



**Wednesday, 16 November  
2022**

**10.30 am or on the rise of Governance  
and Constitution Committee, whichever  
is later.**

**Meeting of  
Audit Committee  
Sadler Road  
Winsford  
CW7 2FQ**

Contact Officer:  
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## **Cheshire Fire Authority**

### **Notes for Members of the Public**

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The Agenda is usually divided into two parts. Most business is dealt with in the first part which is open to the public. On some occasions some business may need to be considered in the second part of the agenda, in private session. There are limited reasons which allow this to take place, e.g. as confidential information is being considered about an individual, or commercial information is being discussed.

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## **MEETING OF THE AUDIT COMMITTEE**

**WEDNESDAY, 16 NOVEMBER 2022**

**Time : 10.30 am**

**Lecture Theatre - Training Centre, Sadler Road, Winsford, Cheshire CW7 2FQ**

## **AGENDA**

**1      Introductions and apologies**

**2      Purpose of the Committee**

The responsibilities of the Committee are set out below:

To monitor the adequacy and effectiveness of the external audit of the Authority's services and functions and to:-

- i. Approve the nature and scope of the external audit of the Authority's services and functions;
- ii. Consider external audit reports;
- iii. Monitor the Authority's response to the external auditor's findings and the implementation of external audit recommendations.

To monitor the adequacy and effectiveness of the internal audit arrangements and to: -

- i. Approve the annual Internal Audit Plan;
- ii. Monitor progress against the Plan through the receipt of periodic progress reports and an annual Internal Audit Report;
- iii. Consider any internal audit that provides less than substantial assurance and/or includes any high or critical risk ratings;
- iv. Monitor the response to Internal Audit Reports and the implementation of recommendations.

**3      Internal Audit - role, Annual Plan and update**

(Pages 5 - 22)

The Internal Auditor will lead a discussion about the role of internal audit and the items that are attached to the agenda.

**4      External Audit - role, Annual Plan and update**

(Pages 23 - 82)

The External Auditor will lead a discussion about the role of external audit and the items that are attached to the agenda.

- |          |  |                  |
|----------|--|------------------|
| <b>5</b> | <b>Future Work Programme of the Committee</b>  | (Pages 83 - 84)  |
|          | This item is intended to allow the Committee to consider and agree the future work programme.  |                  |
| <b>6</b> | <b>Training and Development for Committee members</b>  | (Verbal Report)  |
|          | This item is intended to allow the Committee to consider and agree the training and development requirement of the members of the Committee. |                  |
| <b>7</b> | <b>Internal Audit Report - Business Continuity Planning Review</b>   | (Pages 85 - 100) |
| <b>8</b> | <b>Internal Audit - Progress Report Quarter 2 2022-23</b>  | (Pages 101 -110) |



# Internal Audit Charter

Cheshire Fire and Rescue Service

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- 1 Introduction & Background**
- 2 Standard 1000 - Purpose, Authority and Responsibility**
- 3 Standard 1100 - Independence and Objectivity**
- 4 Standard 1200 - Proficiency and Due Professional Care**
- 5 Standard 1300 - Quality Assurance and Improvement Programme**
- 6 Standard 2000 - Managing the Internal Audit Activity**
- 7 Standard 2100 - Nature of Work**
- 8 Standard 2200 - Engagement Planning**
- 9 Standard 2300 - Performing the Engagement**
- 10 Standard 2400 - Communicating Results**
- 11 Standard 2500 - Monitoring Progress**
- 12 Definitions**

## 1 Introduction & Background

The Internal Audit Charter is mandated through the Public Sector Internal Audit Standards (2016) and is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

This Charter is structured around the Public Sector Internal Audit Standards (2016) and also the CIPFA Local Government Application Note (LGAN).

### Public Sector Internal Audit Standards – Attribute Standards

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- 1000 - Purpose, Authority and Responsibility
  - 1100 - Independence and Objectivity
  - 1200 - Proficiency and Due Professional Care
  - 1300 - Quality Assurance and Improvement Programme
- 

### Public Sector Internal Audit Standards – Performance Standards

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- 2000 - Managing the Internal Audit Activity
  - 2100 - Nature of Work
  - 2200 - Engagement Planning
  - 2300 - Performing the Engagement
  - 2400 - Communicating Results
  - 2500 - Monitoring Progress
  - 2600 – Communicating the acceptance of risks.
- 

MIAA confirms ongoing compliance with the Public Sector Internal Audit Standards.

## 2 Standard 1000 - Purpose, Authority and Responsibility

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<sup>1</sup>”.

The provision of assurance services is the primary role for internal audit in the Public Sector. This role requires the internal auditor to provide an independent opinion based on an objective assessment of the framework of governance, risk management and control. The main purpose of internal audit activity within the Public Sector is therefore to provide the Accountable or Accounting Officer with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The Director of Internal Audit’s opinions is a

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key element of the framework of assurance that the Accountable or Accounting Officer needs to inform the completion of the Annual Governance Statement (AGS).

Internal audit also provides an independent and objective consultancy service which is advisory in nature, and generally performed at the specific request of the organisation. Such consultancy work is separate from but contributes to the opinion which internal audit provides on risk management control and governance. When performing consulting services, the internal auditor will maintain objectivity and not take on management responsibility.

The above functions drive MIAA's Mission Statement "To support improved public service outcomes through a world class shared service for audit, assurance, challenge and solutions".

Assurance Reviews will provide individual audit opinions to support the annual Director of Internal Audit Opinion. Formal agreement will be sought for the provision of third party assurances to other bodies in respect of any services provided by the organisation.

In accordance with the organisation's Financial Regulations, Internal Auditors will (without necessarily giving prior notice) have access to all records (including those of a confidential nature) and employees of the organisation.

### **3 Standard 1100 - Independence and Objectivity**

The internal audit activity must be independent, and internal auditors must be objective in performing their work. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Director of Internal Audit will have direct and unrestricted access to senior management and the Audit Committee.

The Director of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The Director of Internal Audit will report functionally to the Audit Committee and establish effective communication with, and have free and unfettered access to, the Accountable Officer and the Chair of the Audit Committee. This will include communicating and interacting directly with the Audit Committee.

Internal audit activity will be free from interference in determining the scope of internal auditing, performing work and communicating results. Internal auditors will have an impartial, unbiased attitude and avoid any conflict of interest. Conflicts of interest may arise where an auditor provides services other than internal audit to the organisation. Steps will be taken to avoid or manage transparently and openly such conflicts of interest, so that there is no real or perceived threat or impairment to independence in performing the audit role.

All internal auditors will complete an annual declaration of interest identifying possible conflicts of interest and the actions taken to mitigate them. This process, and its outcomes, will be communicated to the Audit Committee annually through the Director of Internal Audit Opinion and Annual Report.

MIAA will also periodically review the specific audit manager assigned to the organisation to ensure that both parties are satisfied that relationships remain independent and objective.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

## 4 Standard 1200 - Proficiency and Due Professional Care

Engagements will be performed with proficiency and due professional care. Internal auditors will possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively will possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities. The Director of Internal Audit is professionally qualified and is responsible for ensuring access to the full range of knowledge, skills, qualifications and experience to meet the requirements of the Internal Audit Standards. MIAA internal auditors will ensure Continuing Professional Development and compliance with professional standards.

Internal auditors will apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

## 5 Standard 1300 - Quality Assurance and Improvement Programme

The Director of Audit will develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme will include both internal and external assessments.

- Internal assessment will include;
  - Ongoing monitoring of the performance of the internal audit activity; and
  - Periodic self-assessments or assessment by other persons within the organisation with sufficient knowledge of internal audit practices.

External assessments will also be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation. The results of external quality reviews and any consequent improvement plans will be reported to the Accountable/Accounting Officer and Audit Committee.

## 6 Standard 2000 - Managing the Internal Audit Activity

The Director of Internal Audit will develop and maintain an Internal Audit strategy designed to meet the main purpose of the internal audit activity and its service provision needs. This strategy will advocate a systematic and prioritised review, outlining the resources and skills required to meet the assurance needs of the Accountable/Accounting Officer and Audit Committee. The strategy will take into account the relative risk maturity of the organisation, taking due regard of the Assurance Framework.

The Director of Internal Audit will establish risk based plans to determine the priorities of the internal audit activity consistent with the organisation's goals.

The Director of Internal Audit will include in the internal audit strategy the approach to using other sources of internal and external assurance. Periodic plans will include any work associated with placing reliance upon such work.

The Director of Internal Audit will agree the strategy and periodic plans with the Accountable/Accounting Officer and Audit Committee.

Where the Director of Internal Audit believes that the level of agreed resources will prevent the Accountable/Accounting Officer being provided with an opinion on the overall adequacy and

effectiveness of the organisation's framework of governance, risk management and control, the consequences will be brought to the attention of the Audit Committee.

The Director of Internal Audit will agree arrangements for interim reporting to the Accountable/Accounting Officer and Audit Committee in the course of the year and produce an annual report that incorporates his opinion.

The Director of Internal Audit will provide to the Accountable/Accounting Officer an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, timed to support the Annual Governance Statement.

## **7 Standard 2100 - Nature of Work**

The internal audit activity will evaluate and contribute to the improvement of governance, risk management and control processes, using a systematic and disciplined approach.

The internal audit activity will also evaluate the potential for the occurrence of fraud and consider how the organisation manages fraud risk. CIPFA has issued a Code of Practice on Managing the Risk of Fraud and Corruption. While compliance with the code is voluntary, CIPFA strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk. The Director of Internal Audit should be notified of all suspected or detected fraud, corruption or impropriety in order to inform the annual opinion and any forward risk based plans.

The Director of Internal Audit will also liaise with the organisation's external auditors and other review bodies to facilitate the effective co-ordination of audit resources and assurances.

## **8 Standard 2200 - Engagement Planning**

The Director of Internal Audit will establish a risk based Internal Audit Plan in conjunction with the client and with the agreement of the Audit Committee. The plan will set out the priorities for Internal Audit activity, consistent with the organisations goals and objectives.

Internal auditors will develop and document a terms of reference for each engagement, including the engagement's objectives, scope, timing and resource allocations, based on an evaluation of the nature and complexity of each engagement, time constraints and available resources. A work plan will be developed and documented that achieves the engagement objectives.

Internal audit will meet regularly with the external auditor to consult on audit plans and discuss matters of mutual interest.

## **9 Standard 2300 - Performing the Engagement**

Internal audit will identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. Internal auditors will base conclusions and engagement results on appropriate analyses and evaluations. Internal auditors will document relevant information to support the conclusions and engagement results.

Engagements will be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.

## **10 Standard 2400 - Communicating Results**

Internal auditors will communicate the engagement results with appropriate parties, including the engagement's objectives and scope, as well as applicable conclusions, recommendations and action plans

Working with the organisation, the Director of Internal Audit will ensure that communications are accurate, objective, clear, concise, constructive, complete and timely.

The Director of internal Audit will deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement.

The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control.

The annual report will incorporate;

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

## 11 Standard 2500 - Monitoring Progress

The Director of Internal Audit will establish and maintain a follow-up process to monitor that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. This will be operated to support the organisation in ensuring the implementation of actions, and reporting progress to the Audit Committee.

## 12 Standard 2600 - Communication the Acceptance of Risks

When the Director of Internal Audit believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation, the Director of Internal Audit will discuss the matter with senior management. If the decision regarding residual risk is not resolved, the Director of Internal Audit will report the matter to the Audit Committee for resolution.

### Code of Ethics

MIAA will operate within the definition of Internal Auditing and ensure that the Code of Ethics (Institute of Internal Auditors, 2017) underpins the internal audit services provided to the organisation.

INTEGRITY	OBJECTIVITY
<ul style="list-style-type: none"><li>• Honesty, diligence &amp; responsibility</li><li>• Legal &amp; professional disclosure</li><li>• Contribution to legitimate &amp; ethical objectives</li></ul>	<ul style="list-style-type: none"><li>• Unbiased assessment</li><li>• Relationships</li><li>• Not subject to undue influence</li><li>• Conflict of interest disclosure</li></ul>
CONFIDENTIALITY	COMPETENCY
<ul style="list-style-type: none"><li>• Prudence in use &amp; protection of information</li></ul>	<ul style="list-style-type: none"><li>• Knowledge, skills and experience</li></ul>

<ul style="list-style-type: none"><li>Not use information for personal gain or contrary to legal requirements</li></ul>	<ul style="list-style-type: none"><li>Compliance with standards and professional practice</li><li>Continuous improvement</li></ul>
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## 13 Definitions

<b>Board</b>	The Fire and Rescue Authority with overall responsibility for governance.
<b>Accountable Officer</b>	Officer responsible and accountable for funds entrusted to the organisation.
<b>Audit Committee</b>	The committee with overall responsibility for overseeing the establishment of an effective system of governance, risk management and control across the organisation's activities and among all those charged with governance, fulfilling the principles of good governance.
<b>Director of Internal Audit</b>	Acts as the Chief Audit Executive as the independent corporate executive with overall responsibility for internal audit.
<b>Senior Management</b>	The overall Senior Lead agreed by the organisation for each audit engagement.

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# Cheshire Fire and Rescue Service Internal Audit Plan (FINAL)

approved by Fire Authority 27<sup>th</sup> April 2022

2022/2023

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2. Transforming Internal Audit
3. Internal Audit Risk Assessment
4. Internal Audit Plan On A Page
5. Operational Internal Audit Plan 2022/23



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**MIAA Assurance** - provision of cost effective assurance (governance, risk and control)  
Insight (advice and best practice) and foresight (supporting clients on up and coming issues).

These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience.

# 1 Executive Summary

## 1.1 Working in partnership with you

MIAA Assurance, providing cost effective assurance, insight and foresight. These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience.



### Working with you

- ✓ Strong relationships
- ✓ In depth knowledge and understanding of organisation
- ✓ Strong risk assessment
- ✓ Tailored plan focused on your risks
- ✓ Focus on areas for improvement
- ✓ Flexible and responsive

- ✓ Strong service KPIs and delivery
- ✓ Events and Networking
- ✓ Advisory support
- ✓ Fully compliant External Quality Assessment

## 1.2 Your Risk Assessment

A strong risk assessment underpins the Internal Audit Plan. This has focused upon your Strategic Risk Register as this represents **Cheshire Fire and Rescue Service's** own assessment of the risks to achieving its strategic objectives.

## 1.3 Your Internal Audit Plan

Your Internal Audit service includes core assurances, a review of national and regional risk areas and strategic risks from your Risk Register. The draft plan is based on an initial risk assessment and provides indicative coverage for the organisation. The plan will remain flexible to allow for responses to emerging challenges that the organisation may face.

We will actively engage across the organisation to ensure we have a full and detailed understanding of your risks and can ensure we focus our work to best effect.

MIAA insights, including briefings and events will be integral to your plan.

**Your fees for 2022/23 are £22,700**

## 1.4 Your Internal Audit Team



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## 2 Transforming Internal Audit

### Internal Audit, Assurance and Solution Plans

We have always been quick to respond to changes in our clients operating environment and this has been evident in our delivery throughout the Covid19 pandemic which saw our teams work with flexibility and agility to deliver your internal audit service.

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Our vision is for MIAA to continue to be a Trusted Advisor through the retention of personalised, local focus and relationships with the added benefits provided by an at scale provider.

This is about MIAA continuing to build on its shared services capability to create a comprehensive offering, which provides insight and supports transformational change whilst operating efficiently.

MIAA continue to review and re-engineer our audit service and the way we provide assurance to meet your needs in the changing landscape.

# 3 Internal Audit Risk Assessment

The internal audit plan is built from a risk assessment which has considered national and local system risks and your local strategic risk assessment, along with our breadth of experience and understanding of the challenges you face.

A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your objectives. This in turn ensures that the assurances provided are built around your risks.

The initial strategic risk assessment and internal audit risk assessment has considered:

- Organisation intelligence** – including review of your Strategic Risk Register, Integrated Risk Management Plan, HMICFRS inspection outcomes and operational plans and performance.
- Mandated assurance** – including core systems assurances to provide a Head of Internal Audit Opinion and Public Sector Internal Audit Standards requirements.
- Previous Internal Audit coverage** – we have reviewed your previous Internal Audit coverage to ensure the proposed plan does not duplicate coverage.
- Follow Up** – Internal Audit coverage will also include follow up of outstanding internal audit actions.



# 4 Your plan on a Page

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## Planning Approach

- Risk Assessment of the external environment, system and organisation (including the Strategic Risk Register and Integrated Risk Management Plan).
- Engagement of Senior Management Team to influence the plan Use of MIAA's client risk database to inform planning.
- Coverage of Critical Business Systems to support organisation's objectives through the strategic internal audit plan.
- Provision of sufficient resources and expertise.
- Compliance with Public Sector Internal Audit Standards (PSIAS).

## Your Plan

The outcome of your risk assessment is summarised below:

### Organisational Reviews

Provision of assurances across core and risk based reviews:

- Financial Systems including Reserves
- Blue Light Collaboration
- Business Continuity
- M365 Rollout / deployment
- Risk Management Board

## Outcomes

Head of Internal Audit Opinion to inform the AGS

Assignment assurance levels

## Follow Up and Contingency

Recommendations, advice, and guidance to enhance the control environment

Insights through briefings, thought leadership events and benchmarking.

## 5 Operational Internal Audit Plan 22/23

Review & Scope	Strategic Risk Ref / Rationale	Audit Days	Planned Delivery	Lead
Governance , Risk and Legality				
<b>Risk Management Board:</b> Attendance and contribution to Risk Management Board	<b>Management Request</b>	1	Q1 – Q4	Director of Governance & Commissioning
Finance & Sustainability				
<b>Key Financial Controls including Reserves:</b> Annual evaluation of the key financial controls. We will also undertake additional work on the management and use of reserves/effectiveness of PBB process.	<b>Core Assurance</b>	15	Q3	Treasurer / Head of Finance
Operational Compliance				
<b>Business Continuity:</b> To ensure that CFRS has adequate business continuity plans in place to respond to and recover from a significant incident or loss of service. We will focus on IT loss and include arrangements for NW Fire Control.	<b>Management Request</b>	10	Q1	Head of Operational Policy and Assurance
People and Performance				
<b>Blue Light Collaboration:</b> The audit will focus on the effectiveness of performance management, governance and cost sharing arrangements.	<b>Risk Map</b>	14	Q2	Deputy Chief Fire Officer / Director of Governance & Commissioning
Information and Technology				
<b>Microsoft365 Delivery:</b> Evaluation of the deployment and rollout of M365. This will include consideration of the approach to information management and impact on working practices.	<b>Risk Map</b>	10	Q2	Director of Governance & Commissioning
Follow up & Contingency				
Follow up and Contingency	<b>PSIAS requirement</b>	10	Q1 – Q4	Director of Governance & Commissioning
Planning & Reporting				
Planning, Management, Reporting & Meetings	<b>PSIAS requirement</b>	10	Q1 – Q4	Director of Governance & Commissioning

## **Public Sector Internal Audit Standards**

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

### **Limitations**

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

# Cheshire Fire and Rescue Service audit plan

Year ending 31 March 2022

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7 April 2022



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	<b>Your key Grant Thornton team members are:</b>
<b>Page 24</b>	
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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 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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# Significant improvements from the Financial Reporting Authority's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

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Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of Covid 19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

# Significant improvements from the Financial Reporting Authority's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge

Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Key matters

## Factors

### Authority developments

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. We have continued to hold regular meetings with the senior finance team at the Authority. During these meetings we discuss a range of key issues regarding the Authority's general developments, current and projected financial performance, governance issues and regulatory oversight. The budget for 21/22 was set with a revenue budget of £46.2m and a planned in-year capital expenditure programme of £8.2m. At quarter 3 the Authority is forecasting an overall underspend on revenue of £0.1m. Pay awards have meant that there have been overspends in some areas as they were not anticipated in the original budget. At quarter 3 the capital programme was forecasting an overspend on the overall capital programme of £1.4m, mainly from the new operational training facility in the prior year and the Authority are moving to reconsider some of their proposed capital programme in light of rising construction industry costs since the programme was first outlined. Operational performance remains strong with most targets being met although availability of on-call fire engines and employee sickness and injury remains a challenge.

### Recovery from Covid 19 pandemic

There are ongoing economic uncertainties brought about by the Covid 19 pandemic, as the public sector continues to operate within the constraints of a one year funding settlement. Precept flexibility remains the key source of growth in funding to the sector, which has been utilised by Fire Authorities nationally. The government has provided a range of financial support packages throughout the pandemic. This has included additional funding to support the deficit on the collection fund, the cost of services or offset other income losses.

The Covid 19 pandemic has been well managed by the Authority and they have adapted working and governance arrangements to maintain their robust processes and our assessment is that the Authority has developed a good understanding of its financial and wider governance risks during the pandemic and, despite future financial uncertainty about medium term government funding, is well placed to address post Covid 19 challenges.

However, Covid 19 continues to impact on the Authority's operations, including the on-call availability and sickness mentioned above. A total of 1,115 days of On Call cover were lost between October and December 2021 due to On Call firefighters either contracting Covid or self isolating as a result of someone in their house testing positive or, having a close contact with a positive case. In quarter 3, 279 days were lost due to staff having Covid 19.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work has been discussed and agreed with management.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will consider progress against previously agreed recommendations.
- We will continue to provide you with sector updates via our Authority updates.
- We have identified significant risks in regards to management override of control, valuation of land and buildings and valuation of the net pension liability – refer to pages 8 & 9.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Cheshire Fire Authority ('the 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. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor. We draw your attention to both of these documents.

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## 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 Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Fire Authority); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Authority of your responsibilities. It is the responsibility of the 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 Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

## 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 Land & Buildings; and
- Valuation of Pension Fund Net Liability

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.

## Materiality

We have determined planning materiality to be £1,114k (PY £1,114k) for the Authority, which equates to 2% of your prior year gross expenditure for the year. 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 £56k (PY £56k).

## Value for Money arrangements

Our initial risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

## Audit logistics

Our interim visit took place in March and April 2022 and our final visit will take place in July -September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our anticipated fee for the audit is yet to be confirmed (PY: £37,742). The proposed fee will be based on the Authority delivering a good set of financial statements and working papers.

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..

# 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
International Standard of Auditing (ISA) 240 and Practice Note (PN) 10 revenue/expenditure risk	Under ISA 240 (UK) and PN 10 there is a rebuttable presumed risk that revenue and expenditure may be misstated due to the improper recognition of revenue and expenditure. The presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue and expenditure recognition.	<p>Having considered the risk factors set out in ISA 240, PN 10, and the nature of the revenue and expenditure streams at the Authority, we have determined that the risk of Fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue and expenditure recognition.</li> <li>• opportunities to manipulate revenue and expenditure recognition are very limited as approximately 94% of the Authority's gross income is from taxation or government grants, and a significant proportion of expenditure is easily verifiable.</li> <li>• the culture and ethical frameworks of local authorities, including Cheshire Fire and Rescue Service, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for Cheshire Fire and Rescue Service.</p> <p>We will continue to review and test, on a sample basis, material revenue and expenditure transactions, ensuring that it remains appropriate to rebut the presumed risk of revenue and expenditure recognition.</p>

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals.</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals.</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of land and buildings	<p>The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current or fair value at the financial statements date, the Authority requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, in particular any large or unusual assets or where there have been movements in valuations outside our expectations, as well as testing a sample of those within our expectations. This is one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert.</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.</li> <li>• discuss with the valuer the basis on which the valuations were carried out.</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding.</li> <li>• Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register.</li> <li>• Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Local Government Pension Scheme (LGPS) pension net liability as reflected in the balance sheet, and asset and liability information disclosed in the notes to the accounts, represent a significant estimate in the financial statements.</p> <p>The Firefighters Pension scheme's pension fund liability as reflected in the balance sheet and notes to the accounts also represents a significant estimate in the financial statements.</p> <p>These estimates by their nature are subject to significant estimation uncertainty being sensitive to small adjustments in the key assumptions used.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report;</li> <li>• agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; and</li> <li>• obtain assurances from the auditor of Cheshire 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 fund assets valuation in the Cheshire Pension Fund financial statements.</li> <li>• test the data provided to the actuary of the Fire Fighter Pension Fund.</li> </ul>

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 Report.

# Accounting estimates and related disclosures

The Financial Reporting Authority issued an updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified one recommendation in our 2020/21 audit in relation to the Authority's estimation process for the valuation of land and buildings.

## Introduction

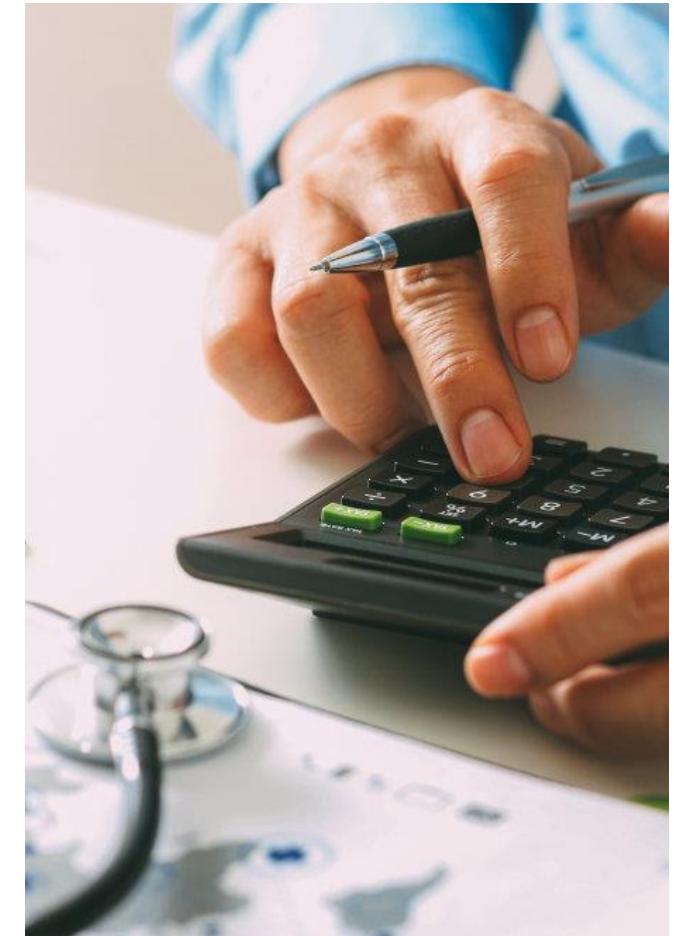
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- 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 entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity'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 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?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Depreciation
- Year end provisions and accruals
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

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## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



## Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 [Revised December 2018], auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

## Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management through our Informing the Audit Risk Assessment document as a separate exercise. This document will also be presented to the Authority meeting to confirm that the Authority, as Those Charged with Governance, considers the responses to be consistent with their understanding.

## Further information

Further details on the requirements of ISA (UK) 540 [Revised December 2018] can be found in the auditing standard on the Financial Reporting Authority's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# 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 and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the 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 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the 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; and
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

# Materiality

## The concept of materiality

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1,114k (PY £1,114k) for the Authority, which equates to 2% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £16k for senior officer remuneration.

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.

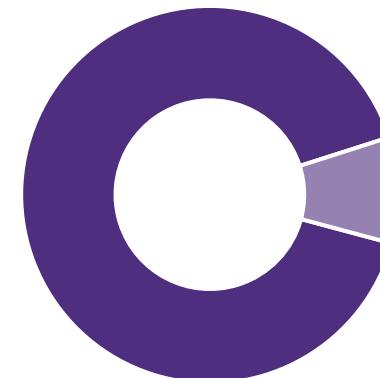
## Matters we will report to the Authority

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 Authority 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. 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. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £56k (PY £56k).

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.

## Prior year gross operating costs

£40.752 Authority  
(PY: £40.752M)



## Materiality

£1,114k  
Authority financial statements materiality (PY: £1,114k)

£56k  
Misstatements reported to the Authority (PY: £56k)

- Prior year gross operating costs
- Materiality

# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office(NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources . When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:

 <p><b>Improving economy, efficiency and effectiveness</b></p> <p>Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.</p>	 <p><b>Financial Sustainability</b></p> <p>Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)</p>	 <p><b>Governance</b></p> <p>Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information</p>
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We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



# Audit logistics and team



**Michael Green, Key Audit Partner**

Michael has overall responsibility for the audit and the opinions, for ensuring the quality of our audit work and for ensuring we provide you with the best service possible.



**Liz Luddington, Audit Manager**

Liz is responsible for the technical and logistical aspects of the audit. She will be the first point of contact for your Treasurer and the finance team.



**Chelsey Taylor, Audit Incharge**

Chelsey is the day to day contact for finance staff and is responsible for the day to day supervision of the audit team. She will regularly engage with the finance team during our visits to ensure there are no surprises arising from our work.

## Audited body 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 audits. Where the elapsed time to complete an audit exceeds that agreed due to a client 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 a client 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 agreed timetable 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 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 items for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

# Audit fees

PSAA awarded a contract of audit for Cheshire Fire and Rescue Service with the fee initially agreed in the contract at £22,992. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

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 detailed on pages 11 and 12 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

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 for 2021/22 is currently being considered given ongoing financial reporting and economic developments. We will discuss the proposed fee with management over the coming months and communicate this to Those Charged with Governance within the Audit Findings Report.

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	<b>Actual Fee 2020/21</b>	<b>Proposed fee 2021/22</b>
Total audit fees (excluding VAT)	£37,742	£TBC

## Assumptions

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of financial statements , 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.

## Relevant professional standards

In preparing our fee estimate, 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.

# 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 Reporting Authority'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. 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 Authority.

## Other services

No other services provided by Grant Thornton were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations

The tablet screen displays the following sections:

- File sharing:** Shows a list of documents and files for review.
- Benchmarking and insights:** Displays financial metrics and KPIs such as Income per Employee (£15,297), Debtors Turnover (3.9 times), Income Revenue Realizable by Value (1.1%), Average Sales Value (£299), Credit Period (92.6 days), Trade Creditors / Trade Debtors (0.1), Income / Tangible Assets (18.7), Income in Total Income (0.6%), Income Increase by Volume (0.7%), and Income Increase by Volume (0.7%).
- Analytics – Relationship mapping:** A diagram showing relationships between different entities like Financial, Performance, and Control Committee.
- Project management:** A table listing project requests with columns for Group, Engagement, Phase, Category, Request, Status, Is Due?, Days Overage, Responsible Engagement User, and Responsible Client User. Examples include 'Opening balances reconciliation' and 'Overall control environment'.
- Analytics – Visualisations:** Two charts showing Income Summary and Cost of sales Summary across various categories.



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

# Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Authority's financial statements, which resulted in one recommendations being reported in our 2020/21 Audit Findings Report. As part of our risk assessment we have considered the impact of unadjusted prior period errors and have not identified any impact on the current year audit in respect of that adjustment.

We are pleased to report that management are implementing our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Page 43	<p>Our work on Property Plant &amp; Equipment identified that management were not complying with their accounting policy for application of annual depreciation charges for building assets - 'Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer'.</p> <p>We identified that the valuer's report does not currently include an estimation of useful life. However management have been complying with the accounting standard requirements of IAS16 and have been reviewing the residual value and the useful life of an asset at least at each financial year-end.</p>	<p>The external valuer has changed for 2022-23 and as part of the new contract, they will include estimation of useful life. This will form part of the asset register's calculations going forward.</p>

# Appendix 2: Progress against prior year VfM recommendations

We made three improvement recommendations as part of our Value for Money audit, as presented to the Authority Meeting in our Auditors Annual Report in December.

We are pleased to report that management are looking at the best ways to implement our recommendations, and acknowledge some of them will take a while to implement.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress Page 44	We recommended that the Authority consider establishing a separate Audit Committee and to consider appointing an independent member with a suitable financial background as recommended by the Redmond review.	The Fire Authority will consider a recommendation from Governance and Constitution Committee at its meeting in April 2022 about the creation of an Audit Committee made up of four elected members and one independent audit member (to be appointed during Quarter 1, 2022-23). The Audit Committee is expected to have responsibility for internal audit as well as external audit.  The Audit Committee should be in place from the Fire Authority meeting in June 2022.
In progress	We recommended that Cheshire Fire look at integrating financial performance reporting with service delivery performance reporting. One way to achieve this could be to require reports to have a financial input from Finance Business Partners before they can be agreed.	The performance reports that are considered by Performance and Overview Committee will, in future, include an entry concerned with financial aspects. Initially, this will simply show the budget, forecast outturn and whether an underspend or overspend is anticipated. Over time this may be developed further. This will help link performance and finance.  The change will apply to reports to Performance and Overview Committee in July 2022.
In progress	We recommended that Cheshire Fire look at reviewing their procurement protocols to be more in line with police as there is a shared procurement department.	Proposed changes to the procurement protocols have been prepared and are currently being discussed with the Head of Finance. They will also be considered by the new Treasurer when he takes up his role in the second half of April 2022. The proposed changes should provide scope for reducing the burden on the strategic procurement department. They should also assist other support services, e.g. estates, where some low cost items involve greater procurement activity than is justified.  The changes should now be implemented in Quarter 1, 2022-23.

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# The Audit Findings for Cheshire Fire Authority

Year ended 31 March 2022

Cheshire Fire Authority  
September 2022

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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 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and are being presented to the 28 September Authority meeting.

Michael Green  
For Grant Thornton UK LLP  
Date : September 2022

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cheshire Fire Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2022 for those charged with governance.

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## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and Authority's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Firefighter Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 5 to 17. We have identified no adjustments to the financial statements other than minor disclosure adjustments. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware from our work to date that would require modification of our audit opinion in Appendix E or material changes to the financial statements, subject to the following outstanding matters;

- Completion of our work on Property, Plant and Equipment – delayed due to not receiving responses from the valuer until 12 September and still awaiting some information;
- Finalisation of our work on pensions, including confirmation of pension fund asset values from the pension fund auditor and finalisation of our work on the pension fund account – confirmation from pension fund auditor still outstanding as well as queries outstanding with the actuary;
- Completion of our work on collection fund debtors and creditors;
- Finalising our work on the Expenditure and Funding and Reserves;
- Completion of all substantive testing as well as final manager and engagement lead review of all outstanding areas including responses to previous reviews;
- Receipt of management representation letter – see appendix F; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risk in respect of this at this point.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Annual Auditor's report in November/December 2022, and upon completion of our Whole of Government Accounts reporting, the timetable for which has not yet been issued.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and shared with the Authority for the 28 September meeting.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Authority meeting on 28 September 2022, as detailed in Appendix E. These outstanding items are listed on slide 4.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. We did experience some delays in information from the Authority's experts on Property, Plant and Equipment only receiving responses to our enquiries from April 2022 in September 2022.

# 2. Financial Statements



## 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.

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Materiality levels increased from those reported in our audit plan on 27 April 2022. We have revised the performance materiality due to the actual gross expenditure changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table opposite our determination of materiality for Cheshire Fire Authority.

	<b>Authority Amount (£)</b>	<b>Qualitative factors considered</b>
Materiality for the financial statements	£1,221,162 [£1,114,200 per audit plan]	Financial performance of the Fire Service, focussing on the expenditure.
Performance materiality	£915,872 [£835,650 per audit plan]	Quality of working papers in prior year with few misstatements identified in previous years and Authority response to audit processes and a stable, robust control environment
Trivial matters	£61,100 [£55,700 per audit plan]	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration	£16,042 [£15,682 per audit plan]	Materiality has been reduced for remuneration disclosures due to the sensitive nature and public interest.



# 2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals.</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals.</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence.</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>A sample of journals was selected based on consideration of specific risk based criteria. Testing is substantially complete subject to some review queries and to date has not identified any instances of management override and that journal entries are consistent with expectations.</p> <p>We did not identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention. Work on Property, Plant and Equipment valuations and pension estimates is still ongoing as noted in the specific sections for these areas.</p>



# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### ISA240 and PN 10 revenue/expenditure risk

Under ISA 240 (UK) and PN 10 there is a rebuttable presumed risk that revenue and expenditure may be misstated due to the improper recognition of revenue and expenditure. The presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue and expenditure recognition.

Having considered the risk factors set out in ISA 240, PN 10, and the nature of the revenue and expenditure streams at the Authority, we have determined that the risk of Fraud arising from revenue and expenditure recognition can be rebutted, because:

- there is little incentive to manipulate revenue and expenditure recognition.
- opportunities to manipulate revenue and expenditure recognition are very limited as approximately 94% of the Authority's gross income is from taxation or government grants, and a significant proportion of expenditure is easily verifiable.
- the culture and ethical frameworks of local authorities, including Cheshire Fire and Rescue Service, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Cheshire Fire and Rescue Service.

We tested, on a sample basis, material revenue and expenditure transactions, ensuring that it remained appropriate to rebut the presumed risk of revenue and expenditure recognition. Our work is substantially complete and based on findings to date, there have been no issues identified that would alter our assessment as reported in the audit plan.

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### Valuation of Property, Plant and Equipment

The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, such as 2021/22, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register.

Page 10 provides a detailed assessment of the estimation process for the valuation of the property, plant and equipment.

At the timing of writing, we have not completed our work in this area as responses from the valuer were only received on 12 September but we hope to be in a position to give an update at the Authority meeting.

In 2020/21 we identified an issue with depreciation calculation and the fact that management were not complying with their stated accounting policy. Management updated this for 2021/22 and once our work on depreciation is complete we will be able to confirm that our recommendation in this respect was implemented. We have raised a further recommendation in respect of Property, Plant and Equipment for 2021/22 as the new valuer appointed to do the 2021/22 valuation did not have remeasurement of any buildings within his scope. We would recommend that management consider a rolling cycle of remeasurements are included as part of the valuer's scope. This recommendation can be seen in Appendix A.

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of pension fund net liability

The Authority's pension fund net liability is made up of amounts relating to the Local Government Pension Scheme (£5.5m) and the Firefighters Pension scheme (£598.8m). These liabilities totalling £604.3m in the Authority balance sheet, represent a significant estimate in the financial statements that is sensitive to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1 change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report; and
- requested assurances from the auditor of Cheshire 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 fund assets valuation in the Cheshire Pension Fund financial statements.
- tested the data provided to the actuary of the Fire Fighter Pension Fund.

Pages 11-12 provide a detailed assessment of the estimation process for the valuation of the pension fund net liability

At the time of writing, our work on pension liabilities is ongoing, pending receipt of assurances from the auditor of Cheshire 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 fund assets valuation in the pension fund financial statements as well as finalisation of our review process and we are awaiting a response from the actuary to some queries.

The assumptions used in calculating the net pension liability of both schemes are considered to be in line with expectations and at this stage we have not identified any issues with the estimation process.

# 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Land and Building valuations – £95m</b>  <span style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 56</span>	<p>Management outsource the valuation of their land and buildings to an appropriately qualified external valuer, Bruton Knowles, who were a new valuer for 2021/22.</p> <p>The valuations are undertaken on a 5 year rolling programme, the Authority usually tender a 5 year contract for the revaluations. In year 1, a full valuation is undertaken and then a desktop valuation is undertaken in the 4 subsequent years, until a full valuation is again due to be undertaken. Given the timing of the appointment of the new valuer in 2021/22 the valuer performed a desktop valuation and will perform a more detailed review in 2022/23.</p> <p>All Land and Buildings are revalued each year in line with the Entity's revaluation programme. The total year end valuation of land and buildings was £95m, a net increase of £4m from 2020/21 (£91m)</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work;</li> <li>• assessed the competence, capability and objectivity of management's experts;</li> <li>• tested the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>• worked with the valuers to understand the basis on which the valuations were carried out and considered whether the requirements of the Code were met;</li> <li>• considered the potential impact of changes between valuation date and balance sheet date;</li> <li>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>• tested revaluations made during the year to confirm that they had been input correctly into the Service's asset register;</li> <li>• considered the reasonableness of changes in estimated values based on all of the available evidence and wider sector knowledge; and</li> <li>• considered the adequacy of the disclosure of the estimates in the financial statements.</li> </ul> <p>As noted on page 8, our work in this area is still ongoing primarily due to a tardy response from the valuer. The work performed to date does not indicate any lack of robustness in management's process for producing this estimate.</p>	<span style="color: red;">TBC</span>

## Assessment

- Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension liability – £604m</b>	<p>The actuarial gains and losses figures are calculated by the Authority's actuarial experts. These figures are based on making % adjustments to the closing values of assets/liabilities.</p> <p>The Authority's total net pension liability at 31 March 2022 is £604m (PY £602m).</p> <p>The Authority uses Hymans Robertson LLP and the Government Actuary's Department to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation of the LGPS was completed in 2019 and 2020 for the FPS. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £8.6m net actuarial gain during 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work;</li> <li>• undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures as suggested in the report (continued overleaf);</li> </ul> <table border="1" data-bbox="810 711 1882 1319"> <thead> <tr> <th data-bbox="826 711 1215 811">Assumption</th><th data-bbox="1253 711 1417 811">Actuary Value - LGPS</th><th data-bbox="1455 711 1619 811">Actuary Value - FPS</th><th data-bbox="1657 711 1866 811">Assessment by Auditors expert PwC</th></tr> </thead> <tbody> <tr> <td data-bbox="826 822 1215 874">Discount rate</td><td data-bbox="1253 822 1417 874">2.70%</td><td data-bbox="1455 822 1619 874">2.00%</td><td data-bbox="1657 822 1866 874">● - Assumptions considered reasonable</td></tr> <tr> <td data-bbox="826 886 1215 1017">Pension increase rate</td><td data-bbox="1253 886 1417 1017">3.20%</td><td data-bbox="1455 886 1619 1017">3.00%</td><td data-bbox="1657 886 1866 1017">● - Assumptions considered reasonable</td></tr> <tr> <td data-bbox="826 1029 1215 1081">Salary growth</td><td data-bbox="1253 1029 1417 1081">3.90%</td><td data-bbox="1455 1029 1619 1081">4.75%</td><td data-bbox="1657 1029 1866 1081">● - Assumptions considered reasonable</td></tr> <tr> <td data-bbox="826 1092 1215 1208">Life expectancy – Males currently aged 45 / 65</td><td data-bbox="1253 1092 1417 1208">Current 21.2 Future 22.1</td><td data-bbox="1455 1092 1619 1208">Current 21.5 Future 23.2</td><td data-bbox="1657 1092 1866 1208">● - Assumptions considered reasonable</td></tr> <tr> <td data-bbox="826 1219 1215 1319">Life expectancy – Females currently aged 45 / 65</td><td data-bbox="1253 1219 1417 1319">Current 23.8 Future 25.5</td><td data-bbox="1455 1219 1619 1319">Current 21.5 Future 23.2</td><td data-bbox="1657 1219 1866 1319">● - Assumptions considered reasonable</td></tr> </tbody> </table>	Assumption	Actuary Value - LGPS	Actuary Value - FPS	Assessment by Auditors expert PwC	Discount rate	2.70%	2.00%	● - Assumptions considered reasonable	Pension increase rate	3.20%	3.00%	● - Assumptions considered reasonable	Salary growth	3.90%	4.75%	● - Assumptions considered reasonable	Life expectancy – Males currently aged 45 / 65	Current 21.2 Future 22.1	Current 21.5 Future 23.2	● - Assumptions considered reasonable	Life expectancy – Females currently aged 45 / 65	Current 23.8 Future 25.5	Current 21.5 Future 23.2	● - Assumptions considered reasonable	TBC
Assumption	Actuary Value - LGPS	Actuary Value - FPS	Assessment by Auditors expert PwC																								
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## Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £602m (continued)	<p>Continued from page 11...</p> <ul style="list-style-type: none"> <li>• assessed the competence, capability and objectivity of management's experts;</li> <li>• tested the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• considered the reasonableness of changes in estimated values based on all of the available evidence; and</li> <li>• considered the adequacy of the disclosure of the estimates in the financial statements.</li> </ul> <p>As noted on page 9, our work on pension liabilities is ongoing, pending receipt of assurances from the auditor of Cheshire 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 fund assets valuation in the pension fund financial statements as well as responding to review queries and awaiting a response from the actuary.</p> <p>Work performed to date does not indicate any lack of robustness in management's process for producing this estimate</p>	TBC	

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## Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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<b>Issue</b>	<b>Commentary</b>
Matters in relation to fraud	We have previously discussed the risk of fraud with the Authority. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedure.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which is included in Appendix F.

## 2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests in relation to cash and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. We experienced difficulties in communications with the Authority's valuer who only responded to our initial request for information from April 2022 in September 2022.

# 2. Financial Statements - other communication requirements



## Our responsibility

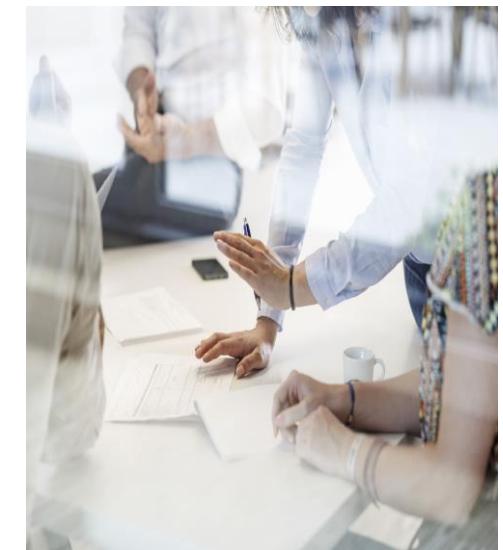
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Authority recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>• 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 for accounting will apply where the entity'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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>• the nature of the Authority and the environment in which it operates</li> <li>• the Authority's financial reporting framework</li> <li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

# 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>

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# 2. Financial Statements - other responsibilities under the Code

<b>Issue</b>	<b>Commentary</b>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. The instructions for 2021/22 have not yet been received.</p> <p>However, in the case of the Authority, no work is required as the entity is below the group reporting threshold of £2 billion determined by the NAO.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Cheshire Fire Authority in the audit report, as detailed in Appendix E, due to further time being needed to complete our Value for Money work and not having the WGA instructions. The NAO has extended the timetable for completion of this work to three months post completion of the financial statements audit.</p>

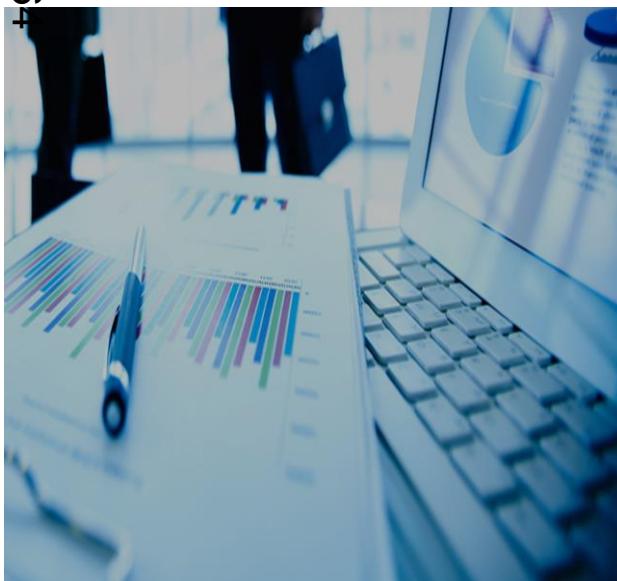
# 3. Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

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	<b>Improving economy, efficiency and effectiveness</b>	Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.
	<b>Financial Sustainability</b>	Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)
	<b>Governance</b>	Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are 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

# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by no later than 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. To date, we have not identified any such risks or findings that would impact the audit opinion on the accounts.



## **4. Independence and ethics**

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 Reporting Authority's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Authority'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.

Details of fees charged are detailed in Appendix D.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](#).

## Audit and non-audit services

No non-audit services were provided from the beginning of the financial year to September 2022.

All services have been approved by the Authority. None of the services provided are subject to contingent fees.

# Appendices

# A. Recommendations

We have identified 2 recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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Assessment	Issue and risk	Recommendations
	<p>Our review of the Authority's cybersecurity arrangements noted that there is no cybersecurity framework or training programme in place. News of data breaches and online frauds has become a matter of regular occurrence, which serves as a constant reminder that organisations need a robust strategy for fraud prevention and cybersecurity.</p>	<p>We recommend that the Authority considers implementing a cybersecurity framework that is followed to design, implement, and monitor cybersecurity controls as well as providing cybersecurity training to employees on a regular basis.</p> <p><b>Management response</b> TBC</p>
	<p>Our work on Property, Plant and Equipment revaluations identified that there are no plans in place for the valuer to remeasure any of the land or buildings as part of the valuation process. As the floor area of buildings is a key factor in determination of value, it is important that this is kept under review and updated in order to ensure valuations are accurate.</p>	<p>We recommend that the Authority considers including a sample of land and buildings to be remeasured, perhaps on a rolling basis, as part of the valuer's scope.</p> <p><b>Management response</b> TBC</p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Follow up of prior year recommendations

We identified the following issue in the audit of Cheshire Fire Authority's 2020/21 financial statements, which resulted in 1 recommendation being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Our work on Property Plant &amp; Equipment identified that management were not complying with their accounting policy for application of annual depreciation charges for building assets - 'Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer'.</p> <p>We identified that the valuer's report did not include an estimation of useful life and we recommended that management review their accounting policies and ensure that they are being complied with or, if appropriate, updated to reflect current practice.</p>	<p>Management accepted our best practice recommendation and asked their valuer to make an assessment of the useful economic life of the buildings as part of the regular valuations and management are now using that as the basis for the annual depreciation charge. Our work in this area is not complete so we can confirm this has been fully implemented once it is.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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## Impact of adjusted misstatements

No adjustments have been identified, either unadjusted or adjusted.

## Misclassification and disclosure changes

Some minor disclosure recommendations identified during the audit have been made in the final set of financial statements.

# D. Fees

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
Authority Audit	37,742	37,742

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No non-audit or audit related services have been undertaken for the Authority.

The fees reconcile to the financial statements which show £38k relating to 21/22 as per the table above.

# E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Authority with an unmodified audit report.

## Independent auditor's report to the members of Cheshire Fire Authority

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Cheshire Fire Authority (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account and the Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- Page 72**
- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
  - have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
  - have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

# E. Audit opinion (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. The responsibilities of the Treasurer with respect to going concern are described in the 'Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements' section of this report.

## Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

# E. Audit opinion (continued)

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## **Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements**

As explained in the Statement of Responsibilities [set out on page 16], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

# E. Audit opinion (continued)

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003. We also identified the following additional regulatory frameworks in respect of the firefighters pension fund, the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.
- We enquired of senior officers and the Authority, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Authority, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- non-routine journal entries, and key accounting estimates around the valuation of land and buildings and the pension liability.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Treasurer has in place to prevent and detect fraud;
- journal entry testing, with a focus on non-routine transactions;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the pension liability;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector

# E. Audit opinion (continued)

- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

# E. Audit opinion (continued)

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Cheshire Fire Authority for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Signature:**

Michael Green, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date: TBC

# F. Management Letter of Representation

Grant Thornton UK LLP  
 Landmark,  
 St Peter's Square,  
 1 Oxford Street,  
 Manchester M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Cheshire Fire Authority

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Cheshire Fire Authority for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the net pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

# F. Management Letter of Representation (continued)

- vii. Except as disclosed in the financial statements:
- a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Authority has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
- a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.
- We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

## Information Provided

- xiv. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
- access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.

# F. Management Letter of Representation (continued)

- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
- management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

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## Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

## Approval

The approval of this letter of representation was minuted by the Authority at its meeting on 28 September 2022.

# G. Audit letter in respect of delayed VFM work

Councillor Rudd  
Chair of Cheshire Fire Authority

28 September 2022

Dear Sir

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Michael Green  
Director

This letter does not form part of the report to Those Charged With Governance under ISA260.



<b>AUDIT COMMITTEE 2022-23</b>				
<b>Meeting Date:</b>	<b>25 January 2023</b>		<b>19 April 2023</b>	
<b>Report Deadline</b>	<b>9 January 2023</b>		<b>30 March 2023</b>	
<b>Agenda Deadline</b>	<b>17 January 2023</b>		<b>11 April 2023</b>	
<b>1</b>	MIAA	Internal Audit Progress Report Q3 2022-23	MIAA	Internal Audit Annual Report 2022-23
<b>2</b>	GT	External Audit final report 2022-23	MIAA	Head of Internal Audit Opinion 2022-23
<b>3</b>	MIAA	Internal Audit Annual Plan 2023-24 – verbal report	MIAA	Internal Audit annual plan 2023-24
<b>4</b>			GT	External Audit annual plan 2023-24
<b>5</b>				
<b>NOTES</b>				

**AUDIT COMMITTEE 2023-24**

<b>Meeting Date:</b>	<b>5 July 2023</b>		<b>8 November 2023</b>		<b>24 January 2024</b>		<b>17 April 2024</b>	
<b>Report Deadline</b>	<b>19 June 2023</b>		<b>23 October 2023</b>		<b>8 January 2024</b>		<b>1 April 2024</b>	
<b>Agenda Deadline</b>	<b>27 June 2023</b>		<b>31 October 2023</b>		<b>16 January 2024</b>		<b>9 April 2024</b>	
<b>1</b>	MIAA	Internal Audit Progress Report Q1 2023-24	MIAA	Internal Audit Progress Report Q2 2023-24	MIAA	Internal Audit Progress Report Q3 2023-24	GT	External Audit annual plan 2024-25
<b>2</b>	AL/PV	Annual self-assessment – consideration and discussion	AL/PV	Annual self-assessment – draft report to the Fire Authority	MIAA	Internal Audit annual plan 2024-25		
<b>3</b>					GT	External Audit annual report 2023-24		
<b>4</b>								
<b>NOTES</b>								

# Agenda Item 7

## CHESHIRE FIRE AUTHORITY

**MEETING OF:** AUDIT COMMITTEE  
**DATE:** 16 NOVEMBER 2022  
**REPORT OF:** TREASURER  
**AUTHOR:** PAUL VAUGHAN

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**SUBJECT:** INTERNAL AUDIT REPORT – BUSINESS  
CONTINUITY PLANNING REVIEW

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### Purpose of Report

1. The report presents an internal audit report on Business Continuity Planning for Member consideration.

### Recommended: That Members

- [1] note the internal audit report on Business Continuity Planning.

### Background

2. The Authority is required under statute to have an internal audit function. It has engaged the Mersey Internal Audit Agency (MIAA) to carry out this function on its behalf.

### Information

3. In accordance with the Annual Internal Audit Plan for 2022/23, MIAA has carried out an audit on the Authority's Business Continuity Plan.
4. The draft report on this audit is attached as Appendix 1 to this report. A member of the MIAA team will attend the meeting to present the report to Members.

### Financial Implications

5. There are no financial implications arising from this report.

### Legal Implications

6. There are no legal implications arising from this report.

### Equality and Diversity Implications

7. There are no equality and diversity implications arising from this report.

## **Environmental Implications**

8. There are no environmental implications arising from this report.

**CONTACT: DONNA LINTON, GOVERNANCE AND CORPORATE PLANNING  
MANAGER  
TEL [01606] 868804**



# **Business Continuity Planning Review Final Assignment Report 2022/23**

**Cheshire Fire and Rescue Service**

**Report Ref: 302CFRS\_2223\_004**

**Date of Issue: September 2022**

# Contents

- 1 Executive Summary**
- 2 Engagement Objectives and Scope**
- 3 Detailed Findings and Recommendations**

## Appendix A: Assurance Definitions and Risk Classifications

### Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

### Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

## Report Distribution

Name	Title
Mark Cashin	Chief Fire Officer
Alex Waller	Deputy Chief Fire Officer
Paul Binyon	Assistant Chief Fire Officer
Andrew Leadbetter	Director of Commissioning and Governance
Steve Barnes	Head of Operational Policy & Assurance
Tony O'Dwyer	Group Manager - Operational Policy & Assurance
Ged Basson	Senior Operations Manager – North West Fire Control
Tam Blair	Station Manager - Operational Policy & Planning
Paul Vaughan	Treasurer
Chris Astall	Planning, Performance and Risk Officer
Louise Willis	Planning, Performance and Risk Manager

## Audit Team

Name	Contact Details	
Andrew McKenzie	<a href="mailto:Andrew.mckenzie@miaa.nhs.uk">Andrew.mckenzie@miaa.nhs.uk</a>	07584190721
Anne-Marie Harrop	Anne-Marie.harrop@miaa.nhs.uk	07920150313

## Acknowledgement and Further Information

MIAA would like to thank all staff for their co-operation and assistance in completing this review. This report has been prepared as commissioned by the organisation and is for your sole use. If you have any queries regarding this review, please contact the Audit Manager. To discuss any other issues then please contact the Director. MIAA would be grateful if you could complete a short survey using the link below to provide us with valuable feedback to support us in continuing to provide the best service to you.

[https://www.surveymonkey.com/r/MIAA\\_Client\\_Feedback\\_Survey](https://www.surveymonkey.com/r/MIAA_Client_Feedback_Survey)

## 1 Executive Summary

### 1.1 Objective

The overall objective of this review was to provide assurance that Cheshire Fire and Rescue Service (CFRS) has developed and implemented robust Business Continuity Planning (BCP) arrangements. The review also covered arrangements in place for Northwest Fire Control and an evaluation of the assurance reporting arrangements for BCP within Northwest Fire Control (NWFC).

### 1.2 Opinion

<b>Substantial Assurance</b>	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
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### 1.3 Key Findings

The following provides a summary of the key themes.

Sub Objective	Key Themes
Overarching Strategy in place for Business Continuity planning which sets out roles and responsibilities.  A Business Continuity Plan in place that sets out how it will plan for, respond to and recover from a significant incident or loss of services. The response plan has been approved, is up to date and reviewed on a regular basis.	Areas of good practice: <ul style="list-style-type: none"><li>• The current CFRS Business Continuity Management (BCM) Policy (updated August 2020 and due for review August 2022) details how CFRS will discharge its statutory duties under the Civil Contingencies Act 2004 and align to BS25999-1 (Business Continuity Management), BS25999-2 (Business Continuity Self-Assessment).</li><li>• The CFRS Business Continuity Guidance and Protocol Document also provides a framework and advice for managers across all departments and functions within CFRS for developing Business Continuity Management (BCM) arrangements and plans within their own areas of work. Roles and responsibilities are clearly documented.</li><li>• A Crisis Management Plan (CMP) which has most recently been updated March 2022, provides the framework for improving the organisations resilience to emergencies or crisis interruptions,</li></ul>

Sub Objective	Key Themes
	<p>facilitating the recovery of key business processes and safeguarding the delivery of vital services.</p> <ul style="list-style-type: none"><li>● The CMP is monitored and reviewed by the Operational Support and Risk Manager on a six-monthly basis and Risk Management Board review the CMP annually.</li><li>● The BCM policy is also supported by the CFRS Risk Management Policy (due for review March 2023).</li><li>● In terms of North West Fire Control (NWFC) the overarching service level agreement between CFRS and other fire services remains in development, however business continuity plans for NWFC are shared and communications and assurances are provided via quarterly performance reports produced by NWFC.</li><li>● CFRS have standard templates for business continuity plans which include loss of staff, decision and communication milestones, contact details and any stakeholder contacts.</li></ul>
A formal risk assessment exists for each provided service that directly takes Business Continuity Planning into consideration.	<p>Areas requiring improvement</p> <ul style="list-style-type: none"><li>● The current policy requires non-confidential aspects of the Business Continuity (BC) plan are published on the CFRS intranet, MIAA review of the CFRS website highlighted the BC plan is not currently available. MIAA recommends non confidential details are published on the website and intranet, – <b>Low risk recommendation 3.</b></li></ul>
	<p>Areas of good practice:</p> <ul style="list-style-type: none"><li>● MIAA review highlighted evidence of annual review of overall CFRS Crisis Management Plan (CMP) is undertaken. The current plan was updated in March 2022.</li><li>● All plans are supported by risk assessments which are undertaken using the CFRS risk management</li></ul>

Sub Objective	Key Themes
	<p>framework. The risk assessments include details of recovery time objectives as part of the risk analysis. The templates ensure that there is appropriate consideration of risks to loss of staff, service and the business impact internally and externally.</p>
<p>Business Continuity Plans are in place which are reviewed, tested, and updated on a regular basis.</p> <p>There are appropriate Business Continuity arrangements in place for all sites.</p>	<p>Areas of good practice</p> <ul style="list-style-type: none"><li>• MIAA considered evidence detailing arrangements specifically in place for a potential loss of Information Technology (IT) services (last reviewed 25<sup>th</sup> March 2022) and arrangements relating to Legal Services (last reviewed 1<sup>st</sup> July 2022). The service conducts internal exercise and incidents to test out contingency arrangements and risk management.</li><li>• Business Continuity Plans (BCPs) for all Joint Corporate Services teams have been reviewed in 2021/22 and a schedule of review and testing has been approved for 2022-23.</li></ul> <p>MIAA review of current Business Continuity Management documents – NWFC BIA Covid, NW7105 and NW 7016 (BCP - reviewed 20th February 2022) for NWFC highlighted measures in place for significant events. The BCP's provided by NWFC are reviewed by one of the four services involved in NWFC. CFRS will be auditing NWFC BC plans during 2022, for example CFRS are in the process of reviewing NWFCs Industrial Action plans as part of preparedness for potential industrial action.</p> <ul style="list-style-type: none"><li>• MIAA review of CFRS department BCP's for a sample of departments (Fleet services and Corporate Communication &amp; Engagement) highlighted up to date and appropriately approved BCP's in place. BCP's detail various performance measures including recovery time objectives for critical activities.</li></ul> <p>Areas requiring improvement</p>

Sub Objective	Key Themes
	<ul style="list-style-type: none"><li>• MIAA review of BC planning exercises highlighted a structured rolling programme of tabletop exercises (to be used to test each departmental plan over a three-year cycle) is in development. This was highlighted in our 2017/18 Business continuity review and has been developed for Joint Corporate Services. An overarching document to record the test and outcome of each BCP should be developed and assurances reported through to Risk Management Board – <b>Medium risk recommendation 1.</b></li><li>• MIAA review of a master list of BCP's in place for each service area and individual fire station localities highlighted 3 departments (Prevention, HR, and ICT and 2 Fire stations – Powey Lane and Lymm) did not have an agreed recently updated BCP in place. MIAA recommends the existing BCP's are reviewed. – <b>Medium risk recommendation 2.</b></li></ul>
Cheshire Fire and Rescue Service participates in a range of Business Continuity Planning exercises and response plans which address different scenarios. The results of these exercises are documented, and lessons learnt are identified and actioned.	<p>Areas of good practice:</p> <ul style="list-style-type: none"><li>• Dealing with the impact of the Covid-19 pandemic over the past couple of years has tested the continuity arrangements and resilience of CFRS and the wider public sector.</li><li>• MIAA review of a sample of planning exercises including Covid interim debrief (Sept. 2020) and resulting action plans highlighted effective BC testing and identification of remedial actions to improve BC delivery.</li><li>• MIAA detailed review of the BC planning exercise and interim debrief report for CFRS crisis management response to COVID highlighted the report considered specific areas relating to BC, including what worked well, what got in the way or limited CFRS effectiveness, what CFRS would do</li></ul>

Sub Objective	Key Themes
	<p>differently in the event of a second wave, either locally or nationally and what are the key learning points.</p> <ul style="list-style-type: none"><li>Our incident management debrief report 21/22 included recommendations for wider organisational learning and communication and we have therefore not raised any recommendations as part of this review.</li></ul>
Training for staff meets the specific response needs of the Business Continuity Plan/Strategy. On-going training is provided to ensure that skills are maintained following updates to the plan/strategy.	<p>Areas of good practice</p> <ul style="list-style-type: none"><li>MIAA discussions with CFRS BCP leads confirmed adequate training is undertaken, evidence highlighted "Introduction to Business Continuity" certificate was in place.</li><li>MIAA review of current guidance highlighted awareness is supported by the CFRS Business Continuity guidance and protocol (available on-line as E-Doc 1130) is designed to provide managers across all departments and functions within CFRS with advice on developing BCM arrangements and plans.</li><li>MIAA discussions with CFRS BCP lead (Head of Operational Policy &amp; Assurance) highlighted the ten Risk/BCP Champions have additional workshops to ensure they are all up to date with training. The last training conducted with the BCP Champions was Feb 2020 just prior to Covid19 pandemic. Refresher training is planned.</li></ul>
Appropriate governance arrangements are in place to provide assurance to the Fire Authority and Senior Management Team on the adequacy of Business Continuity Planning.  An accountable officer has been identified and nominated to be responsible for the co-	<p>Areas of good practice</p> <ul style="list-style-type: none"><li>The Risk Management Board (RMB) has a responsibility for an annual review of the Crisis Management Plan, this is written into the Terms of Reference for the Board.</li><li>RMB meets twice a year and we confirmed there was an up-to-date terms of reference, last updated March 2022. MIAA review of March 2022 RMB minutes and papers highlighted annual review of</li></ul>

Sub Objective	Key Themes
ordination and oversite of the Business Continuity Plan.	<p>the CFRS Crisis Management Plan. RMB minutes are received by Fire Authority</p> <ul style="list-style-type: none"><li>• Risk management arrangements within CFRS are supported by the Joint Planning, Performance and Risk team, who are part of the Joint Corporate Services function.</li><li>• Additional oversight responsibility of individual BCP's and compliance with CFRS BCP policies and procedure is delegated to departmental Information governance, risk and business continuity champions.</li><li>• In relation to the Joint Corporate Services covered under the Blue Light Collaboration for joint corporate services e.g. IT, Estates, People, Finance. These services provided by the joint services are reviewed and discussed quarterly at Joint Services Management Board (JSMB). Business Continuity arrangements for Joint Corporate services are managed and reported under different arrangements.</li><li>• The Performance and Overview Committee meeting on 8<sup>th</sup> Sept 2021 received an annual report covering the period (1st April 2020 to 31st March 2021) on the performance of NWFC which included assurances in relation to business continuity.</li><li>• Roles and responsibilities are clearly documented, the nominated accountable officer is the Chief Fire Officer. The BCP is reviewed twice a year and this review is signed off by the Deputy Chief Fire Officer.</li></ul>

#### 1.4 Recommendation Summary

The table below summarises the prioritisation of recommendations in respect of this review.

Critical	High	Medium	Low	Total
0	0	2	1	3

## 2 Engagement Objectives and Scope (Terms of Reference)

### 2.1 Objective

Sub Objective	Risk
<ul style="list-style-type: none"><li>A formal risk assessment exists for each provided service that directly takes Business Continuity Planning into consideration.</li></ul>	<ul style="list-style-type: none"><li>No formal risk assessments are in place or their risk assessments do not directly consider Business Continuity Planning.</li></ul>
<ul style="list-style-type: none"><li>Overarching Strategy in place for Business Continuity planning which sets out roles and responsibilities.</li></ul>	<ul style="list-style-type: none"><li>Failure to provide a Business Continuity Plan that sets out how Cheshire Fire and Rescue Service will plan for, respond to and recover from a significant incident or loss of services.</li></ul>
<ul style="list-style-type: none"><li>A Business Continuity Plan in place that sets out how it will plan for, respond to and recover from a significant incident or loss of services. The response plan has been approved, is up to date and reviewed on a regular basis.</li></ul>	<ul style="list-style-type: none"><li>The plan is not reviewed/updated to reflect national guidance or change in circumstances</li></ul>
<ul style="list-style-type: none"><li>Cheshire Fire and Rescue Service participates in a range of Business Continuity Planning exercises and response plans which address different scenarios. The results of these exercises are documented and lessons learnt are identified and actioned;</li></ul>	<ul style="list-style-type: none"><li>Failure to participate in Business Continuity Planning exercises and response plans for different scenarios. Lessons learnt are not identified or actioned.</li></ul>
<ul style="list-style-type: none"><li>Business Continuity Plans are in place which are reviewed, tested and updated on a regular basis;</li></ul>	<ul style="list-style-type: none"><li>Business Continuity Plans are not in place at a departmental or corporate level;</li></ul>
<ul style="list-style-type: none"><li>Training for staff meets the specific response needs of the Business Continuity Plan/Strategy. On-going training is provided to ensure that skills are maintained following updates to the plan/strategy;</li></ul>	<ul style="list-style-type: none"><li>Inadequate training for staff that does not meet the requirements outlined in the Business Continuity Plan.</li></ul>
<ul style="list-style-type: none"><li>There are appropriate Business Continuity arrangements in place for all sites.</li></ul>	<ul style="list-style-type: none"><li>The Business Continuity Plan does not provide adequate consideration for all sites or where CFRS is reliant upon another service e.g. North West Fire Control.</li></ul>

<ul style="list-style-type: none"><li>An accountable officer has been identified and nominated to be responsible for the co-ordination and oversight of the Business Continuity Plan.</li></ul>	<ul style="list-style-type: none"><li>Lack of accountability and oversight.</li></ul>
<ul style="list-style-type: none"><li>Appropriate governance arrangements are in place to provide assurance to the Fire Authority and Senior Management Team on the adequacy of Business Continuity Planning.</li></ul>	<ul style="list-style-type: none"><li>Governance, oversight and reporting arrangements are unclear and ineffective.</li></ul>

## 2.2 Scope

MIAA considered any changes to the control environment due to COVID-19.

The limitations to scope were as follows:

- The scope of this review was to focus on the objectives described above and the controls in operation at Cheshire Fire and Rescue Service.
- The review also included the assurance arrangements for BCP within North West Fire Control.
- MIAA reviewed the arrangements for the service as a whole and a sample of services to be chosen by MIAA.

## 3 Detailed Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

### 1. Rolling 3-year programme to review departmental BCP's

Risk Rating: Medium

#### Operating effectiveness

**Key Finding** – MIAA review of BC planning exercises highlighted a structured rolling programme of tabletop exercises (to be used to test each departmental plan over a three-year cycle) is in development. This was highlighted in our 2017/18 Business continuity review and has been developed for Joint Corporate Services. An overarching document to record the BCP owner, update, test, outcome and learning of each BCP should be developed and assurances reported via Risk Management Board.

**Specific Risk** – Departmental plans are out of date and do not accurately reflect current agreed BCP arrangements.

---

Recommendation – MIAA recommends the development of the structured 3 rolling plan is developed and assurances reported to Risk Management Board.

Management Response - Recommendation is noted, work underway to develop and implement this structure.

Responsible Officer – SM Tony McCourt

Implementation Date – 31<sup>st</sup> March 2023

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**2. Up to date department and fire station BCPs are in place** | **Risk Rating: Medium**

**Operating effectiveness**

Key Finding – MIAA review of master list of BCP's in place for each service area and individual fire station localities currently highlighted 3 departments (Prevention, HR, and ICT and 2 Fire stations – Powey Lane and Lymm) did not have an agreed recently updated BCP in place. **It should be noted that after the Final report was issued MIAA were provided with a copy of the BCP for HR and ICT joint corporate services.**

Specific Risk – Departmental plans are out of date and do not accurately reflect current agreed BCP arrangements.

Recommendation – MIAA recommends the existing BCP's are reviewed, and the spreadsheet updated.

Management Response - Recommendation is noted. Full review will be carried out and records updated.

Responsible Officer – SM Tony McCourt

Implementation Date – 31<sup>st</sup> March 2023

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**3. Availability of BCP on website.** | **Risk Rating: Low**

**Operating effectiveness**

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Key Finding – The current BC policy requires non-confidential aspects of the BC plan are published on the CFRS intranet, MIAA review of the CFRS website highlighted the BC plan is not currently available.

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Specific Risk – Non compliance with current BC policy.

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Recommendation – MIAA recommends non confidential details are published on the intranet and CFRS website.

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Management Response - Recommendation is noted. Non -confidential details will be identified for publication.

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Responsible Officer – SM – Tony McCourt

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Implementation Date – 31<sup>st</sup> March 2023

## Follow-up

A follow-up exercise will be undertaken during 2023 to evaluate progress made in respect of issues raised. This will include obtaining documentary evidence to demonstrate that actions agreed as part of this review have been implemented.

## Appendix A: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.
Risk Rating	Assessment Rationale
Critical	<p>Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to:</p> <ul style="list-style-type: none"> <li>• the efficient and effective use of resources</li> <li>• the safeguarding of assets</li> <li>• the preparation of reliable financial and operational information</li> <li>• compliance with laws and regulations.</li> </ul>
High	Control weakness that has or could have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	<p>Control weakness that:</p> <ul style="list-style-type: none"> <li>• has a low impact on the achievement of the key system, function or process objectives;</li> <li>• has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

# Agenda Item 8

## CHESHIRE FIRE AUTHORITY

**MEETING OF:** AUDIT COMMITTEE  
**DATE:** 16 NOVEMBER 2022  
**REPORT OF:** TREASURER  
**AUTHOR:** PAUL VAUGHAN

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**SUBJECT:** INTERNAL AUDIT – PROGRESS REPORT  
QUARTER 2 2022-23

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### Purpose of Report

1. The report presents the Internal Audit Progress Report Quarter 2 2022-23 for Member consideration.

### Recommended: That Members

- [1] note the Internal Audit Progress Report Quarter 2 2022-23.

### Background

2. The Authority is required under statute to have an internal audit function. It has engaged Mersey Internal Audit Agency (MIAA) to carry out this function on its behalf.

### Information

3. In accordance with the Annual Internal Audit Plan for 2022/23, MIAA has prepared a report on progress against the plan at Quarter 2.
4. The report is attached as Appendix 1 to this report. A member of the MIAA team will attend the meeting to present the report to Members.

### Financial Implications

5. There are no financial implications arising from this report.

### Legal Implications

6. There are no legal implications arising from this report.

### Equality and Diversity Implications

7. There are no equality and diversity implications arising from this report.

### Environmental Implications

10. There are no environment implications arising from this report.

**CONTACT: DONNA LINTON, GOVERNANCE CORPORATE PLANNING  
MANAGER  
TEL [01606] 868604**

**BACKGROUND PAPERS:**

Information provided by Mersey Internal Audit Agency (MIAA)

**Appendix 1 – Internal Audit Progress Report.**

# **Internal Audit Progress Report Audit Committee (November 2022)**

**Cheshire Fire and Rescue Service**

# Contents

- 1 Introduction**
- 2 Key Messages for Performance and Overview Committee Attention**

**Appendix A:** Contract Performance

**Appendix B:** Performance Indicators

## Your Team

Name	Role	Contact Details
Anne-marie Harrop	Engagement Lead	Anne-marie.harrop@miaa.nhs.uk 07920 150313

## Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for,

any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

## Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

## 1 Introduction

This report provides an update to the Audit Committee in respect of the progress made against the Internal Audit Plan for 2022/23 and brings to your attention matters relevant to your responsibilities as members of the Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition, a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period Sept 2022 to October 2022.

## 2 Key Messages for Audit Committee Attention

Since the last meeting of the Committee, there has been focus on the following areas:

2021/22 Audit Reviews	<p>The following reports have been finalised:</p> <ul style="list-style-type: none"><li>• Business Continuity Planning</li></ul> <p>The following review is in progress:</p> <ul style="list-style-type: none"><li>• Key Financial Controls &amp; Reserves review</li></ul>
Follow Up	An update on progress in taking forward prior year audit recommendations was provided to the committee in June 2022.
Audit Plan Changes	We have received a request to defer two reviews: <ul style="list-style-type: none"><li>• Blue Light Collaboration until Q4 – At the request of the Treasurer in light of an internal review on the future of the collaboration.</li><li>• Microsoft 365 delivery – At the request of the Treasurer to defer this review to next years audit plan 2023/24.</li></ul>
Insights	<p><a href="#">Briefings</a></p> <p>Our latest briefings/blogs are:</p>

- [Key NHS Publications - September 2022](#)
- Our Executive Director - Assurance, Louise Cobain explains why internal audit is so important for ensuring success for ICBs in her latest blog for HFMA: [Internal audit: at the heart of system success \(hfma.org.uk\)](#)
- [Interns report on their year at MIAA](#)
- [How can strength-based working lead to healthier and happier communities?](#)
- [MIAA 2022/23 Checklist Series - Place Governance](#)

#### Audit Committee Chairs Webinars

We are continuing to hold webinars with groups of NHS / Client Audit Committee Chairs focusing upon governance challenges and other key issues.

#### Collaborative Masterclass Events

- [Digital as Disrupter \(24<sup>th</sup> November 2022\)](#)
- [The Psychology of Leading High Performance Teams \(8<sup>th</sup> December 2022\)](#)
- [Leading for Social Justice and Health Equality \(2<sup>nd</sup> February 2023\)](#)

## Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that 'The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.'

### Audit Plan 2022/23

HOIA Opinion Area	Status	Assurance Level
Core/ Mandated Assurances		
Key Financial Controls (including Reserves)	In progress	
Risk Based Assurances		
Risk Management Board	Q 1 - 4	N/A
Business Continuity	Complete	Significant
Blue Light Collaboration	Q4	
Microsoft 365 Delivery	Request to defer to 23/24	
Follow Up		
Qtr 1	Complete	N/A
Qtr 4	Q4	N/A

## Appendix B: Performance Indicators

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Every Report	Green	No issues reported
Percentage of recommendations which are implemented	Twice per year	Green	Follow up reports are provided twice per year.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

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