



Members of the Cheshire Fire Authority

Dear Member

Please find enclosed documents:

1I **Minutes of Audit Committee** (Pages 3 - 38)

These minutes contain recommendations concerned with:

Fire Authority – Item 2, External Audit Plan 2022-23

Please note that a document entitled Informing the audit risk assessment for Cheshire Fire Authority 2022/23 is attached to this Supplementary Agenda Pack on pages 9 - 38 – this should be read in conjunction with Item 2. The Fire Authority will be asked to confirm that it is satisfied with the document in approving the External Audit Plan 2022-23 on pages 61 – 84 of the Agenda Pack.

The External Audit Plan 2022-23 was not amended by the Committee; **the version in the Agenda Pack is recommended for approval.**

Fire Authority – Item 3, Internal Audit Plan 2023-24

The Internal Audit Plan 2023-24 was not amended by the Committee; **the version in the Agenda Pack is recommended for approval.**

1J **Minutes of Governance and Constitution Committee** (Pages 39 - 44)

These minutes contain recommendations concerned with:

Fire Authority – Item 4, Statement of Assurance 2022-23

The draft Statement of Assurance 2022-23 was not amended by the Committee; **the version in the Agenda Pack is recommended for approval.**

Fire Authority – Item 6, Responsibilities of Audit Committee (and Ancillary Matters)

The wording describing the Audit Committee's

responsibilities (and ancillary matters) is attached to the Minutes of Governance and Constitution Committee, see page 43 - 44 of this Supplementary Agenda Pack. **This is recommended for approval.**

If the responsibilities of the Audit Committee are approved the changes to the Constitution shown on page 163 of the Agenda Pack are recommended for approval.

Fire Authority – Note d) – Member Champions Arrangements

It is recommended that the current Member Champion arrangements from 2022-23 be carried forward into 2023-24, with a requirement for Member Champions to provide an update to Members about the work associated with their role.

Fire Authority – Note d) – Review of Members' Code of Conduct

It is recommended (subject to the Fire Authority agreeing the changes to the Audit Committee concerned with the status of the Independent Audit Committee Member, i.e. becoming a co-opted member of the Committee) that the Code of Conduct be amended to acknowledge the fact that the Fire Authority now has a co-opted member on one of its committees. No other changes are proposed. See page 178 of the Agenda Pack for wording.

If you require any further information please do not hesitate to contact me.

Yours sincerely

Donna Linton

Governance and Corporate Planning Manager



MINUTES OF THE MEETING OF THE AUDIT COMMITTEE held on Wednesday, 19 April 2023 at Lecture Theatre - Training Centre, Sadler Road, Winsford, Cheshire CW7 2FQ at 10.00 am

PRESENT:

Members:

Councillor Nick Mannion (Chair)
Councillor Rachel Bailey
Councillor Brian Gallagher
Councillor James Nicholas
Suzanne Horrill, Independent Audit Committee Member

Auditors:

Charles Black, Merseyside Internal Audit Agency
Anne-Marie Harrop, Merseyside Internal Audit Agency
Liz Luddington, Grant Thornton
Chelsey Taylor, Grant Thornton

Officers:

Andrew Leadbetter, Director of Governance
Paul Vaughan, Treasurer
Chris Astall, Planning, Performance and Risk Officer
Emilie Salkeld, Governance Officer

1 PROCEDURAL MATTERS

2 RECORDING OF MEETING

Members were reminded that the meeting would be audio recorded.

3 APOLOGIES FOR ABSENCE

No apologies for absence were received.

4 DECLARATIONS OF MEMBERS' INTERESTS

There were no declarations of Members' interests.

5 MINUTES OF THE AUDIT COMMITTEE

RESOLVED:

That the minutes of the Audit Committee held on Wednesday 25th January 2023 be confirmed as a correct record.

6 ACTION TRACKER OF THE AUDIT COMMITTEE

The Director of Governance provided an update against each action within the tracker. The updates were to be included in the tracker for the next Audit Committee meeting, unless the actions have been closed.

It was noted that the following actions could be closed:

16th November 2022:

Item 2 – Purpose of Committee (both actions)

25th January 2023:

Item 2 – Internal Audit progress Report Quarter 3 2022-23 (second action)

7 RESPONSIBILITIES OF AUDIT COMMITTEE (AND ANCILLARY MATTERS)

The Director of Governance introduced the report which allowed Members to consider broader responsibilities for the Audit Committee and make recommendations to the Governance and Constitution Committee. The report also covered the impact on Fire Authority and its committees. A discussion was held and the following points were determined:

Role of Audit Committee

Members were satisfied with the role of the Audit Committee as stated within the report and noted the proposed approach to the handling of audit-related reports (with the majority only intended to be considered by Audit Committee in future. The Treasurer advised the Performance and Overview Committee and the Fire Authority would continue to be appraised of financial information, with reports presented at least quarterly.

Responsibilities of Audit Committee and Ancillary Matters

Purpose

Members were satisfied with description of the purpose of the Audit Committee contained in the report.

Responsibilities

Members were satisfied with the core functions/responsibilities of the Audit Committee contained within the report.

Membership

Members were satisfied that the Independent Audit Committee Member should become a co-opted member with voting rights. Members noted that she would also be counted when considering the quorum (which would remain as three members of the Committee). Members were also comfortable with there being no facility for

substitutes to attend the Audit Committee, due to the requirement for training and continuity in order for members to be effective in role.

Attendance

Members were satisfied with the attendance list. However, the Independent Audit Committee Member advised that an officer that acted in the capacity of a Chief Executive would normally only attend a meeting concerned with the final accounts. The Director of Governance suggested that the word 'normally' be added to the introductory sentence and Members were happy that this provided the flexibility that was needed.

Training

Members were satisfied with the wording about training; appreciating its importance.

Meeting Frequency and Outputs

Members were satisfied with the description, but commented that it may be necessary to hold ad hoc meetings. Members were also comfortable with the requirement to prepare some form of annual report. It was noted that the CIPFA guidance did mention an annual assessment of the effectiveness of an audit committee. This assessment could well form part of any annual reporting arrangement.

The Director of Governance advised that changes to the constitution were required to bring into effect the proposed new arrangements and referred Members to the suggested alterations, which would need to be approved by the Fire Authority.

RESOLVED: That

[1] officers should convey the decisions made by the Committee to Governance and Constitution Committee to enable it to consider making recommendations to the Fire Authority about the matters covered in the report.

ACTION TRACKER

The annual report be added to the Audit Committee's programme.

8 INTERNAL AUDIT - PROGRESS REPORT QUARTER 4 2022-23

The Internal Auditor introduced the report which provided an update on progress against the 2022-23 Internal Audit Plan for quarter 4. It was reported that the Station Management Framework and Microsoft 365 Project reviews were in draft and due to be finalised in the coming weeks.

Members were interested in the webinar events highlighted by the Internal Auditor and discussion was held to determine if the Committee's attendance at the events would be beneficial.

RESOLVED: That

[1] the Internal Audit – Progress Report Quarter 4 2022-23 be noted.

9 INTERNAL AUDIT FOLLOW UP SUMMARY REPORT

The Internal Auditor introduced the report which provided an update on the progress of previous internal audit recommendations. Members were asked to consider the report.

A Member queried where the Fatigue Management Policy that was referenced in the report, would be submitted for consideration. The Director of Governance advised that he would consider this and confirm the position.

The Independent Audit Committee Member raised concerns of the deferral of Blue Light Collaboration and that few of the recommendations were actioned. The Internal Auditor provided an update against each of the recommendations noted within the report and assured the Committee that internal audit had raised no concerns. The Director of Governance added that discussions between Cheshire Constabulary and the Service were taking place and a strategic direction had been established.

RESOLVED: That

[1] the Internal Audit Follow Up Summary Report be noted.

ACTION TRACKER

Officers to confirm the arrangements associated with the introduction of the Fatigue Management Policy.

10 DRAFT INTERNAL AUDIT ANNUAL PLAN 2023-24

The Internal Auditor introduced the report which asked Members to consider the draft Internal Audit Annual Plan 2023-24 (the Plan) with a view to recommending it to the Fire Authority for approval. The Plan was created in consultation with the Treasurer and linked to the Service's priorities and risks.

The Internal Auditor advised that a three year forward plan would usually be produced within the plan. However, only an annual plan was produced as internal audit services were due to be retendered shortly, with this the last year of the current contract.

RECOMMENDED: That

[1] the Internal Audit Annual Plan 2023-24 be approved by the Fire Authority.

11 INTERNAL AUDIT CHARTER

The Internal Auditor introduced the report which presented the Internal Audit Charter. The Committee were asked to note the Charter.

RESOLVED: That

[1] the Internal Audit Charter be noted.

12 EXTERNAL AUDIT PLAN 2022-23

The External Auditor introduced the report which enabled Members to consider the External Audit Plan with a view to recommending it to the Fire Authority for approval. The External Auditor summarised the report and provided an overview of the three significant risks which were the same as previous year.

Members queried why Blue Light Collaboration was not identified as a specific risk within the plan. The External Auditor explained that due to the timing and fact that there had been limited change during 2022-23, it was more of an issue for the new external auditor to pick up.

A Member raised concerns that pension liabilities were considered to be a significant risk despite the realities of how they were funded. The External Auditor advised that the risk was of an accounting nature and highlighted as a requirement of the existing auditing standards.

RECOMMENDED: That

[1] the External Audit Plan 2022-23 be approved by the Fire Authority.

13 INFORMING THE AUDIT RISK ASSESSMENT FOR CHESHIRE FIRE AUTHORITY 2022-23

The External Auditor introduced the report which enable Members to consider the Audit Risk Assessment prior to its submission to the Fire Authority with the External Audit Plan. The report was prepared in consultation with officers.

The Independent Audit Committee Member queried the reference to capital programme within the report and how it was reported within the Fire Authority. The Treasurer advised that progress against the revenue budget and capital programme was reported regularly at the Performance and Overview Committee each quarter.

RESOLVED: That

[1] the document be noted and provided to the Fire Authority so that it can be considered alongside the External Audit Plan 2022-23.

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Informing the audit risk assessment for Cheshire Fire Authority 2022/23

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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 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 your business or any 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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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Cheshire Fire Authority's external auditors and Cheshire Fire Authority, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Fire Authority under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Fire Authority. ISA(UK) emphasise the importance of two-way communication between the auditor and the Fire Authority and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Fire Authority in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Fire Authority and supports the Fire Authority in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Fire Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from the Fire Authority's senior managers. The Fire Authority should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>Setting the Authority Budget in alignment with IRMP, and the resulting Council Tax precept .</p> <p>Progress against the capital programme</p> <p>Changes in the valuations of Land and Building Assets</p> <p>Changes that affect the pensions liability or the pension funding arrangements.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Cheshire Fire Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>When preparing the accounts, accounting policies and the application of proper practices under local government legislation are considered; for any individually significant transactions; for changes to budgets or key parts of the budgets, such as the capital programme; and as part of the financial statement preparation.</p> <p>No.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Financial instruments are used in the normal course of funding activities, for example, leases and loans. Generally the authority is risk adverse and the type of financial instrument used is generally the kind that are measured at contract value or at amortised cost. The Authority does not seek to mitigate risk through the use of derivatives; it does so through sound financial planning.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>No, nothing to report</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	NWFC is a company limited by Guarantee, the Authority's liability is limited to £1. The Authority has not provided guarantees to any third party.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	<p>The Authority is aware of two types of contingent liability. The first is the liability under Fire Fighter Injury Scheme - this is included as part of the overall IAS 19 pensions liability.</p> <p>The second is that arising from the insolvency of a former insurer. However, it is not possible to quantify any potential claims.</p>
8. Other than in house solicitors, can you provide details of those solicitors utilised by Cheshire Fire Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The pensions case that involves all fire and rescue services is being run by a large national firm and that work is part-funded by the Authority. However, the solicitors are not directly employed by the Authority.</p> <p>Some insurance claims involve solicitors that represent the position of the Authority. However, the solicitors are not directly employed by the Authority.</p> <p>The following firms have been employed on various pieces of work: Blackhurst Budd – prosecutions; Michelmores – conveyancing; and Bevan Britten – conveyancing.</p>

General Enquiries of Management

Question	Management response
9. Have any of the Cheshire Fire Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None to report
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Bruton Knowles re Land and Building values Hymans Robertson re LGPS pension liabilities GAD for the Firefighters Pension Scheme pension liabilities Link Asset Services re investment and loan portfolios RealWorld HR – for the Chief's appraisal and the pay review of the Principal Officers
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes and none to report

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Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both Cheshire Fire Authority and management. Management, with the oversight of the Fire Authority, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Fire Authority should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Fire Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Fire Authority regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Fire Authority oversees the above processes. We are also required to make inquiries of both management and the Fire Authority as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Fire Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Has Cheshire Fire Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Cheshire Fire Authority's risk management processes link to financial reporting?</p>	<p>Yes</p> <p>Management has considered the likelihood of control failings that could lead to material misstatement due to misappropriation of assets or suppression of liabilities. Systems have been constructed with checks and balances to ensure that transactions are initiated for proper purposes in line with operating requirements and Authority Plans. Review of internal control of our core systems is part of the Internal Audit Annual Programme and control compliance is considered by officers when preparing the annual review of effectiveness as part of the Annual Governance Statement process. Management has assurance that effective control arrangements are in place.</p> <p>The Authority's risk management processes are designed to ensure the Authority meets its statutory duties and fulfils its corporate objectives. To met these requirements adequate resources have to be applied to the Authority's operations and in turn these resources need to be approved by the Authority through its budget setting process. Management is held to account for budget management and the financial reporting processes ensure that spending against budget is reconciled to spending as reported under the Code.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Non-pay expenditure is at risk of fraud through misappropriation of funds or assets.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Cheshire Fire Authority as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>None that have been reported</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	TCWG (the Authority) are informed as part of regular reporting through the Committee Structure and to the Authority as a whole. The Constitution has identified certain financial matters that are of such significance as to require approval by the whole Authority.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Cheshire Fire Authority where fraud is more likely to occur?	None identified Stores - the value of such fraud is not likely to be material in the context of the financial statements. However, the Authority has a zero tolerance of fraud Stores - as above.
6. What processes do Cheshire Fire Authority have in place to identify and respond to risks of fraud?	The Authority significantly updated its anti-fraud and corruption framework in 2015 and has kept it up to date as legislation and best practice has developed. The framework begins with a statement of intent to promote honesty in service delivery, to seek out fraudulent and corrupt practises and to prosecute to the full extent of the law. Key policies are in place which describe the actions to be taken by Members and officers. The Treasurer, Head of Finance, Director of Governance and Chief Fire Officer must be notified if fraud is suspected. The Authority's Confidential Reporting Policy (Whistleblowing) and Corporate Complaints Policy provide a route for raising concerns with the Authority and detail the safeguards and support available. Investigation into fraud will normally be carried out by the Internal Audit provider which will liaise with the Chief Fire Officer, Head of Finance and Director of Governance and where relevant refer to the Police.

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Cheshire Fire Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The internal control process is rated as strong.</p> <p>There is an internal audit process designed to provide assurance over the overall system of control, which includes annual review of key elements such as financial controls, cyclical reviews, risk based and reactive reviews.</p> <p>Senior officers review the findings of internal audit reviews and these findings inform the Authority's assessment.</p> <p>No significant weaknesses have been identified but all recommendations for improvement are accepted and a programme of follow up review is in place.</p> <p>A limited number of people have the access and authorisation rights in Agresso that enable them to amend transaction data. However, there are mitigating controls in place such as an audit trail of actions and restrictions on the basic ability to procure/contract.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Property and pension valuations - these are complex and utilise the work of external experts</p>

Fraud risk assessment

Question	Management response
<p>9. How does Cheshire Fire Authority communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Authority has a range of policies and procedures in place. New staff, contractors and members have tailored induction programmes, including the Authority’s core values.</p> <p>We have reporting channels set out in our policies and procedures which include whistle-blowing arrangements and whistle blower protections.</p> <p>Staff are expected to report anything they suspect may be classed as, fraud, bribery, or corruption including transactions, events and circumstances that may give rise to fraud, bribery or corruption. No issues to report.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Procurement posts</p> <p>The Authority has clear procurement procedures – procurement must be in line with the budget proposals – all expenditure is monitored by budget holders and reflected in budget monitoring reports.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>See above re procurement. The Authority also has in place a comprehensive system of registers of interests, gifts and hospitality that all Members and officers must complete. The registers include guidance on what is acceptable and what must be declined. Officers and Members are encouraged to disclose all including those that are acceptable. Declarations of interest are taken at all Authority meetings.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to Cheshire Fire Authority ?</p> <p>How does Cheshire Fire Authority exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>There is a formal reporting programme to the Authority and its Committees. Briefings on all decisions and significant issues are routinely provided to the Group Leaders and the Independent Members and made available to the full Authority. Officers make themselves available to go into further detail and invite questions and challenge from the Authority.</p> <p>Although relationships with officers are professional and friendly there is a very clear separation of roles and responsibilities and Members avoid being involved in engagements or activities that compromise or could be perceived as compromising that separation.</p> <p>Nothing has arisen during the year.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of Cheshire Fire Authority, is responsible for ensuring that the Fire Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Fire Authority as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Cheshire Fire Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Cheshire Fire Authority's regulatory environment that may have a significant impact on the Cheshire Authority's financial statements?</p>	<p>Various roles have responsibilities associated with compliance with laws and regulations, e.g. the Head of Operational Policy and Assurance is responsible for Health and Safety and the Director of Transformation is responsible for pension administration. The Director of Governance is the Authority's Monitoring Officer.</p> <p>Compliance issues are regularly reported to the Service Management Team (now known as Service Leadership Team) and to the Authority and its Committees.</p> <p>No</p>
<p>2. How is Cheshire Fire Authority provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>There is a formal reporting programme to the Authority and its Committees. This includes reporting upon Internal Audit activity and findings. During 2022/23 the Authority established an Audit Committee, which will take on a greater role as it becomes embedded into the standard processes.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>No</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Cheshire Fire Authority have in place to identify, evaluate and account for litigation or claims?	There is good co-ordination between the Treasurer (S.151 Officer), the Director of Governance (Monitoring Officer), the Director of Transformation, the Finance Team and Legal Services
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

Related Parties

Matters in relation to Related Parties

Cheshire Fire Authority is required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by the Fire Authority;
- associates;
- joint ventures;
- a body that has an interest in the Authority that gives it significant influence over the Fire Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Fire Authority, or of any body that is a related party of the Fire Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Fire Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Cheshire Fire Authority's 2021/22 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Cheshire Fire Authority whether Cheshire Fire Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No</p>
<p>2. What controls does Cheshire Fire Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Authority has in place a comprehensive system of registers of interests, that all Members and officers must complete. This register is reviewed periodically to ensure that all Related Parties are identified and adequately reported in the financial statements.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All requests over £10k are referred to Strategic Procurement for scrutiny, tender process and contract purposes. Orders are also sampled in Finance through system management. Contracts are signed by the Director of Governance, the Monitoring Officer.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All requests over £10k are referred to Strategic Procurement for scrutiny, tender process and contract purposes. Orders are also sampled in Finance through system management. Contracts are signed by Director of Governance, the Monitoring Officer.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis of accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government / fire service bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Cheshire Fire Authority will no longer continue?	As fire and rescue services are a statutory requirement under the Fire and Rescue Service Act 2004, whether it be Cheshire Fire Authority or a subsequent reorganised service, there will still be a fire and rescue service that will be funded and operational. We are aware that the Government is due to produce a 'White Paper' on fire governance and this is being monitored at the highest level internally and nationally through the NFCC. Discussions with the Police and Crime Commissioner have indicated there is no wish to change from the Fire Authority.
2. Are management aware of any factors which may mean for Cheshire Fire Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None that we are aware of.
3. With regard to the statutory services currently provided by Cheshire Fire Authority, does Cheshire Fire Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Cheshire Fire Authority to cease to exist?	The Authority expects to continue to deliver its services in its current format for the foreseeable future
4. Are management satisfied that the financial reporting framework permits Cheshire Fire Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	We are satisfied that the accounts can be prepared on a 'going concern' basis in terms of both governance and financial sustainability and that the accounts will provide a faithful representation as a result.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Cheshire Fire Authority members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask Cheshire Fire Authority to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Property Asset Valuations, Pension Fund/Scheme valuations
2. How does Cheshire Fire Authority's risk management process identify and address risks relating to accounting estimates?	Accounting policies reviewed and amended if appropriate to ensure estimates, risks and valuations are identified. Commissioning of professional advisors to support accounting estimates where necessary. Review of draft accounting figures by the Treasurer (S151 officer).
3. How does management identify the methods, assumptions or source data, and the need for changes to them, in relation to key accounting estimates?	Review of professional guidance. Consultation with appointed experts. Where possible, independent verification or review of assumptions.
4. How do management review the outcomes of previous accounting estimates?	Comparison between current/past estimates and actual figures where possible. Challenge to professional experts around variances and assumptions.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Review of accounting regulations and changes, regular CIPFA professional and technical updates. The Treasurer (S151 officer) along with the Head of Finance, assesses requirements versus in house skills to determine specialist knowledge/experts to be engaged.</p>
<p>7. How does Cheshire Fire Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Review of draft accounts includes material assumptions and material variance from previous/anticipated estimate figures. Regular dialogue with external professionals to satisfy ourselves that the methods, assumptions and values used are understandable and acceptable</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Review and challenge of assumptions and variance from previous/anticipated estimate figures. Ensure a working understanding of valuation process.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Review/Challenge by Head of Finance followed by Treasurer (S151 officer) review. Review of draft accounts by the Audit Committee.</p>

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Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Rigorous tender process ensures that appointed professional experts have sufficient qualification, capacity, knowledge and experience to undertake valuations and provide reasonable estimates as requested. Regular professional updates and seminars for members of the finance team ensure current technical knowledge, robust review and where appropriate challenge of Accounting Estimates provided by experts. Ongoing Treasurer (S151 Officer) review of arrangements and estimates to ensure fit for purpose and reasonable.</p>
<p>12. How is Cheshire Fire Authority provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Each year the Treasurer presents an assurance statement to the Authority confirming the robustness of estimates used in the preparation of the annual budgets. This is supplemented by the Treasury Management Strategy that sets out the prudential performance indicators which are affected by the outcome of those budget estimates.</p> <p>For estimates relating to financial reporting, the Audit Committee receives the accounts and the Treasurer and Head of Finance take members through the financial statements highlighting key transactions and balances and any significant points which aid their understanding of how the accounts are made up.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations Page 34	Current value defined as 'existing use' by Cheshire Fire Authority.	Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. For land and buildings all material assets will be valued in March 2023.	Bruton Knowles.	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion. The current valuer has been in post since 2021/22 FY.	No
Depreciation	Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.	See left	Yes, valuers are consulted where appropriate	Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The actuarial gains and losses figures are calculated by the actuarial expert. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Authority respond to queries raised by the actuaries and verify the assumptions used.	Hymans Robertson (LGPS) & GAD (Firefighters).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.
Level 2 investments	Financial instruments consist of investments and loans and loan arrangements, measured initially at cost and then at amortised cost using the effective interest method.	Knowledge by the Investment team who manages the investment and loan portfolio in assessing the potential risk in credit losses.	No	The portfolio is assessed on an individual borrower for its expected credit losses using: i) Probability of default ii) Loss of given default	No
Level 3 investments	As above				
Fair value estimates	Fair value is assessed by calculating the present values of the cash flows that will take place in the remaining term of the instrument in line with accounting policies	The Authority uses PWLB interest rates where applicable	Link Asset Services re: FV estimate of Loan Portfolio	For PWLB, interest rates prevailing at 31 March 2023; no early repayment or impairment is recognised; where an instrument will mature in the next 12 months, the carrying amount is assumed to be an approximation to fair value; and the fair value of trade and other receivables is taken to be the invoiced or billed amount	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	Provisions are identified through detailed monthly management accounts which flags any potential issues to management.	Each provision is separately reviewed by financial accountants and a working paper is put together to support the calculation.	As necessary on an individual basis	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No.
Accruals	We use standard accruals accounting – accruals are based on expenses incurred within the financial year that have not yet been paid.	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	No	See left	No
Credit loss and impairment allowances	Review of all assets including investments undertaken annually in line with the accounting policy	See left.	Discussion with Link Asset Services and internal asset team as appropriate.	N/A.	No.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities Page 37	Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower)	IFRS 16 - Accounting treatment of Leases	No	The Authority has no assets held under a finance lease.	No





MINUTES OF THE MEETING OF THE GOVERNANCE AND CONSTITUTION COMMITTEE held on Wednesday, 19 April 2023 at Lecture Theatre - Training Centre, Sadler Road, Winsford, Cheshire CW7 2FQ at 10.30 am

PRESENT: Councillors Rob Polhill (Chair), Rachel Bailey, David Brown, Brian Gallagher, Nick Mannion, James Nicholas and independent (non-elected) member Derek Barnett

1 PROCEDURAL MATTERS

A Recording of Meeting

Members were reminded that the meeting would be audio-recorded.

B Apologies for Absence

Apologies for absence were received from Councillor Nathan Pardoe.

C Declarations of Members' Interests

There were no declarations of Members' interests.

D Minutes of the Governance and Constitution Committee

RESOLVED:

That the minutes of the Governance and Constitution Committee held on Wednesday 16th November 2022 be confirmed as a correct record.

2 ANNUAL GOVERNANCE STATEMENT 2021-22 ACTION PLAN UPDATE

The Treasurer introduced the report which provided an update on the Annual Governance Statement (AGS) 2021-22 Action Plan. He highlighted each Area for Action and noted the progress made in March 2023.

A Member raised concerns that the formal Section 114 notice process had not been highlighted in previous years. The Treasurer assured her that officers were aware of the process, and it was the case of formally documenting the process.

RESOLVED: That

[1] the Annual Governance Statement 2021-22 Action Plan Update be noted.

3 DRAFT STATEMENT OF ASSURANCE 2022-23

The Director of Governance introduced the report which provided Members with an opportunity to review the draft Statement of Assurance for 2022-23. He explained

the document was produced annually as one of the requirements of the Fire and Rescue National Framework for England. It was noted that some information needs to be included once it had been finalised such as the Internal Auditor's opinion.

RECOMMENDED: That

[1] the draft Statement of Assurance be approved by the Fire Authority.

4 MEMBER CHAMPIONS ARRANGEMENTS

The Director of Governance introduced the report which allowed Members to consider the Member Champions arrangements and make recommendations to the Fire Authority.

He summarised the report which suggested that the existing Member Champions arrangements continue with an additional 'reporting' element during 2023-24. Members felt that it would be appropriate for the Member Champions to provide a summary of their work at Member Planning Days.

Members noted the importance of the Champion roles and highlighted the benefits they provided to the Service and local communities.

RECOMMENDED: That

[1] the existing Member Champions arrangements continue in 2023-24 (with a requirement for the Member Champions to share information about their role with all Members during the Municipal Year).

5 REVIEW OF ANTI-FRAUD AND ANTI-BRIBERY POLICIES

The Treasurer introduced the report which enabled Members to consider whether the Anti-Bribery Policy and the Anti-Fraud Policy remained fit for purpose. He advised that the policy had minor changes to reflect changes in staffing.

RESOLVED: That

[1] the Anti-Fraud and Anti-Bribery Policies both be approved.

6 REVIEW OF MEMBERS' CODE OF CONDUCT

The Director of Governance introduced the report which allowed Members to consider whether there should be any changes to the Members' Code of Conduct (the Code).

The report did not propose any changes to the Code other than a slight update which would be required should the Fire Authority confirm the change to the status of the Independent Audit Committee Member.

RECOMMENDED: That

- [1] subject to the Fire Authority confirming that the Independent Audit Committee Member would be a co-opted Member (as part of the decision concerning the responsibilities of the Audit Committee) the minor change to the Code set out in the report be approved by the Fire Authority.**

7 RESPONSIBILITIES OF AUDIT COMMITTEE (AND ANCILLARY MATTERS)

The Director of Governance introduced the report which replicated the version submitted to the Audit Committee prior to the meeting. He provided Members with a document that set out the Audit Committee arrangements recommended by the Audit Committee that had taken place immediately before the meeting. He went on to explain that certain constitutional changes would be necessary if the Audit Committee arrangements were approved.

RECOMMENDED: That

- [1] the attached document setting out the responsibilities (and ancillary matters) relating to the Audit Committee be approved by the Fire Authority, together with the constitutional revisions required as set out in the report.**

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PURPOSE

To provide an independent high-level focus on the adequacy of governance, risk and control arrangements.

RESPONSIBILITIES

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

MEMBERSHIP

Four elected Members drawn from the membership of the Governance and Constitution Committee and appointed in political proportion. One co-opted Independent Audit Committee Member.

The Chair of the Audit Committee will be one of the four elected Members.

NB – Substitutes are not allowed.

QUORUM

Three of the five members of the Committee must be in attendance for the meeting to be quorate.

ATTENDEES

In addition to the Audit Committee members, the individuals fulfilling the following roles will normally be expected to attend each meeting of the Audit Committee:

- Chief Fire Officer and Chief Executive, or Deputy Chief Fire Officer, or Assistant Chief Fire Officer
- Treasurer/Section 151 Officer and/or Head of Finance (or similar role(s))
- Monitoring Officer
- Internal Audit representative
- External Audit representative
- Officer responsible for risk management

Other officers can be required to attend upon request from the Committee.

TRAINING

All members of the Audit Committee are expected to undertake training. The Treasurer/Section 151 Officer will, in consultation with the External Auditor and Internal Auditor, prepare a training plan which will be approved by the Audit Committee. The Treasurer/Section 151 Officer will secure delivery of the training plan.

MEETING FREQUENCY AND OUTPUTS

The Audit Committee must meet regularly and in any event no less than four times a year. The timing of meetings will be co-ordinated taking into account various reporting requirements.

The Audit Committee must prepare an annual report which will include an evaluation of its impact.