



**Tuesday,
26 September 2023
10.00 am**

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

Contact Officer:
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Democratic Services

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Cheshire Fire Authority

Notes for Members of the Public

Attendance at Meetings

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Copies of the Agenda will be available at the meeting. A copy can also be obtained from the contact officer named on the front of the Agenda. Alternatively, the Agenda and individual reports are available on the Authority's website (www.cheshirefire.gov.uk)

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

TUESDAY, 26 SEPTEMBER 2023

Time : 10.00 am

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

AGENDA

Part 1 - Business to be discussed in public

1a Recording of Meeting

Members are reminded that this meeting will be audio-recorded.

1b Apologies for Absence

1c Declarations of Members' Interests

Members are reminded to disclose any interests that are relevant to any item on the Agenda.

1d Minutes of the Audit Committee

To confirm as a correct record the Minutes of the meeting of the Audit Committee held on Wednesday 12th July 2023.

(Pages 5 - 10)

1e Action Tracker of the Audit Committee

(Pages 11 - 12)

ITEMS REQUIRING DISCUSSION / DECISION

External Audit

NOTE: Two of the three items are marked 'To Follow'.

This Committee received the draft set of the Authority's 2022/23 accounts for discussion at its meeting on 12th July 2023 (see Minutes attached to this Agenda). At that meeting officers and the External Auditors explained the process for approving the accounts, which should be completed by the 30th September 2023. It was recognised, at that time, that the amount of work involved in the audit meant that meeting the deadline would be a challenge.

The audit of the accounts has continued successfully, but two significant issues have arisen, which have not yet been resolved; which means that the External Audit Findings Report 2022-23 and Audited Statement of Accounts 2022-23 with Letter of Representation, will need to follow once they are ready. The significant issues are: the valuation of the Authority's property, where, due to matters beyond the Authority's control, the

Authority's valuers have had to carry out revaluations; and a technical matter relating to the way that the Authority discloses the value of its pension liability. Both of these issues will result in changes to the draft accounts that were presented in July. However, the changes are essentially of a technical nature and will not affect the position on the Authority's general fund. They will not have any impact on the Annual Governance Statement 2022-23, which is included in the Agenda Pack.

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|----------|--|-----------------|
| 2 | External Audit Findings Report 2022-23 | (To Follow) |
| 3 | Audited Statement of Accounts 2022-23 with Letter of Representation | (To Follow) |
| 4 | Annual Governance Statement 2022-23 | (Pages 13 - 26) |

Internal Audit

- | | | |
|----------|---------------------------------------|-----------------|
| 5 | Internal Audit Progress Report | (Pages 27 - 36) |
| 6 | HR / Payroll Review | (Pages 37 - 50) |

Risk Management

- | | | |
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| 7 | Review of the Strategic Risk Register | (Pages 51 - 54) |
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Audit Committee reviews the Strategic Risk Register at each meeting. A summary of the risks has been prepared.

NOTE: Member have been supplied with a copy of the notes from the Risk Management Group held on 31st August 2023.

General

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| 8 | Production of Audit Committee Annual Report | (Pages 55 - 56) |
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Part 2 - Business to be discussed in private



MINUTES OF THE MEETING OF THE AUDIT COMMITTEE held on Wednesday, 12 July 2023 at Lecture Theatre - Training Centre, Sadler Road, Winsford, Cheshire CW7 2FQ at 1.00 pm

PRESENT:

Members:

Councillor Peter Wheeler (Chair)
Councillor Rachel Bailey
Suzanne Horrill, Independent Audit Committee Member

Auditors:

Charles Black, Merseyside Internal Audit Agency
Anne-Marie Harrop, Merseyside Internal Audit Agency

Officers:

Lee Shears, Deputy Chief Fire Officer
Andrew Leadbetter, Director of Governance
Paul Vaughan, Treasurer
Chris Astall, Project and Risk Officer
Emilie Salkeld, Governance Officer

1 RECORDING OF MEETING

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

2 CONFIRMATION OF CHAIR AND DEPUTY CHAIR OF THE AUDIT COMMITTEE FOR 2022-23

Members confirmed that the Chair of the Audit Committee was Councillor Peter Wheeler and the Deputy Chair was Councillor Brian Gallagher.

3 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Sherin Akhtar and Brian Gallagher.

4 DECLARATIONS OF MEMBERS' INTERESTS

There were no declarations of Members' interests.

5 MINUTES OF THE AUDIT COMMITTEE

RESOLVED:

That the minutes of the Audit Committee held on Wednesday 19th April 2023 be confirmed as a correct record.

6 ACTION TRACKER OF THE AUDIT COMMITTEE

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

It was noted that the following actions could be closed:

16th November 2022:

Item 2 – Purpose of Committee

Item 5 – Future Work programme of the Committee

25th January 2023:

Item 2 – Internal Audit – Progress Report Quarter 3 2022-23

19th April 2023:

Item 7 – Responsibilities of Audit Committee (and Ancillary Matters)

7 DRAFT STATEMENT OF ACCOUNTS 2022-23

The Treasurer introduced the draft Statement of Accounts for Members consideration in advance of the auditors commencing their work. He explained that usually the unaudited annual accounts would need to be approved by the end of May. However, for the past few years, the statutory deadlines had been extended.

A Member raised concerns about the impact of firefighter pension on the balance sheet contained in the document. The Treasurer advised that the cost of pension is a national issue within the sector and the Government have provided adequate funding to meet pension costs. However, the Service recognises the present risks associated with firefighter pensions and there is an entry on the strategic risk register.

RESOLVED: That

[1] the draft Statement of Accounts 2022-23 be noted and the audited Statement of Accounts be submitted to the next meeting of the Audit Committee on 26th September 2023 for final consideration.

8 DRAFT ANNUAL GOVERNANCE STATEMENT 2022-23

The Director of Governance introduced the Annual Governance Statement (AGS) 2022-23, required to accompany the draft Statement of Accounts. The production of the AGS was a requirement under the Accounts and Audit Regulations (England) 2015 and helped to ensure that a reliable system of internal controls could be demonstrated.

He advised that the document complied with the Chartered Institute for Public Finance and Accounting's best practice guidance on Delivering Good Governance. An update was given on each of the recommendations contained within Section 12 Review of Effectiveness.

A Member requested that a more recent quote from His Majesty's Inspectorate for Constabularies and Fire & Rescue Services be included within Section 3.5 of the document.

RESOLVED: That

[1] the draft Annual Governance Statement 2022-23 be noted and be submitted to the next Audit Committee meeting on 26th September 2023 for final consideration.

9 STATION MANAGEMENT FRAMEWORK REVIEW

Charles Black, a representative from Merseyside Internal Audit Agency (MIAA), was in attendance to present the Station Management Framework Review. He explained that the review sought to check that fire stations complied with the Station Management Framework and referred to the findings on page 136 of the report. The review confirmed that there was substantial assurance.

It was noted that the sampled stations complied with the Framework. However, the report included a recommendation to ensure that all stations were using the same template and was consistently signed off.

Members noted that the report was positive and that the internal audit follow up report would monitor progress with the recommendations.

RESOLVED: That

[1] the Station Management Framework Review be noted.

10 MICROSOFT 365 (M365) PROJECT ROLLOUT REVIEW

Charles Black, a representative from Merseyside Internal Audit Agency (MIAA), was in attendance to present the Microsoft 365 (M365) Project Rollout Review. He explained the review's objective was to provide an assessment of the effectiveness of the control framework being exercised by management over M365 implementation, systems, data flows and associated external processes. The review determined that there was limited assurance.

A Member queried the timeframes for complying with the recommendations noting that they were some distance in the future and whether the work would be done in house. The Internal Auditor confirmed that the key issues were addressed immediately, and it was important to ensure that timescales were realistic. The Director of Governance echoed this and explained that due to the complexity of the project some external consultants were brought in to help with technical elements of the project.

Members noted the risks and recommendations raised within the report and requested an update on the follow up of actions be submitted to the Audit

Committee.

RESOLVED: That

- [1] the Microsoft 365 (M365) Project Rollout Review be noted; and**
- [2] an update on the recommendations included in the report be submitted to the Audit Committee.**

11 INTERNAL AUDIT ANNUAL REPORT AND HEAD OF INTERNAL AUDIT OPINION 2022-23

Anne-Marie Harrop, a representative from Merseyside Internal Audit Agency (MIAA), was in attendance to present the Internal Audit Annual Report and Head of Internal Audit Opinion 2022-23.

Members were advised that the overall opinion for the period 1st April 2022 to 31st March 2023 has “substantial assurance”. This meant that there was a good system of internal control designed to meet the system objectives and that controls were generally being applied consistently throughout the organisation, and that controls were generally applied consistently.

RESOLVED: That

- [1] the Internal Audit Annual Report and Head of Internal Audit Opinion 2022-23 be noted.**

12 INTERNAL AUDIT PROGRESS REPORT

Anne-Marie Harrop, from Merseyside Internal Audit Agency (MIAA), was in attendance to present the Internal Audit progress Report.

She drew Members’ Attention to the key messages:-

- The Internal Audit Plan for 2022-23 had concluded following the reviews of the Microsoft 365 Project Rollout and the Station Management Framework.
- A Follow Up report on auditor recommendations will be submitted to the next meeting of the Audit Committee.
- Members of the Audit Committee were invited to attend webinars hosted by MIAA

She advised that the plan was on track and no concerns were brought to the attention of the Committee.

RESOLVED: That

**13 [1] the Internal Audit Progress Report be noted.
ANNUAL RISK MANAGEMENT REPORT 2022 - 2023**

The Project and Risk Officer introduced the report which provided Members with an

update about risk management throughout 2022-23.

Scrutiny of risk was initially undertaken by the Risk Management Board. However, since the Audit Committee had expended its responsibilities to include risk, internal risk management arrangements had been revised and the Risk Management Board was removed. Further discussion on the new risk management arrangement was discussed during Item 9 of the agenda pack.

RESOLVED: That

[1] the Annual Risk Management Report 2022-23 be noted.

14 NEW RISK MANAGEMENT ARRANGEMENTS

The Director of Governance introduced the report which informed Members about the risk management arrangements. He explained how the work of the Risk Management Board, which included two elected Members, was now split between the Audit Committee and the recently established Risk Management Group (RMG). RMG was made up of senior officers which met quarterly, and its Terms of Reference were attached as Appendix 1 to the report.

Members were asked whether they would be content with sight of the minutes of the RMG. The Committee agreed that the minutes of RMG should provide adequate assurance about the arrangements for considering corporate risks.

RESOLVED: That

[1] the New Risk Management Arrangements report be noted; and

[2] the minutes of the Risk Management Group be submitted to Audit Committee meetings as a standing item.

15 REVIEW OF THE STRATEGIC RISK REGISTER

The Project and Risk Officer introduced the document which summarised the Service's Strategic Risk Register. She provided an updated of each risk included within the table which had previously been reported to the Risk Management Group for evaluation. She also explained the risks that were below the threshold that were not considered strategic risks.

Members discussed the Fire in Iconic Heritage Building risk and noted the importance of protecting heritage buildings across Cheshire. The Deputy Chief Fire Officer advised that the Heritage Officer had worked with partners to provide effective mitigation which reduced the score of the risk.

The Committee discussed how they would like the report to be presented going forward. It was suggested that the strategic objectives be incorporated into the strategic risk register to align risks with the organisational objectives they could affect. It also agreed that the minutes from the Risk Management Group be submitted to the Audit Committee for assurance.

RESOLVED: That

- [1] the Summary of Cheshire Fire and Rescue Service's Strategic Risk Register and Risks below the threshold table be noted; and**
- [2] the Summary of Cheshire Fire and Rescue Service's Strategic Risk Register be revised to include organisational objectives and submitted as a standing item for Audit Committee meetings.**



| ROLLING ACTION LOG | | | | |
|---------------------------|---|--|---------------------------|-----------------|
| MEETING DATE | ITEM FOR DISCUSSION | ACTION REQUIRED | RESPONSIBLE PERSON | DUE DATE |
| ACTIONS LIST | | | | |
| 19.04.23 | Item 9 – Internal Audit Follow Up Summary Report | To confirm the arrangements associated with the introduction of the Fatigue Management Policy. | AL | 12.07.23 |
| 12.07.23 | Item 5 – Microsoft 365 (M365) Project Rollout Review | To provide an update on the actions raised within the Microsoft 365 Project Rollout Review at the next Audit Committee meeting | AL | 26.09.23 |

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ANNUAL GOVERNANCE STATEMENT 2022-23

1. Scope of Responsibilities

- 1.1 Governance comprises the systems, processes, culture and values by which the Cheshire Fire Authority (the Authority) and Cheshire Fire and Rescue Service (the Service) direct and manage together, along with the activity through which they account to and engage with the people of Cheshire.
- 1.2 The Authority covers the four unitary areas of Cheshire East, Cheshire West and Chester, Halton and Warrington. The Authority is a separate legal body, with the power to set council tax and to set its own policies and procedures, without seeking the approval of these local councils. Each council appoints a number of elected Members to serve on the Authority. As an Authority Member, councillors represent the whole of Cheshire and are not just required to act as the formal representatives of their own council. The Authority as the governing body ensures that the Service operates in a lawful, open, inclusive and honest manner, making sure public money is safeguarded, properly accounted for and spent wisely and has effective arrangements in place to manage risk.
- 1.3 Production of an Annual Governance Statement (AGS) is a requirement under the Accounts and Audit Regulations (England) 2015 and helps to ensure that a reliable system of internal controls can be demonstrated.
- 1.4 In March 2022, CIPFA published an advisory note setting out key messages surrounding recent governance failures identified in statutory and non-statutory reviews and public interest reports. While the Authority has not been part of these reviews or reports, there are lessons to be learned for all organisations that take governance seriously. One key message relates to the AGS which is a key document for any organisation, and when completed correctly and with rigour, can be used to identify failings of governance and provide an opportunity internally to improve and thereby reduce risk. It should normally be approved at the same time or no later than the Statement of Accounts and should be regarded as a vital tool by those charged with governance and the leadership team.
- 1.5 The AGS is a key corporate document for the Authority which provides an accurate representation of the corporate governance arrangements and controls in place that have supported the delivery of organisational objectives during the year. The AGS provides information about where arrangements have been effective and notes where any improvements are required.

2. The Governance Framework

- 2.1 The Authority is responsible for ensuring that business is conducted in accordance with the law, with openness and engagement with stakeholders and that risk is managed through robust internal control and strong public finance management to deliver effective accountability. The Authority's Constitution sets out the governance framework which assists in enabling the Authority and the Service to fulfil their statutory obligations. The Constitution is reviewed on a regular basis to ensure it remains up to date and relevant taking into account local and national changes in the way fire and rescue services operate.

2.2 The Authority's Constitution

- Explains the Authority's decision-making arrangements;
- Sets out the responsibilities of elected Members and officers; and
- Contains details of rules and controls.

2.3 A copy of the Authority's Constitution is available on the website (www.cheshirefire.gov.uk).

2.4 The Governance Framework focuses on the Authority's strategic aims and objectives and includes:

Corporate

- The Authority's vision and purpose which drive the service planning, delivery, risk, project and performance management frameworks
- The Integrated Risk Management Plan (IRMP)
- Consultation Engagement and Communications Strategies
- A published set of core values

Committee Structure and Member Scrutiny

- The Authority's Constitution
- Established structure of Authority and Committee meetings, each with formal Terms of Reference
- Scrutiny by Members e.g. Performance and Overview Committee responsible for thematic areas such as Finance, Equality & Diversity, Performance Management
- Crisis Management Plan – owned and scrutinised by Risk Management Board
- Local Code of Corporate Governance Action Plan reviewed by the Governance and Constitution Committee
- Published Anti-Fraud, Corruption, Whistleblowing and Complaints policies and procedures
- Medium term financial forecasting and budget management processes
- Code of Conduct

Scrutiny and Reporting

- Integrated Corporate and Financial planning processes with regular reporting
- Treasury Management Strategy
- Risk Management Board which is responsible for championing an effective Risk Management Policy and Framework and regularly reviewing the Strategic Risk Register
- Performance and Programme Board which is responsible for monitoring and reviewing organisational performance including the Corporate Performance Scorecard, which sets out the Authority's key indicators, and scrutiny of key projects and programmes
- Service Leadership Team which provides strategic direction for service delivery
- Information governance arrangements

People

- Dynamic, intelligent training programme which is tailored to the development needs of the Authority's frontline staff
- Appraisal system and personal development programmes
- Established Health, Safety and Wellbeing policies monitored by the Health, Safety and Wellbeing Committee
- Health, Safety and Wellbeing Committee review of fitness performance

2.5 CIPFA published 'The Financial Management Code' (FM Code) in 2019. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets the standards of financial management for local authorities. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- manage the short, medium and long-term finances of a local authority;
- manage financial resilience to meet unforeseen demands on services; and
- manage unexpected shocks in their financial circumstances.

2.6 Each organisation designated to apply the FM Code must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of the Authority, the Treasurer and colleagues in the leadership team.

2.7 In the External Audit Report for 2020-21, the auditors recommended that the Authority consider the establishment of an audit committee. Their findings noted that the Authority covered the general functions of an audit committee and upheld the Nolan principles. However, they stated that a smaller more focused audit committee, with a membership that had the necessary skills and experience, would enhance the appropriate scrutiny and further support the principles outlined in the Redmond Review. A report was taken to the Governance & Constitution Committee in early 2022 where approval was granted to create an audit committee. During 2022-23 the audit committee was created, and independent members recruited. Its inaugural meeting took place on 16 November 2022. The Audit Committee is now closely aligned to the requirements of the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022.

3. Internal Financial Controls

3.1 The objective of the internal financial controls is to: maintain sound and proper financial arrangements; to explain why safeguards and controls are important and necessary; and to profile a framework for financial management, which will enable, wherever possible, managerial and financial responsibilities to be aligned, safeguarding all Members and officers.

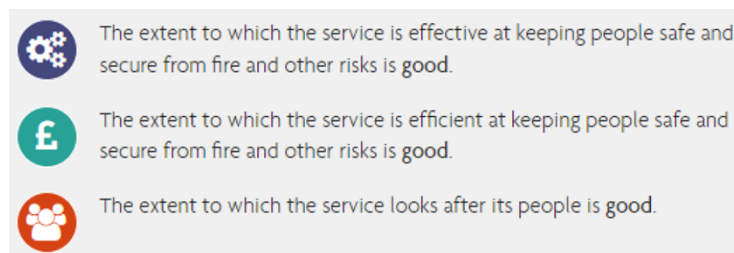
3.2 The key documents that set out the internal financial controls are:

- Financial Regulations as set out in the Constitution
- Scheme of Delegation as set out in the Constitution

- Treasury Management Strategy, which is approved by the Authority each year which sets out the Annual Investment Strategy, Borrowing Strategy, and the Minimum Revenue Provision Statement
- Treasury Management Practices which set out the detailed processes and practices to be followed in order to deliver the Treasury Management Strategy

3.3 In addition to the above, there are a series of governance checks and controls carried out through the Finance and Human Resources teams to ensure financial systems are operating effectively. These are supported by periodic Internal and External Audit reviews and with the production of action plans where necessary to provide appropriate assurance to those charged with governance.

3.4 Further assurance is now provided through HM Inspectorate of Constabularies and Fire & Rescue Services (HMICFRS), which carried out its third inspection of the Service in 2022-23. The HMICFRS examines the Service’s effectiveness, efficiency and how well it looks after its people. A full copy of the HMICFRS judgement criteria can be found on their [website](#). It is designed to give the public information about how their local fire and rescue service is performing in several important areas, in a way that is comparable with other services across England. The high-level ratings for the Service are shown below with further details available on the HMICFRS website (<https://www.justiceinspectors.gov.uk/hmicfrs/frs-assessment/frs-2021/cheshire/>).



3.5 The inspection concluded on 31st March 2023 and following a review of evidence, inspectors will produce a report due summer 2023. In previous inspection commentaries, HMICFRS stated that ‘overall, the service is effective and efficient at keeping people safe and secure from fire. And, on balance, it looks after its people well. It has made an impressive investment to promote culture and values, and equality, inclusion and diversity throughout its organisation. We are pleased to see the service working on the areas for improvement identified in our 2018 inspection. There has been good progress, for example, to increase protection resource and capability.’

4. **Good Governance in the Fire Service**

4.1 In 2016, CIPFA, in association with various groups including representation of fire and rescue services, issued best practice guidance on Delivering Good Governance. It sets out seven principles of good governance which are illustrated below:



4.2 The ethos of the above is for principles A and B to permeate the implementation of principles C to G. It also illustrates that good governance is dynamic and that an organisation as a whole should be committed to continually improving through a process of evaluation and review. Each principle is considered from the Authority and Service’s perspectives.

5. **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

5.1 Core Values inspire and guide how teams behave. They set out a platform to guide our current and future activities and help achieve our organisational priorities. Staff were at the heart of the development of the Core Values through conferences, the staff engagement forum and staff survey. This engagement was vital to ensure the Core Values remain relevant so that the Service and individuals are able to identify with them.

5.2 As a result, the Core Values are:

- **Be inclusive** – by acting fairly, with integrity, respect and without prejudice
- **Do the right thing** – by holding each other to account for ensuring high standards of professionalism in everything we do
- **Act with compassion** – by being understanding and offering help to each other and to our communities with warmth, patience and kindness
- **Make a difference** – by making an impact in our organisation and in our communities in whatever ways we can, for as many people as we can

5.3 The Director of Governance is the Authority’s Monitoring Officer as set out in section 5 of the Local Government and Housing Act 1989, whose role is to advise on the rule of law and ensure decision making is legally sound. The Monitoring Officer is a qualified solicitor and is supported by the Joint Legal Services Team that includes a number of professionally

qualified legal officers.

5.4 The Treasurer is the Authority's "Chief Financial Officer", as defined by CIPFA and as set out in section 151 of the Local Government Act 1972, whose role is to ensure the proper administration of the Authority's financial affairs. The Treasurer is a qualified accountant and is supported by the Head of Finance (who is also the Deputy S151 Officer) and by the Joint Finance Team that includes a number of professionally qualified finance officers.

5.5 The two Statutory Officers have collective meetings on a regular basis with the Chief Fire Officer and Chief Executive to ensure that robust governance arrangements are maintained and to consider potential future policy decisions, ensuring that these are consistent with available resources. These Statutory Officers, or their representatives, review all proposals that are to be submitted to meetings of the Authority and its various committees and these officers, or their representatives, attend such meetings.

6. **Principle B: Ensuring openness and comprehensive stakeholder engagement**

6.1 The Authority has a clear Consultation Strategy that sets out how and when it will consult with communities and other stakeholders. The Community Engagement Strategy includes guiding principles and explains how the Service will engage with its communities.

6.2 The Integrated Risk Management Plan (IRMP) sets out how the Authority intends to deliver the services over a period and is widely consulted on before it is finalised and approved by the Authority. The IRMP sets out the rationale behind planned activity including current performance and forecasts. The IRMP essentially reviews the effectiveness of previous activity and highlights any areas of focus for the future. An annual action plan is created.

6.3 Consultation with stakeholders includes both staff and public events at various venues, a web-based questionnaire and consultation with stakeholders during which the proposed plans are put forward and feedback is requested. The results of consultation are published on the website and reported to Members before the IRMP is finalised and approved.

6.4 Working in partnership with others is a key part of the Authority's ethos. For example, the Blue Light Collaboration arrangement has brought together some of the back office and professional services, which support the Service and Cheshire Constabulary in a single, shared headquarters site at Clemonds Hey, Winsford.

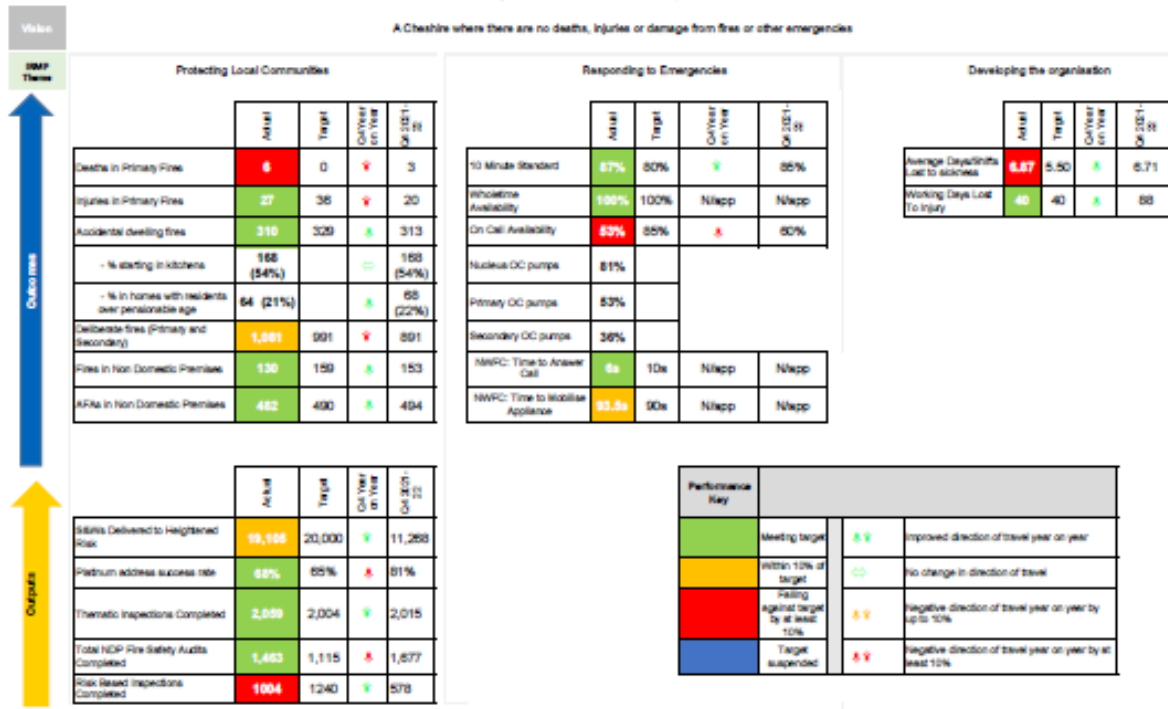
6.5 The Police and Crime Commissioner for Cheshire has the right to attend Authority meetings.

7. **Principle C: Defining outcomes in terms of sustainable economic, social & environmental benefits**

7.1 The Service's vision is a Cheshire where there are no deaths, injuries or damage from fires and other emergencies. The Integrated Risk Management Plan (IRMP) explains the approach the Authority will take to support this vision, given the context in which the Service operates, and sets out the planned activity to deliver and achieve the intended outcomes.

- 7.2 The IRMP specifies which activity will take place in each year, what the result will be and when there may be an impact. Performance indicators are agreed, setting out the projected performance and reported to Members and the public in line with the approved corporate planning and reporting timelines. The Service approach to risk is explained in its risk management policy, which is reviewed at least every three years, and risks to key projects are outlined and managed through the project management framework.
- 7.3 A Medium-Term Financial Plan (MTFP) is produced annually, reviewed regularly and updated as necessary setting out the financial assumptions and demands upon the Service to highlight budgetary pressures and set out options to address any funding shortfalls to ensure sustainability. The MTFP is supplemented by a Capital Strategy and Reserves Strategy.
- 7.4 The financial sustainability of the Authority has largely remained unchanged as a result of the Pandemic but the long-term impact on funding is unknown and the MTFP will continue to link vision and intent to funding scenarios, ensuring value for money is achieved within a balanced and sustainable budget.
8. **Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**
- 8.1 The Constitution sets out a decision-making framework which ensures that all decisions are supported by all relevant information, including financial, legal and other appropriate professional advice, that available options are considered and that internal and external stakeholders are consulted. Decisions are formally recorded and published subject to confidentiality requirements.
- 8.2 Progress against planned activity and projects is monitored and risks are reviewed regularly and reported quarterly to Performance and Overview Committee. Quarterly reports also include performance against targets for Key Performance Indicators (KPIs) as well as financial and project delivery performance. If the circumstances in which the Service operates change, activity can be adapted accordingly. Decisions affecting service delivery are delegated to officers in order to ensure they are able to react to changing circumstances quickly.
- 8.3 KPIs are set as part of the planning process and reported on every quarter. A Corporate Scorecard is produced showing performance against each of the KPIs. The corporate scorecard is published on the public website and the annual report is produced detailing the activity and performance of the Service. The following is an extract from the scorecard based on fourth quarter results.

A Cheshire where there are no deaths, injuries or damage from fires or other emergencies



- 8.4 KPI data is generated from various internal systems and analysed by the Business Intelligence Team. The Team works closely with the Prevention, Protection and Service Delivery teams to provide data and analysis that highlights any current issues or emerging trends so that activity can be targeted and resources deployed effectively.
- 8.5 Budgets are prepared in accordance with the priorities set out in the IRMP and Medium-Term Financial Plan, which integrates and balances priorities, affordability and resources. This ensures the budget process is all-inclusive, taking into account all costs of operations over the medium and long term.
- 8.6 Performance against budgets is monitored by the Performance and Programme and Budget Management Boards within the Service, which examine the progress against planned activity and spend against set budgets.
- 9. **Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**
- 9.1 Workforce planning has a crucial role in ensuring the Service has the capacity to meet its obligations and fulfil its aims and objectives. Regular reviews, planning updates and analysis are reported to the Staffing Committee and action taken when issues are identified.
- 9.2 The Service has developed a framework that encompasses and structures the Service’s strategic people priorities and objectives. This is referred to as the ‘Steps’ Framework and aligns the aims and activities to the employee lifecycle under four key stages:



10. Principle F: Managing risks & performance through robust internal control and strong public financial management

- 10.1 There is a Risk Management Policy and Practitioner Guide used throughout the Service which is applied to projects, programmes and some planned departmental activity. All strategic risks are reviewed quarterly by the risk owners and six monthly by the Risk Management Board (RMB).
- 10.2 There is a well-established network of Risk Champions who promote good practice and ensure that risk is considered locally as part of regular team meetings. This network gains some real value in sharing of best practice and acting as a ‘peer group’ in the management and maintenance of risk.
- 10.3 Members and officers at all levels of the Authority recognise that risk management is part of their day-to-day job. An owner is allocated to risks on the risk register and they are responsible for regularly reviewing and managing the risks to which they are assigned. Risk training is scheduled every two years and forms part of the Member development and induction programmes.
- 10.4 Health and Safety risks are robustly managed in accordance with the Health and Safety Policies and Procedures and by the application of Standard Operating Procedures that are regularly reviewed and updated as necessary.
- 10.5 Within the strategic risk register, identified risks are scored based on both probability and level of impact, the outcome of which is rated using a Red, Amber and Green basis.
- 10.6 The Service’s Performance and Programme Board (members of the Service Leadership Team) receives a quarterly review of performance against KPIs. The Board is responsible for monitoring and reviewing progress against performance targets and ensuring that action is taken wherever possible if targets are not being met. The performance reviews are also reported to the Performance and Overview Committee.
- 10.7 Financial performance is also reported to the Performance and Overview Committee on a quarterly basis. Budget Managers are provided with detailed information monthly and all

financial activity is subject to audit. The Head of Internal Audit provides an annual assurance statement together with the External Auditor's Annual Audit Letter both of which are published together with the Statement of Accounts on the website.

- 10.8 The use and disclosure of personal data is governed in the United Kingdom by the Data Protection Act 2018 (the Act) and the General Data Protection Regulation (GDPR). The Service ensures that all personal data is handled in accordance with the Act.
11. **Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**
- 11.1 The Corporate Communications Strategy sets out the approach the Service will take to communicating with the public and other stakeholders. It recognises the need for different approaches for different audiences and the increased use of social media as a communications tool.
- 11.2 The Service's website includes details of performance, strategies, plans, financial statements and the Annual Report. The Annual Report highlights key challenges and achievements from the year and includes performance and financial information set out in a simple but informative way. Members and Service Leadership Team agree the report before it is published.
- 11.3 The process for assessing the Authority against this framework is agreed by the Governance and Constitution Committee. Evidence is reviewed yearly and an action plan is maintained highlighting areas for improvement. Progress against the action plan is reported to the Service Leadership Team and to Governance and Constitution Committee. The framework and the evidence supporting the assessment is included in the annual Statement of Assurance. Internal Audit review the assessment and evidence against at least two of the sections of the Code of Corporate Governance Framework each year and make recommendations for improvement accordingly.
- 11.4 As a public service organisation, the Fire Authority will use public funds prudently and apply the highest standards of conduct throughout the organisation. Under the remit of the Governance and Constitution Committee, the Authority has an Anti-Fraud Policy and Whistleblowing Policy and Procedure (confidential reporting) in support of this aim.
- 11.5 External assurance in terms of accountability is provided by both Internal and External Audit, HMICFRS reviews and partner reviews of collaborations. The Head of Internal Audit carries out their role in accordance with guidance issued in the CIPFA Statement on the role of the head of internal audit (2010). The Head of Internal Audit's Opinion and the overall opinion for the period 1 April 2022 to 31 March 2023 provides Substantial Assurance, that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.

The 2022/23 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year. Review coverage has been focused on:

- The organisation's assurance framework;

- Core and mandated reviews, including follow up; and
- A range of individual risk-based assurance reviews.

12. **Review of Effectiveness**

12.1 As part of the on-going governance roles, each of the above principles is reviewed and evidence sourced to show effectiveness in terms of communications, actions, policies and procedures. This evidence is scrutinised and challenged by the Treasurer together with the Director of Governance and Commissioning.

12.2 These statutory roles have the responsibility to ensure the Authority has a sound system of governance (incorporating the system of internal control) and as such maintain the Authority's Code of Governance including financial regulations.

13. **Report on Areas for Action during 2022-23**

13.1 Within the 2021-22 Annual Governance Statement, the review of effectiveness identified three areas where further action was required. The following re-visits the actions and reports on the outcome in 2022-23.

[1] The Authority does not have an asset management strategy in place.

Action: Develop an asset management strategy

Update: A Fleet Management Strategy and a Capital Strategy for 2023-28 have now been agreed. These documents will be used as a base to inform the Asset Management Strategy which is in development

[2] The Authority's budget managers require development and support in managing their budgets.

Action: Work with budget managers in formal and informal setting to improve budget management.

Update: The development of the budget for 2023-24 using the Budget Management Board ensured that Principal Officers and Heads of Department were fully involved in budget setting. The Medium-Term Financial Plan (MTFP) is a standing item on SLT agendas and is used to cement understanding and generate debate. Finance Team members meet regularly with budget managers to review departmental budgetary positions. The Finance team intends to work with budget managers to develop improved budget management and reporting and has held an initial meeting with Service Delivery managers to discuss potential improvements. The Team will also lead a review of the delivery of formal quarterly reports to Members

[3] The Authority should ensure that its MTFP has sufficient sensitivity analysis on future sustainability

Action: Review the contents of the MTFP.

Update: The regular consideration of the MTFP at SLT meetings facilitates discussions on risks associated with and assumptions underpinning the plan. The budget round for 2024-25 begins in July 2023 and initial work is being undertaken which will encompass more sensitivity analysis especially in relation to the potential impact of different funding scenarios

[4] The Authority has no formal Section 114 notice process in place

Action: Create a Section 114 process

Update: A procedure will be developed by June 2023

[5] The Authority's budget bid forms do not include sufficient information on options.

Action: Review option appraisal element of the budget bid form.

Update: Full business cases do include a section on options considered but the shorter budget bid forms used for initial consideration of growth items do not specifically include such a section. A section will be included in the 2024-25 budget bid forms

[6] The draft White Paper on Reforming Fire and Rescue Services has been released and the Authority will need to respond to it.

Action: Respond to the draft White Paper (first step will be to respond to the consultation).

Update: The Authority responded to the White Paper in accordance with the timetable

14. Areas for Action in 2023-24

14.1 The governance framework, internal controls and application of the principles have been reviewed during 2022-23 with the following areas highlighted as risks together with the mitigating actions required.

[1] Fire Authority – significant changes to Members post May election, training required

Update: All-out local elections may lead to greater-than-usual changes to the membership of the Fire Authority at time when it will be agreeing a new four year plan (Community Risk Management Plan). This will mean that an effective induction will need to be delivered for new members, coupled with a robust support mechanism.

[2] Audit Committee – embed into business as usual

Update: The Audit Committee will operate its first full year of activities at time when a new external auditor will take over from the incumbent supplier. This will be challenging for officers and Members alike the Committee will produce an annual report in March 2024 which considers its effectiveness.

[3] HMICFRS – respond to any areas of improvement

Update: The Service will need to deal with any issues that are highlighted in the report from HMICFRS concerned with the inspection that took place in the Spring of 2023.

[4] A review is underway of services delivered jointly with the Police under Blue Light Collaboration.

Update: The results of the review will determine the effectiveness of the arrangements for delivering services. Some services have already been transferred to direct management by the Fire Authority. Where this has happened governance and control arrangements have been considered as part of the transfer, and this will be the case if any further transfer take place.

15. Summary

15.1 We propose over the coming year to take steps to address the issues identified above to further enhance the governance arrangements. We are satisfied that these steps will address the need for improvement as identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Signed

Cllr TBA
Chair of Fire Authority

Alex Waller
Chief Fire Officer and Chief Executive

Andrew Leadbetter
Director of Governance

On behalf of the Members of Cheshire Fire Authority and officers of Cheshire Fire and Rescue Service.

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Internal Audit Progress Report

Audit Committee (September 2023)

Cheshire Fire and Rescue Service

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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..

Executive Summary

This report provides an update to the Audit Committee in respect of the progress made in against the Internal Audit Plan for 2023/24 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

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

This progress report covers the period July 2023 to September 2023.

3 Executive Summary

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

2023/24 Audit Reviews

The following reviews have been finalised:

HR Payroll (High Assurance)

Overall, 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. Some minor areas for improvement have been identified to strengthen existing controls in place. These include ensuring timely completion of new starter and leaver checklists.

The reviews below are currently in progress:

Whistleblowing and Implementation of HMICFRS Values and Culture Recommendations (Draft report)

We have agreed the TOR for the following reviews:

I.T Asset Management (Date scheduled to commence November 2023)

Follow Ups

There is no follow up work to report at this stage.

Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process. There are no current proposals to amend the approved audit plan.

Added Value

Events

Events are free to all clients and booking can be made by clicking on the above link or via our website www.miaa.nhs.uk and click on Events.

- [Understanding Anxiety in the workplace \(18th October 2023\)](#)
- [Transforming the delivery of public services using Human Learning Systems \(7th December 2023\)](#)

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.’

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 23/24:

| HOIA Opinion Area | TOR Agreed | Status | Assurance Level | Audit Committee Reporting |
|---|------------|--|-----------------|---------------------------|
| Core/ Mandated Assurances | | | | |
| Key Financial Systems | N/A | Review scheduled for Q3 | N/A | April 2024 |
| Risk Management Core Controls | N/A | Review scheduled for Q4 | N/A | April 2024 |
| National Fraud Initiative | N/A | Fieldwork | N/A | January 2024 |
| Risk Based Assurances | | | | |
| HR Payroll Review | ✓ | Complete | High | September 2023 |
| Whistleblowing and Implementation of HMICFRS Values and Culture Recommendations | ✓ | Draft report – Currently with management for agreement | N/A | January 2024 |
| I.T Asset Management | ✓ | Scheduled to commence November 2023 | N/A | January 2024 |

| HOIA Opinion Area | TOR Agreed | Status | Assurance Level | Audit Committee Reporting |
|----------------------------------|------------|---------------------|-----------------|---------------------------|
| Follow Up | | | | |
| Qtr 1/2 | N/A | Fieldwork | N/A | January 2024 |
| Qtr 3/4 | N/A | N/A | N/A | April 2024 |
| Added Value / Support & Guidance | | | | |
| Audit Committee member training | N/A | Completed July 2023 | N/A | N/A |

Due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

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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 Final report includes a questionnaire for client feedback | Green | |
| Percentage of recommendations raised which are agreed | Each Audit Committee | Green | |
| Percentage of recommendations which are implemented | Follow Up will be reported twice per year | Green | |
| Qualified Staff | Annual | Green | MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. |
| 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. |

Appendix C: 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 | 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: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations. |
| High | Control weakness that has or is likely to 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 | Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low. |
| 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. |

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.

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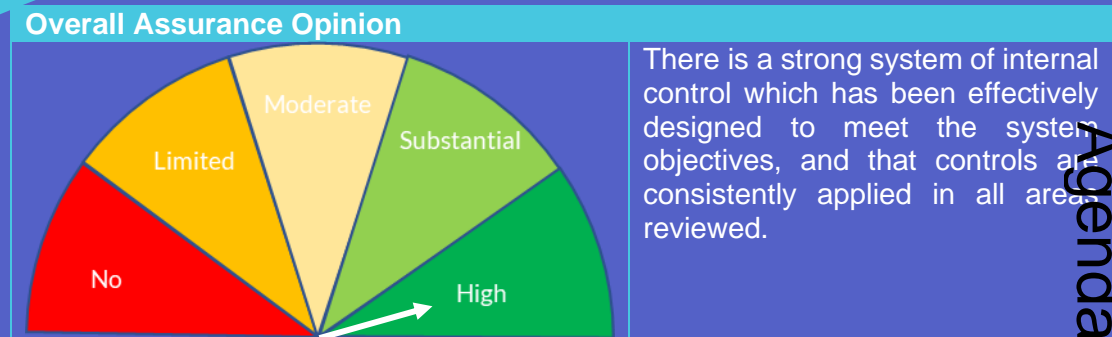
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HR / Payroll Review

Assignment Report 2023/24 (Final)

Cheshire Fire and Rescue Service

302CFRS_2324_007



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1 Executive Summary

2 Findings and Management Action

Appendix A: Detailed Findings

Appendix B: Engagement Scope

Appendix C: Assurance Definitions and Risk Classifications

Appendix D: Report Distribution

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 Engagement Manager. To discuss any other issues then please contact the Director.

1 Executive Summary

The overall objective of the audit was to evaluate the robustness and effectiveness of controls that support the HR/payroll system to ensure validity, accuracy, and timeliness of payments to employees.

Key Findings/Conclusion

Overall, 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. It was confirmed the Fire service have a Pay and Recognition Policy, Retirement Policy, and Gartan Payroll Guidance in place to support the delivery of payroll services.

The Pay and Performance Committee meet annually to review the pay of the Brigade Managers. Additionally, monthly payroll reports are reviewed identifying the Key Performance Indicators (KPIs) and the targets achieved, in line with the existing payroll SLA.

User access to Gartan FSi-Payroll and Open HR systems is controlled by user groups and is monitored in line with monthly leaver reports. Leaver checklists were appropriately completed for all leavers and in most cases new starter checklists were consistent with Open HR.

Some minor areas for improvement have been identified to strengthen existing controls in place. These include ensuring timely completion and new starter and leaver checklists.

| Objectives Reviewed | RAG Rating |
|---|-------------|
| Roles and responsibilities | Green |
| Policies and procedures | Green |
| Access Rights | Green |
| New starters, changes, and terminations | Amber |
| KPI monitoring | Green |
| Overall Assurance Rating | High |

| Recommendations | | |
|-----------------|----------------|-------------------------|
| Risk Rating | Control Design | Operating Effectiveness |
| Medium | | 0 |
| Low | | 2 |
| Total | | 2 |

Areas of Good Practice

- There are appropriate procedures and guidance available for line managers to complete supporting documentation to initiate payroll processes.
- Clear audit trails are available within Open HR evidencing historical changes such as annual pay awards, competency completion and any unpaid leave taken.
- Access rights to the Gartan and Open HR systems are controlled and monitored in line with new starters and leaver reports.
- New starters, contractual changes and terminations are notified to the payroll provider promptly, and they are accurately updated in the Gartan and Open HR systems in a timely manner.
- Appropriate performance reporting is maintained. Cheshire Fire & Rescue Service receive monthly reports from the payroll provider reviewing the KPIs and the targets achieved, in line with the Payroll SLA.
- In July 2023 all Payroll SLA achievement targets were met including the payroll accuracy. Monthly reports also capture payroll queries, changes and any service issued logged.

Key Findings – Issues Identified

Low

- 1.1. Audit testing of 10 New Starters identified the following:
 - Start dates and salaries on new starter checklists were accurately updated in Open HR for all new starters.
 - Checks were completed after employee start dates for 2 out of 10 new starters.
 - Bank details were submitted before the payroll cut off for the month for 6 out of 10 new starters.
 - Starter checklists did not capture overall completion date. The time taken to complete all checks could be used as a KPI to strengthen performance reporting (**Recommendation 3 – Low**).
- 1.2. Leaver checklists were appropriately completed for all leavers. However, for 1 out of 10 leavers the leaving date was not input into HRIS until after their last day due to late notification (**Recommendation 4 – Low**).

2 Findings and Management Action

| | | |
|---|---|--|
| 1. New Starters | | Risk Rating: Low |
| Operating Effectiveness | | |
| <p>Key Finding – Audit testing of 10 New Starters identified the following:</p> <ul style="list-style-type: none"> • Checks were completed after employee start dates for 2 out of 10 new starters. • Bank details were submitted after the payroll cut off for the month for 4 out of 10 new starters. • Starter checklists did not capture an overall completion date. The time taken to complete all checks could be used as a KPI to strengthen performance reporting. | <p>Specific Risk – New starters are not effectively managed and controlled, resulting in under / overpayments and incorrect access rights.</p> | <p>Recommendation – The Fire Service should ensure the following, where possible:</p> <ul style="list-style-type: none"> • Checks are completed prior to employee start dates for all new starters. • Bank details are identified prior to payroll cut off for the month. • Starter checklists capture the overall completion date for the form. |
| <p>Management Response –</p> <p>Starter checklists do not capture an overall completion date as each individual task is dated once complete, therefore the last task to be completed should indicate the overall completion date.</p> <p>Where the payroll team are notified of new starters late i.e. after payroll cut off, some checks may not be completed before the employee’s first day as payroll related actions will be prioritised. We have received several late notifications of starters in 2023 as a result of team turnover/staffing levels in the recruitment team.</p> | | Evidence to confirm implementation – |

Where a new employee has not returned their forms in a timely manner i.e. bank details forms, the payroll team will process them as they are received. If the bank details are received after cut off, the team will always ensure they are processed to avoid an underpayment.

It should also be noted that where an employee's start date is after the 18th of the month, the first payment will not be until the following month. This is standard practice to ensure people are not overpaid if they don't start with us. Where this is the case, the dates that starter payroll actions are completed can feasibly be after the member's start date because the payroll team prioritise work tasks based on which payroll the action needs to take effect from.

There are also a number of starter tasks which cannot be done until after an employee has had their first pay i.e. payslip checking. Tasks such as completion of pension starter forms are not as time sensitive, therefore the payroll team will prioritise work accordingly.

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Responsible Officer – **Jill Swift**

Implementation Date – 30/09/2023

| | | |
|---|--|--|
| 2. Leavers Forms | | Risk Rating: Low |
| Operating Effectiveness | | |
| Key Finding – Leaver checklists were appropriately completed for all leavers. However, for 1 out of 10 leavers the leaving date was not input into HRIS until after their last day due to late notification. | Specific Risk – Leavers are not effectively managed and controlled, resulting in under / overpayments and incorrect access rights, such | Recommendation – Systems are updated prior to employee leave dates for all leavers, where possible. |

| | | |
|--|---|---|
| | as past employees still having access to the systems. | |
| <p>Management Response –</p> <p>Payroll and Pension leaver forms are for internal payroll team use, they do not need to be signed by employees or managers.</p> <p>Dates of completion are noted next to each individual task. The date of overall completion will be whatever the final date listed on the checklist is. There are a number of actions that can only be completed once the employee has received their final pay so not all actions will be completed before the employee’s last day.</p> <p>Where late notification is received of a leaver, we will always prioritise stopping their pay to ensure there is no overpayment. The case noted above was received on the 9th May for the 18th May pay. Payroll cut off was the 25th April. In this case, the payroll had already been run and checked and therefore priority was given to payroll related actions to ensure the employee was not overpaid and to ensure the May payroll could be signed off on time. The system was updated at a later date when the payroll had been finalised and the team had capacity to complete the remaining leaver actions. The manager had already emailed the other key departments i.e. staffing, to ensure they were aware of the leaver, therefore the risk of systems access remaining available would be low.</p> <p>Responsible Officer – Jill Swift</p> <p>Implementation Date – 30/09/2023</p> | | <p>Evidence to confirm implementation –</p> |



Appendix A: Detailed Findings

Objective One: Roles and Responsibilities

The contract agreement, between Cheshire Fire & Rescue Service (CFRS) and the Access Group was evidenced. This was signed on behalf of both parties and outlines the statement of work and payment terms for the contract. The Fire Service has a payroll SLA agreed with Access Group outlining payroll KPIs.

Objective Two: Policies and Procedures

Pay and Recognition Policy: details all matters relating to pay within the Fire Service for brigade managers, uniformed personnel, and support staff; including uniform allowance, sick pay, and continual professional development (CPD). The roles and responsibilities of brigade managers and the Pay and Performance Committee are clearly defined.

Retirement Policy: details support in place for staff approaching retirement and considering continued service. FAQs are included in Part 3 regarding what areas are covered in the pre-retirement course and other relevant topics.

Gartan Payroll Guidance: outlines procedural guidance for the use of the Gartan FSi-Payroll system used by staff to capture timesheets and process payments. Access levels are detailed including authorisation permissions for managers and administrators.

All policies reviewed were approved appropriately and were within their current review date.

Objective Three: Access Rights

Access rights for the Gartan FSi-Payroll system are outlined within the Gartan Payroll Guidance, and admin access is restricted. Additionally, user groups for the Open HR System are role specific and are assigned

accordingly, 3 staff members within the workforce team have access to Open HR Security Manager. Access requests to the HR system are submitted to the HR workforce information mailbox, the requested user level is granted accordingly.

Leaver reports are shared by the Payroll and Systems Assistant with leads across the Fire Service, to ensure staff are removed from all systems. Audit testing identified all 10 leavers had no access to all payroll related systems. In addition, in most cases payslips were verified as well as checking next month's pay run to ensure that leavers are terminated.

Objective Four: New Starters, Changes and Terminations

New Starters

New Starters are assigned staff numbers and post details within Open HR according to their role.

New starter checklists are not signed but checks completed are dated and initialed.

Audit testing of 10 New Starters identified the following:

- Start dates and salaries on new starter checklists were accurately updated in Open HR for all new starters.
- Checks were completed after employee start dates for 2 out of 10 new starters.
- Bank details were submitted before the payroll cut off for the month for 6 out of 10 new starters.
- Starter checklists did not capture an overall completion date. The time taken to complete all checks could be used as a KPI to strengthen performance reporting.

Changes

An audit trail is available within Open HR evidencing historical changes such as annual pay awards, development phases, competency completion and any unpaid leave taken.

Audit testing of 5 Changes identified the following:

- Change details including clear reasoning was consistent with Open HR for all 5 changes.
- Pay slips were accurate for all 5 changes tested.
- Payroll change forms or National Joint Council approval was sought for all changes.

Terminations

Payment deductions including any outstanding annual leave is accounted for on the leaver's final payment slip. Pensions leaver forms are completed where employees have opted in.

Audit testing of 10 Terminations identified the following:

- Leaver checklists were appropriately completed for all leavers. However, for 1 out of 10 leavers the leaving date was not input into HRIS until after their last day due to late notification.
- Employee access to Open HR and the Gartan shift booking system was removed for all leavers.

Objective Five: KPI Monitoring

The following KPIs are outlined in the Payroll SLA:

- Produce payroll on schedule – 100%

- Accuracy of payroll processing based on post payroll production errors – 98.5%
- Payroll queries, within 3 days of receipt – 80%

Cheshire Fire & Rescue Service receives monthly reports from the payroll provider reviewing the KPIs and the targets achieved, in line with the Payroll SLA. In July 2023 all Payroll SLA achievement targets were met including the payroll accuracy. Monthly reports also capture payroll queries, changes and any service issued logged.

Appendix B: Engagement Scope

Scope

The following sub-objectives were identified:

- Roles and responsibilities have been clearly set out and communicated, within an agreed Service Level Agreement (SLA) in place for any outsourced services.
 - There are appropriate procedures and guidance available for line managers to complete supporting documentation to initiate payroll processes.
 - Access rights to the ESR system are controlled and monitored.
 - New starters, contractual changes and terminations are notified to the payroll provider promptly, are appropriately authorised and are accurately input / updated in the HR and other operational systems in a timely manner.
- Routine monitoring of information provided by the payroll provider (e.g., KPIs) is regularly reviewed and actioned as appropriate.

Scope Limitations

The limitations to scope are as follows:

- The scope of this review focused on the objectives described above and is limited to the controls in operation at the organisation.

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

Appendix C: 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. |

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| Risk Rating | Assessment Rationale |
|-------------|--|
| Critical | 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: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations. |
| High | Control weakness that has or is likely to 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 | Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low. |
| 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. |

Appendix D: Report Distribution

| Name | Title |
|-----------------|--|
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| Jill Swift | HR Business Partner - Payroll and Pensions |
| Alex Waller | Chief Fire Officer and Chief Executive |
| Lee Shears | Deputy Chief Fire Officer |
| Paul Vaughan | Treasurer |
| Chris Astall | Risk and Project Officer |

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Limitations

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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 and conforms with the International Standards for the Professional Practice of Internal Auditing.

Summary of Cheshire Fire and Rescue Service Strategic Risk Register Sept 2023

| Risk description | Likely Impact | Corporate Objective | Current risk score | Current controls | Target risk score | Additional controls, actions and latest progress |
|---|---|---|--------------------|--|-------------------|---|
| Funding uncertainty | Inability to deliver CRMP and capital programme | Deliver Value for Money services which maximise community safety and minimise our impact on the environment | 20 | <p>Planning processes including monthly SMT meetings focused on horizon scanning, forward plans, budgets and programme monitoring. Medium Term Financial Plan/Capital Strategy/Reserve Strategy in place and regularly reviewed.</p> <p>Formal reporting to Member meetings and Member Planning Days.</p> <p>Reporting to Performance & Programme Board.</p> <p>Ongoing external liaison at national, regional and local level.</p> <p>Forecast reports and workplace planning reports utilise Managed use of reserves where necessary</p> | 8 | Participation in sector wide information initiatives to support case for funding. MTFP updated and Budget Management Board meetings commenced in July. |
| Overarching pensions risk (increase in employers' contributions, impact of McCloud) | Additional costs, additional specialist resource requirements, potential industrial relations | Deliver Value for Money services which maximise community safety and minimise our impact on | 16 | <p>Pension Board oversight</p> <p>Pension Manager in place and additional budget available, including Home Office support</p> <p>Dedicated legal support</p> <p>Regular engagement with national bodies</p> <p>Dedicated supporting information available</p> | 6 | Consultation response to the draft Firefighters' Pensions (Remediable Service) Regulations 2023 Scheme published 20 July and final regulations have now been laid in Parliament. They take effect from 1st October 2023. Data collection exercise will be concluded by 18th August. XPS pensions to 'rollback' members to legacy scheme in October and produce benefit statements |

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| | <p>issues, welfare issues.</p> | <p>the environment</p> | | <p>Regular communication with rep bodies and staff Remedy implementation plan in place</p> | <p>(known as Remediable Service Statements) to show members their choice of benefits plus contribution adjustments, compensation and interest due. Response to the consultation on outstanding tax regulations expected later this month. The Government Actuary Department are in the process of developing a calculator for Services to use to calculate contributions adjustments, tax relief and interest. Local Government Association to developing communications including member videos. Communications sent to members who will become eligible to retire in the coming 18 months to ensure they are aware of the retirement process post October, which will allow XPS pensions to complete pension calculations, which in the short term will be completed manually until their software has been updated. XPS Pensions have now provided details of the Phase 3 and 4 remedy costs. Quote is based on worst case scenario and as the remedy exercise progresses it is likely that efficiency savings can be realised. A large proportion of cases will need to resolved with manual calculations, therefore a significant resource will be required to undertake this work. Negotiations relating to McCloud injury to feelings claims are still ongoing. Confirmation of the employer contribution</p> |
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| | | | | | | rate to apply from April 2024 is expected in the Autumn. This rate is likely to increase due to a number of factors such as the change in the SCAPE rate which is used as part of the scheme valuation process, and the inclusion of remedy related costs. Risk reflected in MTFP. |
| Outcome of review Joint Corporate Services | Deterioration in relationship with partners, increase in cost of delivering service, loss of skills and resilience, IT issues, governance arrangements, fragmented services. | Ensure our workforce is competent and able to deliver our vision | 20 | Joint Service Management Board in place to manage the reviews and outcomes. Blue Light Executive Board oversight Detailed reviews of all functions being undertaken Project to deliver outcomes of reviews | 4 | Risk discussed and registered at Blue Light Executive. Finance and Information Management to return to direct management by Fire. Both Legal & Procurement review are now complete with the recommendation for the Joint Service to continue, the Stores, Logistics & Print report has now been received from Cheshire Police and our response is currently underway with a view to present to the BLC Project Review Board in September 23 with a recommendation to take forward to BLE later in Sept 23. Still awaiting reports from Police on Estates & IT. |
| Delivery of support services under BLC | Additional costs, deterioration in quality or loss of support service | Ensure our workforce is competent and able to deliver our vision | 16 | Performance meetings with Heads of Department Joint Corporate Services Management Board in place Blue Light Executive Board in place Deep dive surveys | 4 | JSMB meetings (where performance monitoring would normally take place) has been suspended and replaced with BLC Project Review Boards to allow the completion of the remainder of the joint service reviews to take place |

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| Station Modernisation Programme funding uncertainty | Inability to deliver the Station Modernisation Programme as originally planned. | Deliver Value for Money services which maximise community safety and minimise our impact on the environment | 12 | Monitoring of plans, costs and risks by officers and contractors and at Estates and property Committee. | 4 | Revised plans and costs submitted to June CFA meeting for Congeleton approved. Further approvals shortly to be considered for Wilmslow and Macclesfield. Further review of overall budgetary position required. |
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CHESHIRE FIRE AUTHORITY

MEETING OF: AUDIT COMMITTEE
DATE: 26TH SEPTEMBER 2023
REPORT OF: DIRECTOR OF GOVERNANCE
AUTHOR: ANDREW LEADBETTER

SUBJECT: PRODUCTION OF AUDIT COMMITTEE ANNUAL REPORT

Purpose of Report

1. To enable Members to determine what they intend to do about the preparation of an Annual Report and how they wish it to be promoted.

Recommended: That Members

[1] Determine a way forward in relation to the Annual Report.

Background

2. The CIPFA Audit Committee Position Statement indicates that in order to discharge its responsibilities effectively an audit committee should:

“report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.”

3. The Position Statement goes on to say:

“The committee should establish its impact and identify any areas for improvement.”

4. CIPFA’s publication, Audit Committees: practical guidance for local authorities and police also states:

Accountability and Annual Report

CIPFA has recommended that the audit committee should produce an annual report since the 2013 edition of this guidance. In the latest edition, the annual report is given greater prominence and has been included in the Position Statement. The report should be used to provide accountability to those charged with governance on compliance with the Position Statement and performance and provide assurance over the areas within its terms of reference.

The timing of the report will need to take into account of whether there will be changes in committee membership – for example, because of elections or rotation of committee members at annual meetings. The conclusions of the report can support the AGS.

It is for the committee chair to prepare the annual report in consultation with the members, although some support may be required to check accuracy or provide supporting information. Developing the report will ensure the committee is better placed for any future policy developments that might expect more from accountability disclosures.

Information

5. This Audit Committee will have been operating for over 12 months later this calendar year. In order to comply with the CIPFA Position Statement, it would seem appropriate to consider what the Committee intends to do in respect of the requirement to produce an annual report.
6. It would seem appropriate to complete the annual report to cover the financial year 2023-24 and that the Committee approves its annual report at its meeting on 17th April 2024.
7. If Members are aware of any public bodies that prepare an annual report that might be considered to represent 'best practice' this could be a useful starting point for the drafting of such a document for this Committee.

Financial Implications

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

Legal Implications

9. Whilst there are no legal implications associated with the production of the annual report, it will further bolster the governance arrangements of the Fire Authority.

Equality and Diversity Implications

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

Environmental Implications

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

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