



Cheshire
Fire Authority



Audit Committee Annual Report

2023-24

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Contents

1. Chair's Introduction	3
2. Role of Audit Committee	4
3. Membership and Attendance	6
4. Summary of Key Activities during 2023-24	7
5. Evaluation of Impact and Effectiveness	10
Appendix 1 – Audit Committee Work Programme for 2023-24	11

1. Chair's Introduction

As Chair of the Audit Committee, I am pleased to submit the Audit Committee Annual Report for 2023-24 to the Fire Authority. This summarises the work of the Audit Committee in providing assurance about Cheshire Fire and Rescue Service's governance, risk management, financial and business controls.

Cllr Peter Wheeler, Chair of the Audit Committee (June 2024)

2. Role of Audit Committee

- 2.1 The Audit Committee was created by the Fire Authority on 27th April 2022 for the 2023-24 municipal year onwards. This was following a recommendation made by the external auditor to establish a separate Audit Committee and to consider appointing an independent member with a suitable financial background as recommended by the Redmond review.
- 2.2 The extract from the terms of reference below summarises the purpose and responsibilities of the Audit Committee. The responsibilities were designed to align with the Chartered Institute of Public Finance and Accounting's (CIPFA) guidance for local authorities and police.

PURPOSE

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

RESPONSIBILITIES

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

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

risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.

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

3. Membership and Attendance

3.1 The Audit Committee consists of four elected Members drawn from the membership of the Governance and Constitution Committee and one co-opted Independent Audit Committee Member. The Committee is a politically proportionate group that must have at least three of the five members in attendance to be quorate. There are no substitutes appointed to the Audit Committee.

3.2 The current Independent Audit Committee Member, Suzanne Horrill was appointed in November 2022 for a period of three years.

3.3 The membership for 2023-24 was:

- Cllr Peter Wheeler (Chair)
- Cllr Sherin Akhtar
- Cllr Rachel Bailey
- Cllr Brian Gallagher
- Suzanne Horrill (Independent Audit Committee Member)

3.4 The table below shows the attendance of each of the Audit Committee meetings taken place during 2023/24:

	12/07/23	26/09/23	22/11/23	24/01/24	17/04/24
Cllr Peter Wheeler	✓	✓	✓	✓	✓
Cllr Sherin Akhtar			✓		
Cllr Rachel Bailey	✓	✓	✓		
Cllr Brian Gallagher		✓		✓	✓
Suzanne Horrill	✓	✓	✓	✓	✓

3.5 The following officers also attend Audit Committee meetings:

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

4. Summary of Key Activities during 2023-24

- 4.1 This section summaries all the key activities of the Audit Committee during 2023-24. The Work Programme of the Audit Committee for 2023-24 is attached as Appendix 1.

External Audit – Grant Thornton

- 4.2 The Audit Committee received the External Audit Findings report 2022-23 in September 2023.
- 4.3 The External Auditor presented the Auditor’s Interim Annual Report to the Audit Committee in November 2023 which focused on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources and the opinion on the Authority’s statement of accounts. However, due to the delays to the signing of the statement of accounts, the report could not be finalised until the accounts were complete.
- 4.4 The finalised Auditor’s Annual Report was considered and signed by the Audit Committee along with the Statement of Accounts on 24th January 2024.

Internal Audit – MIAA

- 4.5 The Audit Committee considered the Internal Audit Annual Report and the Head of Internal Audit Opinion for 2022-23 at its meeting on 12th July 2023. It was noted that the Service had achieved substantial assurance. This meant that there was a good system of internal control designed to meet the system objectives and controls in place were generally being applied consistently.
- 4.6 Internal audit completed a number of audit assignments as agreed within the Internal Audit Plan for 2023-24. A quarterly report on internal audit progress was reported at each Audit Committee meeting. The following audits were considered by the Audit Committee:

- Station Modernisation Framework
- Microsoft 365 Project Rollout
- HR/ Payroll Review
- Whistleblowing and Implementation of HMICFRS Value and Culture Recommendations
- National Fraud Initiative
- Risk Management – Core Controls Review
- Key Financial Transactional Processing Controls
- Draft IT Asset Management

- 4.7 The Audit Committee considered a draft Internal Audit Annual Report and Head of Internal Audit Opinion for 2023-24 at its meeting on 17th April 2024. The reports were in draft format as the audit review assignment on IT Asset Management had not yet been finalised. This was expected to be finalised in July 2024. However, it was acknowledged that this would not impact on the assurance level.
- 4.8 A follow up report on recommendations made from previous audit assignments actions was also considered by the Audit Committee to ensure sufficient progress had been made to all outstanding actions.
- 4.9 The Audit Committee also approved the Draft Internal Audit Plan for 2024-25 at its meeting on 17th April 2024.

Risk Management

- 4.10 The Audit Committee reviews the minutes of the Risk Management Group.
- 4.11 A summary of the Strategic Risk Register considered by the Risk Management Group is submitted quarterly to the Audit Committee by the Project and Risk Officer.
- 4.12 The Risk Management Annual reports for 2022-23 and 2023-24 were approved by the Committee.

Corporate and Financial Governance

- 4.13 The Draft Statement of Accounts for 2022-23 was considered by the Audit Committee on 12th July 2023 with an expectation to be signed off in September 2023, prior to the publication deadline on 30th September 2023. However, the accounts could not be signed off at the time due to the unresolved issues relating to the valuations of the Authority's pension liability and property. Therefore, the unaudited accounts and the Letter of Representation was approved by the Audit Committee at its meeting on 26th September 2023.
- 4.14 The above issues were resolved by the Audit Committee meeting in November 2023 however, another issue in relation to the valuation of the pension liability had been identified and remained unresolved which further delayed the accounts. The audit concluded and the statement of accounts for 2022-23 were officially signed on 24th January 2024.
- 4.15 The draft Annual Governance Statement will be considered by the committee at its July meeting. The Committee reviews the Action Plan from the Annual Governance Statement to ensure the actions are progressed.

- 4.16 The Audit Committee considered a report on its approach to the Committee's annual report. The Committee agreed on the format and committed to producing a report for the Fire Authority each year.
- 4.17 The Audit Committee reflects on the Work Programme for remainder of the year at the rise of each meeting and can request additional items to be considered.

Training and Development

- 4.18 The Audit Committee committed to a training programme as referenced within the Committee's terms of reference. The training sessions were incorporated within the Fire Authority's wider Training and Development Programme for all Members to attend. However, it was noted some sessions required mandatory attendance from the Audit Committee.
- 4.19 On 6th July 2023, Grant Thornton representatives provided training on the external audit function within the Service. This session was attended by one member of the Audit Committee.
- 4.20 On 21st July 2023, MIAA representatives provided training on the internal audit processes for the Service. This session was attended by one member of the Audit Committee.
- 4.21 On 15th September 2023, the Projects and Risk Officer provided training on the Service's risk management arrangements. This session was attended by two members of the Audit Committee.

5. Evaluation of Impact and Effectiveness

- 5.1 The Audit Committee has been proactive in improving its effectiveness and efficiency. The Independent Audit Committee Member has made several suggestions which have been welcomed and implemented by the Committee. For example, allowing time for Audit Committee members to meet with the Auditors privately at the rise of the meeting.
- 5.2 The Audit Committee considered the CIPFA's 'Self assessment of good practice' and CIPFA guidance on evaluating the impact and effectiveness of audit committees at its meeting on Wednesday 17th April 2024. Members felt that the within its first full year of operation, the Audit Committee had achieved a substantial compliance level against the good practice questions. This view was supported by the Independent Audit Committee Member. It will continue to develop its impact and effectiveness as it matures.

Appendix 1 – Audit Committee Work Programme for 2023-24

AUDIT COMMITTEE Work Programme for 2023 -24										
Meeting Date:	12 July 2023		26 September 2023		22 November 2023		24 January 2024		17 April 2024	
Report Deadline	26 June 2023		11 September 2023		10th November 2023		10 January 2024		3 April 2024	
Agenda Deadline	4 July 2023		18 September 2023		14th November 2023		16 January 2024		9 April 2024	
1	MIAA	Internal Audit Progress Report Assignment on Station Management Framework and Microsoft 365 Project Rollout	MIAA	Internal Audit Progress Report Assignment on HR / Payroll Review	GT	Auditor’s Interim Annual Report	MIAA	Internal Audit Progress Report Assignment on National Fraud Initiative	MIAA	Internal Audit Progress Report Assignments on Risk Management Core Controls and Key Financial Transactional Processing Controls
2	CA	Review of the Strategic Risk Register	CA	Review of the Strategic Risk Register	MIAA	Internal Audit Progress Report Assignment on Whistleblowing and HMICFRS	CA	Review of the Strategic Risk Register	CA	Review of the Strategic Risk Register

						Value and Culture Recommendations				
3	PV	Draft Annual Governance Statement 2022-23	GT	External Audit Findings Report 2022-23			CA	Risk Management Policy	MIAA	Draft Internal Audit Annual Report and Head of Internal Audit Opinion 2023-24
4	PV	Draft Statement of Accounts 2022-23	GT	Statement of Accounts 2022-23 *			CA/ PV	Annual Governance Statement Action Plan 2022-23 – Progress Update	MIAA	Draft Internal Audit Annual Plan 2024-25
5	MIAA	Head of Internal Audit Opinion and Internal Audit Annual Report 2022-23	GT	Letter of Representation			MIAA	Internal Audit Follow Up Report	MIAA	Appointment of External Auditor (update to Members)
6	CA	Annual Risk Management Report 2022-23	PV	Annual Governance Statement			PV/ GT	Statement of Accounts sign off	MIAA	Internal Audit Charter
7									CA	Annual Risk Management Report 2023-24
8									AL/JC	Audit Committee annual report