



MINUTES OF THE MEETING OF THE AUDIT COMMITTEE held on Wednesday, 17 April 2024 at Lecture Theatre - Fire Service Headquarters, Sadler Road, Winsford, Cheshire CW7 2FQ at 10.30 am

PRESENT:

Members:

Councillor Brian Gallagher,
Councillor Peter Wheeler
Suzanne Horrill, Independent Audit Committee Member

Internal Auditor:

Charles Black, Merseyside Internal Audit Agency (MIAA)

Officers:

Andrew Leadbetter, Director of Governance
James Cunningham, Treasurer
Chris Astall, Project and Risk Officer
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 Councillors Sherin Akhtar and Rachel Bailey.

1c DECLARATIONS OF MEMBERS' INTERESTS

There were no declarations of Members' interests.

1d MINUTES OF THE AUDIT COMMITTEE

The Treasurer confirmed that MIAA had now been appointed as the internal auditor.

RESOLVED:

That the minutes of the Audit Committee held on Wednesday 24th January 2024 be confirmed as a correct record.

1e ACTION TRACKER OF THE AUDIT COMMITTEE

The Director of Governance and the Treasurer provided brief additional updates.

It was noted that the following actions could be closed:

24th January 2024:

Item 3 – Annual Governance Statement – Progress Against Areas for Action 2023-24 (and 2022-23)

Item 10 – Any Other Business

2 APPOINTMENT OF EXTERNAL AUDITOR

The Treasurer introduced the report which provided an update to Members on the appointment of the external auditor. He advised that the Service had engaged Public Sector Audit Appointments Limited (PSAA) to secure its external auditor.

In August 2023, the PSAA had initially appointed Mazars as the external auditor for the Service for the following three statutory accounting years. However, the PSAA asked in February 2024 whether they could appoint a different auditor and proposed that Bishop Fleming be appointed.

The Treasurer pointed out that in light of the late appointment the usual preparatory work by the auditor had not taken place. It was highly likely that this would have an impact on the timing of the rest of the audit. Members raised concerns with regards; to the delay to the audit; the location of the new external auditor and their experience of working with a fire and rescue authority. It was suggested that officers explore alternative procurement options for the appointment of an external auditor in the future given the risk that the current landscape of public sector auditory does not improve.

RESOLVED: That

- [1] the report be noted and risk to the timely delivery of the audit work be acknowledged;**
- [2] officers to explore alternative procurement options for the future of the external auditor.**

3 INTERNAL AUDIT PROGRESS REPORT

The Internal Auditor introduced the report which provided an update on progress against the 2023-24 Internal Audit Plan. It was reported that the Risk Management Core Controls and Key Financial Transactions Processing Controls reviews were finalised and included within the agenda pack. However, the IT Asset Management Review was still in draft form as the auditor was awaiting the management response. The delay in finalising the audit review had been discussed by the auditor and management.

RESOLVED: That

- [1] the Internal Audit – Progress Report 2023-24 be noted.**

4 RISK MANAGEMENT - CORE CONTROLS REVIEW ASSIGNMENT REPORT

The Internal Auditor presented the Risk Management – Core Controls Review report. It was noted that there was only one low risk recommendation; the Service to consider producing a risk appetite as per best practice within the sector.

Members held a discussion on the term ‘risk appetite’ and whether it was applicable to the Service given that the organisation typically faces a lot of risks in a variety of settings. It was concluded that risk appetite was part of various organisational processes, but the Project and Risk Officer was asked to consider further the point raised on defining an organisational risk appetite.

RESOLVED: That

[1] the Risk Management – Core Controls Review Assignment report be noted.

5 KEY FINANCIAL TRANSACTIONAL PROCESSING CONTROLS REVIEW ASSIGNMENT REPORT

The Internal Auditor presented the Key Financial Transactional Processing Controls Review Assignment report. He advised that substantial assurance had been given with two medium risk recommendations and two low risk recommendations.

A Member raised concerns with the recommendation relating to the aged debt policy and queried whether the Service should consider a further review into the HR leavers arrangements. The Treasurer assured Members that the debt incurred was very small and that most cases were captured, with few debts written off. However, further work would be done to minimise staff related debts when the financial system was replaced.

A Member queried how a member of staff was able to process a journal entry above their maximum approval limit. The Treasurer had advised that the member of staff had detected an incorrect figure and promptly rectified the error with an appropriate journal entry. The member of staff had effectively been acting up in role but the change in authority level had not been correctly recorded. However, a new financial system is being considered and prevent controls on approval and authority levels will be included.

RESOLVED: That

[1] the Key Financial Transactional Processing Controls Review report be noted.

6 DRAFT INTERNAL AUDIT ANNUAL REPORT AND HEAD OF INTERNAL AUDIT OPINION 2023-24

The Internal Auditor introduced the report which summarised the internal audit activity and outputs during 2023-24 and provided the Head of Internal Audit Opinion. It was noted that Substantial Assurance was given. However, the Head of Internal

Audit Opinion was still in draft form until the IT Asset Management audit report could be finalised. It was not expected to impact upon the assurance level.

RESOLVED: That

[1] the draft Internal Audit Annual Report and Head of Internal Audit Opinion 2023-24 be noted.

7 INTERNAL AUDIT CHARTER

The Internal Auditor briefly introduced the Internal Audit Charter. The Committee was asked to note the Charter.

RESOLVED: That

[1] the Internal Audit Charter be noted.

8 DRAFT INTERNAL AUDIT PLAN 2024-25

The Internal Auditor introduced the report which asked Members to consider the draft Internal Audit Annual Plan 2024-25 (the Plan). The Plan was created in consultation with the Treasurer and linked to the Service's priorities and risks.

A Member queried whether the third party assurance from the Pension provider was included in the Plan. It was confirmed that the review of HR, Payroll and Pensions was scheduled for 2026-27. However, the Treasurer discussed the issue with pensions was related to funding as opposed to calculation of employer contributions.

RESOLVED: That

[1] the Internal Audit Annual Plan 2024-25 be approved.

9 ANNUAL RISK MANAGEMENT REPORT 2023-24

The Project and Risk Officer introduced the report which provided Members with a summary of risk management activity during 2023-24. She reminded Members that scrutiny of risk was now undertaken by the Risk Management Group which met quarterly and was chaired by the Deputy Chief Fire Officer.

Members noted that the report was transparent and clear to read. A Member queried what horizon scanning process the Service implemented. The Project and Risk Officer advised that a PESTLEO analysis is conducted annually and reported to Members. Horizon scanning is also discussed at the Risk Management Group.

RESOLVED: That

[1] the Annual Risk Management Report 2023-24 be noted.

10 REVIEW OF THE STRATEGIC RISK REGISTER

The Treasurer 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 consideration at its meeting on Wednesday 27th March 2024.

Members noted the risks relating to the station modernisation programme and queried how the Service intended to fund the programme. The Treasurer advised that the Service would continue funding the programme by a mix of capital reserves, the sale of assets and Public Works Loan Board (PWLB) debt. Members were reassured that the fire stations covered in the programme would maintain response coverage and be fully operational during the construction works.

RESOLVED: That

[1] the Review of the Strategic Risk Register be noted.

11 AUDIT COMMITTEE ANNUAL REPORT

The Director of Governance introduced the report which allowed the Committee to agree the format of the Annual Report; provide officers with instructions about the content of the Annual Report; and determined how the Annual Report would be presented to the Fire Authority.

He drew Members' attention to Appendix 2 within the report which provided a self-assessment to assist Members when considering the effectiveness of the Audit Committee. Members had copies of the self-assessment form.

Members felt that within its first year of operation, the Audit Committee had achieved a substantial compliance level against the good practice questions posed in Appendix 2. The Committee was content with the format of the Annual Report and would leave it to the officers to develop the content.

The independent audit member suggested that the post-meeting opportunity for Members to discuss matters in private with the auditors should be documented. To this end, in future, the Governance Officer would be asked to remain when the other officers had left the meeting room.

RESOLVED: That

[1] the format of the Audit Committee Annual Report be written as suggested within the report;

[2] the content of the Audit Committee Annual Report be written as suggested within the report; and

[3] the Chair of the Audit Committee presented the Audit Committee Annual Report to the Fire Authority at its meeting on Wednesday 26th June

2024.

12 DRAFT AUDIT COMMITTEE FORWARD PLAN 2024-25

Members noted the table which included items which had been identified/ agreed to date.

RESOLVED: That

[1] the Audit Committee Forward Plan 2024-25 be approved.