework, including both a programme of planned assurance based internal reviews, and other more ad hoc assurance based work and projects.
 - b) Advice and insight/consultancy work as commissioned, relating to business, financial and process controls and value for money, efficiency, and effectiveness.
 - c) Development of anti-fraud, anti-corruption and anti-bribery measures and investigation of any suspicions of inappropriate behaviour.
 - d) Information, advice, advocacy, and training in respect of best practice in achieving a high level of internal control, including Financial and Contract Procedure Rules.
 - e) Contributing to corporate/high impact projects, particularly those involving partnership and procurement.

Internal Audit coverage will apply to all the direct operations, all wholly owned or controlled organisations or subsidiaries, including limited companies, and other partnership bodies (where the Service so determines).

4. Internal Audit work will address all the business controls of the organisation, prioritised based on risk. This involves a full coverage of all aspects of operations, including financial systems, processes and activities, all other business processes, risk management, governance arrangements, information management and appropriate use of technology-
5. Internal Audit activity will be planned, carried out and reported within a general philosophy of providing evidence-based analysis and helpful advice to all levels of management and achieving positive consequential progress.
6. Except where otherwise agreed, written reports will provide summary information, detail on any findings of note, conclusions and recommendations to advise and inform managers at all levels.
7. Establishing effective systems of operation and implementation of audit recommendations is the responsibility of management. It is not the role of Internal Audit to act as a proxy for appropriate performance management of, or by, senior management.
8. Internal Audit will follow up the implementation of accepted recommendations in all cases where there were concerns about a system, process, or activity, or where recommendations result from an investigation. Other agreed recommendations may be followed up on a sample basis.
9. Internal Audit will co-ordinate the overall corporate assessment of business controls and risk management. It will help develop and monitor the Risk Management Statement.
10. Internal Audit will operate in accordance with the (mandatory) Public Sector Internal Audit Standards (PSIAS) and the supplementary CIPFA guidance.
11. Internal Audit officers will act ethically to achieve high professional standards: independence, objectivity and integrity and respect the confidentiality of organisational information.

1. **Mission & Mandate**
2. Introduction
3. Objectives of Internal Audit
4. Independence, Responsibilities and Authority
5. Performance Management and Quality Control
6. Reporting
7. Internal Audit Delivery
8. Partnership; Obtaining & Providing Assurance to Others

Appendix 1 Control Environment (definition)

Appendix 2 Financial Procedure Rules (extract)

Appendix 3 Role of the Audit Committee

Appendix 4 Audit Planning, Resourcing & Reporting (detail)

Appendix 5 Public Sector Internal Audit Standards

Appendix 6 Statement of the Responsibilities of Management

Background and Context

1. Local Authorities are required under the Local Government Acts and the

Accounts and Audit Regulations 2015 to have a continuous internal audit of their financial and other business controls. It will be delivered in compliance with the Public Sector Internal Audit Standards (PSIAS) This is mandatory guidance which states the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance. These standards in Local Authorities are supplemented by additional guidance from CIPFA that has regulatory authority for local government in the UK. From 2025 revised Global Internal Audit Standards (GIAS) apply. Any UK public sector interpretations are awaited.

2. The PSIAS require that there is a formal Internal Audit Charter defining the purpose, authority and responsibilities of Internal Audit, which must be consistent with the PSIAS definition of internal audit, code of ethics and professional standards. For the purposes of comparability, the following terms apply.

PSIAS Term	Kirklees Arrangement
The Board	Audit Committee
Senior Management	Chief Executive / Chief Fire Officer & or Management Board
Chief Audit Executive	Head of Internal Audit

3. The main purpose of Internal Audit is to support the organisation in achieving its objectives, and particularly to play a key role in the Corporate Governance arrangements in ensuring Members and Corporate Managers have adequate assurance that they are meeting their responsibilities.
4. The role of Internal Audit is also to support the statutory officers (Head of Paid Service, Chief Finance & Procurement Officer and Monitoring Officer) in carrying out their roles, and equally needs their support in fulfilling its role.
5. This **Mission, Mandate**, Charter and Strategy will be regularly presented to senior management and reviewed regularly by the Audit Committee. Its purpose is to set out the purpose, nature, objectives, outcomes and responsibilities of the internal audit service.

1. MISSION AND MANDATE OF INTERNAL AUDIT

The mission of Internal Audit is to provide an independent, objective assurance and advice and insight designed to add value and improve the organisation's operations. Internal Audit aims to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The mandate of Internal Audit is prescribed by the Financial Procedure Rules under the obligation and intention to provide assurance to the Service about all its financial and business systems and control arrangements.

Responsibility

The Chief Executive / Chief Fire Officer, (in consultation with the Chief Finance & Procurement Officer and Monitoring Officer) must arrange a continuous internal audit, which is an independent review of the accounting, financial and other operations of the Service. The Head of Audit & Risk will report directly to the Chief Executive / Chief Fire Officer, the Chair of the Audit Committee or the External Auditor in any circumstance where the functions and responsibilities of the Chief Finance & Procurement Officer are being reviewed. (Other than routine reporting of work carried out).

The Head of Audit and Risk has authority to

- (a) Enter at all times any premises or land or location from which services are provided.
- (b) Have access to all property, records, documents and correspondence relating to all activities of the Service.
- (c) Require and receive explanations concerning any matter; and
- (d) Require any employee of the Service, without prior notice, to produce cash, stores or any other property for which they are responsible.
- (e) Require any Director to ensure that within 5 working days notice (or such other time as might be agreed by the Head of Audit & Risk)
 - i) to ensure sufficient resource by way of time or otherwise, that an adequate response by employees of the service to any request for information,
and, or
 - ii) any employee attends a meeting at any location (within West Yorkshire) chosen by the Head of Audit & Risk
and, or
 - iii) (the provision of any information, data, records, currently held in any media format be provided that that format, or in any other reasonable format chosen by the Head of Audit & Risk, and as appropriate delivered to a location chosen by the Head of Audit & Risk
and
 - iv) to be accountable to the Audit Committee should they fail to act

The Head of Audit & Risk may delegate the rights of access to premises, information, explanation etc. to any employee or agent of the Service (albeit this will normally be staff within the Internal Audit or Counter Fraud team).

Planning and Reporting

The Head of Audit & Risk must plan and report (in accordance with the approved Audit Strategy and Charter, Public Sector Internal Audit Standards and any instruction from the Audit Committee) upon

- a) The risks inherent in and associated with each system.

- b) The soundness, adequacy and application of the financial and other management controls and systems within each Service
- c) The extent of compliance with, and the financial effects of, established policies, plans and procedures.
- d) The extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud, other offences, waste, extravagance and inefficient administration, poor value for money and other cause.
- e) The suitability, accuracy and reliability of financial and other management data within the organisation; and
- f) Value for money aspects of service provision.

In respect of any audit report or communication issued, the Director must reply within 4 weeks indicating the action proposed or taken, by whom and including target dates. Where a draft report is issued for initial comments, a reply must be made within 2 weeks of issue.

The Head of Audit & Risk will provide a written summary of the activities of the Internal Audit function to the Audit Committee at least four times per year and an Annual Report produced for consideration by the Audit Committee, including an audit opinion on the adequacy and effectiveness of the governance, risk management systems and internal control environment.

The Head of Audit & Risk will review the system of internal audit on an annual basis (and arrange for an external assessment once every 5 years) and report the outcome to the Audit Committee.

Investigations and Suspected Fraud, Corruption or Bribery.

The Head of Audit & Risk is responsible for the development and maintenance of the Anti-Fraud, Anti-Corruption and Anti Bribery Strategy and Whistleblowing Strategy and for directing efforts in fraud investigation.

The Director concerned must immediately notify the Head of Audit & Risk who may act by way of investigation and report. Where, following investigation, the Head of Audit & Risk considers that there are reasonable grounds for suspecting that a loss has occurred as a result of misappropriation, irregular expenditure or fraud, consultations will be held with the Director on the relevant courses of action, including the possibility of police involvement and the invoking of any internal disciplinary procedure in accordance with the relevant conditions of service.

2.1 Objectives of Internal Audit

2.1.1 Internal Audit's objectives can be defined as:

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

This definition goes beyond basic compliance by evaluating and improving the effectiveness of the entire risk, control and governance arrangements (including financial and non-financial control systems). As an independent appraisal function Internal Audit can offer assurance on the effectiveness of internal control arrangements, contributing to the efficient use of resources and generally helping management to monitor performance, improve operational efficiency and target objectives. These actions will add value by supporting the organisation in achievement of its’ corporate objectives.

2.1.2 Specifically the role is to provide:

- *Assurance, principally by a review of the control environment* - The 'control environment' comprises the business systems which are operated to implement the statutory obligations and its policies and objectives. This includes systems and processes, governance and decision making, and risk identification and management. It involves the review of all the major financial and accounting systems and practices, and controls of other kinds (such as purchasing and human resources). For financial controls it involves a more detailed review of information, records, assets and other resources to identify appropriate financial stewardship. (See Appendix 1). It also includes matters relating to organisational ethics, use of technology and matters such as management of data and information.
 - *Consultancy* - Undertake, when commissioned, other reviews and projects which use investigative, analytical and consultancy skills. This work can be specific or involve on-going advice and may include value for money related activity. Where this advice is provided it is given notwithstanding the responsibility to provide assurance as above. Any work performed will be accepted only within the competencies of staffing.
 - *Assurance and Investigation into suspected Fraud, Corruption and Bribery*- Internal Audit oversees the Corporate Anti-Fraud, Anti-Corruption and Anti-Bribery policies and undertake investigations into suspected irregularity, fraud, or corruption, provides guidance for managers and Members and helps to promote good corporate governance and the highest ethical standards. It also coordinates the approach to the mandatory biennial national fraud initiative. The Head of Audit is also required to be notified of all cases of suspected or detected fraud, corruption or impropriety.
- *Advice* - Provide operational advice on the development of processes and systems and on the interpretation of the rules (principally Financial Procedure Rules and Contract Procedure Rules).
 - i. Audit advice and recommendations are given in all cases without prejudice to the right of Internal Audit to review the relevant policies, procedures and operations at a later date.

- ii. The Service is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit advises the Service on whether effective and efficient arrangements exist, cumulating in the annual opinion of the Head of Internal Audit, which informs the Annual Governance Statement. Optimum benefit to the Service should arise when Internal Audit work in partnership with management to
 - improve the control environment.
 - achieve organisational objectives.

2.2. Independence, Responsibility and Authority

2.2.1 An effective internal audit function must be independent, objective and unbiased, operating in an ethical way.

2.2.2 Governance

It is the responsibility of the Service and its senior management, and in particular the statutory officers (Head of Paid Service, Chief Finance & Procurement Officer and Monitoring Officer) to ensure that the organisation has all appropriate operational and business control arrangements.

Internal Audit is a part of Kirklees Council and in accordance with a SLA reports both to the senior management and to the Audit Committee.

2.2.3 The Head of Internal Audit

- Reports functionally to the Audit Committee and issues reports under his own name.
- Reports managerially to the Chief Executive, Chief Finance & Procurement Officer
- Has the right to communicate directly with any Director, or any other officer. The Head of Internal Audit may also communicate with any Chair of the Authority, Councillor, or other person.
- Has the right to communicate confidentially with the Chair of the Audit Committee on any matters.
- Must advise the Audit Committee on any matter where any significant risk or threat to the organisation, identified through audit assurance work, has not been adequately addressed by management.
- Is responsible for the delivery of the Internal Audit function and achievement of the standards described within this document.

The Head of Internal Audit will ensure that audit work is shared with Directors and other senior managers and their appointees, and commissioning officers for investigations and reviews. Additionally, summaries will be provided to the Audit Committee, individual Members or others (e.g., whistle-blowers) who refer matters to Internal Audit, the external auditor and to other authorities and agencies to facilitate joint and partnership working as appropriate.

Audit work will (except when otherwise agreed) be treated as confidential, but in certain circumstances may be wholly or partially subject to disclosure under the Freedom of Information.

2.2.5 Responsibilities of Internal Audit

The responsibilities and objectives of Internal Audit are as follows:

- To provide soundly based assurances to management on the adequacy and effectiveness of their internal control, risk and governance arrangements, including ethics, information management and technology.
- To review, appraise and report on the extent to which the assets and interests of the Authority are accounted for and safeguarded from loss.
- To review, appraise and report on the suitability and reliability of financial and other management data and information.
- To assess the adequacy and effectiveness of the Authority's procurement, contract and partnership arrangements.
- To support schools in achieving high standards of control and governance.
- To assess the corporate risk management processes.
- To evaluate the risk of fraud and how it is managed and controlled. To provide corporate fraud and irregularity prevention, detection and investigation services in accordance with the Counter Fraud, Corruption and Bribery Strategy.
- To reach conclusions about the effectiveness of the control environment, and to recommend improvements to management.
- To contribute to assurances in relation to the robustness and reliability of internal controls and governance to support the Annual Governance Statement.
- To support the achievement of efficiency, value for money and effective change management.
- To provide advisory and consultancy services intended to add value and improve value for money, governance, risk management and control processes.
- To provide advice in respect of the development of new or significant changes to existing programmes and processes including the design of appropriate controls. This is usually through membership of groups, boards or working parties as well as direct contact with officers within Services.
- To support effective procurement.
- To support activities of the Audit Committee to discharge its responsibilities.
- To support the Chief Finance & Procurement Officer as the Chief Financial (s151) Officer and all senior management in meeting their corporate responsibilities.
- To monitor the implementation of agreed recommendations.
- To plan, manage and operate the internal audit function in an efficient and effective manner.

2.2.6 Responsibilities and expectations of Internal Auditors

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

Objectivity:

Internal Auditors must make a balanced assessment of all the relevant circumstances and not be, or appear to be, unduly influenced. This means.

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

Confidentiality:

Internal Auditors must.

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

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

Integrity:

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

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

Competency:

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

- Possessing the knowledge, skills and technical proficiency relevant to the performance of their duties.
- Being skilled in dealing with people and communicating audit, risk management and related issues effectively.
- Maintaining their technical competence through a programme of continuous professional development.
- Exercising due professional care in performing their duties; and
- Complying with all requirements of the PSIAS.

Awareness:

- Being alert to the issue of fraud and corruption.

Internal Audit staff must declare any conflict of interest, or potential conflicts of interest, actual or perceived, to their manager.

2.2.7 Independence & Objectivity

Internal Audit has no operational or non-audit functions to perform and is therefore independent of all operational activities that it audits. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair an internal auditor's judgement. This allows Internal Audit to make independent, impartial and effective professional judgements and recommendations on the area under review. The internal audit activity will remain free from undue interference from any part of the Service, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited and will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all of the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

4 Audit responsibilities are periodically rotated to avoid over-familiarity and complacency and to provide for service continuity and resilience. Internal Auditors are not involved in undertaking non audit activities and an Auditor will not be involved in the audit of any system or process for which they had previous operational responsibility.

2.2.8 Statement of pre-existing areas of conflict in current audit activity

The Head of Internal Audit – as “Head of Risk” has direct operational responsibility for the Counter Fraud, Insurance, Risk Management and Corporate Customer Standards (complaints) functions at Kirklees Council and provides input into certain procurement functions and corporate projects. Should any of this responsibility impinge on the audit of any activities related to these areas for the Service when audits are required of these areas, the Audit Manager reports directly to the Chief Finance & Procurement Officer. This arrangement helps maintain independence and avoid any conflicts of interest.

This arrangement is not in compliance with the Global Standard, which requires any internal audit assurance work in relation to areas managed by the Head of Internal Audit to be conducted by a third party.

In practice:

- *Audit work of insurance activity is conducted by the external insurer (who retain ultimate rights and responsibilities).*
- *Work by internal audit on (corporate) complaints management is essentially that of consultancy. The Standard would not prevent audit of directorate-based complaints handling, as that is not managed by the Head of IA.*
- *Fraud and Risk Management, and Whistleblowing are seen as an intrinsic part of internal audit work.*

On an advisory basis but as a matter of routine, Internal Audit staff provide advice about the methods of financial evaluation of contracts and contractors and carry out on a task specific basis financial evaluation of prospective suppliers to the Service.

2.3. Performance Management & Quality Control

2.3.1 Performance Management

The Audit Committee will establish performance measures for the Service, in respect of the control environment, and for the Internal Audit function, and consider performance against those measures in reviewing the activity of Internal Audit.

2.3.2 Quality Control

The PSIAS and GIAS requires the operation of quality assessment and review mechanisms, which must be assessed internally at least annually, and by an external assessor at least every 5 years.

The Head of Internal Audit is responsible for advising the Committee on the appropriateness of measures and targets, and on collecting this information.

The Head of Internal Audit will establish internal quality control and review practices consistent with the requirements of the PSIAS/ GIAS, and report on the outcome of this review work to the Audit Committee as a part of the Annual Report.

Quality control will include direction and supervision of work performed, the retention of appropriate, reliable and relevant evidence to justify findings and conclusions and recommendations, and the internal review and assessment of work, including its preparation in accordance with detailed standards, and compliance with the requirements of PSIAS and CIPFA.

The Head of Internal Audit is responsible for arranging for the external assessment, providing the necessary information, and acting on any outcomes from the assessment. This will be done under the oversight of the Chair of the Audit Committee, in accordance with GIAS and PSIAS standards.

The external auditor and other external review agencies may evaluate the work of Internal Audit as part of their assessment of Service activity.

2.4. Reporting

The Head of Audit and Risk will report to the Audit Committee.

- Quarterly on each piece of work completed in the period, the opinion arising from that work and performance of internal audit (achievement of the annual audit plan (as revised when required), client satisfaction and quality assessment).
- Annually on the overall achievement and assessment of the internal audit work programme, including an opinion on the control system, risk management and governance arrangements, and performance information, such as issuing reports on time, completing work within time allocated.
- Annually on the overall risk environment and the overall planned work on assurance in the forthcoming year, plus any investigative and consultancy tasks. This will include an assessment on the availability of resources, and any impact this may have on the ability to assess the control environment.
- As necessary on any matter impacting on the overall integrity of the

control environment, typically indicated by a “no assurance” audit opinion, or on any operational matter that seriously impacts on the delivery of the audit plan or resourcing of the internal audit function.

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

2.5 **Partnerships, and Obtaining & Providing Assurance to Others**

In respect of operations through partnership and semi-independent organisations:

(i) Usually, the Authority will require its internal auditors to have access to property, records, documents and correspondence in respect of any activity operated or controlled by the organisation working for the Authority, and for its auditors to be provided with explanations by officers of the organisation. Contracts and agreement documents will set out these rights where it is appropriate.

(ii) The Authority (through agreement by the Head of Internal Audit) may agree that alternative review arrangements operated by or on behalf of the organisation, or independently, will provide sufficient evidence to enable the Authority to secure assurance conclusions about the aspects of the effectiveness of the control environment to which the partnership relates, although the Authority will retain an ultimate right to review any activity dependent on the Authority's funding. In this context the Head of Internal Audit will seek to develop relationships, formalised where practical, with other internal auditors and other review agencies to facilitate this. This may include obtaining all or some elements of assurance from the internal auditors employed by the organisation, and/or participating with other internal auditors (e.g., employed by local authorities in the sub region) to evaluate the procedures operated by shared partners (such as a regional wide public body) and using such assurance instead of obtaining direct assurance.

(iii) The Authority will, when requested and appropriate, provide assurance (based on work performed) to other partner organisations.

2.6 **The external auditor of the Authority**

The external auditor has full and free access to any records and work performed by Internal Audit. Action will be taken to coordinate work to avoid any duplication, and to ensure effective mutual working.

Appendices set out the following.

Appendix 1 Control Environment (definition)

Appendix 2 Financial Procedure Rules (extract)

Appendix 3 Role of the Audit Committee

Appendix 5 Public Sector Internal Audit Standards

3 **INTERNAL AUDIT STRATEGY**

This strategy statement must be read alongside the full Audit Strategy

b. Internal Audit Delivery

3.1.1 The Head of Internal Audit is responsible for the effective use of resources to deliver the Audit Plan.

- 3.1.2 Delivery is by direct employees of Kirklees Council under a wider financial services SLA, including trainees and secondees and, where necessary, temporary and casual employees. The use of specialist consultancy and contractors will be considered, if necessary, to deliver specific elements of the workload.
- 3.1.3 At least **annually**, the Head of Internal Audit will submit to the Audit Committee a risk based Internal Audit Plan for review and approval. The plan will consist of a schedule of planned assurance and consultancy work (including some contingency) which will establish resource requirements for the next financial year. This will be balanced between resource requirement and capacity. The Standard requires the Head of Internal Audit to advise the Audit Committee if the number of resources available compromises the ability to offer appropriate levels of assurance.
- 3.1.4 The internal audit plan is based on a risk-based assessment. The current standard is to potentially cover all areas of activity from the most significant to the most minor, although prioritisation is to ensuring that assurance coverage concentrates on those areas of highest risk in terms of potential exposure or likelihood of failure, covering both financial and other business controls (where assurance work utilise the responsibilities and processes for control effected by other teams such as Health & Safety).
- 3.1.5 Necessary material variations from the approved Internal Audit Plan are reported to and approved by the Audit Committee.
- 3.1.6 Besides Kirklees Council, Internal Audit also provides Internal Audit services to:
- Kirklees Active Leisure, which is a charitable trust under a service level agreement. Although the Council is the main partner of KAL, audit accountability and reporting are to Kirklees Active Leisure only.

Appendices set out the following:

- Appendix 1 The control environment
- Appendix 2 Financial Procedure Rules (extract)
- Appendix 3 Terms of reference Audit Committee
- Appendix 4 Audit Planning, Resourcing & Reporting (detail)
- Appendix 5 Public Sector Internal Audit Standards
- Appendix 6 Statement of the Responsibilities of Management

Appendix 2 – Summary of Audit Coverage 2023/24

Audit	Report Status	Assurance Opinion
<p>Financial Systems & Risks</p> <ul style="list-style-type: none"> • <i>Income Management Bank Reconciliation</i> • <i>Accounts Receivable</i> • <i>VAT</i> 	<p><i>Final</i> <i>Final</i> <i>Final</i></p>	<p>Substantial Adequate Substantial</p>
<p>Other Systems & Risks</p> <ul style="list-style-type: none"> • <i>Insurance</i> • <i>Responsive Repairs</i> • <i>Energy Supply</i> 	<p><i>Final</i> <i>Final</i> <i>Final</i></p>	<p>Substantial Adequate Substantial</p>
<p>Business Risk Management</p> <ul style="list-style-type: none"> • <i>Safeguarding</i> • <i>Stress</i> 	<p><i>Final</i> <i>Final</i></p>	<p>Substantial Substantial</p>
<p>Management Board Requests</p> <ul style="list-style-type: none"> • <i>Sickness Absence Appliance Derogation</i> • <i>Interim HQ Development Project</i> 	<p><i>Final</i> <i>Final</i></p>	
<p>Planned audits in progress</p> <ul style="list-style-type: none"> • <i>Payroll</i> • <i>Disbursement Account / Purchasing Card Payments</i> 	<p><i>Draft</i> <i>WIP</i></p>	<p>Substantial</p>

Appendix 3 – Internal Audit Plan 2024/25

Previous audit /assurance

Audit Opinion on Internal Control

- | | |
|---|------------------------|
| • Accounts Payable Key Controls | 2022/23, Substantial |
| • Absence Management* | 2022/23, Adequate |
| • National Fraud Initiative 2024/25
– exception reports due January 2025 | Biennial data matching |
| • Water Office – Hydrant Maintenance and Management | 2019/20, Substantial |
| • Procurement Act 2023 compliance preparedness | New audit |
| • 2023/24 Efficiency & Productivity Plan Delivery | New audit |
| • HQ Building Contract | New audit |
| • Keighley Fire Station Project | New audit |

Audit Opinion on Governance

- | | |
|-----------------------------------|-------------------|
| • Corporate Governance and Ethics | 2022/23, Adequate |
|-----------------------------------|-------------------|

Audit Opinion on Risk Management

- | | |
|---|----------------------|
| • Implementation of Grenfell Recommendations* | New audit |
| • Commercial Premises Risk Management System | 2018/18, Limited |
| • Counter Fraud & Corruption | 2019/20, Substantial |

Consultancy

per Terms of Reference agreed with the respective Boards

- FSHQ Development Programme – Finance Board
- ESN Programme SROs

160 Days in Total per SLA

*Management Board request



OFFICIAL

Abridged Performance Management Report

Audit Committee

Date: 26 April 2024

Agenda Item:

08

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: Alison Davey
Head of Corporate Services
alison.davey@westyorkfire.gov.uk
T: 01274 682311

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:

- Key Performance Indicators
- Service Delivery Indicators
- 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	N/A
Date EIA Approved	N/A

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

7 Health, Safety and Wellbeing Implications

7.1 There are no 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 with the Community Risk Management Plan 2022-25 strategic priorities below;

- Improve the safety and effectiveness of our firefighters.
- Promote the health, safety, and wellbeing of all our people.
- Encourage a learning environment in which we support, develop, and enable all our people to be at their best.
- Focus our prevention and protection activities on reducing risk and vulnerability.
- Provide ethical governance and value for money.
- Collaborate with partners to improve all of our services.
- Work in a sustainable and environmentally friendly way.
- Achieve a more inclusive workforce, which reflects the diverse communities we serve.
- Continuously improve using digital and data platforms to innovate and work smarter.
- Plan and deploy our resources based on risk.

10 Conclusions

10.1 That Members note the report.



Abridged Performance Management Report Audit Committee

Period Covered:

01 April 2023

11 February 2024



This report provides a summary of our progress across the Service based on the date ranges below.

Period Covered:

Financial Year	2023-24	
Date Range	01 April 2023	11 February 2024

IMPORTANT: The data provided is based on incident reports that have been completed and/or checked but will not include data from incident reports which have not been completed. Data may change due to incident reports that have been updated due to amendment. The data is accurate at time of creation of the report.

This report is comparing the date range above against:

Previous Year Comparison Date Range	01 April 2022	11 February 2023
3 Year Average Comparison Period	01 April 2022 01 April 2021 01 April 2020	11 February 2023 11 February 2022 11 February 2021
Colour Key	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; background-color: #cccccc; padding: 2px 5px;">Positive Arrows</div> <div style="border: 1px solid black; background-color: #ff0000; padding: 2px 5px;">Negative Arrows</div> </div> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 5px;"> <div style="border: 1px solid black; background-color: #0000ff; padding: 2px 5px;">Positive Charts</div> <div style="border: 1px solid black; background-color: #ff0000; padding: 2px 5px;">Negative Charts</div> </div> <p style="font-size: small; margin-top: 10px;">*When doing a comparison the key above is used. In all other cases graphs, charts and visuals are using contrasting colours to support accessibility.</p>	

Due to seasonality **Previous Year** and **3 Year Average** comparison are based on selected range and not the whole of the previous year.

Performance Summary

Arrows display percentage(%) increase/decrease on previous year to current financial year.
Borders display the 10% tolerance based on the 3 year average of the selected date range.

The comparison range is based on selected date range.

This report is comparing: 01 April 2023

11 February 2024

Against: 01 April 2022

11 February 2023

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

Total Incidents
22500
 ↓ -6%

Fires
7818
 ↓ -21%

False Alarms
10509
 ↑ 4%

Non-fires
4173
 ↑ 7%

Fire Related Fatalities
10
 ↑ 67%

Fire Related Injuries
122
 ↓ -1%

Malicious False Alarms
254
 ↓ -13%

Road Traffic Collisions
534
 ↑ 3%

Accidental Dwelling Fires
826
 ↓ -1%

Deliberate Fires
4582
 ↓ -23%

Non-domestic Building Fires
322
 ↑ 4%

Response Times Met
95%
 ↑ 1%

Monthly 3 Year Average

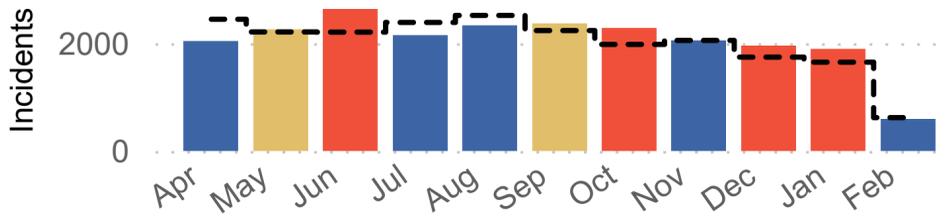
District, Ward

01 April 2023

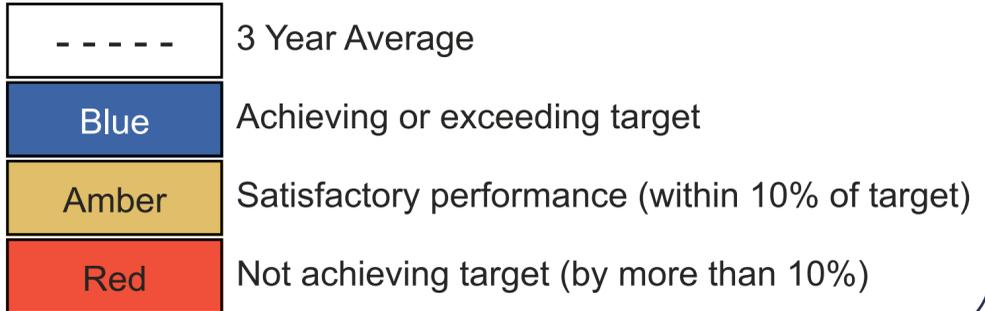
11 February 2024

All

Total Activity

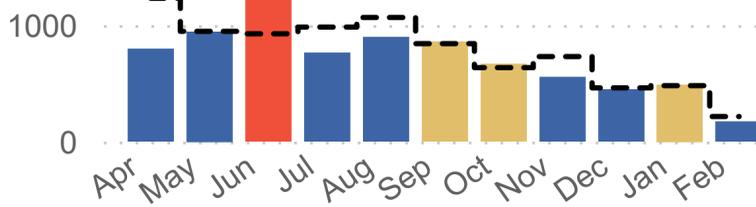


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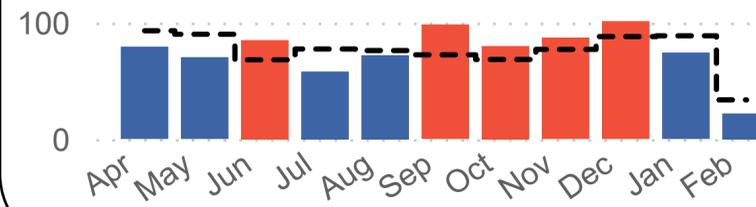


Fires

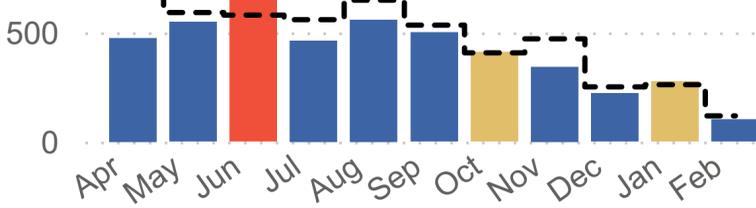
Fires



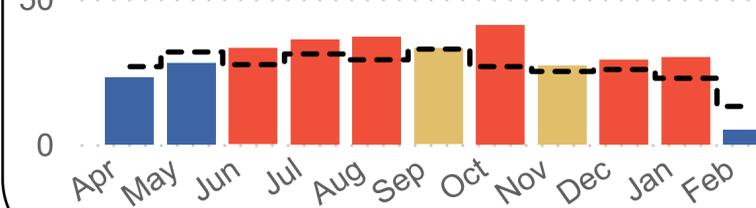
Accidental Dwelling Fires



Deliberate Fires

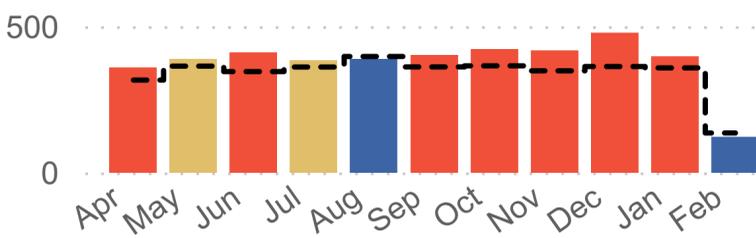


Non-domestic Building Fires

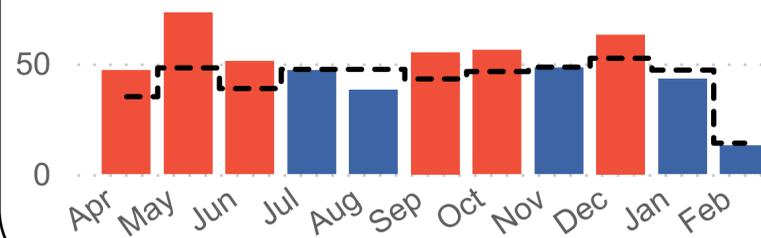


Non-fires

Non-fires



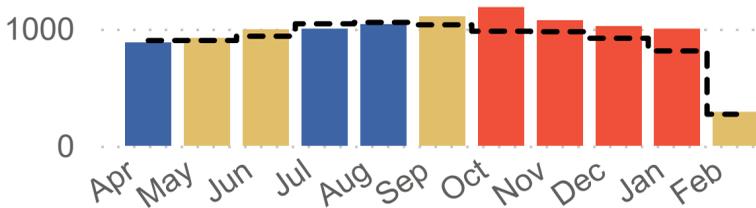
Road Traffic Collisions



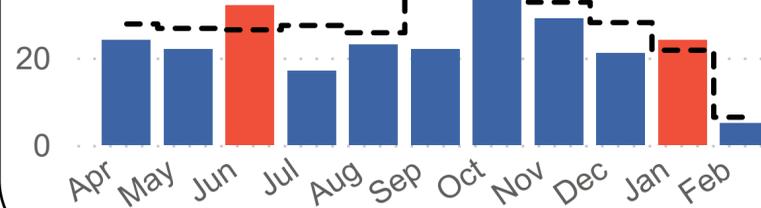
*Road Traffic Collisions are a subset of Non-fires

False Alarms

False Alarms



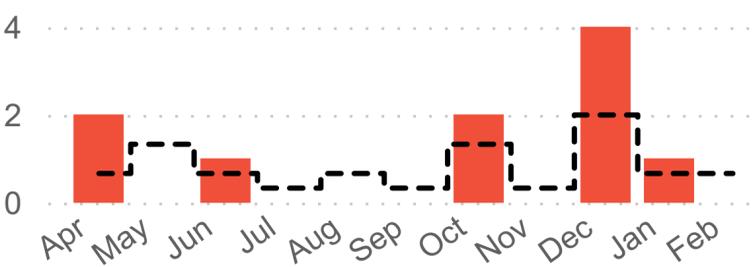
Malicious False Alarms



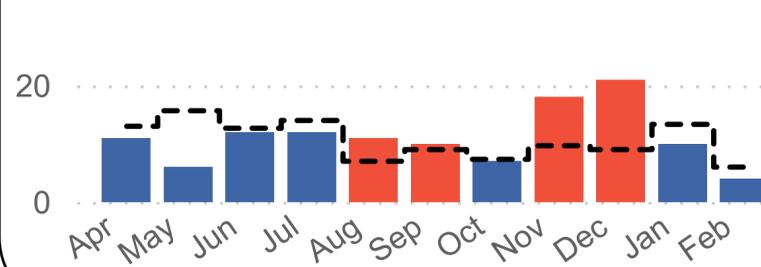
*Malicious False Alarms are a subset of False Alarms

Fire Related Injuries and Fatalities

Fire Related Fatalities



Fire Related Injuries





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Risk Management Strategy Group Update

Audit Committee

Date: 26 April 2024

Agenda Item:

09

Submitted By: Director of Corporate Services

Purpose	To report risk management activity and developments reported to Risk Management Strategy Group (RMSG) in March 2024 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

Contact Officer: John Tideswell, Risk Management Officer
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Background papers open to inspection: Risk Management Strategy and Policy

Annexes: None

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.

Information

- 2.1 The Risk Management Strategy Group last met in March 2024. The Audit Manager from Kirklees Council attends RMSG meetings and provides an update on recent internal audit activity.
- 2.2 Below is a summary of key areas:
 - Between the December 2023 and March 2024 RMSG meetings, 13 risks have been reviewed by their respective owners.
 - National Power Outage – WYFRS currently have a risk LPOW1.S 'Loss or disruption to power supply causing disruption to service delivery'. Work continues in this area with a number of recent exercises, workshops and guidance documents being issued by government. WYFRS will review and update the relating business continuity plan to reflect developments and learnings in this area.
 - Risk LDWY1.S - 'Local devolution proposals for Yorkshire area and outcomes of the enabling closer working between the emergency services consultation, affecting service governance'.
In December 2023 the Government responded to the consultation on the Fire Reform White Paper. In respect of governance change the position recorded is that "We (government) will not, however, take forward the mandatory transfer of FRA functions to Police and Crime Commissioners (PCCs), Mayors or single elected individuals at this stage". Whilst the paper goes on to record that the Home Office is committed to supporting moves to a single point of governance accountability, such transfers of power will be locally led. This risk has been removed given that there is no current activity in respect of progressing further devolution, we will continue to monitor.
 - Watch Managers/Supervisors/Managers and above will be required to complete Level 2 Business Continuity Training. This equates to 236 staff. All staff are required to complete Level 1 training.
 - The process relating to the testing/exercising of business continuity plans is currently under review, to ensure the process is as effective as possible and is also user friendly.

2.3 There are currently 44 risks split between the following categories. The table below shows movement over the past 12 months.

Risk Factor Score	July 2023	September 2023	December 2023	March 2024
Very High (15-25)	8	8	8	8
High (9-14)	19	19	17	17
Medium (4-8)	16	16	18	18
Low (1-3)	1	1	1	1
Total number of risks	44	44	44	44

The 8 'very high' risks are:

LRGG1.S - Loss or reduction in government grant.

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

ECON1.S - Impact on the Authority of the national and international economic downturn.

INDA1.S - Industrial dispute resulting in reduced levels of service and effect on reputation.

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

PAY1.S - Pay increases in excess of the amount included in contingencies.

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

PRMS1.S - Failure to provide an effective commercial premises risk management system for operational response, which could have a significant impact on fire fighter safety, operational effectiveness, and organisational reputation.

Financial Implications

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

Legal Implications

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

Human Resource and Diversity Implications

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

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

Health, Safety and Wellbeing Implications

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

Environmental Implications

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

Your Fire and Rescue Service Priorities

9.1 This report links with the Community Risk Management Plan 2022-25 strategic priorities below;

- Improve the safety and effectiveness of our firefighters.
- Plan and deploy our resources based on risk.

Conclusions

10.1 That the Audit Committee note the report



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Service Assurance and Improvement Team Update

Audit Committee

Date: 26 April 2024

Agenda Item:

10

Submitted By: Director of Corporate Services

Purpose	This report submits for information an update of the work of the Service Improvement and Assurance Team since the last report in 2023.
Recommendations	That Members note the content of the report
Summary	This report provides Members of the Audit Committee with information regarding the internal and external assurance processes of West Yorkshire Fire and Rescue Service.

Local Government (Access to information) Act 1972

Exemption Category: **None**

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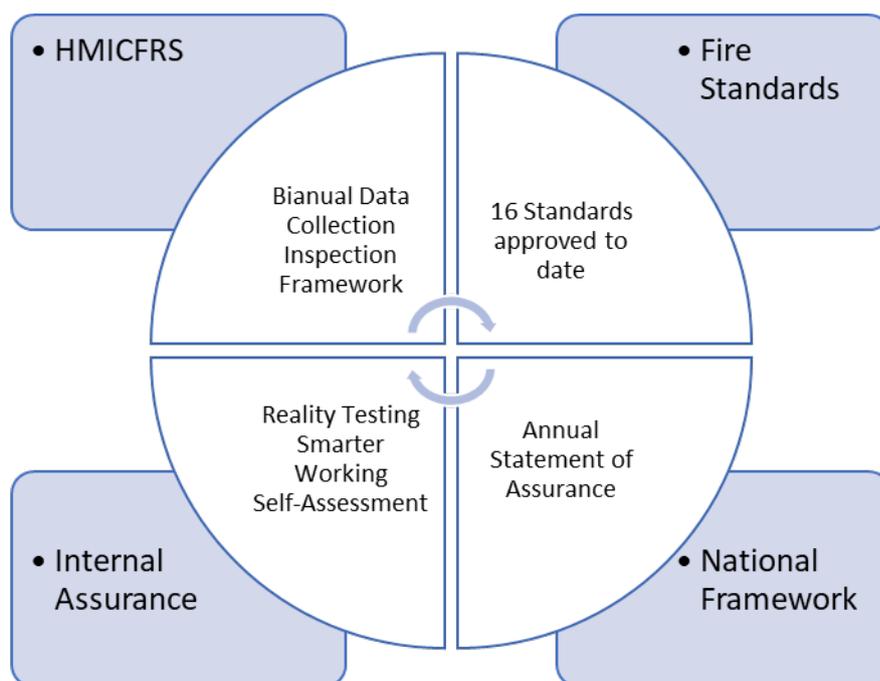
Background papers open to inspection: **None**

Annexes: a) Recommendations Spotlight Values and Culture Report 2023
b) Reality Testing Annual Report 2023

1 Introduction

1.1 This paper provides an overview of West Yorkshire Fire and Rescue Service's (WYFRS) assurance processes.

1.2 WYFRS recognises the importance of the provision of assurance and its responsibilities contained within the National Framework document. The Service Improvement and Assurance Team (SIAT) provide high level assurance to Management Board and the Fire Authority through management of the internal and external assurance processes/workstreams below:



2 Information

2.1 His Majesties Inspectorate for Constabulary and Fire Rescue Services (HMICFRS)

Further to the 'Spotlight report on Culture and Values,' published on 16th January 2023, a list of 20 recommendations aimed at all 44 Fire & Rescue Services was shared. These recommendations have now been either addressed or are ongoing by WYFRS and can be found in Annex A.

The Home Secretary also commissioned a thematic inspection of the handling of misconduct in fire and rescue services across England, which involved inspection of 10 Fire Rescue Services and a Staff Survey and Data Collection with all 44 FRS in England.

The findings are expected in a report due to be published June 2024 along with the State of Fire Report 2023.

WYFRS have also taken part in our Round 3 HMICFRS inspection which followed the timeline below:

Date	Activity
4th Sept '23	Staff Survey (4 weeks)
13th Oct '24 Nov '23	Data Collection
6th Nov '23 -1 st Dec '23	Document Request, Self-Assessment and Strategic Briefing Presentation.
14th Dec '23	Head of Finance Interview
w/c 8th & 22nd Jan '24	Inspectors on site – Strategic Briefing, FA Chair interview, Desktop Reviews, Interviews, Reality Tests, Focus Groups at HQ and Stations.
w/c 29th Jan '24	Virtual Strategic Managers Interviews and CFO Interview.

Our full report is expected in the Summer '24.

2.2 Fire Standards

The Fire Standards Board was formed in 2019, their role is to oversee the identification, organisation, development and maintenance of professional standards for fire and rescue services in England. Below are the Fire Standards that have been published so far:

1. Emergency Response Driving
2. Code of Ethics
3. Community Risk Management Planning
4. Prevention
5. Fire Protection
6. Operational Competence
7. Operational Preparedness
8. Operational Learning
9. Safeguarding
10. Fire Investigation
11. Data Management
12. Emergency Preparedness and Resilience
13. Leading the Service
14. Leading and developing People
15. Fire Control - Consultation
16. Communications, Engagement and Consultation -Consultation

New fire standards expected to be launched in 2024 include the Governance and Assurance and Procurement Fire Standards.

Following a Smarter Working review and in conjunction with the WYFRS Project Management Office (PMO) it has been agreed the “The Fire Standards” will be moved from project sites within PMO into our business as usual.

All the current multiple Fire Standards are to be amalgamated into a single plan “The Fire Standards Workstream” which sits within the SIAT MS Teams channel.

Monitoring of the Fire Standards will continue to be supported by SIAT and a progress report will be taken to Management Team every second meeting.

2.3 Reality Testing

Reality Testing is an in-depth analysis of an incident. It has been introduced to improve organisational learning as a holistic assurance process for all departments, operational and non-operational.

We plan to evaluate 6 incidents a year but in 2023 due to personnel supporting the OneView Data Literacy sessions we achieved 4 tests.

Governance of the process sits within the two groups below:

1. The Operations and Training Interface Group.
2. HMICFRS Action Plan Workshops

The 2023 Annual Report can be found at Annex B.

2.4 Smarter Working

Smarter Working promotes a Corporate Lean Methodology and Change Management practices, employing the 7E’s method to embed continuous improvement into organisational culture processes. It aims to produce more efficient ways to achieve goals while ensuring compliance, safety, effectiveness, and collaboration.

The Smarter Working Manager actively collaborates with stakeholders to assess and improve business-as-usual processes, involving detailed process mapping to identify and eliminate non-value-adding steps. This approach supports the Community Risk Management Planning process and facilitates the development of contemporary work methods within departments, enhancing efficiency, workplace experiences, and taxpayer savings.

Currently, the Smarter Working Manager is engaging with service managers to evaluate key aspects of our operations, focusing on standardisation, duplication, legacy practices, capacity, organisational awareness, and project and change management.

2.5 Self-Assessment

Since the Self-Assessment process was released in 2018 we have increased the assurance processes we adhere to within the organisation, therefore, we are currently undertaking a full review of the self-assessment to identify the most effective way to maintain compliance and consistency across all departments, whilst complementing our existing audit arrangements and reducing bureaucracy.

We are also keen to introduce a targeted annual ‘Mock Inspection’ process that we believe will give us a better understanding of where improvement is needed to meet the standards required.

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 There are no human resource or diversity implications arising from 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 (westyorkfire.gov.uk))	No
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7 Health, Safety and Wellbeing Implications

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

8 Environmental Implications

8.1 There are no environmental implications arising from this report.

9 Your Fire and Rescue Service Priorities

9.1 This report links with the Community Risk Management Plan 2022-25 strategic priorities below:

- Improve the safety and effectiveness of our firefighters.
- Promote the health, safety, and wellbeing of all our people.
- Encourage a learning environment in which we support, develop, and enable all our people to be at their best.
- Focus our prevention and protection activities on reducing risk and vulnerability.
- Provide ethical governance and value for money.
- Collaborate with partners to improve all of our services.
- Work in a sustainable and environmentally friendly way.
- Achieve a more inclusive workforce, which reflects the diverse communities we serve.
- Continuously improve using digital and data platforms to innovate and work smarter.
- Plan and deploy our resources based on risk.

10 Conclusions

10.1 Members of Audit Committee are asked to note the assurance processes WYFRS have in place.

Annex A			
Values and Culture in Fire and Rescue Services			
Recommendation description	Due date	Service Update Summary	Is this recommendation
By 1 October 2023, chief fire officers should make sure their services provide a confidential way for staff to raise concerns and that staff are aware of whistleblowing processes.	01/10/2023	Sayso Independent Reporting System introduced in October 2022.	Yes
By 1 June 2023, chief fire officers should review the support available for those who have raised concerns and take any action needed to make sure these provisions are suitable.	01/06/2023	Employees are offered a Level 1 Welfare Officer. The Level 1 Welfare Officer's role is to support the individual as detailed in the Welfare & Serious Injury Policy. Occasionally, individuals can experience complex and long-term health issues, requiring more input than a Level 1 Welfare Officer can provide, in these situations our Occupational Health & Safety Units can support to offer and allocate a Level 2 Welfare Officer.	Yes
By 1 June 2023, chief fire officers should assure themselves that updates on how concerns are being handled are shared with those who have raised them. The updates should be given in an accessible way that encourages trust and confidence in the service response. Consideration should be given to creating a professional standards function to handle conduct concerns in service (or from an external service) to have oversight of cases, to make sure they are conducted in a fair and transparent way and to act as a point of contact for all staff involved.	01/06/2023	The Sayso Independent Reporting System is accessible only by 2 senior officers thus ensuring confidentiality. Every complainant receives a response from one of the two officers referred to. Standards of behaviour and conduct are implicit in the contract of employment and such standards are enforced by managers with support from HR. Standards of behaviour are set out within the WYFRS Values Statements and form part of the appraisal process for all employees.	Yes
By 1 June 2023, chief fire officers should make sure they provide accessible information for all staff and members of the public on how they can raise concerns and access confidential support (including through external agencies). Chief fire officers should also make sure accessible information is provided on how concerns and allegations will be investigated in a way that ensures confidentiality and is independent of the alleged perpetrator.	01/06/2023	Our website contains a "Have Your Say" section which allows members of the public easy access to provide comments and complaints. Complaints are monitored and form part of the organisation's Corporate Performance Information. Grievance and whistleblowing policies are in place and available on the intranet. Communication regarding the introduction of Sayso took place in the form of workplace presentations for the workforce.	Yes
By 1 January 2024, chief fire officers should: □ - immediately review their current background checks arrangements, and make sure that suitable and sufficient background checks are in place to safeguard their staff and communities they serve; and - make sure that appropriate DBS check requests have been submitted for all existing, new staff, and volunteers, according to their roles as identified by the Fire Standards Board.	01/01/2024	All new employees now receive a minimum of standard DBS check. Preparations are being made to become a registered body and plans are being developed to recheck existing staff on a rolling programme, this was communicated to the workforce through a series of presentations based around Watch rotas.	Yes
By 1 March 2024, chief fire officers should provide assurances to HMICFRS that they have implemented the standard on staff disclosure, complaint and grievance handling.	01/03/2024	This requirement has been added to the Leading service / Leading People & Safeguarding Fire Standards. We have completed a comprehensive review and gap analysis for these standards and continue our work with these as part of our continuous improvement.	Yes
By 1 March 2024, chief fire officers should provide assurances to HMICFRS that they have implemented the standard on misconduct allegations and outcomes handling.	01/03/2024	This requirement has been added to the Leading service / Leading People & Safeguarding Fire Standards. We have completed a gap analysis for these standards and continue our work with these as part of our continuous improvement. The organisation has implemented the leadership framework and the core code of ethics, alongside robust HR/People policies.	Yes
With immediate effect, chief fire officers should notify HMICFRS of any allegations that have the potential to constitute staff gross misconduct that: □ - involve allegations of a criminal nature that have the potential to affect public confidence in FRSS; - are of a serious nature; or - relate to assistant chief fire officers or those at equivalent or higher grades.	30/03/2023	Policies, procedures and systems have been reviewed and are in place.	On-going
By 1 August 2023, chief fire officers should provide assurances to HMICFRS that all parties are supported in relation to ongoing investigations.	01/08/2023	Employees are offered a Level 1 Welfare Officer. The Level 1 Welfare Officer's role is to support the individual as detailed in the Welfare & Serious Injury Policy. Occasionally, individuals can experience complex and long-term health issues, requiring more input than a Level 1 Welfare Officer can provide, in these situations our Occupational Health & Safety Unit can support to offer and allocate a Level 2 Welfare Officer. Joint meetings with ACAS and Trade Unions to explore how we can best work together on these issues.	Yes
By 1 June 2023, chief fire officers should have plans in place to ensure they meet the "Fire Standards Boards" leading the service standard [https://www.firestandards.org/standards/approved/leading-the-service-fsc-led01b] and its "leading and developing people standard" [https://www.firestandards.org/standards/approved/leading-developing-people-fsc-led01a]	01/06/2023	We have completed a comprehensive gap analysis for these standards, they are included as part of our continuous improvement which includes incorporating them into our promotions process. The standards are also currently referenced within leadership and management related training and the fire standards are explicit in our delivery of the L3 and L5 Leadership Apprenticeships.	Yes
By 1 June 2023, chief fire officers should make sure there is a full, 360-degree feedback process in place for all senior leaders and managers (assistant chief fire officer equivalent and above) in service.	01/06/2023	The Leadership Practices Inventory (LPI) 360 tool has been deployed to all people who are members of management team.	Yes
By 1 September 2023, chief fire officers should make sure there is a full, 360-degree feedback process in place for all other leaders and managers in service. The process should include gathering feedback from a wide range of sources including colleagues and direct reports.	01/09/2023	The LPI 360 tool has been further rolled out to Group Managers and equivalents and Station Managers and equivalents with a deadline of mid 2024.	Yes
By 1 June 2023, chief fire officers should seek regular feedback from staff about values, culture, fairness and diversity, with due regard to the leading and developing people standard [https://www.firestandards.org/standards/approved/leading-developing-people-fsc-led01a]. They should show how they act on this feedback.	01/06/2023	The employee engagement survey held at the end of 2022 specifically focuses on engagement areas to help identify cultural hot spots. The action Plan references areas covered within the fire standard and any actions arising. Specific questions about culture and values are included in the survey. For 2024, a specific culture survey has been commissioned and deployed February 2024. This survey kickstarts the organisations 'year of culture' and will detail specific culture related actions, including focus groups to highlight strengths and tackle areas for development	Yes
By 1 October 2023, chief fire officers should put plans in place to monitor, including through the gathering and analysis of staff feedback, watch and team cultures and provide prompt remedial action for any issues they identify.	01/10/2023	Where specific areas of concern are identified through feedback and/or lower 'scores' identified within employee engagement surveys, interventions are put in place. Employee feedback mechanisms through engagement surveys help bring issues in to the light. For 2024, a specific culture survey has been commissioned and deployed February 2024. This survey kickstarts the organisations 'year of culture' and will detail specific culture related actions, including focus groups to highlight strengths and tackle areas for development	Yes
By 1 October 2023, as a precursor to the development of the College of Fire and Rescue, chief fire officers and the National Fire Chiefs Council should work with the Home Office to consider how they can improve the training and support they offer to staff in management and leadership development. This should include authority members in respect of their assurance leadership roles and should ensure that opportunities are offered fairly across all staff groups.	01/10/2023	In addition, as part of our leadership strategy phase 2 we have a further roll out of the Leadership Practices Inventory (LPI) 360 feedback and have planned a further programme of Leadership Masterclasses. The inclusion of specific leadership/management knowledge and behaviours based units in the promotions pack at Crew Manager / Watch Manager and shortly Station Manager will further embed the leadership standards, core code of ethics and ensure leadership and management skills are front and centre in any role with supervisory/management responsibilities.	Yes
By 1 June 2023, chief fire officers should review how they gather and use equality and diversity data to improve their understanding of their staff demographics, including applying and meeting the requirements of the National Fire Chiefs Council equality, diversity and inclusion data toolkit [https://www.ukfrs.com/equality-diversity-and-inclusion-data-toolkit].	01/06/2023	There is further and ongoing work to do in capturing D&I data. We have robust systems to capture data at recruitment, but, there are still challenges to transfer data across into our core HR system. Reports are run regularly and shared with managers to request staff update their own protected characteristics data. For firefighter recruitment, selection and development robust data collection is in place, which helps identify specific challenges faced by some protected characteristics at different stages of the recruitment process - in order that positive action measures can be considered.	Yes
By 1 June 2023, chief fire officers should, as a priority, specify in succession plans how they intend to improve diversity across all levels of the service. This should include offering increased direct-entry opportunities.	01/06/2023	A Pilot Talent Management Programme is in place and will be evaluated. We worked with an external provider to deliver a positive action leadership apprenticeship. This was a public positive action leadership development programme to address the psychological, social and organisational obstacles which sometimes restrict the progress of people from a Black and Asian background, linked to Race and Ethnicity in senior roles. The programme helps participants drive forward inclusion and progress their skills and abilities to become a confident leader equipped with the knowledge and skills for the future. We supported three minority ethnic colleagues, two operational and one Fire Staff colleagues. The programme delivered the CMI leadership qualification / apprenticeship but also focused on positive action focused coaching, 'imposter syndrome' and the role people can take to help the organisation move forward.	Yes
By 1 August 2023, chief fire officers should develop plans to promote progression paths for existing staff in non-operational roles and put plans in place to reduce any inequalities of opportunity.	01/08/2023	To show completion of this recommendation we have in place the talent programme, apprenticeships, annual reviews, discussions with managers and employees, drop-ins to talk about career; we also have access to appropriate mentors and coaches – we have plenty of positive evidence of the opportunities we make available for 'non operational staff' to develop professionally. In addition to this we have plans for the next steps where HR are looking to develop job families and identify progression opportunities for people in aligned work areas / target training resource to support, etc.	Yes
With immediate effect, chief fire officers should review their implementation of the Core Code of Ethics [https://www.firestandards.org/standards/approved/code-of-ethics-fsc-eth01] and make sure it is being applied across their services.	30/03/2023	The core code is embedded in our values and behaviours, which is the focus for our annual review (appraisal), and embedded as knowledge units within the FF/CM and CM/WM pack, with higher expectations for WM/SM development. The leadership / management training whether apprenticeship based or course based specifically references both the core code and the two leadership standards. We have been clear about the evidence of compliance during inspection and this is complete. In addition to this the next step is to further raise the profile of the core code within the appraisal (launching early April). The specific action is to review and make sure it is being applied – the embedding within the values achieves this and the continuous improvement listed takes this to the next level.	Yes

West Yorkshire Fire & Rescue Service
Reality Testing Annual Report 2023

Revision and Signoff Sheet

Change Record

Date	Author	Version	Comments
16/02/2024	Chris McCabe	1.0	Final

Reviewers

Name	Version Approved	Position	Organisation	Date

Distribution

Name	Position	Organisation

Document Properties

Item	Details
Document Title	WYFRS Reality Testing Annual Report
Author	Chris McCabe
Creation Date	30/1/24
Last Updated	16/2/24

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5	How the process will evolve in 2024	6

1 Introduction

Reality Testing is now an established process after completing its first full year in 2002. The Service Improvement and Assurance Team (SIAT) delivers this process as part of our organisational assurance

Reality Testing is an in-depth review of an incident. It tests our policies and procedures to gauge how effectively they are working. It does this by gathering organisational learning and instilling a proactive and continuous cycle of improvement to try and achieve the overall aim and focus, of improving Firefighter safety.

Reality Testing contributes to Operational Assurance by taking a holistic approach and looking at operational effectiveness from the bottom up, rather than focusing on the result. It complements the work of operational assurance on the incident ground but also assures non-operational departments that support operational effectiveness.

2023 saw the process complete 4 tests, rather than the target of 6 due to SIAT secondments to support the OneView project and the Round 3 HMICFRS inspection

2 Summary of the process delivery

All learning identified during the testing process is reported to the Area Managers and Heads of Departments. They are responsible for analysing the results and deciding if actions are required.

Reality Testing is also a standing item on the quarterly Operations and Training Assurance Group, where the team updates the group on new actions, reports on trends and discusses how actions are being addressed. Actions are recorded on the HMICFRS Action Plan Tracker and raised in each quarterly HMICFRS Action Plan Workshop to track progress and capture evidence of improvements.

2.1 Operational Learning Evaluation Board

Since the 2022 report, the Operational Learning Evaluation Board has been established and meets Bi-monthly. Reality Testing is a standing item within Board meetings, where learning is cross-referenced between operational learning, captured via the debrief process, and Reality Testing. This ensures that trends are compared and workstreams are not duplicated. It also ensures managers can make informed decisions based on all the available evidence before initiating a new action.

One action from the 2022 Reality Testing process was to create communication pathways for sharing learning identified during testing. This has been actioned via a collaborative effort established at Board meetings and learning is planned to be communicated via the Ops Bulletin monthly.

As there is no specific guidance for what is considered 'Good Practice', the Board discusses any potential good practice highlighted during discussions with Control or operational crews during visits, to reach a consensus and differentiate between a practice that is expected as part of normal day to day routines, and that which goes above or falls outside of normal roles.

A summary of the Reality Testing progress from 2023 will also be communicated via Burning Issues.

The four tests in 2023 were delivered to the following areas:

- 4 Districts, including one District twice.
- 4 Control visits, to 3 watches, including one watch twice.
- 9 Two-two-four stations
- 2 CLM Watch Managers, mobilised independently of their watches.
- 2 Day-Crewed Stations
- 1 On-Call Station

3 Summary of Learning and Good Practice

Across the four tests the following learning was identified:

- 36 learning outcomes (63 in 2022)
- 3 areas of good practice (5)
- 15 Actions initiated (36)
- 7 completed and closed actions (14)

Actions were initiated in the following areas. (Some cross over two areas)

- Operations - 7 (3 closed)
- Training and Competency (NOG's) – 1
- Control – 8 (5)
- Incident Command – 3
- Mobilisation – 1 (1)
- EMS (Equipment testing and recording) – 1 (1)
- Health and Safety (Dashboard D,W & M Checks) – 1 (1)
- Estates (Annual H&S Dashboard Recording) – 1
- ICT (Gartan Attributes) – 1

There were improvements across areas where actions were initiated in 2022, such as Competency, notably E-learning. However, some trends were still being repeated, such as other areas of Competency, EMS recording, Incident Command, and the wearing of seatbelts. These did not always initiate a new action as there was an existing action ongoing.

Despite improvements, some actions from 2022 have been kept open to monitor and continually assure that the progress is maintained throughout 2024, especially around Training and Competency., Of the actions initiated in 2022, that remained open at the start of 2023:

22 Actions were closed.

12 Actions remain open in:

- Competency & Training – 5
- Command Support 2
- Mobilisation – 1
- 724 Duty Sheet - 1
- H&S – ARA's – 1
- E.M.S. – 1
- Estates - 1

Actions have been addressed via OPIDs, the SAV process, communication in Health and Safety Bulletins, and making existing procedures more robust to improve performance and prevent trends from being repeated.

For example, highlighting the number of people who had not attended a Command SOR course within the required frequency due to Covid, led to new catch-up courses being added to Access to address the backlog.

Improved Safe and Well guidance for houseboats will ensure the correct advice is delivered and owners fit the correct smoke detection, reducing the risk of fire, as well as reducing cost and waste for WYFRS whose detection is inappropriate based on Boat Safety Standards.

Improving the feedback process post-training in Control will lead to training being delivered more effectively and feedback collated more efficiently.

4 Post-Test Reporting, Transparency, and Feedback

As well as the governance structure ensuring that resulting loops arising from actions are closed, it is important that evidence of improvements is visible, trackable, and communicated.

Reports and action trackers do not highlight any individual names involved in testing, except managers responsible for owning actions. This approach along with the transparency has encouraged participants to engage with the process and give the team honest feedback, without any reprisals. Examples of this are seatbelts not being worn in appliances, on appliances, and the Post Incident Cleaning Policy not being followed.

An [Action Tracker](#) with both active and completed actions is accessible on the [Reality Testing](#) tile of [SIAT's](#) Fire Hub page. This is a live tracker, updated after each test and accessible to every person in the Organisation.

5 How the process will evolve in 2024

To ensure Reality Testing evolves and continues to gather valuable learning it will ensure it links to the CRMP and our foreseeable risks by targeting the correct incident types based on input from the Area Managers and other stakeholders.

All stakeholders will also be consulted to evolve the test as policies and procedures change to ensure the process stays current and relevant.

A particular focus for 2024 will be Decontamination, as we roll out our new clean cab fire appliances and stations are adapted and changed to improve the health and safety of all staff. SIAT are also exploring where Reality Testing could identify learning for other workstreams within the organisation.



OFFICIAL

Accounting Policies 2023/24

Audit Committee

Date: 26 April 2024

Agenda Item:

11

Submitted By: Chief Finance and Procurement Officer

Purpose	To present the accounting policies that will be applied in the preparation and presentation of the Statement of Accounts 2023/24.
Recommendations	That members note the contents of the report
Summary	It is considered good practice for the Audit Committee to review the proposed accounting policies to be used in the preparation of the Authority's Statement of Accounts.

Local Government (Access to information) Act 1972

Exemption Category: None

Contact Officer: Emma Ayton
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Background papers open to inspection: None

Annexes: Accounting Policies 2023/24

1 Introduction

- 1.1 The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024.
- 1.2 The Authority is required to prepare an annual Statement of the Financial Accounts as per the Accounts and Audit Regulations 2015. These regulations require the Financial Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in 2023/24 and the Service Reporting Code of Practice 2023/24 supported by International Financial Reporting Standards (IFRS).
- 1.3 It is a requirement that the Authority's draft set of the Statement of Accounts 2023/24 is published on the Authority's website by the 31st of May 2024.

2 Information

- 2.1 Accounting policies are defined by the Code as "the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements".
- 2.2 As a starting point in selecting its accounting policies, the Authority uses the example policies set out in the CIPFA Code of Practice guidance notes. However, the policies are then tailored to meet the Authority's own needs and circumstances. The policies settled upon should cover all material transactions and balances (e.g. revenue recognition, non-current assets, and retirement benefits) and should be followed in practice.
- 2.3 Policies do not need to be disclosed in respect of immaterial transactions or balances, or where they are not applicable to the Authority. The policies are reviewed and, if necessary, updated annually to reflect changes to the Code, accounting standards or statutory guidance.
- 2.4 For 2023/24 there have been no material changes to the set of accounting policies included within the 2022/23 Statement of Accounts. A minor amendment has been made to IAS1 which helps preparers to provide more focused and proportionate information on accounting policies.
- 2.5 Changes to IFRS16, the accounting standard applicable to leases, becomes a requirement from the 1st of April 2024. In summary, the change to this accounting standard requires the authority to capitalise the lease cost of vehicles and include them on the Balance Sheet rather than treat them as a revenue cost.
- 2.6 The policies which will be followed in the preparation of the 2023/24 Statement of Accounts are set out in Appendix A.

3 Financial Implications

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

6 Equality Impact Assessment

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

7.1 There are no health, safety and wellbeing 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 with the Community Risk Management Plan 2022-25 strategic priorities below;

- Improve the safety and effectiveness of our firefighters.
- Promote the health, safety, and wellbeing of all our people.
- Encourage a learning environment in which we support, develop, and enable all our people to be at their best.
- Focus our prevention and protection activities on reducing risk and vulnerability.
- Provide ethical governance and value for money.
- Collaborate with partners to improve all of our services.
- Work in a sustainable and environmentally friendly way.
- Achieve a more inclusive workforce, which reflects the diverse communities we serve.
- Continuously improve using digital and data platforms to innovate and work smarter.
- Plan and deploy our resources based on risk.

10 Conclusions

10.1 In accordance with good accounting practice, it is recommended that Members approve the accounting policies that will be used during the preparation and production of the 2023/24 Statement of Accounts

Note 1. Accounting Policies

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the yearend of 31st March 2024.

The Authority is required to prepare an annual Statement of the Financial Accounts as per the Accounts and Audit Regulations 2015. These regulations require the Financial Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in 2023/24 and the Service Reporting Code of Practice 2023/24. Supported by International Financial Reporting Standards (IFRS).

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

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

Fundamental Accounting Concepts

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

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

The accounts have been prepared on a going concern basis, that is on the assumption that the Authority will continue to be in operational existence for the foreseeable future. The Chief Finance and Procurement Officer is unaware of any material uncertainties relating to the Authority's ability to continue as a going concern.

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

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

Accruals of Income and Expenditure

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

- Revenue from the provision of services is recognised when the Authority can measure reliably the completion of the transaction.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received (including the services from employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for

the relevant financial instrument, rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of more than 24 hours. The Authority has deposits in financial institutions that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

Exceptional Items

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

Prior Period Adjustments

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

Charges to Revenue for Non-Current Assets

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

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

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

Depreciation, revaluation and impairment losses and amortisations are replaced by a contribution in the General Fund Balance of Minimum Revenue Provision, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits payable during employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Authority participates in the following retirement schemes:

- 2015 Firefighters' Pension Scheme.
- Firefighters' Compensation Scheme (FCS).
- The Local Government Pension Scheme (LGPS).

The Government introduced a new pension scheme on the 1st April 2015, the 2015 firefighters Pension Scheme. Members of the 1992, 2006 and Retained Modified Schemes were transferred to the 2015 scheme with no protection, tapered protection or had full protection in the existing schemes. From 1st April 2022 all Firefighters in active service transferred to the 2015 Firefighters Pension Scheme.

Firefighters' Compensation Scheme

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

Local Government Pension Scheme

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

- The liabilities of the LGPS attributable to the Authority are included in the Balance Sheet on an actuarial basis using an assessment of the future payments that will be made in relation to retirement benefits.
- Earned to date by employees based on assumptions about mortality rates, employee turnover rates and projections of expected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate determined in the actuaries' assumptions.
- The assets of the LGPS attributable to the Authority are included in the Balance Sheet at their fair value.

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

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

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined liability (asset) which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of

benefits to employees – debited or credited to the deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the LGPS – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

The 2023/24 Code (and IAS 19 Employee Benefits Revised) requires that administration costs directly related to the management of plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the defined benefit obligations, are recognised as a reduction in the return on plan assets and recorded in Other Comprehensive Income and Expenditure.

The 2023/24 Code does not prescribe a specific accounting treatment for administration costs that are not deducted from the return on plan assets. The accounting treatment adopted by West Yorkshire Pension Fund is to deduct administration costs from the cost of services.

Discretionary Benefits

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

Pension Fund

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

Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect such events.

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

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

Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

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

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

The Authority holds investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Authority's financial assets are therefore classified at amortised

cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

The Authority made the irrevocable election to designate changes in equity investments in other comprehensive income as permitted under IFRS. The Authority does not currently hold any equity investments.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

The Authority recognises expected credit losses on all its financial assets held at amortised cost over the lifetime of the asset.

Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets that are measured at fair value through profit or loss are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Fair Value Measurement of Financial Assets

The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Authority's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price.
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement

Foreign Currency Translation

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March. Resulting gains or losses are recognised in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

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

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

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

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

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

Intangible Assets

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

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

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

Inventories and Long-Term Contracts

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

Leases

Finance Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

Leases that do not meet the definition of finance leases are accounted for as operating leases. The Authority had no finance leases in 2023/24.

Operating Leases

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

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

The Authority leases no assets to other organisations.

Overheads and Support Services

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

Property, Plant and Equipment

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

Recognition

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

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

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

Measurement

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

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

Land and Buildings

- Operational Assets – including all fire stations, the Service Delivery Centre and buildings at Fire Service Head Quarters - depreciated replacement cost.

Vehicles, Plant and Equipment

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

Assets Under Construction (AUC) - historical cost.

Surplus Assets – market value.

Assets Held for Sale – market value.

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

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

Increases in value of Property, Plant and Equipment are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

Where identified, the impairment losses are accounted for by:

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

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

Depreciation

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

Land and Buildings:

- New Buildings and Refurbishments 21-50 years.

Vehicles, Plant and Equipment:

- Fire Appliances 15 years.
- Operational Equipment 5-13 years.
- Fixtures and Fittings 10 years.
- Computer Equipment 5 years.

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

Componentisation

For those assets where the cost of the component parts is significant, they are depreciated separately from the rest of the asset. The Authority has a £500,000 de-minimis level on the net book value which means that if the carrying value of the asset is lower than this de Minimis the asset is not componentised. For those assets that are assessed for componentisation each component must represent 25% of the total cost of the asset or the depreciation charges must be significant to the charge if componentisation was not used. The

componentisation of an asset is also reviewed if the asset has significant enhancement expenditure during the year, is purchased/built from new and during the formal 5 yearly property valuations.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

Unusual or Material Charges or Credits in the Accounts

These are items that due to their nature and/or value require separate disclosure. Details of unusual or material charges or credits in the Accounts for 2023/24 are shown in the notes to the main financial statements.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

These are amounts set aside for purposes falling outside the definition of provisions. Reserves are created by transferring amounts out of the General Fund Balance. The General Fund Balance can be used to meet both capital and revenue expenditure, and a minimum level must be maintained for risk management purposes. For the Authority this is £5m. The Authority has a number of earmarked reserves which are held for identified specific expenditure in the future as well as earmarked reserves which have been established for other purposes. These are reviewed annually and those no longer required are transferred to the General Fund Balance.

The balances on the following reserves: Capital Adjustment Account, the Financial Instruments Adjustment Account, the Revaluation Reserve, the Pension Reserve, and the Collection Fund Adjustment Account cannot be used for future expenditure.

Revenue Expenditure Funded from Capital under Statute

This represents expenditure which may properly be capitalised under statutory provisions, but which does not represent fixed assets. The expenditure is written off to revenue in the year it is incurred, and an adjustment is made on the statement of General Fund Balance for the same amount so that there is no impact on Council Tax. The Authority uses this approach for the installation of smoke and carbon monoxide alarms within premises.

Value Added Tax

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

Council Tax and Business Rates Income

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

Council Tax and Business rates income collected by billing authorities is credited to their Collection Fund and represents accrued income for the year. Regulations determine when this income should be released from the Collection Fund and transferred to the General Fund of the billing Authority and other major preceptors (which in turn is credited to their General Funds). The amount credited under these regulations is the Authority's precept and income from the Business Rates Retention Scheme for the year, plus the Authority's share of the surplus or deficit on the collection fund for the previous year.

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

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

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

- Debtors for the Authority's share of Council Tax and Business rates Retention arrears at 31st March 2024.
- Provision for impairments of debtors in relation to Council Tax and Business rates retention arrears as at 31st March 2024.
- Income in advance from Council Tax and Business rate payers who have paid their bills early.
- Creditor provision where the billing authorities have over-collected Council Tax and Business rates income in year compared to the value of amounts actually paid over to the Authority.
- Creditor provision for appeals by Business rate payers who disagree with the valuation of their premises for Business rates purposes.

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

West Yorkshire Fire and Rescue Service 2023-24 Audit Plan

Year ending 31 March 2024

18 April 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Fire and Rescue Authority or all weaknesses in your internal controls.

This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Key matters

National context

Fire authorities have been impacted by budgetary and inflationary pressures, specifically in respect of national firefighter pay awards with pay comprising over 75% of total service expenditure, however, the Fire sector has generally faced a lesser degree of demand and budget pressures when compared with other public services and local government bodies, and Fire authorities generally hold a more sustainable level of general fund usable reserves to deal with any short-term headwinds.

Following several national high-profile incidents, the performance of fire authorities in immediately responding to such incidents has been the focus of increased public scrutiny. There has also been an ask of fire authorities to have greater input in building safety including the design of evacuation routes and procedures, and the rectification of known building deficiencies, with a significant amount relating to external cladding. These matters are considered relevant to WYFRS given the number of high-rise buildings in the West Yorkshire area.

There continues to be a drive for greater collaboration between wider blue-light services although it is generally accepted that there is a greater level of understanding of which services best lend themselves to efficient and effective collaboration has been developed since the drive for greater blue-light collaboration was first pursued by the coalition government around 10 years ago.

In 2022, Central Government published a White Paper on reforming fire and rescue, and launched a consultation process, which centred around the following three themes: people, professionalism and governance. In particular, it was aimed at offering better support for fire and rescue services, including tools to tackle changes and challenges within the community. We understand that 290 responses to the consultation were received nationally. In terms of the governance strand, it is understood that Government is exploring a means to implement operational independence for chief fire officers to be adopted across fire and rescue authorities.

In relation to the people and professionalism strands, there is a proposal to establish a College of Fire and Rescue unifying training requirements across FRAs and setting ethical and professional standards for fire officers. Other actions identified within the people strand included reviewing whether the National Joint Fire and Rescue Authority (NJC) pay review mechanism remains fit for purpose in its current form, and an opportunity for government to work with the National Fire Chiefs Council to broaden the use of direct entry schemes to attract the best talent to management positions. Direct entry is defined as the recruitment of external candidates (non-firefighters) to management roles. The government's response to the consultation indicated that mix of both internal and external hires is preferable.

Legislation has recently been passed to bring in minimum service levels (MSL) within a number of areas in the public sector, however, the Fire and Rescue Service consultation in respect of MSL remains ongoing and is scheduled to end in May. The MSL for the Fire & Rescue Sector is expected to be set at 73% of fire engines crewed, while control rooms will be expected to operate normally during industrial action. It is our understanding that it will be for each fire and rescue authority to obtain its Members' agreement on how this legislation be implemented locally, which may include a level of engagement with local representatives of the Fire Brigade Union, the principal union in which firefighters partake nationally.

As your incoming auditor, in planning our audit, we have given regard to the national context in designing an appropriate programme of audit.

Key matters

Local context

A balanced revenue budget for 2023-24 was approved at Full Authority in February 2023, which included an increase of £5 in the precept on a Band D property and as at the time of budget setting, it was not envisaged that any draw on the FRA's general revenue reserves would be required. Earmarked reserves totalling £20m were expected to be consumed, wholly for capital schemes with no requirement for revenue reserves to support the revenue position. At 1 April 2023, the FRA had £5m of general fund reserves and £36m in earmarked reserves. We understand that the general fund reserve has subsequently been increased to £5.7m via a transfer from earmarked reserves. The £5.7m represents 5% of the £113.9m revenue budget, which the FRA considers to be its minimum working balance as per its interpretation of national guidance. An additional £0.5m was transferred from the earmarked reverse for pay and prices to the earmarked service support reserve. We understand that this £0.5m has been earmarked to fund the development of the data and digital strategy including the One View system, the introduction of Power Apps and the development of the National Operations Guidance library.

At quarter 3, the FRA is forecasting an underspend of its revenue budget totalling £160k. The level of the forecast underspend has reduced from the end of June 2023 (£315k) and this favourable variance has arisen due to a number of short-term vacancies, a lower level of take up of external staff training compared with budget and energy costs per unit being lower than budgeted. Efficiency savings of £1.3m were included in the budgeted position, which represented 5.8% of non-pay budgets. From discussions with management, we understand that the £1.3m savings requirement for 2023-24 has been delivered in full. For 2024-25, efficiency savings of £1.3m have been budgeted, which are similar to 2023-24 at 5.74% of the revenue budget.

In terms of capital, Full Authority approved a budget of £48m including slippage from 2022-23 into 2023-24 totalling £19.3m. As at quarter 3, actual capital expenditure totalled £19.5m, equivalent to 40% of the capital plan. If capital commitments were also included this would rise to £37m or 75%. The key schemes programmed for 2023-24 include the new control project (£2m), replacement of 58 fire appliance vehicles (£13.9m), the rebuild of Keighley Fire Station (£6.2m) and the new Fire Service Headquarters (FSHQ) build (£22.7m).

External borrowing as at the 1 April 2023 was greater than the capital financing requirement (CFR). The position is expected to revert in 2023-24 with the CFR to exceed external borrowing, which would bring relationship between the two balances more in line with our expectations as auditors. Around 95% of some £44m of long-term borrowings at 1 April 2023 are of a long-term nature from PWLB. The level of borrowings being greater than the CFR as at 31 March 2023 should be considered in the context of some £15m of short-term investments and £31m of cash on hand per the draft unaudited financial statements for the year then ended.

Of the £36m of earmarked reserves as at 1 April 2023, £25m related to the Capital Finance Reserve earmarked for the rebuilds to the Fire and Rescue Authority's estate. It is envisaged that this earmarked reserve balance will be fully consumed over the next two financial years leaving WYFRS with around £10m of earmarked reserves as at March 2028. The revenue budget for 2024-25 approved in February 2024, provides for an increase of 2.99% in the Band D precept and assumes the no use of general reserves balances will be required.

In terms of operational performance, the Fire and Rescue Authority has been inspected by His Majesty's Inspectorate of Fire & Rescue Services (HMIFRS) in recent weeks, with the formal report and accompanying findings expected to be published later this calendar year. The Fire and Rescue Authority's previous inspection process awarded an overall conclusion of 'good'.

1. Key matters

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored the reasons for delayed publication of audited local authority accounts. In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Chief Finance & Procurement Officer.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is to develop a hybrid approach of on-site and remote working. We ask for confirmation that this is acceptable to you, and that officers will make themselves available to the audit team, as required. This is also in compliance with our delivery commitments in our contract with PSAA.
- We commenced meetings with the Chief Fire Officer and the Chief Finance & Procurement Officer on a quarterly basis as part of our commitment to keep you fully informed on the progress of the audit.
- We will continue to meet informally with the Chair of your Audit Committee, to brief them on the progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our value for money work. Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with financial reporting specialists to support consistent and accurate financial reporting across the sector.
- With the ongoing financial pressures being faced by public services bodies, in planning this audit we have considered the financial viability of the Fire and Rescue Authority. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Fire and Rescue Authority.

Prior year disclaimer

At the time of writing, there is the potential for the local authority accounts backstop to be applicable to the 2022-23 financial statement audit, which is expected to lead to a disclaimer opinion being issued by your outgoing external auditor. At the time of writing, we understand that the Department for Levelling Up, Housing & Communities and National Audit Office are working through the impact of this on future accounting periods, including the potential requirement for the auditor to undertake additional work on the opening balances of the following accounting period. We will communicate any requirement on us as auditors to undertake such additional work with you once the scope has been confirmed.

2. Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of West Yorkshire Fire and Rescue Service ('the Fire and Rescue Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code to make provision for the local authority accounts backstop legislation. We will communicate any impact that this revisions may have on our proposed audit approach with officers and Audit Committee, once these have been confirmed.

Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Fire and Rescue Authority. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fire and Rescue Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Fire and Rescue Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Fire and Rescue Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fire and Rescue Authority is fulfilling these responsibilities. Our audit approach is based on a thorough understanding of the Fire and Rescue Authority's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of pension fund net liability (early indications are that it will remain a net pension liability in 2024 as it was in 2023)
- Closing valuation of land & buildings.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report targeted for the January 2025 Audit Committee.

Materiality

We have determined headline planning materiality to be £2.18m, which equates to 1.8% of your gross expenditure on cost of services for the prior year based on the unaudited accounts. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £109k.

We would like to highlight that since your 2022-23 accounts audit remains open, there is the potential for key audit findings to be subsequently reported and/or the potential for a disclaimer opinion to be issued if the audit is not completed by the backstop date (see page 26). Depending on how the prior year audit is closed out, we may consider it necessary to revise materiality subsequent to this Audit Plan, and we will communicate any revision with you should it occur.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have not identified any risks of significant weaknesses at the planning stage, however, we will continue to review this as we perform our work on the VFM arrangements. In reaching our conclusion on the existence of possible risks of significant weakness, we will also consider any findings reported as part of the 2022-23 report on arrangements in place from your outgoing external auditor provider, and also any key findings arising from the Majesty's Inspectorate of Fire and Rescue Services' (HMIFRS) inspection of the Fire and Rescue Authority which has taken place over the last few months with the report expected to be published later this calendar year.

Audit logistics

Our planning work commenced in March 2024 and will continue into April. Our final accounts work will begin in the autumn of 2024 and is expected to continue up until the end of the calendar year. We would note that there exists some uncertainty regarding the timing of our work given the 2022-23 audit remains open with the opinion outstanding. Our key deliverables are this Audit Plan, our Audit Findings (ISA260) Report and our Auditor's Annual Report on your VFM arrangements.

Our proposed fee for the audit will be £108,585, subject to the Fire and Rescue Authority delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue risk – risk of fraud in revenue recognition	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fire and Rescue Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of public services bodies, including the Fire and Rescue Authority, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the Fire and Rescue Authority.</p>
Risk of fraud related to expenditure recognition PAF Practice Note 10	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p>	<p>We have rebutted this presumed risk for the Fire and Rescue Authority because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure for the Fire and Rescue Authority where services are provided to the public through taxpayers funds • there are plans in place for the Fire and Rescue Authority to deliver cashable savings, indicating a culture of officers dealing with the challenges faced by the Fire and Rescue Authority head on, which is considered incompatible with the deliberate suppression of expenditure • the Fire and Rescue Authority requires cash to meet its payroll and third-party payment obligations and therefore any manipulation of expenditure between accounting periods does not generate any clear financial benefits • the Fire and Rescue Authority has a number of contracted key suppliers with whom frequent recurrent transactions are made, which are followed by timely payments, usually within 30 days of receipt of goods. As such, regular bank payments are required to suppliers, which reduces any opportunity to exclude expenditure transactions from being reported in the general ledger. • the Fire and Rescue Authority has clear and transparent reporting of its financial plans and financial position, including regular reporting of budget variance analysis to its Finance and Resources Committee and its Audit Committee. <p>Therefore we do not consider this to be a significant risk for the Fire and Rescue Authority.</p>

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<p>We will:</p> <ul style="list-style-type: none"> • make inquiries of finance staff regarding their knowledge of potential instances of management override of controls • evaluate the design effectiveness of management controls over journals. This will include the controls management has in place to review journal postings • analyse the journals listing and determine the criteria for selecting high risk unusual journals • perform a risk-based interrogation of the financial ledger to identify any unusual and potentially fraudulent transactions for testing • test unusual journals identified through the application of our risk-based approach for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions • examine journals and manual entries made around the time of the preparation of the draft financial statements for appropriateness and corroboration • understand the ledger integration with relevant sources and sub-systems, as applicable, to identify how management may be able to intervene in the journals posting process and post fraudulent entries.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Closing valuation of land and buildings</p>	<p>The Fire and Rescue Authority re-values its land and buildings on a rolling five-yearly basis in line with the Code requirements.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £75m for land & buildings) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Fire and Rescue Authority's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the closing valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>The Fire and Rescue Authority holds both specialised and non-specialised buildings within its portfolio. The specialised assets comprise fire stations among others. The valuation approach is depreciated replacement cost (DRC) with the key valuation assumptions being the rebuild cost, building size and adjustments for obsolescence (buildings age, condition & functionality). The Fire and Rescue Authority also holds non-specialised assets such as office buildings. These valuations may be undertaken with reference to observable open market values for similar land & buildings or using a capitalisation of income approach.</p> <p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Fire and Rescue Authority's fixed asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • consider, where the valuation date is not 31 March 2024 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2024 • agree, on a sample basis, the internal floor areas (GIAs) to records held by the estates management function • for non-specialised properties valued on the existing use value (EUV) basis, obtain market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of the pension fund net liability</p>	<p>The Fire and Rescue Authority's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (overall net liability of £1.1bn in 2023) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified the valuation of the Fire and Rescue Authority's pension fund net balance as a significant risk of material misstatement.</p> <p>Whilst a significant improvement in the Local Government Pension Scheme (LGPS) IAS19 position was observed during the prior period (2023), the improvement (£30.5m reduction in net liability) did not give rise to an overall net asset position.</p> <p>We will keep the LGPS net balance under review during our 2024 fieldwork to ensure the net balance reflects the underlying IAS19 position, including being open for the potential for a net pension asset to arise in 2023-24.</p>	<p>The Fire and Rescue Authority is party to two defined benefit pension schemes both of which are in an overall net liability position. The Local Government Pension Scheme is a funded scheme with invested assets. The Firefighters pension scheme is an unfunded scheme, for which the Fire and Rescue Authority receives a pension grant from Central Government annually to aid with making pension payments to pension fund members.</p> <p>Both schemes represent a significant estimate in the Fire and Rescue Authority's financial statements, however, the valuation of the Firefighters' scheme liability (£1.1bn) is significantly greater as a multiple of materiality than the LGPS scheme net liability (£1.5m).</p> <p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Fire and Rescue Authority's pension fund net liability is not materially misstated and evaluate the design of the fund assets valuation in the pension fund financial statements and associated controls • evaluate the instructions issued by management to their management expert (Aon for LGPS and GAD for Firefighters') for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary (Aon for LGPS and GAD for Firefighters') who carried out the Fire and Rescue Authority's pension fund valuation • assess the accuracy and completeness of the information provided by the Fire and Rescue Authority to the two actuaries (Aon and GAD) to estimate the IAS19 pension liability • test the consistency of the pension fund figures and disclosures in the draft financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the Fire and Rescue Authority • perform appropriate data checks in respect of Firefighters' membership data and test the accuracy and validity of movements since the most recent triennial valuation, where material changes were identified

4. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Fire and Rescue Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Fire and Rescue Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

5. Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description	Planned audit procedures
<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Fire and Rescue Authority for the financial year. Materiality at the planning stage of our audit is £2.18m, which equates to 1.8% of your Gross Expenditure on Cost of Services for the 2022-23 year per the unaudited statement of accounts.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;– assist in establishing the scope of our audit engagement and audit tests;– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements.
<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature where it may affect instances when greater precision is required.</p>	<p>We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.</p>
<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> <p>In the context of the Fire and Rescue Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £109k. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the Fire and Rescue Authority's financial statements	2.18m	This equates to 1.8% of the Fire and Rescue Authority's Gross Expenditure on Cost of Services for 2022-23 based on the audited statement of accounts for the year then ended.
Performance materiality	1.52m	This has been set at 70% of headline materiality. This reflects the fact that the Fire and Rescue Authority has a stable financial reporting team and no indicators of the existence of significant issues in the accounts production process and arrangements for reporting financial information.
Trivial matters	109k	This equates to 5% of headline materiality and represents our threshold for reporting corrected and uncorrected misstatements to the Audit Committee.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	20k	The senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to their sensitive nature.

6. IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT system has been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the level of assessment required. We will keep this under review as the audit progresses and update our understanding if there are additional IT systems within the scope of the audit.

We will report to you including our assessments and findings (as applicable) in our Audit Findings (ISA260) Report targeted for the end of the January 2025 Audit Committee.

IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting, payroll, accounts payable and receivable	<ul style="list-style-type: none">• Detailed ITGC assessment design effectiveness• Application controls assessment• Test the design and implementation of the ITGCs• Follow up on IT related recommendations raised in the previous audit• Review of cybersecurity controls.

7. Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



8. Risks of significant VFM weaknesses

The Audit Code sets out that the auditor's work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this Audit Plan. A key part of this is the consideration of prior year significant weakness and known areas of risk which is a key part of the risk assessment for 2023-24. We have not identified any risks of significant weakness from our detailed planning work to date, however, this work remains ongoing at the time of writing.

In reaching our conclusion on the existence of possible risks of significant weakness, we will also consider any findings reported as part of the 2022-23 report on arrangements in place from your outgoing external auditor provider, and also any key findings arising from His Majesty's Inspectorate of Fire and Rescue Services' (HMIFRS) inspection of the Fire and Rescue Authority which has taken place over the last few months with the report expected to be published later this calendar year.

We will continue our review of your arrangements on receipt of the two documents highlighted here, and throughout the audit and accounts fieldwork process until we sign the opinion on your financial statements, and issue our auditor's annual report on your arrangements in place to secure value for money. Should any risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in the Auditor's Annual Report and included within our audit opinion.

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on.

The current status of our planning work is set out on the previous page, and at the time of writing, no risks of significant weakness have been identified. Should a risk of significant weakness subsequently arise, the potential different types of recommendations we could make are set out below. As noted below, we may opt to raise improvement recommendations even when a risk of significant weakness has not been identified.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

9. Audit logistics and team



Gareth Mills, Key Audit Partner and Engagement Lead

Provides oversight of the delivery of the audit including regular engagement the Corporate Governance Audit Committee and senior management.



Greg Charnley, Engagement Senior Manager

Plans and manages the delivery of the audit including regular contact with senior management. The key point of contact for the Fire and Rescue Authority's finance team.

Sam Danielli, Engagement Assistant Manager

Sam is the key audit contact responsible for the day to day management and delivery of the audit work.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout the planned period of the audit (as per our responses to key matters set out on page 5)
- respond promptly and adequately to audit queries.

10. Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2023, PSAA awarded a contract of audit for West Yorkshire Fire and Rescue Authority to begin with effect from 2023-24. The scale fee set out in the PSAA contract for the 2023-24 audit is £103,565.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023-24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed.

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these fees, we have assumed that the Fire and Rescue Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023-24

West Yorkshire Fire and Rescue Authority Scale Fee (per PSAA contract)	£103,565
Increased audit requirements of ISA 315 Revised – “Identifying and assessing the Risks of Material Misstatement” – (new controls requirement not included in the PSAA tender submission)	£5,020
Total audit fees (excluding VAT)	£108,585

Previous year 2022-23 audit and implications this may have on the 2023-24 audit fee

There may be fee implications arising from additional audit work that we may have to perform if your audit is ‘backstopped’ and disclaimed by your outgoing external auditor. We will keep management and the Audit Committee informed on this matter as things develop during the year.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \[revised 2019\]](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting.

Our proposed work and fee is per the PSAA scale fee. Should additional work be identified as necessary in addition to the ISA 315 work identified above, additional fees levied for work that we will be required to undertake to obtain appropriate assurances. Should the need to levy such additional fees arise, these will be discussed with the Chief Finance & Procurement Officer on a timely basis.

11. IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by public services bodies from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Fire and Rescue Authority to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset.

Fire and Rescue Authority's systems and processes

We believe that most public services bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Planning enquiries

As part of our planning risk assessment procedures we have discussed implementation of the standard with the Senior Finance Manager and we understand that the Fire and Rescue Authority will be adopting the standard from 1 April 2024 in line with many public service bodies. We note that the Fire and Rescue Authority is underway with preparing the necessary impact statement highlighting the expected impact to readers, as required to be disclosed in the 2023-24 financial statements.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. Please refer to the following link:

12. Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fire and Rescue Authority.

Other services

No other services provided by Grant Thornton have been delivered and therefore, there are no matters to communicate.

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit/additional services before we were appointed as auditor.

No non-audit / audit-related services were provided prior to our appointment as external auditor. No impact on our independence has been identified.

13. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor & management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

14. Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

As your recently-appointed external auditor, we are keen to work with you in a helpful and constructive manner, to enable audit and accounts opinions to be issued in a timely manner and to comply with the rolling backstop dates. The rolling backstop for the 2023-24 financial year is expected to require the audit and accounts to have been concluded and signed off by the end of May 2025.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Communication with Chief Finance & Procurement Officer (within one working day of the agreed deadline for draft accounts and working papers)

We will have a conversation with the Chief Finance & Procurement Officer to identify reasons for the delay and review the Fire and Rescue Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Fire Officer (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Fire Officer, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Fire and Rescue Authority's financial statements.

15. Addressing the local audit backlog - consultation

Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022-23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit. The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- FRC landing page - [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
- DLUHC landing page - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- NAO landing page - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and public services body efforts will be best served by focusing on rebuilding assurance from 2023-24 onwards. This means looking forwards as far as possible, and not spending 2023-24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect.

Preparing for the backstop

For any outstanding years up to 2022-23, public services bodies should:

- Prepare, adopt and publish financial statements in line with Code and Statutory requirements (Accounts and Audit Regs 2015 – ‘true and fair’)
- Support statements with a proper set of working papers and audit trail
- Work with the auditor to support the completion of outstanding audit work (where possible) and for the completion of Value for Money Work.

For 2023-24, public services bodies should:

- Agree a timetable and working paper requirements with the auditor
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the Audit Committee is properly briefed and prepared.

As your auditor we will:

- Keep you updated on all national developments
- Set out clear expectations of the information we will require to conclude our work
- Agree a plan for the delivery of our work programme with a commitment to key milestones

Next steps

We await the government’s response to the consultation. We will discuss next steps including any implications for your audit once we have further information.

