



**Wednesday,  
17 April 2024**

**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:  
Emilie Salkeld  
Democratic Services

Cheshire Fire and Rescue Service Headquarters, Sadler Road, Winsford, Cheshire, CW7  
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## **Cheshire Fire Authority**

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

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#### **Attendance at Meetings**

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#### **Access to Information**

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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.

**This agenda is available in large print, Braille, audio CD or in community languages upon request by contacting; Telephone: 01606868414 or email: [equalities@cheshirefire.gov.uk](mailto:equalities@cheshirefire.gov.uk)**

#### **Recording of Meetings**

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#### **Fire Evacuation**

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## **MEETING OF THE AUDIT COMMITTEE**

**WEDNESDAY, 17 APRIL 2024**

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

**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 24<sup>th</sup> January 2024.

(Pages 5 - 10)

**1e Action Tracker of the Audit Committee**

(Pages 11 - 12)

#### **ITEMS REQUIRING DISCUSSION / DECISION**

##### **External Audit**

**2 Appointment of External Auditor**

(Pages 13 - 14)

##### **Internal Audit**

**3 Internal Audit Progress Report**

(Pages 15 - 24)

**4 Risk Management - Core Controls Review Assignment Report**

(Pages 25 - 34)

**5 Key Financial Transactional Processing Controls Review Assignment Report**

(Pages 35 - 48)

**6 Draft Internal Audit Annual Report and Head of Internal Audit Opinion 2023-24**

(Pages 49 - 62)

**7 Internal Audit Charter**

(Pages 63 - 72)

8      **Draft Internal Audit Plan 2024-25**      (Pages 73 - 84)

## **Risk Management**

9      **Annual Risk Management Report 2023-24**      (Pages 85 - 94)

10     **Review of the Strategic Risk Register**      (Pages 95 - 100)

Audit Committee reviews the Strategic Risk Register at each meeting. A summary of the risks has been prepared. The information included on the summary is correct as of 5<sup>th</sup> April 2024. Any changes/ updates will be provided by the Projects and Risk Officer during the meeting.

## **General**

11     **Audit Committee Annual Report**      (Pages 101 -116)

12     **Draft Audit Committee Forward Plan 2024-25**      (Pages 117 -118)

## **Any Other Business**

### **Date of next meeting**

Wednesday 10<sup>th</sup> July at 1pm

### **Part 2 - Business to be discussed in private**

Note: Opportunity to talk to Auditors

After the meeting has finished, the Committee members have time to speak with the External and/or Internal Auditors without officers being in attendance.



**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE held on Wednesday, 24 January 2024 at Lecture Theatre - Fire Service Headquarters, Sadler Road, Winsford, Cheshire CW7 2FQ at 10.00 am**

**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:**

Andrew Leadbetter, Director of Governance  
Paul Vaughan, Finance Officer  
James Cunningham, Head of Finance  
Neil McElroy, Head of Service Improvement  
Chris Astall, Project and Risk Officer  
Jacqueline Guest, Information Manager  
Emilie Salkeld, Governance Officer

**1A RECORDING OF MEETING**

Members were reminded that the meeting would be audio recorded.

**1B APOLOGIES FOR ABSENCE**

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

**1C DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of Members' interests.

**1D MINUTES OF THE AUDIT COMMITTEE**

The Independent Audit Committee Member requested sight of the minutes from 26<sup>th</sup> September 2023 to ensure the amendments to the minutes were finalised. The Director of Governance assured Members the minutes were corrected and agreed to circulate the minutes to all Members.

**RESOLVED:**

**The minutes of the Audit Committee held on Wednesday 22<sup>nd</sup> November 2023 be confirmed as a correct record.**

**1E ACTION TRACKER OF THE AUDIT COMMITTEE**

The Director of Governance and the Finance Officer provided an update against each of the actions. The updates were to be included in the tracker for the next Audit Committee meeting unless the actions had been completed.

It was noted that the following actions could be closed:

26th September 2023:

Item 3 – Audited Statement of Accounts 2022-23 with Letter of Representation

**2 UPDATE - ACCOUNTS AND ANNUAL AUDITOR'S REPORT 2022-23**

The Finance Officer provided an update on the progress of the accounts and annual auditor's report for 2022-23. He advised that the causes to the previous delays to the signing of accounts had been resolved.

It had previously been agreed that Members would not require sight of the accounts if there were no material changes. However, the external auditors requested that the Chair of the Audit Committee had sight of the updated version of accounts prior to signing. The Chair confirmed he and officers were satisfied with the amendment and that the accounts with the letter of representation could be signed off after the meeting.

**RESOLVED: That**

**[1] the Statement of Accounts for 2022-23 and letter of representation be signed by the relevant officers and Chair of the Audit Committee.**

**3 ANNUAL GOVERNANCE STATEMENT - PROGRESS AGAINST AREAS FOR ACTION 2023-24 (AND 2022-23)**

The Finance Officer introduced the report which updated Members on the progress against the Areas for Action contained in the Authority's Annual Governance Statement (AGS) for 2023-24 and the remaining unresolved Areas for Actions from the 2022-23 AGS. He provided an update against each of the actions contained within the report.

He explained that there were currently no formal arrangements for the Audit Committee to review the Areas for Action within the AGS. It was recommended that they are reviewed twice each year, at the meetings in July and November. This was to allow the results of the review to be incorporated into the following year's AGS and the updates could be reported at the same time as the Auditor's Annual Report.

A Member queried when the Asset Management Strategy would be submitted to Members. The Finance Officer explained the strategy was currently in development and due for submission in Quarter 2 of 2024-25.

Members raised concerns that the absence of the Asset Management Strategy may have contributed to the valuation issues that arose in the delay to signing the Statement of Accounts for 2022-23. The Finance Officer assured Members that the valuations in the Statement of Accounts were not affected by the absence of the Asset Management Strategy. The Asset Management Strategy would assist with the maintenance of assets and budget setting within the Medium Term Financial Plan.

The Independent Audit Committee Member advised that there was an error with the documentation dates included in the report. The Finance Officer advised that the dates would be amended.

**RESOLVED: That**

- [1] the Annual Governance Statement – Progress Against Areas for Action 2023-24 (and 2022-23) by noted; and**
- [2] the Audit Committee receives half yearly updates on the progress against the Areas for Action as described within paragraph 4 of the report.**

#### **4 INTERNAL AUDIT PROGRESS REPORT**

Anne-Marie Harrop, a representative 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 National Fraud Initiative review was complete.
- The reviews on the Key Financial Transactional Processing Controls and IT Asset Management were due to be submitted at the next Audit Committee meeting on 17<sup>th</sup> April 2024.
- The terms of reference for the Risk Management Core Controls review had been confirmed and was due to start fieldwork. There were no concerns regarding the delay in works.

The auditor advised that a draft internal audit plan for the upcoming year would usually be submitted to the Audit Committee. However, the draft plan for the upcoming year could not be developed/agreed as the tendering process for the internal audit contract had not been concluded.

**RESOLVED: That**

- [1] the Internal Audit Progress Report be noted.**

## **5 INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP REPORT**

Anne-Marie Harrop, a representative from MIAA, was in attendance to present the report which updated Members on the progress made against recommendations from previous audit assignments' agreed actions. She provided an update against each recommendation within the report.

A Member requested that the report include the original agreed completion dates of recommendations going forward. The Auditor agreed to revise the report template to include the information.

The Independent Audit Committee Member queried whether the IT related recommendation timescales were underestimated, as many had revised dates. The Auditor explained that some IT related recommendations, such as the cybersecurity review, had many complex layers and involved the shared service for completion. The Auditor was satisfied with the revised dates. The Service also shared its own action tracker system which provided evidence of progress.

**RESOLVED: That**

**[1] the Internal Audit Recommendations Follow Up report be noted.**

## **6 NATIONAL FRAUD INITIATIVE BRIEFING NOTE**

Charles Black, a representative from MIAA, was in attendance to present the briefing note which provided a summary of the Service's data matches, outstanding matches and any overpayments identified as part of the National Fraud Initiative round for 2022-23. MIAA confirmed that all potential matches were investigated and there were no instances of fraud or overpayment identified.

**RESOLVED: That**

**[1] the National Fraud Initiative Briefing Note be noted.**

## **7 INTERNAL AUDIT PROCUREMENT UPDATE**

The Finance Officer provided an update on the Authority's procurement for a new internal auditor. He advised that the Authority was on target to appoint internal auditors and the process was expected to be completed by the end of February 2024.

## **8 RISK MANAGEMENT POLICY**

The Finance Officer introduced the Risk Management Policy (the Policy) which was considered by the Service Leadership Team prior to submission to the Risk Management Group at its meeting on Wednesday 10<sup>th</sup> January 2024. The Policy was approved by officers and was presented to the Audit Committee for information.

The Independent Audit Committee Member queried the reference within the policy to



employees undertaking risk management training where she believed that all employees would be concerned with risk. The Finance Officer advised that specific risk training was only conducted by those identified with corporate risk responsibilities, such as Heads of Department and risk champions; the learned training would then cascade into teams. The Project and Risk Officer also explained that each role provided different elements of risk and that it was important for all staff members to understand risk escalation routes.

**RESOLVED: That**

**[1] the Risk Management Policy be noted.**

## **9 REVIEW OF THE STRATEGIC RISK REGISTER**

The Finance Officer introduced the document which summarised the Authority's Strategic Risk Register. He provided an update on each risk included within the table which had previously been reported to the Risk Management Group for evaluation at their meeting on Wednesday 10<sup>th</sup> January 2024.

A Member queried whether the wording surrounding the McCloud remedy within the overarching pensions risk, needed to be revised to encompass wider impacts to the Authority than what was currently recorded. The Finance Officer explained that the McCloud remedy was constrained by national issues and the risk register related to the ability to deliver the remedy in accordance with the national timescale. He stated that there were a small number of organisations that were able to provide assistance and they faced large demand of cases throughout the public sector.

A discussion was held to determine whether the pensions risk should also make reference to the impact on staff morale. It was determined that the staff morale was more of a cultural issue and the strategic risk register should focus on how the delivery of the remedy would progress through controls, actions and mitigation. However, the Director of Governance acknowledged the importance of ensuring the Service were doing all that was possible to ensure the progression of the McCloud remedy and communicating this work to staff and Members.

**RESOLVED: That**

**[1] the Summary of Cheshire Fire and Rescue Service's Strategic Risk Register be noted.**

## **10 ANY OTHER BUSINESS**

The Independent Audit Committee Member requested that going forward the Audit Committee meeting agenda should include: an item for any other business; an item about the forward plan; and the date of the next Audit Committee meeting.

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ROLLING ACTION LOG				
MEETING DATE	ITEM FOR DISCUSSION	ACTION REQUIRED	RESPONSIBLE PERSON	DUE DATE
<b>ACTIONS LIST</b>				
12.07.23	<b>Item 5 – Microsoft 365 (M365) Project Rollout Review</b>	<p>To provide an update on the actions raised within the Microsoft 365 Project Rollout Review at the next Audit Committee meeting.</p> <p><b><u>UPDATE (22.11.23):</u></b> The Director of Governance advised that an update would be given against most of the actions by the next meeting in January 2024.</p> <p><b><u>UPDATE (24.01.24):</u></b> The update on actions was contained within Item 5 – Internal Audit Recommendations Follow Up Report of the agenda pack.</p> <p><b><u>UPDATE (08.04.24):</u></b> The Service now has the benefit of a full-time Information Manager with significant experience of M365. She has been tasked with reporting to the Service Leadership Team on a range of matters (including M365) and an active member of the group responsible for delivery the M365 implementation. Working with the M365 Project Manager, she will ensure that all recommendations are completed/ suitably diarised by the end of Q1 2024-25.</p>	AL	24.01.24
22.11.23	<b>Item 3 – Whistleblowing and Implementation of HMICFRS Value and Culture Recommendation Review Assignment Report 2023-24</b>	<p>To provide a verbal update on the progress of recommendations made within the Whistleblowing and Implementation of HMICFRS Value and Culture Recommendation Review Assignment Report 2023-24 during each Audit Committee meeting.</p> <p><b><u>UPDATE (24.01.24):</u></b> The Director of Governance provided an update from the Service’s Health, Safety and Wellbeing Manager. He advised that Safecall was identified as a suitable training partner and were willing to train</p>	AL	Ongoing



		<p>managers on Whistleblowing processes. The Whistleblowing Policy was on the Cheshire Planning System for progress and consideration was given to other HR policies to ensure Whistleblowing was clearly defined. The HMICFRS action plan was also being monitored and submitted to the Performance and Overview Committee.</p> <p><b>UPDATE (05.04.24):</b> The Health, Safety and Wellbeing Manager has finalised a report with a redesigned process associated with whistleblowing (and ancillary matters) which will be considered by the Service and adopted in April. Following that meeting, the proposed process will be shared with Members of the Committee.</p>		
24.01.24	<b>Item 3 – Annual Governance Statement – Progress Against Areas for Action 2023-24 (and 2022-23)</b>	To build half yearly updates on the progress against the Areas for Action as described within paragraph 4 of the report, to the Audit Committee forward plan for 2024-25.	ES	17.04.24
24.01.24	<b>Item 5 – Internal Audit Recommendations Follow Up Report</b>	To include the original agreed recommendation completion dates within the Follow Up report.	MIAA	Ongoing
24.01.24	<b>Item 10 – Any Other Business</b>	To ensure that future Audit Committee agenda packs contain an item for any other business; an item on the committee forward plan; and the date of the next Audit Committee meeting.	ES	17.04.24

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## CHESHIRE FIRE AUTHORITY

**MEETING OF:** AUDIT COMMITTEE  
**DATE:** 17<sup>TH</sup> APRIL 2024  
**REPORT OF:** TREASURER (S151 OFFICER)  
**AUTHOR:** JAMES CUNNINGHAM

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**SUBJECT:** APPOINTMENT OF EXTERNAL AUDITOR

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### Purpose of Report

1. To update the Audit Committee on the appointment of an external auditor.

### Recommended: That

[1] the report be noted.

### Background

2. The Audit Commission was previously responsible for appointing external audit to public sector authorities. Its remit was extended to perform audits for certain public sector bodies, specifically fire and rescue services from 2004.
3. The Audit Commission was disbanded by the UK Government in 2015, with future audits being conducted by audit firms in the private sector.
4. Public Sector Audit Appointments Limited (PSAA) was formed by the Local Government Association. Initially the PSAA took responsibility for appointing external auditors for public bodies as part of a transitional arrangement.
5. Public bodies were then able to either appoint their own auditors or delegate appointment to the PSAA.
6. The Fire Authority chose to use PSAA to appoint its external auditors.
7. The PSAA act for a significant number of public bodies and as such are able to negotiate beneficial rates as a result.
8. The current landscape of public sector audits can reasonably be described as a complete mess. A large number of public bodies have been unable to publish audited accounts, as their audits have not been completed.

## **Information**

9. The PSAA had previously appointed Grant Thornton as the auditor for the Authority on a three year fixed term contract. The last year of the appointment was for 2022/23 year.
10. The PSAA then appointed Mazars in August 2023 for the following three statutory accounting years.
11. In February 2024 the PSAA then asked if they could appoint a different auditor to the Authority in order to solve a national problem in auditor appointments.
12. The PSAA have proposed that Bishop Fleming be appointed as auditor to the Fire Authority.
13. The Committee should note that as a result of the PSAA action, the start of any work associated with the appointment has been much later than hoped and will have a knock on effect for the audit.

## **Financial Implications**

14. None

## **Legal Implications**

15. Signing of the statutory accounts maybe delayed.

## **Equality and Diversity Implications**

16. None

## **Environmental Implications**

17. None

**CONTACT: DONNA LINTON, GOVERNANCE AND CORPORATE PLANNING  
MANAGER  
TEL [01606] 868804  
BACKGROUND PAPERS: NONE**

# Internal Audit Progress Report Audit Committee (April 2024)

Cheshire Fire and Rescue Service

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# Contents

## 1 Introduction

## 2 Key Messages for Audit Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

Appendix C: Assurance Definitions and Risk Classifications

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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 January to March 2024.

### 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:

- Key Financial Transactional Processing Controls (**Substantial Assurance**)
  - The objective of the review was to provide assurance that the most significant key controls were appropriately designed and operating effectively in practice. Overall, the review identified there was a good system of internal control designed to meet the system objectives.
- Risk Management Core Controls (**Not Applicable**)
  - This review focused on core risk management controls only with an emphasis on control design. Overall, there was an adequate system of internal control in place in relation to the risk management process.

The IT Asset Management review is at draft report stage.

#### Follow Ups

A follow up position was reported to the Audit Committee in January 2024. Due to the majority of the remaining recommendations having a due date of 31<sup>st</sup> March 2024 or later, a formal follow up position will be reported in July 2024.

## Added Value

### Briefings

Our latest briefings/blogs are:

- [23/24 Through the Audit Committee Lens Series - Data Quality - Board Reporting](#)
- [TIAN News - Winter 2024](#)

### Events

- [Outlook for the Public Sector 2024 \(18th Apr 2024\)](#): Hear from our panel of experts on their analysis of the current economic challenges, share analysis of system pressures over the past 12 months and explore opportunities and possibilities ahead.

## 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 Transactional Processing Controls	✓	Complete	Substantial	April 2024
Risk Management Core Controls	✓	Complete	N/A	April 2024
National Fraud Initiative	N/A	Complete	N/A	January 2024
Risk Based Assurances				
HR Payroll Review	✓	Complete	High	September 2023
Whistleblowing and Implementation of HMICFRS Values and Culture Recommendations	✓	Complete	Moderate	November 2023
I.T Asset Management	✓	Draft Report		July 2024

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Follow Up				
Qtr 1/2	N/A	Complete	N/A	January 2024
Qtr 3/4	N/A	Deferred to Q1 2024/2025	N/A	July 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"> <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 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"> <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.

## 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.

Anne-Marie Harrop

Regional Assurance Director

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# Risk Management - Core Controls Review Assignment Report 2023/24 (Final)

Cheshire Fire and Rescue Service

302CFRS\_2324\_009

# Contents

1 Executive Summary

2 Detailed Recommendations

3 Engagement Scope

Appendix A: Engagement Scope

Appendix B: Assurance Definitions and Risk Classifications

Appendix C: 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

**Overall Audit Objective:** To review core risk management controls to assess whether they have been adequately designed.

*Scope Limitations: The review focussed on core risk management controls only with an emphasis on control design. Detailed testing of compliance with controls e.g., review of specific risks, risk registers etc. was not undertaken as part of this review. The focus of this review is to assess the core controls in place for risk management with the focus on control design.*

### Findings/Conclusion:

Overall, Cheshire Fire and Rescue Service (CFRS) has a good system of internal control in relation to the risk management process. There is an in-date Risk Management policy that has been agreed and ratified in line with the CFRS' internal governance processes. The policy is supported by Risk Management Practitioner guidelines which is a 'how to' guidance document and is designed to provide a simple set of processes and guidance in relation to the CFRS approach to risk management. The policy and guidelines adequately detail all the aspects in relation to management and control of risk.

The risk management policy clearly defines the risk escalation processes and the processes of bringing significant risk to the attention of the Audit Committee and the Risk Management Group. The Risk Management Policy explains the roles and responsibilities of Fire Authority, Audit Committee and the Risk Management Group which comprises Chief Officers and the Risk and Project Officer.

Although an Executive lead for Risk Management is not stated, the Risk Management Group comprises Chief Officers including the Deputy Chief Fire Officer.

1 low risk recommendation has been raised with regards to implementing a formal risk appetite statement within the Risk Management policy. A risk appetite statement is a formal declaration, inclusive of operational risk and strategic risk that outlines an organisation's willingness to accept various risks in pursuit of its objectives. A risk appetite statement should clearly define what risks the organisation considers as threats and what the likely responses will be.

Objectives Reviewed	RAG Rating
Governance and Leadership	Green
Roles and responsibilities	Green
Staff awareness and training	Green
Processes- Risk Management Strategy and policies	Green
Monitoring and Feedback	Green
Risk Reporting	Green

Recommendations		
Risk Rating	Control Design	Operating Effectiveness
Critical	0	0
High	0	0
Medium	0	0
Low	1	0
<b>Total</b>	<b>1</b>	<b>0</b>

## Areas of Good Practice

There is an in-date Risk Management Policy, which has been appropriately ratified by the Audit Committee. This is supported by the Risk Management Practitioner guidelines. These adequately detail controls for identifying, evaluating, addressing, and recommending plans to reduce the impacts of risk in relation to governance and leadership, roles and responsibilities, risk management process, monitoring and feedback and risk reporting.

Roles and responsibilities for the management of risk are clearly defined in the policy including Fire Authority, Audit Committee and the Risk Management Group which comprises Chief Officers and the Risk and Project Officer.

Staff can access the relevant documents via the intranet and CFRS' website.

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Training in relation to risk is provided to individuals, groups and committees. Training requirements are stated within the Risk Management Policy and delivery of training is monitored and reported via the Risk Management Annual report which is received by the Audit Committee and The Risk Management Group.

The policy defines arrangements in relation to both operational and strategic risk management. The policy applies to all departments within the organisation. There is a scoring matrix based on impact and likelihood to prioritise risk based on their importance. There is a risk escalation process to bring significant risks to the attention of the Audit Committee and the Risk Management Group for reviewing on a regular basis.

A risk monitoring and reporting system has been established that identified ownership of risk at the appropriate hierarchical levels to ensure there is robust scrutiny and oversight by management. The Strategic Risk Register is reviewed by the Risk Management and the Audit Committee on a quarterly basis.

## 2. Detailed Recommendations

Risk Rating	Issue Identified	Recommendation	Agreed Action
Low	It was noted that a formal, approved risk appetite statement is not in place and does not form part of the Risk Management policy.	CFRS should develop and implement a formal risk appetite statement which outlines the organisation's willingness to accept various risks in pursuit of its objectives. A risk appetite statement should clearly define what risks the organisation considers as threats and what the likely responses will be.	We will consider the inclusion of a Risk Appetite Statement, but we are currently happy with the processes in place which mitigate this risk.  Project & Risk Officer August 2024

### Page 29 Follow-up

A follow-up exercise will be undertaken during 2024/25 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 B: Engagement Scope

### Scope

The overall objective was to provide assurance that core risk management controls have been adequately designed.

We reviewed the objective identified above in respect of the Risk Management - Core Controls through review of control design in relation to the following areas:

- Governance and leadership
- Roles and responsibilities
- Staff awareness and training

Risk management processes

Monitoring and Feedback; and

Risk reporting.

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

The limitations to scope are as follows:

- The review focussed on core risk management controls only with an emphasis on control design. Detailed testing of compliance with controls e.g. reviews of specific risks, risk registers etc. was not undertaken as part of this review.

### 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 and conforms with the International 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"> <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 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"> <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.



## Appendix D: Report Distribution

Name	Title	
Andrew Leadbetter	Director of Governance	Draft/Final
Chris Astall	Risk & Project Officer	Draft/Final
James Cunningham	Treasurer	Final
Alex Waller	Chief Fire Officer and Chief Executive	Final
Lee Shears	Deputy Chief Fire Officer	Final

**Name: Anne-Marie Harrop**

Title: Regional Assurance Director

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**Name: Charles Black**

Title: Delivery Manager

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Email: Charles.Black@miaa.nhs.uk

### Limitations

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

# Key Financial Transactional Processing Controls Review

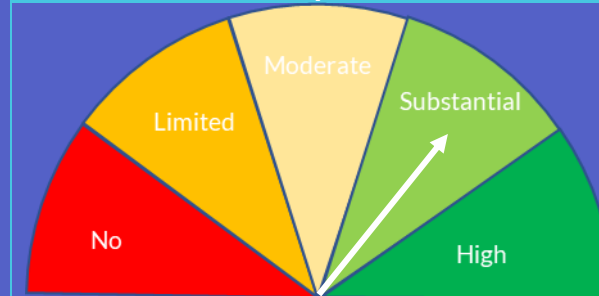
## Assignment Report 2023/24 (Final)

Cheshire Fire & Rescue Service

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### Overall Assurance Opinion



There is a good system of internal control designed to meet the system objectives, and the controls are generally being applied consistently.

# Contents

## 1 Executive Summary

## 2 Findings and Management Action

Appendix A: Engagement Scope

Appendix B: Assurance Definitions and Risk Classifications

Appendix C: 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

**Overall Audit Objective:** The overall objective of the review was to provide assurance that the most significant key controls in the areas detailed in the scope, outlined in Appendix A, are appropriately designed and operating effectively in practice.

**Scope Limitation:** The controls reviewed related to the 2023-24 financial year to date.

### Key Findings/Conclusion

Overall, the review identified there was a good system of internal control designed to meet the system objectives, however their operation could be improved in certain areas. Following the withdrawal from the Blue Light Collaboration with Cheshire Police, The Fire Service's Financial Services are now independent, however Cheshire Police still manage the Fire Service's legal proceedings for debt recovery.

We found good practice in all areas related to Treasury Management. Testing found the transmission of BACS payments was well controlled and BACS payment run totals are reconciled to control totals prior to authorisation. Our testing of Accounts Receivable further identified appropriate approval in place for debtor invoices and credit notes raised.

The Financial Regulations do not detail any specific approval limits for each role therefore, we were unable to test this. Approval levels are not included in the finance regulations as they are updated and amended on a regular basis. Any changes made to approvers are approved by the Head of Service for the department being amended.

Within General Ledger, we have raised recommendations regarding timely completion and review of some balance sheet control account reconciliations, and ensuring journals are approved within delegated limits.

New supplier set up and supplier amendments should be enhanced to ensure a clear audit trail is retained for verification checks completed and these checks should be subject to periodic review by senior management.

Debt management processes require strengthening to ensure there is consistent management review of aged debt reports and evidence of follow up is documented. We have recommended the Fire Service implement a formalised Debt management policy which should comply with best practice.

Objectives Reviewed	RAG Rating
General Ledger	Amber
Accounts Receivable	Amber
Accounts Payable	Amber
Treasury Management	Green
<b>Overall Assurance Rating</b>	<b>Substantial</b>

Recommendations		
Risk Rating	Control Design	Operating Effectiveness
Critical		
High		
Medium	1	1
Low		2
<b>Total</b>	<b>1</b>	<b>3</b>

## Areas of Good Practice

- Balance sheet control account reconciliation are completed on a monthly basis. An annual schedule is maintained by the Finance team, demonstrating when each reconciliation was completed and signed off. This clearly shows the status of each control account reconciliation.
- Audit review of the November 2023 finance report to the Performance and Overview Committee confirmed the accurate reconciliation of the base revenue budget approved for 2023-24.
- The 2023/24 budget along with the council tax precept was approved by the Fire Authority in February 2023. The 2023/24 budget precept will be reported at the February 2024 Fire Authority meeting.
- Our review confirmed that approval limits are built into the finance system Agresso. A review of the approval limits confirmed that they were in line with budget responsibilities included within the Financial Regulations.
- MIAA testing of a sample of 10 payments made with an approved purchase order, found adequate segregation of duties and approval was enforced within the Agresso system. 10 payments which had been made without a purchase order were found to have been appropriately approved.
- BACs payment runs are checked by a senior member of Finance staff, prior to payment processing and a clear audit trail to support the payment run is retained.
- Audit testing of 10 sales invoices highlighted appropriate approval and supporting backing documentation had been retained on file.
- 4 credit notes have been raised since April 2023 and our testing identified valid justification was provided for the cancellation of the debt, with appropriate authorisation evidenced.
- It was confirmed there have been no debt write offs in year.
- Access to online banking allowed for segregation of duties between preparation and approval of payments.
- 2 urgent payments raised since April 2023 were processed and approved appropriately.
- Staff set up on the bank mandate were appropriate to their role. Changes processed in the last 12 months were appropriately authorised with the removal of Cheshire Police staff and the addition of the newly appointed Head of Finance.
- Evidence was in place to demonstrate that the financial forecast outturn, including short term cash flow statement is reported on a quarterly basis to the Performance and Overview Committee.
- Our review of the bank account reconciliations confirmed that adequate segregation of duties were in place and reconciled to the General Ledger and bank statement.

## Key Findings – Issues Identified

Medium

- 1.1. At the time of testing audit trails were not retained to evidence supplier verification and amendment checks. Secondly, a periodic review of supplier bank amendments and new supplier set up was not evidenced.
- 1.2. The Fire service does not have a formalised aged debt policy in place.  
Aged debt follow up is not formally monitored and therefore does not allow for consistent management oversight of aged debt. It was noted going forward the Fire Service plans to monitor aged debtors on a quarterly basis.

Low

- 1.3. MIAA testing found non-timely completion and management review of temporary income control account reconciliations and sundry debtors control account reconciliations.
- 1.4. MIAA testing found 1 journal entry with a value of £105,740.67 was approved by an Accountancy Assistant who has a maximum approval limit set of £50,000.

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## 2 Findings and Management Action

1. Accounts Payable - Supplier verification and Anti-fraud guidance		Risk Rating: Medium
Operating Effectiveness		
<p><b>Key Finding</b> – At the time of testing audit trails were not retained to evidence supplier verification and amendment checks. Secondly, a periodic review of supplier bank amendments and new supplier set up was not evidenced.</p> <p>New supplier and supplier amendment documentation drafted was not formalised and did not reference bank mandate anti-fraud guidance.</p> <p>It is noted that following issue of the draft report, procedure notes have been drafted. However, these should be approved appropriately and ensure all procedure notes state a review date to ensure they are kept up to date.</p>	<p><b>Specific Risk</b> – The service is at greater risk of fraudulent activity.</p>	<p><b>Recommendation</b> – The service should ensure the following:</p> <p>Evidence of verification checks for all new suppliers and bank detail amendments is retained including the date of the check and the person (including role) spoken to, to strengthen existing controls in place. Verification checks should be subject to independent approval prior to payment runs.</p> <p>New supplier and supplier amendment guidance is formally approved and dated, including procedure notes and relevant forms.</p> <p>A periodic new supplier and supplier amendment report is run at least quarterly for supervisory review, which evidences sample checking of any amendments completed and new supplier set ups.</p>
<p><b>Management Response</b> – It was noted at the time of the audit testing, documentation had not been drafted. However, the draft procedures have now been shared as evidence. The procedures notes incorporate the above recommendations concerning dealing with supplier changes and commencing a monthly periodic review of supplier bank amendments.</p> <p>Responsible Officer – Grace Cooke - lien management on transaction team</p> <p>Implementation Date – June 2024</p>	<p><b>Evidence to confirm implementation</b> – Procedure notes have been approved appropriately and have been formally implemented.</p>	



<b>2. Accounts Receivable - Aged Debt Policy and Management Oversight</b>		<b>Risk Rating: Medium</b>
<b>Control Design</b>		
<p><b>Key Finding</b> – The Fire service does not have a formalised aged debt policy in place.</p> <p>Aged debt follow up is not formally monitored and therefore does not allow for consistent management oversight of aged debt. It was noted going forward the Fire Service plans to monitor aged debtors on a quarterly basis.</p>	<p><b>Specific Risk</b> – A policy and sufficient monitoring arrangements are not retained to support the Fire Service in pursuing debtors.</p>	<p><b>Recommendation</b> – The Fire Service should ensure:</p> <p>A debt management policy/procedure is formalised, which identifies timescales for debt follow up and debt referrals. In line with the financial regulations.</p> <p>This policy/ procedure should stipulate an electronic log of emails and letters sent should be retained as a central record to track follow up. Relevant attachments and narrative should be uploaded to Agresso for each debt.</p> <p>Quarterly aged debt reports are subject to supervisory review to identify appropriate action is taken when necessary.</p>
<p><b>Management Response</b> – In the context of a £50m spend budget our overall outstanding debt is very small. Equally the nature of our debt is almost exclusively related to employees leaving ie clearing education agreements, cycle to work schemes. None of these are fundamental nor material to our operations. Notwithstanding this, we do have a Debt Recovery Policy (albeit not detailed on ageing), further we have the Financial Regulations that have delegated authority to the Chief Exec and Treasurer in terms of write off of old debts.</p> <p>However, we have instigated a quarterly meeting with the Dept Head of Legal, to review and action aged debt. When passed to Legal dept, the file with any agreement and correspondence is attached.</p>		<p><b>Evidence to confirm implementation</b> – Confirmation of quarterly meeting with Legal department.</p>

<p>Given the nature of these debt <i>ie</i> employee related, there can be some sensitivities that a catch all policy may exclude.</p> <p>Responsible Officer – James Cunningham - Treasurer.</p> <p>Implementation Date – Quarterly meeting with legal team now in place, and no implementation for aged debt policy planned, as financial regulations sufficient.</p>	
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<b>3. General Ledger - Control Account Reconciliations</b>		<b>Risk Rating: Low</b>
Operating Effectiveness		
<p><b>Key Finding</b> – MIAA testing found non-timely completion and management review of temporary income control account reconciliations and sundry debtors control account reconciliations.</p>	<p><b>Specific Risk</b> – All balance sheet control accounts are not formally reconciled and reviewed in a timely manner.</p>	<p><b>Recommendation</b> – All balance sheet control accounts are formally reconciled and reviewed on a timely basis in line with the monthly control schedule.</p>
	<p><b>Management Response</b> – Balance sheet accounts are reconciled monthly. Low value/non-material accounts are not prioritised to the same degree as cash for example, especially while we have some vacant posts following the team move back from Police. Once we have the team trained and at full establishment we will be looking to bring all accounts into the timetable.</p> <p>Responsible Officer – Sue Mantle</p> <p>Implementation Date – July 2024</p>	<p><b>Evidence to confirm implementation</b> – Reconciliations are completed for all accounts, and this is evidenced within the timetable.</p>

<b>4. General Ledger – Journal Posting</b>		<b>Risk Rating: Low</b>
Operating Effectiveness		
<p><b>Key Finding</b> – MIAA testing found one journal entry with a value of £105,740.67 was approved by an Accountancy Assistant who has a maximum approval limit of £50,000.</p>	<p><b>Specific Risk</b> – Journals posted are not approved appropriately.</p>	<p><b>Recommendation</b> – All journal entries posted should be compliant with the Service’s two levels of approval.</p> <p>The Fire Service should ensure the Financial Regulations are updated to reflect the current approval levels enforced for journal entries.</p>
<p><b>Management Response</b> – The Accountancy Assistant explained what had occurred and this was to correct a journal posted in error by one of the transactional team. It was required in a timely manner in order to complete the reconciliation, it had no material reporting implication. However, it was still a breach of the approval limit. We will be looking at appropriate approval limits in the financial regulations, and controls in Agresso to posting limits.</p> <p>Responsible Officer – Sue Mantle</p> <p>Implementation Date – June 2024</p>		<p><b>Evidence to confirm implementation</b> – Financial regulations have been reviewed and updated to reflect appropriate approval limits.</p> <p>Controls in Agresso have been reviewed and updated regarding posting limits.</p>

## Appendix A: Engagement Scope

### Scope

The review focused on the key controls within the areas below to support the achievement of the organisation's key financial duties and to minimise the risk of error, misappropriation, and fraud.

#### General Ledger

- Control and Suspense Accounts
- Journals
- Processes to support Board Reporting

#### Accounts Payable

- Purchase Order System Controls
- Non-Purchase Order Payments
- Goods Received Not Invoiced Monitoring and Reporting
- BACS Payment Run Controls
- New Supplier Bank Details/Supplier Bank Detail Changes

#### Accounts Receivable

- Raising of Debtors Accounts
- Use of Credit Notes
- Credit Control
- Aged Debt Reporting and Analysis
- Write-off of Debts

#### Treasury Management

- Cash Flow Reporting
- Control of Bank Accounts
- Urgent Payment Processes
- Bank Reconciliations

### Scope Limitations

The controls reviewed related to the 2023-24 financial year to date.

IT system administration and management was not within the scope of this review.

### 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 B: 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"> <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 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"> <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.

## Appendix C: Report Distribution

Name	Title
Alex Waller	Chief Fire Officer
Paul Vaughan	Treasurer
James Cunningham	Head of Finance
Nicola Guise	Accountancy Assistant
Chris Astall	Risk and Project Officer
Andrew Leadbetter	Director of Governance and Commissioning



**Charles Black**

Delivery Manager

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Tel: 07469908056

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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.



# Draft Internal Audit Annual Report & Head of Internal Audit Opinion 2023/24

Cheshire Fire and Rescue Service

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- 1 Executive Summary
- 2 Head of Internal Audit Opinion
- 3 Internal Audit Coverage and Outputs
- 4 Areas for consideration – your Annual Governance Statement
- 5 MIAA Quality of Service Indicators

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## 1 Executive Summary

We are pleased to have provided your internal audit services for 2023/24. The highlights of the delivery of our services are summarised in this report.

This annual report provides your 2023/24 Head of Internal Audit Opinion, together with the planned internal audit coverage and outputs during 2023/24 and MIAA Quality of Service Indicators.

Key Area	Summary
Head of Internal Audit Opinion	<p>The overall opinion for the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024 provides <b>Substantial Assurance</b>, 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.</p> <p>This opinion is provided in the context that Cheshire Fire and Rescue Service, like other organisations across the public sector, is facing a number of challenging issues and wider organisational factors particularly with regards to financial challenges and increasing collaboration across organisations and systems.</p> <p>In providing this opinion we can confirm continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. We also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.</p> <p>The purpose of our Head of Internal Audit (HoIA) Opinion is to contribute to the assurances available to the Accountable Officer and the Fire Authority which underpin their own assessment of the effectiveness of the system of internal control. As such, it is one component that the Accountable Officer on behalf of the Fire Authority takes into account in making its Annual Governance Statement (AGS).</p> <p>The opinion does not imply that we have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework.</p>

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Key Area	Summary
<p>Planned Audit Coverage and Outputs</p>	<p>The 2023/24 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:</p> <ul style="list-style-type: none"> <li>• The organisation’s assurance framework</li> <li>• Core and mandated reviews, including follow up; and</li> <li>• A range of individual risk-based assurance reviews.</li> </ul> <p><i>Please include the summary text in the table above when referring to the HoIA Opinion in your AGS.</i></p>
<p>Recommendations / Management Actions</p>	<ul style="list-style-type: none"> <li>• We have raised 11 recommendations as part of the reviews undertaken during 2023/24. All recommendations raised by MIAA have been accepted by management.</li> <li>• Of these recommendations: 0 were critical and 1 was high in relation to the review of Whistleblowing.</li> <li>• During the course of the year, we have undertaken follow up reviews and can conclude that the organisation implemented 11 actions during 2023/24.</li> <li>• The total number of recommendations relating to prior years reviews (2021/22, 2022/23) yet to be implemented as at 29<sup>th</sup> February 2024 is 14, 7 of these are high risk and relate to the reviews of Blue Light Collaboration, Cyber, Working Time Arrangements and Microsoft 365 Rollout.</li> <li>• Of the 14 actions yet to be implemented, 4 high risk and 7 medium risks have revised implementation dates of 31<sup>st</sup> March 2024. The remaining 3 high risk recommendations relate to Blue Light Collaboration with the final set of reviews relating to the disestablishment of a number of the Joint Corporate Services being considered in early 2024. In the meantime, the Service and Cheshire Constabulary have committed to continue the collaboration, with improved governance. During the first quarter of 2024-25, management will return to the audit recommendations with a view to providing evidence that they have been appropriately dealt with.</li> <li>• The number of recommendations relating to 2023/24 reviews totals 11. 2 recommendations relating to HR payroll review have been implemented. The remaining 9 recommendations are not yet due.</li> </ul>

Key Area	Summary
MIAA Quality of Service Indicators	<p>MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA (2020), provides assurance of MIAA's full compliance with the Public Sector Internal Audit Standards (PSIAS). We also undertake regular internal assessments to ensure our ongoing compliance with requirements. In year we completed our annual self-assessment of compliance with PSIAS and can continue to confirm full compliance with these standards.</p> <p>MIAA are committed to delivering and demonstrating the highest standards of information governance and cyber security to protect not only our information and systems but to protect the data we collect and create through our audit and advisory activities with clients.</p> <p>We have consistently submitted a compliant NHS Data Security and Protection Toolkit return and we are one of only circa 20 NHS organisations certified to the Cyber Essentials Plus standard. Certification to this standard required rigorous independent testing of our cyber security controls across our devices. That we have achieved this certification is a demonstration not only of the security of our devices but also a validation of the proactive monitoring and maintenance that we have in place to protect data and systems from malicious threats.</p>

## 2 Head of Internal Audit Opinion

Your internal audit service has been performed in accordance with MIAA's internal audit methodology which conforms with PSIAS. PSIAS require that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform our work to obtain sufficient, appropriate evidence on which to base our conclusion.

### 2.1 Roles and Responsibilities

The Fire Authority is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The AGS is an annual statement by the Accountable Officer on behalf of the Fire Authority, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievements of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's assurance framework should bring together all of the evidence required to support the AGS requirements.

In accordance with PSIAS, the HoIA is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Authority and monitored by the Audit Committee, which can provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 4.

### 2.2 Opinion

Our opinion is set out as follows:

- Basis for the Opinion;
- Overall Opinion; and
- Commentary

### 2.2.1 Basis for the Opinion

The basis for forming our opinion is as follows:

- 1 An assessment of the design and operation of the underpinning strategic governance, risk management arrangements and supporting processes.
- 2 An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account the relative materiality of systems reviewed and management’s progress in respect of addressing control weaknesses identified.
- 3 An assessment of the organisation’s response to Internal Audit recommendations, and the extent to which they have been implemented.

### 2.2.2 Overall Opinion

Our overall opinion for the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024 is:

<p>High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation’s objectives, and that controls are consistently applied in all areas reviewed.</p>	
<p><b>Substantial Assurance</b>, can be given 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.</p>	✓
<p>Moderate Assurance, can be given that 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 of the organisation’s objectives at risk.</p>	
<p>Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation’s objectives at risk.</p>	
<p>No Assurance, can be given that 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 organisation’s objectives.</p>	

### 2.2.3 Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Our draft opinion covers the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024 inclusive, and is underpinned by the work conducted through the risk-based internal audit plan with the **exception of Asset Management which is at draft report stage**.

#### Risk and Assurance Framework

Our work has consisted of reviewing core risk management controls to assess whether they have been adequately designed. This included an assessment of the risk management arrangements, and gained an insight into the escalation and assurances in place.

#### Core & Risk-Based Reviews Issued

We issued:

One high assurance opinion:	HR Payroll	Zero limited assurance opinions:	N/A
One substantial assurance opinion:	Key Financial Transactional Processing Controls Review	Zero no assurance opinions:	N/A
One moderate assurance opinions:	Whistleblowing and Implementation of HMICFRS Value and Culture Recommendations	Two reviews without an assurance rating	Risk Management – Core Controls National Fraud Initiative

#### Follow Up

During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made **good progress** with regards to the implementation of recommendations. We will continue to track and follow up outstanding actions.

*Chris Harrop*

Managing Director, MIAA  
March 2024

*Louise Cobain*

Assurance Director, MIAA  
March 2024



### 3 Internal Audit Coverage and Outputs

The 2023/24 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 with **the exception of Asset Management which is a draft report stage.**

Of the reviews completed in the year, assurance ratings were given in four cases. Assurance rating were not applicable for two reviews, due to the nature of this work. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews. Detailed information on the limitations (including scope and coverage) to the reviews has been provided within the individual audit reports and through the Audit Committee Progress Reports throughout the year. A summary of the reviews performed in the year is provided below:

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
1	HR Payroll	High	0	0	0	2	2
2	Key Financial Transactional Processing Controls Review	Substantial	0	0	2	2	4
3	Whistleblowing and Implementation of HMICFRS Value and Culture Recommendations	Moderate	0	1	2	1	4
4	IT Asset Management	Draft report stage					
5	Risk Management Core Controls	N/A	0	0	0	1	1
6	National Fraud Initiative	N/A	0	0	0	0	0
	TOTAL		0	1	4	6	11

There are no high-risk recommendations overdue at the time of reporting.

We will continue to follow up progress against all recommendations as part of the 2024/25 Internal Audit Plan.

**ADVISORY SUPPORT AND GUIDANCE:** Areas where MIAA have supported the organisation in strengthening arrangements in respect of governance, risk management and internal control.

Audit Committee member training on the role of Internal Audit.

**CONTRIBUTION TO GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENHANCEMENTS:** *Additional areas where MIAA have provided added value contributions.*

Page 58 Detailed insight into the overall Governance and Assurance processes gained from liaison throughout the year with the Senior Management Team and Officers.

88 Involvement with the organisation in respect of advice and guidance relating to the development of the Audit Committee in year.

To keep our clients informed on emerging governance and wider policy developments we ran 10 events in 23/24 as part of our North West Masterclass Collaboration. Each event was accompanied by an event summary published on our website.

Continued involvement and representation on National Bodies including the Institute of Internal Auditors (IIA) and CIPFA enabling us to be proactive in sharing best practice, wider benchmarking and providing early insights on national issues.

## 4 Areas for Consideration – your AGS

The Head of Internal Audit Opinion is one source of assurance that the organisation has in providing its AGS other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant.

We have identified a number of other strategic challenges that should be considered by the Accountable Officer on behalf of the Fire Authority when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the Authority reflects more widely on how these should be factored into the AGS. Areas for consideration include:

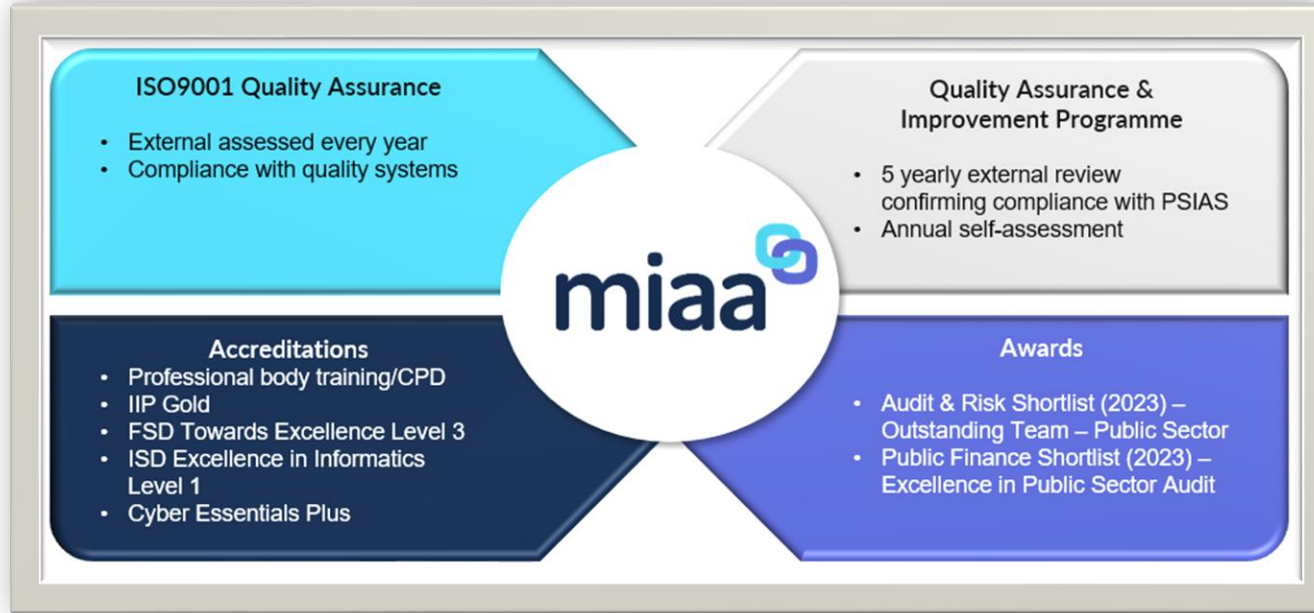
- Changes to governance, risk management and internal control arrangements (including the impact on decision making processes).
- Service leadership, including any significant changes to the Senior Management Team.
- Workforce capacity, engagement, wellbeing and development.
- Ensuring there is a fit for purpose infrastructure.
- Cyber security, information governance risks and any associated reportable incidents to the Information Commissioner.
- Relationship and management of 3rd party providers upon which the organisation places reliance, and the provision of assurances from these.
- Compliance with all relevant laws, standards and regulations.
- HMICFRS inspections and feedback during 2023/24 including any actions taken to address any areas of development.
- Organisation performance, including challenges in achieving financial duties, delivery of Priority Based Budgets and service pressures managed in year.
- Wider partnership working risks and challenges.

## 5 Ensuring Quality

MIAA's strategy has quality at the heart of everything we do and our overall approach to quality assurance includes ISO9001:2015 accreditation, compliance with PSIAS, the quality of our people and how we supporting them, staffing levels, compliance and outcome measures.

### Professional Standards and Accreditations

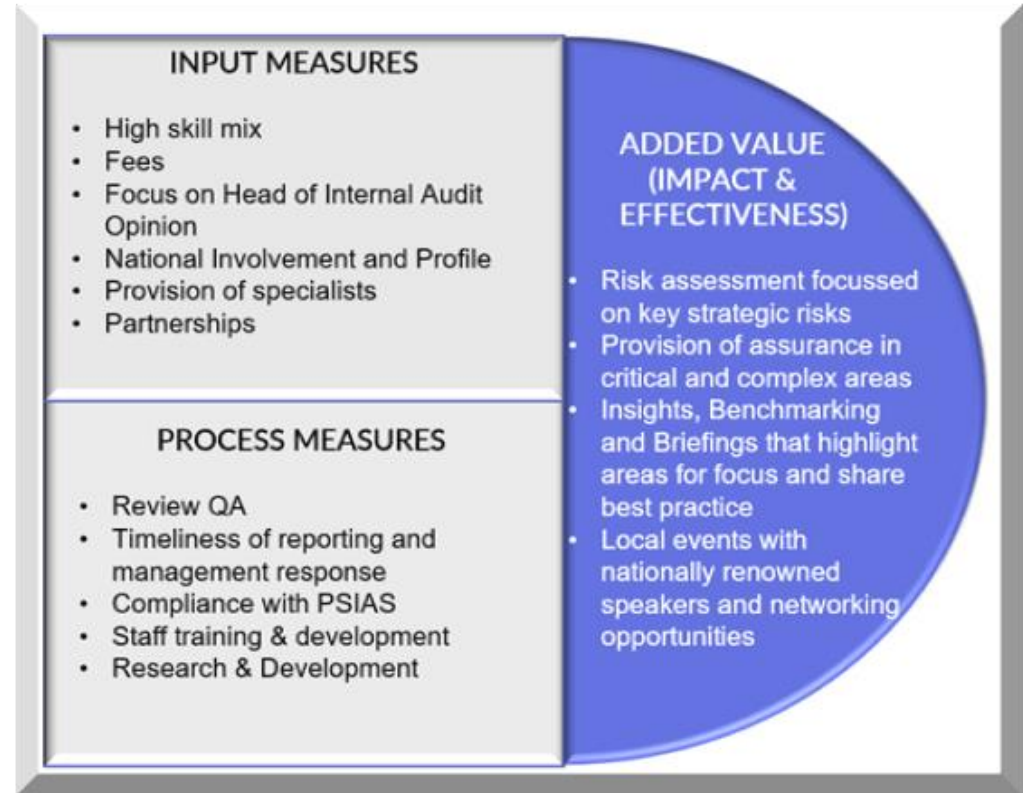
MIAA comply fully with professional best practice, internal audit standards and legal requirements.



### Service delivery and outcome measures

It is important that client organisations ensure an effective Internal Audit Service, and whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. The infographic on this page confirms the measures that we believe demonstrate an effective service to you.

MIAA regularly report on input and process KPIs as part of our Audit Committee Progress reports, and the impact and effectiveness measures can be assessed through the HOIA Opinion.



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# Internal Audit Charter (April 2024)

Cheshire Fire and Rescue Service

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# Contents

- 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 Standard 2600 – Communicating the Acceptance of Risks
- 13 Definitions



## 1 Introduction

The Internal Audit Charter is mandated through the Public Sector Internal Audit Standards (2017) 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 (2017), the CIPFA Local Government Application Note (LGAN) and aligned to the Core Principles for the Professional Practice of Internal Auditing.

Public Sector Internal Audit Standards – Attribute Standards
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
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.

<sup>1</sup> The Definition of Internal Auditing Copyright © 2009 by The Institute of Internal Auditors, Inc., 247 Maitland Avenue, Altamonte Springs, Florida 32710-4201 U.S.A. Reproduced with permission.

## 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 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 to support 'the transformation and effective delivery of public services by being a trusted partner in the provision of assurance and solution services that improve outcomes and really make a difference'.

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 the 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.

## 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, the Treasurer, Director of Governance 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 to 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 organisation 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 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 organisation's 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 organisation's 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 – Communicating 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.

<p><b>INTEGRITY</b></p> <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>	<p><b>OBJECTIVITY</b></p> <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>
<p><b>CONFIDENTIALITY</b></p> <ul style="list-style-type: none"> <li>• Prudence in use &amp; protection of information</li> <li>• Not use information for personal gain or contrary to legal requirements</li> </ul>	<p><b>COMPETENCY</b></p> <ul style="list-style-type: none"> <li>• Knowledge, skills and experience</li> <li>• Compliance with standards and professional practice</li> <li>• Continuous improvement</li> </ul>

## 13 Definitions

Board	The Governing Body of the organisation with overall responsibility for governance.
Accountable Officer	Officer responsible and accountable for funds entrusted to the organisation.
Audit Committee.	A sub-committee of the Governing Body with overall responsibility for overseeing the establishment of an effective system of integrated governance, risk management

	and control across the organisation's activities.
Director of Internal Audit	Acts as the Chief Audit Executive as the independent corporate executive with overall responsibility for internal audit.
Senior Management	The overall lead director agreed by the organisation for each audit engagement.

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# Cheshire Fire and Rescue Service

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Draft Internal Audit Plan 2024/2025

Agenda Item 8

# Contents

1. Executive Summary
2. Your Internal Audit, Assurance and Solutions Service
3. Internal Audit Risk Assessment
4. Internal Audit Plan On A Page
5. Operational Internal Audit Plan 2024/25

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Appendix A: Your 3-Year Strategic Plan

Appendix B: MIAA Assurance and Solutions

## Your Internal Audit Team



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*Engagement Lead*  
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Anne-marie.harrop@miaa.nhs.uk



**Charles Black**  
*Delivery Manager*  
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# 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.



Internal Audit



Advisory Services



Insights



Technology Services

### Working with you

- ✓ Strong relationships
- ✓ In depth knowledge and understanding of the organisation
- ✓ Strong risk assessment
- ✓ Tailored plan focused on your risks
- ✓ Core assurances integral to your assurance framework
- ✓ Focus on areas for improvement
- ✓ Flexible and responsive
- ✓ Strong service KPIs and delivery
- ✓ Insights from our wider client base, at both organisation and system levels
- ✓ Benchmarking insights
- ✓ 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, 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.

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



# 2 Your Assurance and Solutions Services

## Internal Audit, Assurance and Solution Plans

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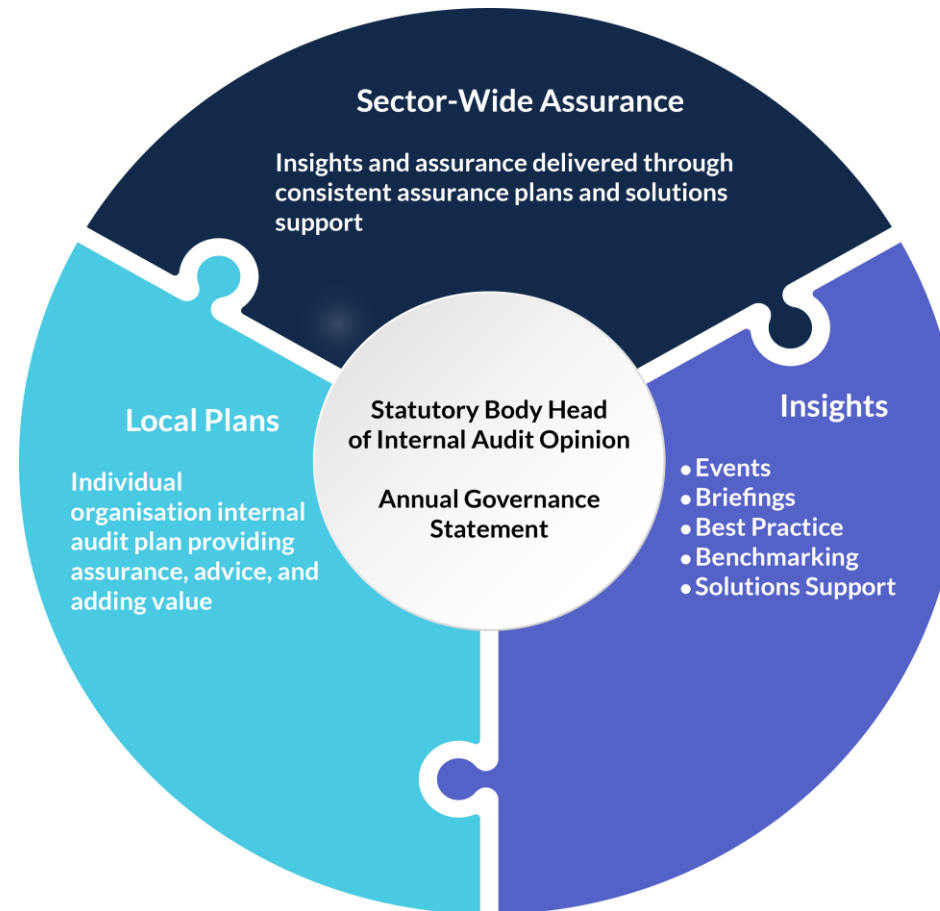
The public sector landscape in England continues to change with domestic, international and economic challenges being felt for many years to come.

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, adds value and supports transformational change whilst operating efficiently.

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

This is about risk assessment at every level and regrouping audit plans and advisory commissions to support organisations and the wider public sector.



# 2 Your Internal Audit, Assurance and Solutions Services – Adding Value

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Client Focused  
Research & Development  
Briefings & Events  
Specialist Services  
Flexibility and ability to respond and adapt



Embedded external insights and local presence  
Access to MIAA Insights  
Retention of corporate memory and relationships

Local presence  
Multi-disciplinary teams and specialist resource integral to the core service  
Use of technology to provide efficient and effective service  
Flexibility

No surprises  
Relations and ongoing communications  
Regular management and Audit Committee reporting

ISO accredited systems  
Significant experience and knowledge brought from our extensive client base

# 2 Your Internal Audit, Assurance and Solutions Services – Adding Value

## Understanding Your Vision, Objectives and Risks

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.

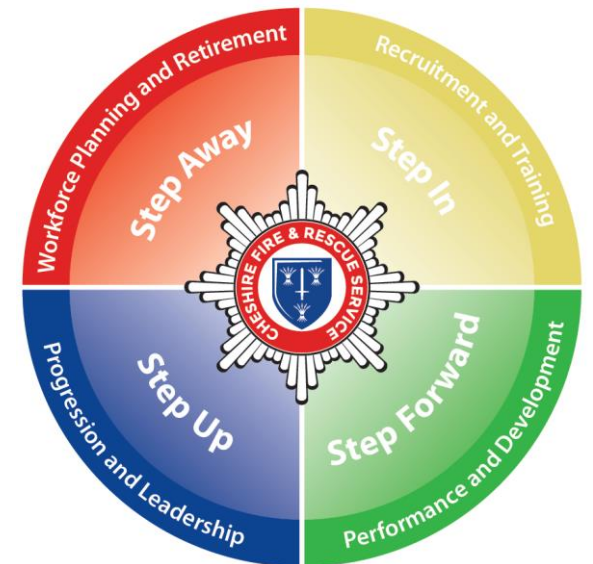
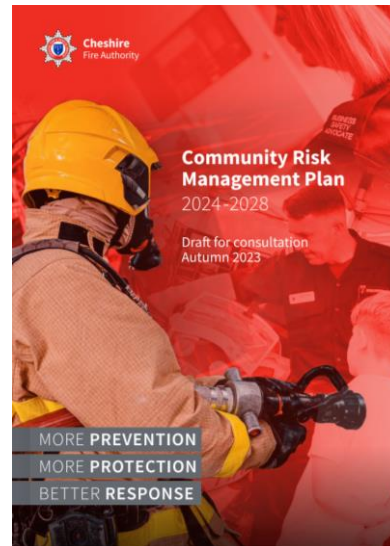
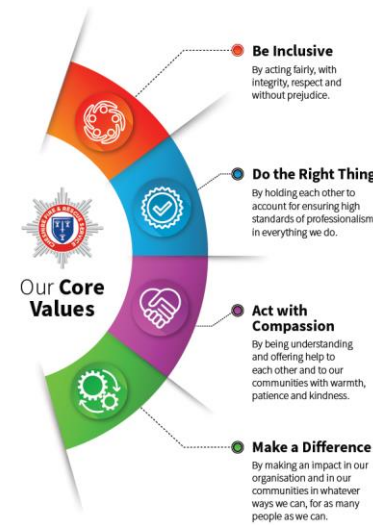
### Assurance Built Around Your Risks And Priorities

- *Financial sustainability*
- *Delivery of the Community Risk Management Plan (CRMP) and annual plan for 2024-25 priorities and programmes*
- *Responding to fires, emergencies, and major incidents*
- *Cyber and IT resilience*
- *Workforce*

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We map your strategic priorities and strategic risks to the Internal Audit Plan. This is reviewed as part of the risk assessment process to ensure that the plan remains focused on the organisation’s key risks and challenges and adds value.

## Our Core Values





# 3 Internal Audit Risk Assessment

The Cheshire Fire and Rescue Service internal audit plan is built from a risk assessment which has considered national and local system risks, place based developments 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:

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**Organisation intelligence** – including review of your Strategic Risk Register, Community Risk Management Plan and operational plans and performance.

- **Assurance mapping** – utilisation of the 3 lines of assurance model and professional standards to ensure focused coverage.
- **Core assurance** – including core systems assurances 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 Internal Audit Plan on a Page

For Cheshire Fire and Rescue Service this is the planning approach we will adopt:

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## Planning Approach

- Risk Assessment of the external environment, system and organisation (including your Strategic Risk Register and Community Risk Management Plan).
- Engagement of Audit Committee, Senior Leadership Team.
- 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

- **Blue Light Collaboration Transition**
- **On-call Pay and Recognition**
- **Fleet Management**
- **Key Financial Systems**
- **National Fraud Initiative**
- **Information Governance**

## Follow Up and Contingency

## Outcomes

Assignment assurance levels

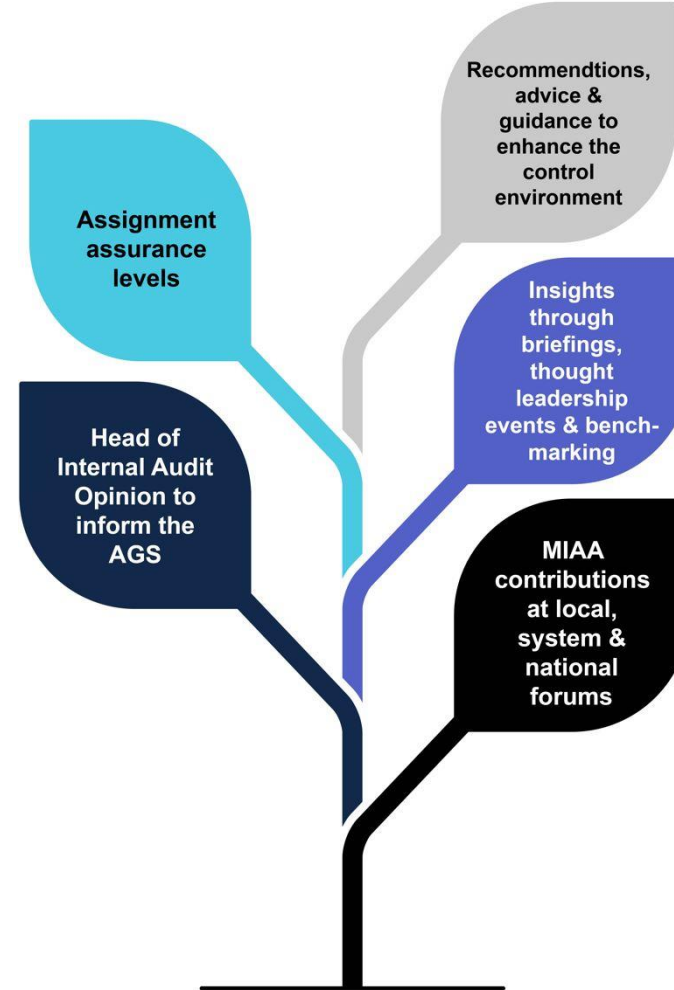
Head of Internal Audit Opinion to inform the AGS

## Added Value

Recommendations, advice & guidance to enhance the control environment

Insights through briefings, thought leadership events & benchmarking

MIAA contributions at local, system & national forums







# 5 Operational Internal Audit Plan 24/25

Review & Scope	Risk / Rationale	Planned Delivery	Lead
<b>Governance, Risk &amp; Legality</b>			
<b>Blue Light Transition:</b> Evaluation of the governance and performance arrangements in place for services that remain part of the collaboration and a sample of services that have moved in-house.	<b>Strategic Risk Register</b>	Q4	Deputy Chief Fire Officer
<b>Finance &amp; Sustainability</b>			
<b>Key Financial Systems :</b> Annual evaluation of the key financial systems to provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.	<b>Core Assurance / Strategic Risk Register</b>	Q3	Treasurer
<b>National Fraud Initiative:</b> Preparation for the NFI data match exercise.	<b>Mandated Requirement</b>	Q4	Treasurer
<b>People &amp; Performance</b>			
<b>On-Call Pay and Recognition:</b> Evaluation of the systems and processes in place for on-call pay and the effectiveness of recognition and retention of on-call firefighters.	<b>HMICFRS report</b>	Q2	Treasurer
<b>Compliance</b>			
<b>Fleet Management:</b> Evaluation of the systems and processes in place relating to the management of the Fire Service's vehicle fleet.	<b>HMICFRS report</b>	Q1	Head of Operational Policy and Assurance
<b>Information Technology</b>			
<b>Information Governance:</b> To provide assurance over the effectiveness of information governance arrangements including subject access and freedom of information requests.	<b>Core Assurance/Risk Assessment</b>	Q4	Director of Governance
<b>Follow up &amp; Contingency</b>			
<b>Follow up and Contingency</b>	<b>PSIAS requirement</b>	Q1 - Q4	Treasurer
<b>Planning &amp; Reporting</b>			
<b>Planning, Management, Reporting &amp; Meetings</b>	<b>PSIAS requirement</b>	Q1 - Q4	Treasurer



# Appendix A – 3 Year Strategic Plan

Your 3-year strategic audit plan is set out below.

## 2024/25

- Key Financial Systems
- National Fraud Initiative
- Blue Light Transition
- On-Call Pay and Recognition
- Fleet Management
- Information Governance

## 2025/26

- Key Financial Systems
- National Fraud Initiative
- Critical Applications
- Estates
- Incident Management and Learning
- Response Times

## 2026/27

- Key Financial Systems
- National Fraud Initiative
- HR / Payroll/ Pensions
- Risk Management
- Performance / SMF
- Prevention



# Appendix B – MIAA – Assurance and Solutions

MIAA, as an NHS not for profit shared service provides internal audit assurance and a range of specialist advisory support. Advisory support is not restricted to audit clients. Where advisory support is provided to audit clients, there is a clear separation of duties and no interdependencies. There is however an effective interrelationship to inform planning.

## MIAA Internal Audit Assurance

*Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the 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.*

- Internal Audit operates to the Public Sector Internal Audit Standards, compliance with which is confirmed through independent external quality assessment.
- We develop risk-based plans to determine the priorities of our internal audit activity which is consistent with the organisation's goals.
- Whilst we undertake consulting/advisory activities these are completed in the context of the activities' potential to improve the management of risks, add value and improve the organisation's operations. These engagements must be reflected in the internal audit plan.
- Public sector requirement for an annual statement to be made by the Head of Internal Audit on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control
- We report to and are accountable to the Audit Committee.

## MIAA Solutions

MIAA has taken the step of establishing a separate advisory service offer. Agile support to any organisation including, but not restricted to NHS organisations.

- We provide expert delivery, advice and guidance in respect of system development, known system challenges and/or subject matter expertise to address corporate challenges and transformation.
- There is no annual plan. All commissions are on an agreed project basis.
- Projects may be cross system or at scale (e.g. region wide) and delivered to any organisation. Some may be internal audit clients, many are not.
- This service is managed and delivered independently of MIAA Assurance.
- Our advisory services are commissioned by and report to Executive leads.

## 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.

# Annual Risk Management Report

2023-24



**Cheshire**  
Fire & Rescue Service

.....  
[www.cheshirefire.gov.uk](http://www.cheshirefire.gov.uk)

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### Introduction

1. Cheshire Fire & Rescue Service (CFRS) acknowledges that strong risk management arrangements are a vital part of organisational culture, linked to our values, and help to achieve our aims and objectives. Risk is present in everything we do to improve the outcomes and deliver excellent services to our communities, partners, and local authorities.
2. This Annual Report provides a summary of the risk management activity undertaken during 2023/24 and presents an overview of the Risk Management Framework (the policy & process).

### Risk Management - Overview

3. Risk Management is how Cheshire Fire & Rescue Service (CFRS) identifies, quantifies, and manages the risks it faces as it seeks to achieve organisational objectives. By having arrangements in place to manage risk, the Service increases its chances of achieving corporate and operational objectives and reduces the chance of failure. Good risk management also increases the ability to cope with developing and uncertain events.
4. Responsibility for risk management at Member level is currently delegated to the Audit Committee. Minutes for Risk Management Group (RMG) are included for information in Fire Authority papers to ensure Members maintain an appropriate level of knowledge and scrutiny on the organisation's key risks.
5. A key part of the risk management process is to report on compliance through the Risk Management Group (RMG). RMG meetings are scheduled quarterly and chaired by the Deputy Chief Fire Officer (DCFO). Having valuable and up to date risk information has enabled RMG to function effectively. The group is also responsible for promoting and supporting compliance to the Risk Management Policy and for managing and overseeing the Strategic Risk Register (SRR).
6. The Audit Committee has oversight and provides assurance of the risk management arrangements that are in place for CFRS, the committee also has responsibility for reviewing the Strategic Risk Register quarterly and receives an annual risk management report which provides additional assurances that the risk management processes, and control measures are working effectively.
7. The Terms of Reference for Risk Management Group and the Audit Committee are attached as Appendix 2 & 3.
8. In April 2023, the decision was made to transfer the risk management function back to Fire, this presented the opportunity to undertake a baseline review of the risk management policy and practitioners' guidance (the risk management framework) which were approved in early 2024.

### Risk Management Process

9. Detailed guidance on CFRS risk management processes is set out in **The Risk Management Framework**. The framework is the guide that sets out how CFRS identifies, manages, and monitors risks. The strategic approach to managing risk is outlined in the Risk Management Policy.
10. In summary, the risk management process is broken down into the following four steps:

## Annual Risk Management Report 2023



11. These interactive steps in the process enable us to:
  - Understand the nature and scale of the risks we face.
  - Identify the level of risk we are willing to accept.
  - Recognise our ability to control and reduce risk.
  - Recognise where we cannot control the risk.
  - Take action where we can and when it would be the best use of resources. This helps us make better decisions and deliver better outcomes for our communities across Cheshire, Halton & Warrington.
12. The steps are applied across CFRS through the risk management framework, at strategic and operational levels and for programmes and projects. The adoption and compliance to the framework has helped to embed a risk management culture within CFRS.
13. Since risk is an event that could affect achievement of our corporate objectives, the process starts **with risk identification**. Risks are identified at two levels, **Departmental** and **Strategic**, you will see that there is a direct link between the two risk levels, this is because where an individual or group of operational risks start to have an impact on delivery of corporate objectives consideration is given to escalating to the Strategic Risk Register.
14. Once identified risks are evaluated, with the risk owners understanding how significant the current risk is by considering:
  - The existing control measures which are already in place to manage the risk.
  - How severely the service would be affected if the risk occurred (**the impact**).
  - The possibility of the risk materialising and becoming an event that needs managing (**the likelihood**).
15. All risks are recorded on comprehensive risk registers in the Cheshire Planning System (CPS), and it is these registers that are used to generate risk information across the organisation.

**Departmental Risks** – These risks are dynamic and subject to the frequent changing environment they are identified as part of day-to-day business but also as part of the annual corporate planning cycle. Risks are identified, assessed, reviewed, and mitigated by the Heads of Department on a regular basis. Any risks scoring **15** or above will be considered for escalation to the Strategic Risk Register.

**Strategic Risks** –are those of significant, cross-cutting strategic importance. These risks are overseen by the Risk Management Group and Audit Committee and inherently carry higher impact level as they affect multiple services and or the organisations’ ability to achieve its corporate objectives.



## Annual Risk Management Report 2023

- The next step in the process is to determine what, if any action needs to be taken to *respond* to the risk. The baseline level of response is determined by our risk tolerance and appetite which is illustrated below.
- To understand the scale of risks a common risk scoring matrix is in place and embedded in the policy:

15-25	<b>Red</b> – these risks are within the upper limit of risk appetite controls and should be explored to bring risk down.
9-14	<b>Amber</b> – these risks do not pose an immediate threat but should remain under constant review.
Below 8	<b>Green</b> – these are low level risks and are monitored.

- Where necessary planned actions should be documented, and the impact and likelihood scores continually reassessed to determine the overall mitigated risk.

### Risk Register Reviews

- Risk focus meetings continue to take place quarterly, the review of risk registers being facilitated by the risk & project officer with every Head of Department (HoD). These meetings provide an opportunity to discuss:

- New risks emerging
- Consider if current risks are still valid.
- Ensure the risk descriptions reflect the current risk.
- Assess risk scores.
- Assign mitigating actions to reduce risk to acceptable level.
- Identify any risks that can be closed or may need to be escalated.

### Risk Map

- RMG receive the fire risk map at every meeting, the map offers a visual high-level overview of all CFRS organisational risks which are mapped out by each department and also provides an opportunity for the group to ask questions regarding any of the risks and seek further clarity if required or request a 'deep dive' of a risk. [See Appendix 4].

### Deep Dive Reports

- CFRS recognise the value of looking at risks in more detail and, during 2023 we continued with the programme of "deep dive" reporting which gave RMG more clarity when required on the factors leading to the overall risk score, assessment and mitigating action put in place and reviewing the tolerances for accepting, escalating or closing the risk.

The following reports were presented to RMB:

- Industrial Action
- Fire in Iconic Heritage Buildings
- Overview of Project risks
- Crisis Management Plan - Update

### Risk Champions

22. CFRS have appointed departmental joint Risk, Information and Business Continuity Champions, this group collectively receive additional specific themed training when required to allow them to support their departments in their role of embedding, promoting, supporting, and implementing effective risk, information, and business continuity management processes.

### Annual Review of Risk Management

23. During 2023 the Strategic Risk Register (SRR) was reviewed by RMG at least quarterly, several of the strategic risks were reframed, and risk descriptions and scores revisited to ensure they truly reflected the current challenges and threats to CFRS. The group also monitor and recommend implementation of any identified mitigation to treat the risk and reduce to an acceptable level or de-escalate/close the risk. The group regularly receives a report of those risks that sit below the strategic threshold, this is to allow some discussion and consideration of those risks that could potentially be escalated in the future or for the group to request further clarity on any risks raising concern through the deep dive process.
24. Strategic risks take some time to respond to any risk treatment plans and by their very nature are complex. A few of the risk scores have remained static for some time despite intervention. *The table below illustrates changes that have taken place to the Service's strategic risk register since last reported:*

No	Risk	Opened	Closed	Risk Score increased or reduced	Escalated to SRR	De-escalated
1	Fire in Iconic Heritage Buildings			Reduced		9/8/2023
2	Industrial Action			Reduced		5/7/2023
3	Outcomes of McCloud Judgement. Firefighter Pensions.  RMB requested these be merged into one overarching Strategic Risk. Pension risks overseen by the Pensions Board	February 2023 Reframed				
4	Beechmere Prosecution	11/1/2024				
5	Blue Light Collaboration - Review of Joint Corporate Services	9/8/2023				
6	Blue Light Collaboration – Delivery of Support Services	Reframed 24/8/2023		Reduced		
7	Station Modernisation Programme: - Warrington - Ellesmere Port			Increased	9/8/2023	

### Risk Management Training

25. The risk & project officer delivered risk management training to Members of the Fire Authority in September 2023 as part of their annual Member Development Programme, feedback was extremely positive with Members keen to continue to enhance their understanding of how risk management is undertaken and the risk management arrangements CFRS has in place.
26. Service Leadership Team (SLT) undertook a specific risk management training event in March 2023 to refresh their knowledge in relation to the risk management processes and procedures, this was delivered by an external consultancy.
27. Ad hoc training for relevant officers has also been undertaken throughout 2023 when requested and staff can also highlight any training requirements through the Learning & Development process or directly with the risk and project officer.

### Risk Management Assurance

28. Positive results of an internal audit conducted in early 2022 provided assurances that the risk management arrangements that were in place were operating effectively and awarded **High Assurance**. A further audit was undertaken in March 2024 with the overall objective 'to provide assurance that core risk management controls have been adequately designed'.
29. Our current internal auditors MIAA also maintain a watching brief of our risk management process in practice through attendance at Audit Committee.
30. The Annual Governance Statement (AGS) remains a key feature of Cheshire Fire & Rescue Service's annual accounts. It is a document where we can provide assurance publicly regarding the management and controls which are in place in relation to risk management arrangements.

### HMICFRS Inspections

31. The Service continues to be externally inspected by HMICFRS who assess both the effectiveness and efficiency of the organisation in addition to how well we look after our people. Our last overarching inspection took place in March 2023, with inspectors completing three weeks of in-service fieldwork during February and March. There was a strong focus on improvement and how the Service had responded to the nine 'Areas for Improvement' (AFIs) from the previous inspection in March 2021.
32. Results and the full report were published in August 2023 and the Service achieved 'Good' in six of the eleven inspection diagnostics, and 'Adequate' in the five remaining diagnostics. The Inspectorate recommended five AFIs in this inspection relating to areas where they have identified we can strengthen our performance. One AFI has remained from the 2021 inspection and, if not addressed to the satisfaction of the inspectors, has potential to be escalated to a cause of concern' in Round 4. The Service also received recognition for 'Innovative Practice' in the Managing Performance and Developing Leadership diagnostic.
33. Officers have developed a detailed action plan to resolve each of the five AFIs. The progress of which is being monitored by the Service Improvement Department and Performance and Overview Committee. Action to resolve all areas have been identified and are underway by relevant departments.

### Review of Crisis Management Plan





34. RMG has responsibility for reviewing the Service Crisis Management Plan on an annual basis. The Crisis Management Plan was updated by the Policy and Planning Team, Operational Policy & Assurance and last reviewed in March 2024 considering new functions returning from Joint Corporate Services.
35. Business Continuity exercises are planned, and a full test of the Crisis Management Plan took place in October 2023. Business Continuity Plans (BCPs) for all Joint Corporate Services teams have been reviewed and a schedule of review and testing has been approved for 2024 and is now in the 2024 review cycle – Crisis Management Exercise (Exercise Icarus based on CFRS CMT response to notification of a National Power Outage) took place on 30<sup>th</sup> October 2023. A full debrief report was produced and this will be presented at next RMG. CMT Exercises, as well as local Business Continuity exercises, will now take place annually, there is a CMT exercise planned for 2024.
36. Internal Auditors MIAA conducted a Business Continuity planning review, with the final report produced in September 2022. Cheshire Fire & Rescue Service's Business Continuity methodology received a Substantial Assurance level. Recommendations identified to further improve operational practices are now fully implemented. A full review of CFRS Business Continuity Arrangements was conducted in 2023. An improvement plan was implemented with phase1 being completed, and phase2 supporting the Industrial Action reviews and embedding the learning from the National Power Outage exercise – Lemur & Mighty Oak' into CFRS learning and into our plans, the re-establishment of BC champions and funding for a course in early 2024 has been secured. In 2024 a full Business Impact Analysis is being completed to ensure all key risks are identified and embedded with a focus on critical activities and critical staff into team plans.
37. CFRS works closely with Cheshire Resilience Forum partners as part of the Civil Contingences Act 2004. Although responding to flooding and other water related incidents is not a statutory requirement under the Fire & Rescue Services Act 2004, we do undertake regular exercising with other Category 1 and 2 responders for recognised risks within Cheshire including those which are flooding related. Exercise Hunter took place on 7<sup>th</sup> February 2024. This was a multi-agency BC exercise based around a Cyber Attack.

38.

### Next Steps

39. For risk management to remain relevant and valuable, it must be regularly updated and maintained. Consideration of the actions below will be our focus for 2024:
- Continue to review CFRS risk management profile.
  - Continue to deliver risk awareness training in line with agreed training programme.
  - Risk Champions Group – continue to work with OP&A supporting the scheduled training events to increase risk knowledge.
  - Improve risk register recording and reporting on the Cheshire Planning System to facilitate a full self-serve experience for users that is easy to navigate.
  - Consider development of a risk e-learning package/portal.
  - Explore benchmarking options and sharing of our risk management framework/arrangements with other Fire & rescue Services to ensure best practice.

Background Information

<b>Appendix 1 – Risk Management Policy - (2023)</b>	 Risk Management Policy 2023 v4 - Final.
<b>Appendix 2 – Risk Management Group Terms of Reference</b>	 Terms Of Reference - Risk Management Grc
<b>Appendix 3 – Audit Committee Terms of Reference</b>	 RESPONSIBILITIES OF AUDIT COMMITTE
<b>Appendix 4 – Risk on a Page</b>	 Risk Plan on a page mock V1.2.pdf

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## Summary of Cheshire Fire and Rescue Service Strategic Risk Register - April 2024

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	10	<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 &amp; Programme Board.</p> <p>Ongoing external liaison at national, regional and local level.</p> <p>Forecast reports and workplace planning reports utilised</p> <p>Managed use of reserves where necessary</p> <p>Participation in sector wide information initiatives to support case for funding.</p>	8	<p>Budget round facilitated by frequent Budget Management Board meetings and use of sensitivity analysis to model MTFP risks. Referendum limit announced December 23 at 2.99%. Settlement announced December 2023, some increase in business Rates but awaiting confirmation from Local Authorities.</p> <p>The risk scoring has reduced as funding has been settled and the Service achieving a balanced budget for 2024-25 due to central Government proving additional grant funding to maintain core funding levels. However, as there is no multi-year funding settlement, the risk profile will increase as we approach the next financial year. The General Election expected later in the year may also impact funding levels next year.</p>
Overarching pensions risk (increase in employers' contributions,	Additional costs, additional specialist resource	Deliver Value for Money services which maximise	10	<p>Pension Board oversight</p> <p>Pension Manager in place and additional budget available, including Home Office support</p> <p>Dedicated legal support</p>	6	<p>The 2020 valuation has been completed. The results and associated charges to the employers are currently being reviewed and approved by the Scheme Advisory Board. It is expected to be published more</p>

<p>impact of McCloud)</p>	<p>requirements, potential industrial relations issues, welfare issues.</p>	<p>community safety and minimise our impact on the environment</p>		<p>Regular engagement with national bodies  Dedicated supporting information available  Regular communication with rep bodies and staff  Remedy implementation plan in place</p>	<p>widely in the new year. The employer contribution rate is likely to rise significantly due to a number of factors. The McCloud and Mathews remedy action will increase costs and also, earlier this year, the SCAPE rate was amended which has a knock on impact on employer contributions. Temporary government funding will be available in 24/25 for any part of the increase which is linked to the changes in SCAPE rate. Funding arrangements have now been clarified by Home Office and the Treasury. Any compensation and interest costs linked to the McCloud and Matthews remedies will be fully funded through the top up grant process. Other costs associated with the remedy such as additional charges by the pension administrator, or additional resources employed to work on these projects will still need to be funded by FRAs. Now that the MCloud legislation has come into force, the Immediate Detriment Framework will no longer be used. Therefore this risk is no longer applicable. From 1 October 2023, any officers who have retired have received a choice of benefits as per the remedying legislation, meaning the risk for current retirements has been mitigated. For those cases where the officers retired before October 2023, work is ongoing between now and March 2025 to recalculate their pension and tax</p>
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					<p>position in order to provide them with a choice of benefits. This work will be complex and time consuming, therefore an element of risk remains. Pensioners may have to wait several more months before they are able to receive their choice of benefits which may lead to complaints. Nationally, FRAs are working to the same timescales and are prioritising cases where the detriment is larger. The union representatives that sit on the Scheme Advisory Board have ratified this approach and the Pension Ombudsman has indicated that he is happy that the sector are applying this prioritisation approach to cases, therefore the risk of challenge should be low.</p> <p>The score has reduced as there is little chance of any litigation and the financial situation has been clarified. The Employer contribution rate will increase by 8.8% and funding for this increase has been guaranteed for 12 months only. The Employee contribution rates have not changed since April 2019 and it not clear if employee contribution rates will change. However, it is likely that the pay bandings used to allocate people to a rate will be amended from April 2024.</p> <p>The statutory deadline to resolve pension payments is 31st March 2025. However, an</p>
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						indicative timetable has been produced by the Local Government Association to assist administrators to prioritise cases within an 18 month window to ensure those most at detriment are resolved first. The first cohort to be dealt with are those who retired ill-health and the deadline for this is 31 March 2024. Due to various factors, there have been a number of delays, such as administrative errors and ongoing national issues. As a result, some public sectors were considering extending these indicative timescales. The Service have completed all data returns on time and therefore would not support an extension to the timeframes for the ill health cohort of members.
Outcome of review of 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	16	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	The Departmental review for Stores was complete whereas the reviews for the IT and Estates departments were still ongoing. Monthly assurance and performance review meetings between designated key account managers and the Joint Corporate Services Heads of Department were implemented. The performance reporting metrics were being finalised and it was intended to review metrics within monthly meetings.

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	12	Performance meetings with Heads of Department Joint Services Management Board in place and meetings scheduled Blue Light Executive Board in place Deep dive surveys	4	The Deputy Chief Fire Officer and Project and Risk Officer were to discuss combining both Blue Light Collaboration risks.
Station Modernisation Programme – Warrington	Inability to modernise Warrington Station	Deliver Value for Money services which maximise community safety and minimise our impact on the environment	12	MTFP managing funding position. Risk Register for each project overseen at Land & Station	4	Revisit Business case to explore ongoing funding options to ensure delivery of this Programme. Costing for the modernisations would not be available until PCSA work concluded.
Station Modernisation Programme – Ellesmere Port	Inability to modernise Ellesmere Port Station	Deliver Value for Money services which maximise community safety and minimise our impact on the environment	12	MTFP managing funding position. Risk Register for each project overseen at Land & Station	4	Revisit Business case to explore ongoing funding options to ensure delivery of this Programme. Costing for the modernisations would not be available until PCSA work concluded.
Beechmere Prosecution	Failure of prosecution	Deliver Value for Money	9	1. Regular gold coordination meeting held with relevant	4	Relevant prosecutions will be progressed during 2024.

	leading to financial and reputational risk.	services which maximises community safety and minimises the future impact on the environment from similar fires		stakeholders. 2. External and Internal legal services providing advice. 3. Additional resources sourced and implemented.		
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## CHESHIRE FIRE AUTHORITY

**MEETING OF:** AUDIT COMMITTEE  
**DATE:** 17<sup>TH</sup> APRIL 2024  
**REPORT OF:** DIRECTOR OF GOVERNANCE  
**AUTHOR:** ANDREW LEADBETTER

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**SUBJECT:** AUDIT COMMITTEE ANNUAL REPORT

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### Purpose of Report

1. To allow the Committee to: agree the format of the Annual Report; provide officers with instructions about the content of the Annual Report; and determine how it wishes the Annual Report to be presented to the Fire Authority.

### Recommended: That Members

- [1] Agree the format of the Annual Report;
- [2] Determine the content of the Annual Report; and
- [3] Agree how the Annual Report will be presented to the Fire Authority

### Background

2. The CIPFA Audit Committee Position Statement contains a number of requirements aimed at securing an effective audit committee. These include a requirement to “report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance”.
3. CIPFA has also published a document entitled, ‘Audit committees: practical guidance for local authorities and police’ (the Guidance) which develops the requirement to report annually. The suggested content of the annual report, from the Guidance, is contained in Appendix 1 to this report.
4. As the Committee has only been in place for a short time this is the first time it has been expected to complete an annual report. It is anticipated that the Annual Report will be presented to the Fire Authority in June.

### Information

Format

5. As an annual report is effectively a self-assessment and has not been informed by any requirements imposed by the Fire Authority the Committee is free to determine the format and content.

6. The following headings are suggested for the format of annual report:

Chair's Introduction  
Role of Audit Committee  
Membership and Attendance  
Summary of Key Activities  
Work Undertaken (in an Appendix)  
Evaluation of Impact and Effectiveness  
Overall Conclusion

Content

7. The Guidance contains two appendices which are relevant to the preparation of an annual report.

8. The appendix from the Guidance, 'Self-assessment of good practice' is attached to this report as Appendix 2.

9. The appendix from the Guidance, 'Evaluating the impact and effectiveness of the audit committee' is attached to this report as Appendix 3.

10. The Committee is encouraged to work through both of these Appendices in order to inform the content of the Annual Report. Officers will use the information from these deliberations to draft the Annual Report.

Presentation

11. Given that the report belongs to the Committee it seems logical that it should be presented by the Chair of the Committee.

## **Financial Implications**

12. There are no financial implications associated with the preparation of the Annual Report.

## **Legal Implications**

13. There are no legal implications associated with the preparation of the Annual Report.

## **Equality and Diversity Implications**

14. There are no equality and diversity implications associated with the preparation of the Annual Report.

## **Environmental Implications**

15. There are no environmental implications associated with the preparation of the Annual Report.

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

### **BACKGROUND PAPERS:**

CIPFA AUDIT COMMITTEE POSITION STATEMENT

CIPFA AUDIT COMMITTEES: PRACTICAL GUIDANCE FOR LOCAL  
AUTHORITIES AND POLICE

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## **APPENDIX 1**

### **Audit Committees: practical guidance for local authorities and police**

#### Alignment of the committee to recommended practice

- The report should briefly outline the extent to which it follows the CIPFA Position Statement in the following areas:
  - The size of the committee.
  - Structure and composition, including the number of independent members.
  - Reporting line and independence from other committees.
  - Whether its terms of reference include all the core functions of the committee.
- Results of the committee's annual evaluation of its effectiveness and assurance over key indicators should be reported. There should be disclosure over areas where the committee has concerns (which could link to the action plan in the AGS) and a statement of what the audit committee has done to escalate their concerns or make recommendations.
- The report should summarise how it has fulfilled its terms of reference and the key issues escalated to the leadership team or other committees during the year.
- The report should summarise the development work that will support the committee members e.g. training.

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# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply					Partially complies and extent of improvement needed*				Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement					
Weighting of answers	0	1	2	3	5					

## Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>8</b> Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> <li>compliance with the CIPFA Position Statement 2022</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>results of the annual evaluation, development work undertaken and planned improvements</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Functions of the committee</b>					
<b>9</b> Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>financial management</li> <li>value for money</li> <li>ethics and standards</li> <li>counter fraud and corruption</li> </ul>					
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>10</b> Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11</b> Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12</b> Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

### Membership and support

<b>13</b> Has the committee been established in accordance with the 2022 guidance as follows?					
<ul style="list-style-type: none"> <li>Separation from executive</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>A size that is not unwieldy and avoids use of substitutes</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>14</b> Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>15</b> Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>16</b> Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>17</b> Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>18</b> Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>19</b> Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Effectiveness of the committee

<b>20</b> Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>21</b> Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>22</b> Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>23</b> Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

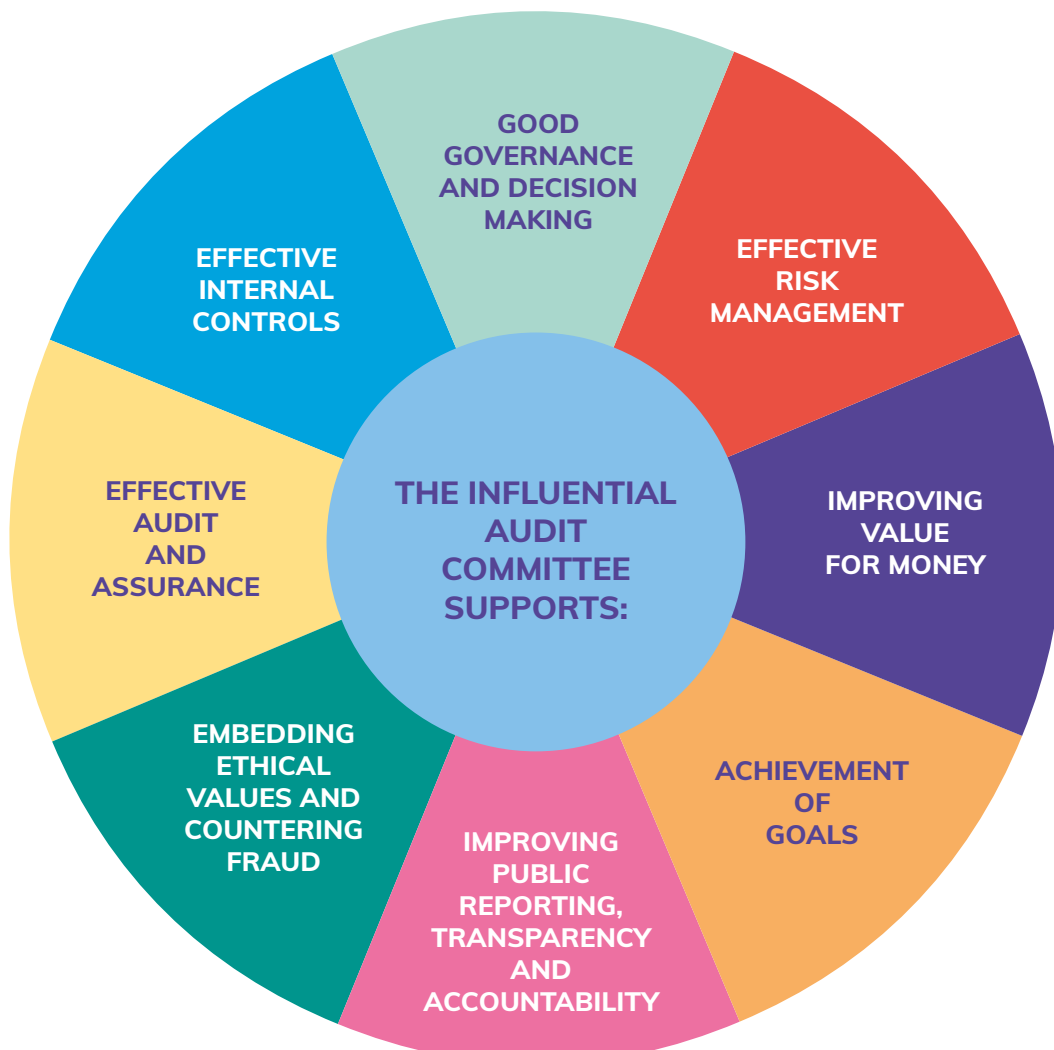
Good practice questions	Does not comply					Partially complies and extent of improvement needed				Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement					
Weighting of answers	0	1	2	3	5					
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
<b>Subtotal score</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
<b>Total score</b>										
<b>Maximum possible score</b>										<b>200**</b>

# Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

**Figure 1: The influential audit committee**



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p><b>Promoting the principles of good governance and their application to decision making.</b></p>	<ul style="list-style-type: none"> <li>Supporting the development of a local code of governance.</li> <li>Providing a robust review of the AGS and the assurances underpinning it.</li> <li>Supporting reviews/audits of governance arrangements.</li> <li>Participating in self-assessments of governance arrangements.</li> <li>Working with partner audit committees to review governance arrangements in partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements.</li> <li>Local arrangements for governance have been clearly set out in an up-to-date local code.</li> <li>The authority's scrutiny arrangements are forward looking and constructive.</li> <li>Appropriate governance arrangements established for all collaborations and arm's-length arrangements.</li> <li>The head of internal audit's annual opinion on governance is satisfactory (or similar wording).</li> </ul>	
<p><b>Contributing to the development of an effective control environment.</b></p>	<ul style="list-style-type: none"> <li>Encouraging ownership of the internal control framework by appropriate managers.</li> <li>Actively monitoring the implementation of recommendations from auditors.</li> <li>Raising significant concerns over controls with appropriate senior managers.</li> </ul>	<ul style="list-style-type: none"> <li>The head of internal audit's annual opinion over internal control is that arrangements are satisfactory.</li> <li>Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified.</li> <li>Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.</li> </ul>	



Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> <li>Reviewing risk management arrangements and their effectiveness, eg risk management maturity or benchmarking.</li> <li>Monitoring improvements to risk management.</li> <li>Reviewing accountability of risk owners for major/ strategic risks.</li> </ul>	<ul style="list-style-type: none"> <li>A robust process for managing risk is evidenced by independent assurance from internal audit or external review.</li> </ul>	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> <li>Reviewing the adequacy of the leadership team's assurance framework.</li> <li>Specifying the committee's assurance needs, identifying gaps or overlaps in assurance.</li> <li>Seeking to streamline assurance gathering and reporting.</li> <li>Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.</li> </ul>	<ul style="list-style-type: none"> <li>The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.</li> </ul>	
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> <li>Reviewing and supporting external audit arrangements with focus on independence and quality.</li> <li>Providing good engagement on external audit plans and reports.</li> <li>Supporting the implementation of audit recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>The quality of liaison between external audit and the authority is satisfactory.</li> <li>The auditors deliver in accordance with their audit plan and any amendments are well explained.</li> <li>An audit of high quality is delivered.</li> </ul>	
Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	<ul style="list-style-type: none"> <li>Reviewing the audit charter and functional reporting arrangements.</li> <li>Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements.</li> <li>Actively supporting the quality assurance and improvement programme of internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment).</li> <li>The head of internal audit and the organisation operate in accordance with the principles of the CIPFA <b><u>Statement on the Role of the Head of Internal Audit</u></b> (2019).</li> </ul>	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p><b>Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing how the governance arrangements support the achievement of sustainable outcomes.</li> <li>• Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</li> <li>• Reviewing the effectiveness of performance management arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives.</li> <li>• The authority's arrangements to review and assess performance are satisfactory.</li> </ul>	
<p><b>Supporting the development of robust arrangements for ensuring value for money.</b></p>	<ul style="list-style-type: none"> <li>• Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee.</li> <li>• Considering how performance in value for money is evaluated as part of the AGS.</li> <li>• Following up issues raised by external audit in their value-for-money work.</li> </ul>	<ul style="list-style-type: none"> <li>• External audit's assessments of arrangements to support best value are satisfactory.</li> </ul>	
<p><b>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</b></p>	<ul style="list-style-type: none"> <li>• Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014).</li> <li>• Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</li> <li>• Assessing the effectiveness of ethical governance arrangements for both staff and governors.</li> </ul>	<ul style="list-style-type: none"> <li>• Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.</li> </ul>	

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p>	<ul style="list-style-type: none"> <li>Working with key members/ the PCC and chief constable to improve their understanding of the AGS and their contribution to it.</li> <li>Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English.</li> <li>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</li> <li>Publishing an annual report from the committee.</li> </ul>	<ul style="list-style-type: none"> <li>The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality.</li> <li>The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion.</li> <li>The authority has published its financial statements and AGS in accordance with statutory guidelines.</li> <li>The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.</li> </ul>	

## OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

## REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.

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**AUDIT COMMITTEE 2024-25**

<b>Meeting Date:</b>	<b>10 July 2024 (on rise of P&amp;O)</b>		<b>18 September 2024</b>		<b>20 November 2024 (on rise of P&amp;O)</b>		<b>29 January 2025 (on rise of G&amp;C)</b>		<b>23 April 2025 (on rise of G&amp;C)</b>	
<b>Report Deadline</b>	<b>24 June 2024</b>		<b>2 September 2024</b>		<b>4 November 2024</b>		<b>13 January 2025</b>		<b>7 April 2025</b>	
<b>Agenda Deadline</b>	<b>2 July 2024</b>		<b>10 September 2024</b>		<b>12 September 2024</b>		<b>21 January 2025</b>		<b>14 April 2025 (Easter bank holidays)</b>	
<b>1</b>	MIAA	Internal Audit Progress Report	MIAA	Internal Audit Progress Report	BF	Draft ARR	MIAA	Internal Audit Progress Report	MIAA	Internal Audit Progress Report
<b>2</b>	CA	Strategic Risk Register Update	CA	Strategic Risk Register Update	JC/ CA	Annual Governance Statement Action Plan 2023-24 – Progress Update	CA	Strategic Risk Register Update	CA	Strategic Risk Register Update
<b>3</b>	JC	Draft Annual Governance Statement	BF	External Audit Findings Report 2023-24			BF	External Audit Annual Report	MIAA	Internal Audit Annual Report 2024-25 and Head of Internal Audit Opinion
<b>4</b>	JC	Draft Statement of Accounts 2023-24	BF	Audited Statement of Accounts 2023-24			MIAA	Internal Audit Follow Up Report	MIAA	Internal Audit Annual Plan 2025-26

