

JOINT AUDIT ADVISORY COMMITTEE



Cheshire
Constabulary



Date: Thursday, 30th November 2023

Time: 13:00

Venue: OPCC Meeting Room, Cheshire Constabulary Headquarters, Clemonds Hey, Winsford, CW7 2UA

Any member of the public who wishes to observe this meeting is asked to register their interest by midday on **Monday, 27th November 2023** via email to police.crime.commissioner@cheshire.police.uk. A link to enable access to the meeting and joining instructions will then be provided to all attendees in advance of the meeting.

AGENDA

Part 1 - Public Items

	Contact	Report Page
1. Minutes of the Joint Audit Advisory Committee <i>To approve the minutes of the Joint Audit Advisory Committee held on 27th September 2023.</i>	<i>P Bearpark</i>	3
2. Action Log <i>To consider the attached action log update.</i>	<i>P Bearpark</i>	5
3. Police & Crime Commissioner and Chief Constable Update	<i>J Dwyer/J Gill</i>	v

Public Items - For Advice

4. External Audit Annual Report 2022-23 - DRAFT <i>To consider the attached report by the External Auditor.</i>	<i>L Luddington</i>	6
5. Internal Audit Charter <i>To consider the attached document from the Internal Auditor.</i>	<i>A Harrop</i>	37
6. JAAC Forward Plan Review <i>To agree the attached forward plan.</i>	<i>P Bearpark</i>	46

Public Items - For Information

7. Internal Audit <i>To note the attached reports from the Internal Auditor.</i> (a) Terms of Reference – HR/Payroll Review (b) Terms of Reference – Key Financial Transactional Processing Controls (c) Internal Audit Progress Report	<i>A Harrop</i>	47
8. Medium Term Financial Strategy Mid-Year Update <i>To receive the attached report approved by the Management Board on 8th November 2023</i>	<i>W Bebbington and C Hodgson</i>	69

9.	HMICFRS Value for Money Profiles <i>To receive the attached report from the Chief Constable</i>	<i>P Woods</i>	91
10.	Service Assurance Plan <i>To receive the attached report from the Chief Constable.</i>	<i>L Willis</i>	99
11.	JAAC Annual Report 2022-23 <i>To receive the attached report from the JAAC Chair</i>	<i>P Bearpark</i>	107
12.	Any Other Business	<i>P Bearpark</i>	V

PART 2

The following matters will be considered in private as they involve the likely disclosure of exempt information as defined in the Freedom of Information Act 2000, in accordance with the section indicated below: -

Item	Section
Action Log	(31) Law Enforcement
Internal Audit: Follow Up Report	(31) Law Enforcement
Joint Strategic Risk Register	(31) Law Enforcement

Part 2 - Private Items

	Contact	Report Page
13. Minutes of the Joint Audit Advisory Committee <i>To approve the minutes of the Joint Audit Advisory Committee held on 27th September 2022.</i>	<i>P Bearpark</i>	-
14. Action Log <i>To consider the attached action log update.</i>	<i>P Bearpark</i>	-
Private Items – For Advice		
15. Strategic Risk Register <i>To consider the attached report by Chief Constable/PCC.</i>	<i>L Willis</i>	-
Private Items – For Information		
16. Internal Audit Recommendations Follow Up Report <i>To receive the attached report from the Internal Auditor.</i>	<i>A Harrop</i>	-

For further information about this Agenda, please contact Clare Hodgson on 01606 364000.



Minutes of the Joint Audit Advisory Committee Meeting 27th September 2023 – Part 1

Attendees:

Joint Audit Advisory Committee

Phil Bearpark, JAAC Chair
Jean Gleave, JAAC Member
Elaine Smith, JAAC Member
Paul Birtles, JAAC Member
Dr Vellore Karthikeyan, JAAC Member

Cheshire Constabulary

Julie Gill, Assistant Chief Officer
Wendy Bebbington, Head of Finance
Louise Willis, Planning, Performance & Risk Mgr.

External Audit

Michael Green, Director, Grant Thornton
Liz Luddington, Manager, Grant Thornton

Apologies

John Dwyer, Police & Crime Commissioner
Mark Roberts, Chief Constable
David Bryan, Head of Legal Services

Office of the Police & Crime Commissioner

David McNeilage, Deputy Police & Crime Commissioner
Damon Taylor, Chief Executive
Clare Hodgson, Chief Finance Officer

Internal Audit

Anne-Marie Harrop, Regional Assurance Director (MIAA)
Charles Black, Audit Manager (MIAA)

Part 1 - Public Items

1. Minutes of the Joint Audit Advisory Committee

The Minutes of the Joint Audit Advisory Committee held on 26th July 2023 were approved.

2. Action Log – Reviewed by The Chair

The Action Log was approved.

3. Assistant Chief Officer and Deputy Police & Crime Commissioner Update

Assistant Chief Officer

- Lucy Letby was committed for retrial; she will appear via video link for this trial.
- Cheshire Police has been chosen as one of the 12 forces for an impartiality and activism inspection by HMICFRS. This is due to take place on 6th November 2023.
- The next PEEL inspection is anticipated to take place around September/October 2024.

Deputy Police and Crime Commissioner

- There are two new seconded staff members in the OPCC. Detective Inspector Elaine Duddle and Assistant Chief Probation Officer, John Davidson, who will assist with Serious Violence Duty across Cheshire.
- The Annual Report was published on Monday of this week (25/09/2023), in line with the statutory requirement.
- The initial trial of Lucy Letby has now concluded. This was supported by OPCC with bids submitted into the Home Office.

Part 1 - Public Items – For Advice

4. Final Statement of Accounts

The Chair invited Wendy Bebbington to go through the Statement of Accounts, he noted that the Committee had already viewed these accounts twice, so they were interested in any updates that had taken place since July. **Wendy Bebbington** presented the Statement of Accounts. The two key areas of note with changes were pension schemes (including IFRIC 14) and the external valuers.

5. External Audit Findings Report

Michael Green confirmed that if the actuaries and pension fund provided the information required then it was hoped that the unqualified audit opinion would be issued early October 2023 at the latest. The submission will be one of the first in the region. This has been achieved by the good collaborative working and all the hard work that has been completed over the past year to create this positive report.

Liz Luddington gave a detailed report of the external audit findings report.

The Chair confirmed that when the unqualified audit opinion is received, the Committee would recommend that the Chief Constable and the Police & Crime Commissioner sign the accounts and thanked the external auditors for enabling the position the accounts were in at the present time.

6. External Audit Letter of Representation

The Chair confirmed that these letters were in order and ready to sign when the external auditors gave their unqualified audit opinion.

7. JAAC Forward Plan Review

The Chair discussed the dates of the forthcoming meetings. **Clare Hodgson** explained that the extra date for May 2024 had been put in everyone's diary, as it is not yet known when the statutory accounts deadlines will be for 2023/24 accounts.

Anne-Marie Harrop noted that the internal audit plan was not showing on the forward plan.

Clare Hodgson confirmed that this will be added for the next meeting.

ACTION: Clare Hodgson to add the internal audit plan onto the Forward Plan

Part 1 - Public Items – For Information

8. Internal Audit

in relation to the Terms of Reference for the forthcoming Data Protection Review the **Committee** queried;

- Are lessons to be learnt considered and factored in with regards to the data protection review terms of reference and the human error data breach in PSNI.

Anne-Marie Harrop confirmed that data held by Third Parties will form part of the review.

Louise Willis stated that a review had taken place in relation to the breach.

9. Service Assurance Plan

Louise Willis reported on the plan in detail including the following: -

Law Enforcement Data Service is replacing the Police National Computer system. **Paul Birtles** said that he thought the Law Enforcement Data Service should be in the 'update's' column.

Louise Willis confirmed that this will be updated and expanded in future issues.

10. Any Other Business

Clare Hodgson confirmed that a name for the engagement lead from Mazars had now been received. However, this is marked as subject to change. Initial contact will be attempted and future meeting dates and invitations will be sent.

ACTION: Clare Hodgson will attempt initial contact and send future meeting dates and invitations.



Date of Meeting	Action Number	Action Details	Responsible for Action?	Status	Notes
30/11/2022	025	Link between Operational and Financial Performance to be reported as green at 2022/23 external audit	s151 Officers	Propose Closure	<p>February Update - Operational performance linked to financial investments made as part of Q3 financial monitoring report which went to Joint Management Board. Action not due to be closed until completion of external audit on 2022/23 accounts.</p> <p>March Update - Will remain open until the completion of the external audit on 2022/23 statement of accounts.</p> <p>November Update - Propose closure. Item is marked as addressed in external audit annual report within JAAC pack.</p>
26/07/2023	037	2024 JAAC meeting dates to be arranged.	Lez Cowen	Ongoing	<p>November Update - February and May dates are arranged. We are still awaiting confirmation of Mazars details and also audit deadlines for 24/25. Dates will be scheduled for September 2024, November 2024 and February 2025.</p>
27/09/2023	038	Internal Audit Plan to be added onto the Forward Plan	Clare Hodgson	Propose Closure	<p>November Update - Added to forward plan</p>
27/09/2023	039	Future meeting dates and invitations to be sent to MAZARS	Clare Hodgson	Ongoing	<p>November Update - Email sent to Mazars requesting confirmation of details for meeting invitations. No response received.</p>

Auditor's Interim Annual Report on the Police and Crime Commissioner and Chief Constable for Cheshire

2022/23

13 November 2023



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Police and Crime Commissioner (PCC) and Chief Constable (CC) have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Auditors are required to report their commentary on the PCC and CC's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the PCC and CC's arrangements for securing economy, efficiency and effectiveness in their use of resources. Our conclusions are summarised in the table below.

Overall, we found that the PCC and CC continue to have proper arrangements in place to secure economy, efficiency and effectiveness in their use of resources with no significant weaknesses in arrangements identified. We have raised two improvement recommendations to assist the PCC and CC in further enhancing their arrangements. Key messages in relation to Financial Sustainability, Governance, and Improving economy, efficiency and effectiveness are provided overleaf.

Criteria	2022/23 Risk assessment	2022/23 Auditor Judgement on arrangements	2021/22 Auditor Judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation from 2021/22 carried forward as work is ongoing to identify further savings opportunities amidst ongoing external financial uncertainties.	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, and no improvement recommendations made.	No significant weaknesses in arrangements identified, but improvement recommendation made	↑
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements identified.	↓

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The PCC and Chief Constable's good track record of sound financial management continues and delivered an overall underspend in year, after taking into account central Government funding and the planned use of reserves. The PCC and Chief Constable understood the financial risks which they faced and managed these risks by maintaining an appropriate level of reserves. Overall, we are satisfied that the PCC and Chief Constable had appropriate arrangements in place to manage the risks they faced in respect of its financial resilience, and we have not identified any risks of significant weakness. We note the actions taken in response to our improvement recommendation raised in 2021/22 due to the ongoing macro-economic uncertainties and inflationary pressures. Further work is planned in this area and we have thus carried forward this recommendation.



Governance

Overall, we found no evidence of significant weaknesses in the PCC's or Chief Constable's governance arrangements for ensuring that they made informed decisions and properly managed its risks. We found that management have addressed our improvement recommendation made in 2020/21 and carried forward in 2021/22 about the integration of finance into performance management reporting. High level performance reporting was included in quarterly financial performance reporting to the Joint Management Board with effect from Quarter 3 2022/23.



Improving economy, efficiency and effectiveness

The OPCC and Constabulary have put in place effective arrangements to improve economy, efficiency and effectiveness. This includes significant collaboration with Cheshire fire and rescue and other police forces. Our work identified no significant weaknesses in arrangements. We have made one improvement recommendations in respect of performance monitoring in joint corporate services.



We are still waiting for some third-party pension assurances to finalise our opinion on the 22/23 accounts, hence this report being an interim. We anticipate the opinion being unqualified as noted in the JAAC meeting on 27 September 2023. Our findings are set out in further detail on pages 25 to 26.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the PCC and CC's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We are still waiting for some third-party pension assurances to finalise our opinion on the 2022/23 accounts, hence this report being an interim. We anticipate the opinion being unqualified as noted in the JAAC meeting on 27 September 2023.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations, nor do we anticipate doing so.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a public interest report, nor do we anticipate doing so.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not applied to the court, nor do we anticipate doing so.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued any advisory notices nor do we anticipate doing so.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not applied for a judicial review, nor do we anticipate doing so.

Securing economy, efficiency and effectiveness in the PCC and CC's use of resources

All PCCs and CCs are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The PCC and CC's responsibilities are set out in Appendix A.

PCCs and CCs report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the PCC and CC have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the PCC and CC can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the PCC and CC make appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the PCC and CC make decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the PCC and CC delivers their services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the PCC and CC's arrangements in each of these three areas, is set out on pages 7 to 23. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the PCC and CC:

- identifies all the significant financial pressures that are relevant to their short and medium-term plans and builds them into their plans
- plans to bridge funding gaps and identify achievable savings
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures the financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identify and manage risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and medium term financial planning to ensure financial sustainability.

Priority based budgeting (PBB) remains the main driver behind financial sustainability, it is a very detailed and in-depth review of the whole organisation, encompassing workforce, finance and delivery and is implemented as part of the business planning process. Budget managers present to panels setting out what demands or changes are affecting their areas and as a result what they need in terms of resources, funding etc. as well as demonstrating what Cheshire Police will get from those resources. It is a pan-organisation process with the relevant Heads of Department at the forefront of the Panels. While either the Chief or Deputy run the Panels and scrutinise from an operational viewpoint, the OPCC CFO or CEO, the Heads of Finance, Head of HR, Workforce Planning, Planning and Performance and Strategic Change are all on the Panels as advisors so that decisions made consider all appropriate areas. This is linked to the overall strategic planning process which produces the Force Management Statement as well as encompassing the Police and Crime Plan for 2021-24 and anything required from HMICFRS. Sensitivity analysis and scenario modelling is also conducted as part of the budget preparation. This includes securing general reserves and considering major risks.

The Medium Term Financial Strategy (MTFS) is embedded within the annual budget setting cycle to provide a longer-term view of priorities and demand for services. Council Tax assumptions are a key element of planning and the Constabulary work closely with their Billing Authorities to understand assumptions around the Council Tax base and also the surplus/deficit on the Collection Funds. The Comprehensive Spending Review and Government Settlements are reviewed on an ongoing basis to try and model future resource envelopes that Cheshire will operate in. Although there was a spending review setting out indicative police figures through to 2025, there is still no long-term certainty. This uncertainty, combined with recent rises in inflation and other macro-economic uncertainty, means that the future financial position is very challenging. The formal 2022/23 mid-year review including sensitivity analysis and scenario planning on key assumptions and estimates within the MTFS 2022-27 and informing preparation of the MTFS 2023-28 undertaken and reported to Joint Management Board in November 2023 acknowledges that the financial outlook remains challenging and subject to uncertainty.

The mid-year review states that the Commissioner and Chief Constable will be undertaking a number of 'root and branch' reviews to ensure processes are efficient and effective alongside the standard PBB planning. Proposals are in place to review all non-pay budgets, contractual specifications and processes to ensure that they remain fit for purpose and current, offering value for money while preserving service performance and service delivery wherever possible.

The report further states that " Looking forward, as it becomes clearer on both medium-term funding and the Government's support for the Police Uplift Programme beyond 2024, there is a need for a fundamental root and branch review of the Constabulary, its service delivery and its priorities to match ambition to actual funding levels, supported by the PBB process. This will be reflected within the MTFS as and when information becomes available.". As such, we have refreshed our improvement recommendation from 2021/22 recommending that the reviews are undertaken and the outcomes and impact on the MTFS are completed and reported as and when information is available.

Financial sustainability

Short and medium term financial planning to ensure financial sustainability and links to strategies and plans.

The current **capital programme** is reflected in the estates strategy, environmental strategy and fleet strategy, which were approved in October 2021. The impact of these strategies is reflected in the MTFs and includes investment in estates and ICT over the next 4 years as well as annual replacement schemes of fleet vehicles. The PCC is planning capital investment of £57.7m over the MTFs period 2023/24 to 2027/28, which is primarily funded from a combination of revenue contributions to capital and borrowing. As part of the annual refresh of the Capital Programme, capital projects are reviewed. This process runs alongside the revenue budget preparation and associated running costs of capital projects are built into the revenue budget at this stage. The Commissioner sets and reviews a number of prudential indicators showing the proposed capital expenditure plans, how they are to be funded, the impact on the organisation's finances and their affordability in terms of the impact on revenue budgets.

Cheshire PCC and CC has a carbon reduction budget via the MTFs and inclusion of estates and fleet capital programmes which link to the related Estates, Environmental, and Fleet strategies. These all link to the Police and Crime Plan 2021-24 which includes a priority to "modernise our police service by achieving a carbon neutral constabulary by 2040".

In addition to the Capital Strategy, the **workforce plan** is managed closely to ensure financial and HR data is matched. Workforce planning provide all the profiles of officer recruitment, leavers, retirees etc., and the funding requirements are matched to this profile. This also links into the people strategy for 2021-2024. Finance also proactively liaise with HR where there are vacancies to ensure any short-term or longer-term savings and opportunities are identified.

Performance

The PCC and CC's performance against key financial and performance metrics in 2022/23 and 2021/22 are set out in the table opposite. The OPCC and Constabulary have faced financial challenges in each year and these will continue through to 2023/24 and be exacerbated by the continuing macro economic climate. Despite this, a sustainable financial position has been achieved and for each financial year Cheshire Police reported an overall underspend on budget of £0.2m. We note that slippage on the capital programme each year is largely due to the continuing impact of unavoidable external factors on supply chains and contractor availability together with the extension of the Business Services Futures project into 2023/24 to deliver phase 2 and the timing of expenditure relating to the initial phase of the Estates Strategy.

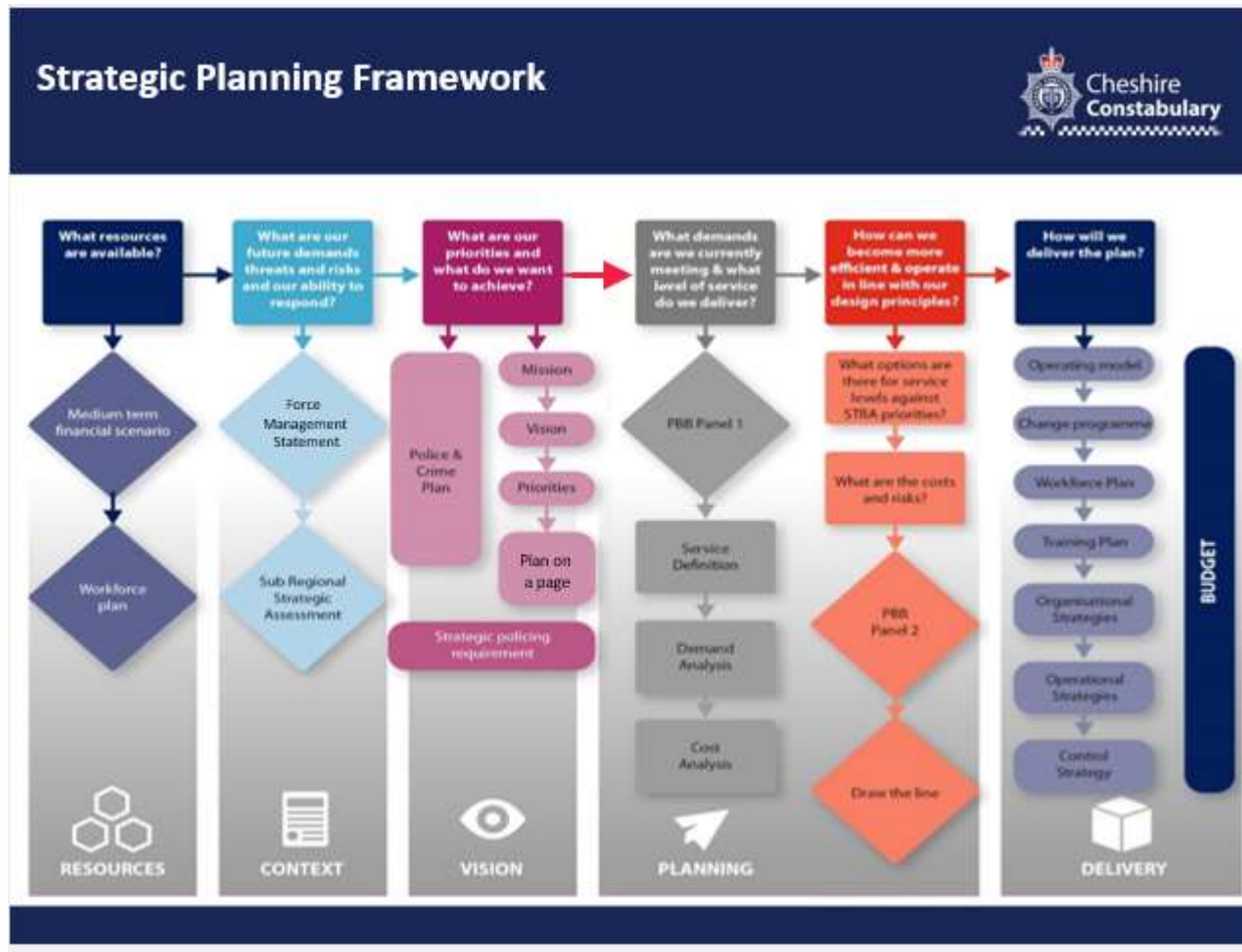
Financial planning and other operational plans

The following page is an illustration used by Cheshire PCC and CC to describe its **Strategic Planning Framework**. This demonstrates how consideration of available resources, context (demands and ability to respond), vision, planning to meet demand, efficiency, interlink thus shaping the budget and thus MTFs. We have described above how strategies and plans link to financial planning.

	2022/23	2021/22
Planned revenue expenditure	£228.6m	£ 207.8m
Actual revenue expenditure	£228.4m	£ 207.6m
Planned capital spend	£15.6m	£11.4m
Actual capital spend	£8.6m	£6.7m
Year-end cash position	£21.3m	£27.4m

Financial sustainability (continued)

Short and medium-term financial planning (continued) - Cheshire Constabulary Strategic Planning Framework



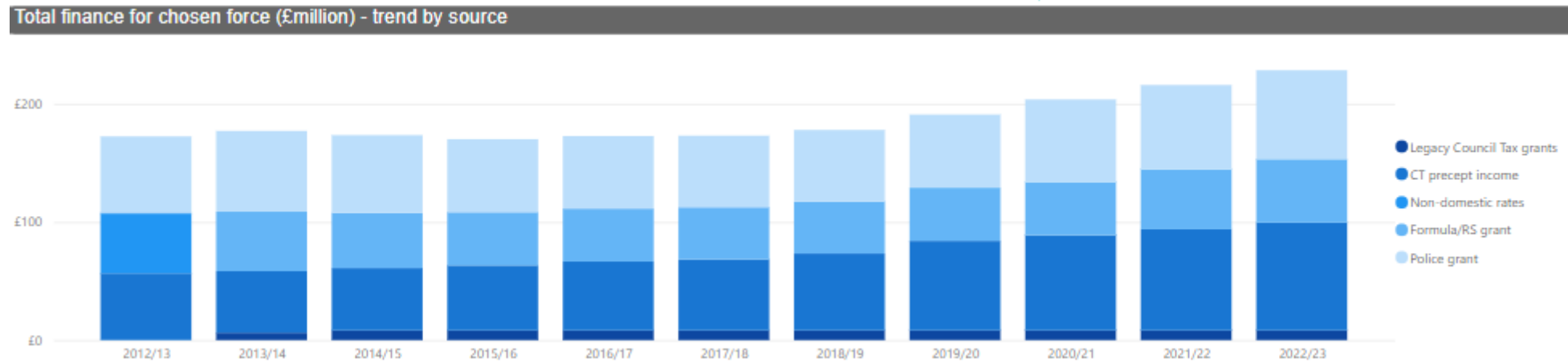
Financial sustainability (continued)

Key Financial Assumptions

The main financial assumptions in the MTFS relate to funding and pay increases. The MTFS presents different scenarios and indicates the impact of a 0.5% change in funding, council tax, tax base and pay.

The funding figures indicated in the spending review have been included in the MTFS for 2023/24 to 2027/28 with an assumption of 1.% for the final 2 years of the MTFS. This appears a reasonable basis.

Precept increases are subject to the Commissioner’s approval each year but the MTFS assumes it will be set at a £10 increase for a Band D property with a further uplift flexibility for 2023/24 only of £15 and estimated precept rises of 3% for the final 2 years. There is a risk on the ability of local authorities to recover council tax and therefore on the collection funds achieving their forecast income levels, particularly given the macro-economic uncertainty. The MTFS has updated its historic surplus forecast to show a nil position on the collection funds for the foreseeable future. These assumptions are informed via liaison with the Billing Authorities. The chart below uses data taken for Cheshire from the HMICFRS Value for Money profile for 2022/23 and shows the sources of funding for Cheshire from 2012/13 to 2022/23.



Financial sustainability (continued)

Key Financial Assumptions continued

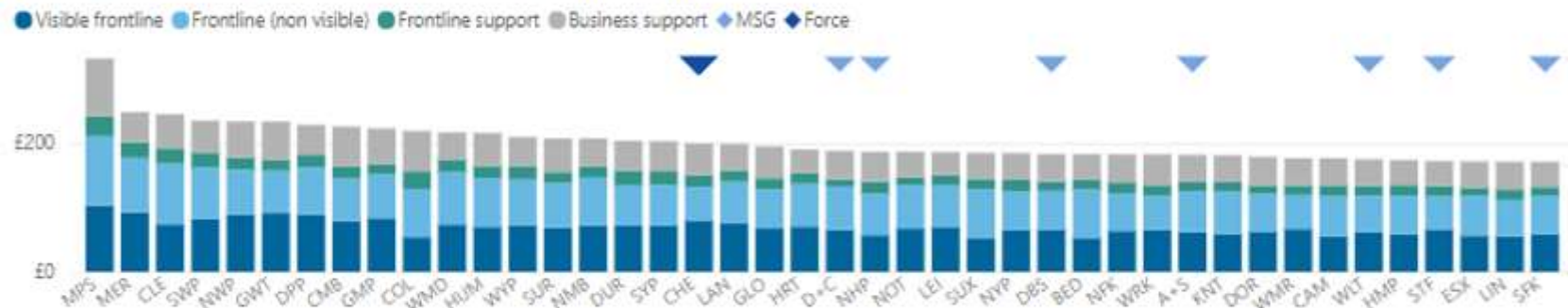
Pay is typically the largest area of expenditure for the Constabulary (around 75%), and hence forms a significant portion of the budget allocation from the PCC. The graphs below, again taken from the HMICFRS 2022/23 data show that Cheshire sits just above the middle of police forces when looking at both staffing levels and staffing spend, therefore supporting the conclusion that workforce assumptions are appropriate.

Within the MTFS, 3% pay inflation for 2023 and 2% thereafter was assumed. This appeared reasonable in December 2022 when the MTFS was approved. A mid-year review of the MTFS 2023-28 was carried out as at September 2023. This includes a review of assumptions made when the MTFS was prepared. The MTFS was updated to reflect the July 2023 announcement of the Government acceptance of the pay review bodies recommendation of 7% pay award for Police Officers with funding being provided for the additional cost. The impact for Cheshire is £8.8m additional cost compared to previous 2024/25 forecasts funded by estimated 7.7% subject to confirmation per the Government's provisional settlement in December 2023, with a net cost impact of £1.1m. This will create significant challenge on a MTFS that already identified a £4.2m savings requirement for 2023/24.

Staff levels (FTE per 1,000 population)



How does spending per category compare (£/population)



Financial sustainability (continued)

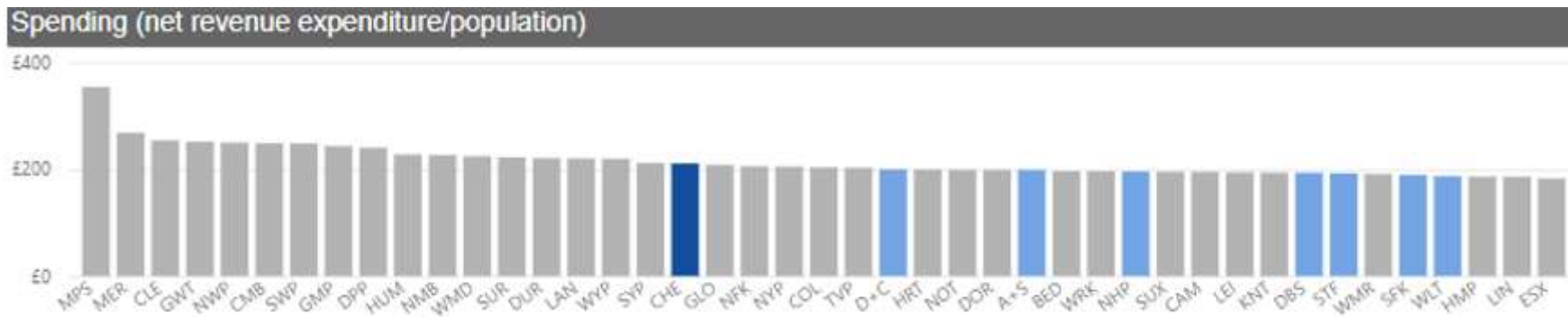
Identifying savings

Cheshire Police has a good track record of savings delivery where required, which is driven by their PBB and good resource management. Non-pay expenditure is also monitored monthly to identify where savings can be produced and to monitor efficiencies. The OPCC undertook public consultation on this year’s budget, seeking views on local policing, contact and engagement, crime and anti-social behavioural issues and views towards the Council Tax precept to help inform the budget. It is clear that these consultations fed into the overall budget that was set.


The savings identified of £4m for 2022/23 as part of the total net budget £228.6m were delivered as indicated by the overall £0.2m underspend of the total net budget. As described on page 7, the Commissioner and Chief Constable will be undertaking a number of ‘root and branch’ reviews to ensure processes are efficient and effective alongside the standard PBB planning processes. This will help ensure that savings continue to be identified in the longer term. We note that savings of £4.2m have been identified for 2023/24. The mid-year review of the MTFs 2023/24 to 2027/28 confirms that this is unchanged for 2023/24.

Conclusion

Our work has not identified any risk of significant weakness with regard to financial sustainability. The following chart, taken from the HMICFRS value for money dashboards for 2022/23, shows the spending for Cheshire compared to other forces and does not identify any cause for concern. We carried forward our improvement recommendation around the need for a robust change programme that identifies additional recurrent savings given the likelihood that the budget gap will increase further given the current economic climate and inflationary pressures. See Page 14 for the full recommendation



Improvement recommendations

Improvement Recommendation 1	Undertake the "root and branch" review of the Constabulary alongside review of all non-pay budgets, contractual specifications and processes and report the outcomes of this and impact on the MTFS are completed and reported as and when information is available.
Improvement opportunity identified	The ongoing exercise to review processes, non-pay budgets, and contractual specifications is a key component of the work being done to identify savings opportunities to ensure the ongoing financial sustainability of the PCC and Chief Constable.
Summary findings	We recommended in 2021-22 that the PCC/CC further develop the PBB service level delivery process in support of the root and branch review to identify additional recurrent savings given the likelihood that the budget gap will increase further given the current economic climate and inflationary pressures. Management accepted the review stating that a mid year formal review could be built into the standard reporting cycle. Whilst a formal mid year review including sensitivity analysis and scenario planning on key assumptions and estimates within the MTFS has been undertaken and reported to Joint Management Board in November 2023, the report acknowledges that the financial outlook remains challenging and subject to uncertainty. It states that the Commissioner and Chief Constable will be undertaking a number of 'root and branch' reviews to ensure processes are efficient and effective alongside the standard PBB planning. Proposals are in place to review all non-pay budgets, contractual specifications and processes to ensure that they remain fit for purpose and current, offering value for money while preserving service performance and service delivery wherever possible.
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed and work is underway for 2024/25 budget and beyond.

Progressing the actions management has identified to address the recommendations made will support the PCC and CC in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the JAAC to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the PCC and CC:

- monitor and assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out the annual budget setting process
- ensure effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensure they make properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from Those Charged With Governance (TCWG)/JAAC
- monitor and ensure appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Overview of governance arrangements

The OPCC and Constabulary have established effective governance arrangements around financial oversight, risk management and review. Our work has not identified any risks of significant weakness in arrangements with regards to governance.

Risk management

The PCC and CC have adequate arrangements in place to identify and manage strategic risks. Risks are recorded in the strategic risk register and are risk scored, RAG rated and controls in place identified for them as well as actions, target dates and review dates. The risk owner and the action owner are also identified as is the date of next review.

The strategic risk register is reviewed by TCWG, senior management and in the private section of the Joint Audit Advisory Committee (JAAC). As at March 2023 there were 8 key risks and reporting to these fora included the processes by which they were being managed.

Informed decision making including the JAAC

Our attendance at JAAC meetings confirms that members receive sufficient assurance to enable the Committee to assess whether internal controls have operated as expected.

There is an effective internal audit function in place to monitor internal controls.

Internal audit (IA) and Counter Fraud Services are undertaken by Mersey Internal Audit Agency (MIAA). MIAA reports state that MIAA operates systems to ISO Quality Standards; and that the last external assessment completed in 2020 concluded MIAA fully complies with PSIAS.

MIAA attend each Joint Audit Advisory Committee (JAAC) meeting providing a progress report and also provide a “follow up” report stating management progress in implementing recommendations to enhance internal controls.

MIAA completed 7 audits in 22/23 of which assurance levels were assigned to 6. MIAA issued two High assurance, and four Substantial assurance opinions in year.

The Internal Audit Annual Report & Head of Internal Audit Opinion 2022/23 reports that 18 recommendations were raised during the year, none of which were critical or high risk rated. None of the recommendations were overdue for implementation as at 31 March 2023.

Governance (continued)

Informed decision making including the JAAC continued

The overall assurance level for the period 1st April 2022 to 31st March 2023 is “substantial assurance” This is awarded when “there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.”

As such, there are no significant gaps in internal controls identified from Internal Audit’s programme of work, and due progress was made during 2022/23 made in responding to MIAA recommendations.

The Force’s meetings structure ensures that papers and business cases etc are routed through the appropriate meetings for scrutiny, challenge and agreement before being presented for approval by the CC and the PCC. There are quarterly performance reviews which build on the force performance days which are held monthly.

The PCC and CC’s performance against key governance metrics is set out in the table below.

It illustrates that no control deficiencies were identified in the Annual Governance Statements for 2021/22 or 2022/23. Two areas for action were identified in each year. We do not consider these to be “control deficiencies” rather evidence of ongoing review of the adequacy of overall arrangements in place to enhance the effectiveness of governance arrangements. For example, the need for training and ongoing support of new members of the JAAC.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	0	0
Head of Internal Audit opinion	Substantial assurance	Substantial assurance

Governance (continued)

Standards and behaviours

As noted in their 2022/23 Annual Governance Statement, Cheshire Police have various key documents that set out the key internal financial controls including financial Regulations, Scheme of Delegation, Treasury Management Strategy, Treasury Management Practices and the Reserves Strategy. In addition to the above, there are a series of governance checks and controls carried out through the Finance and HR teams to ensure financial systems are operating effectively. These are supported by periodic Internal and External Audit reviews to provide appropriate assurance to those charged with governance or produce actions plans where necessary.

The PCC and CC have in place a Code of Conduct for staff relevant to all staff and a Confidential Reporting Policy with related procedures. New staff, Officers, contractors and members have tailored induction programmes. Reporting channels are set out in the policies and procedures which include whistle-blowing arrangements and whistle blower protections. Staff are required to report when they become aware of activities which they reasonably believe to be illegal, improper, unethical or otherwise inconsistent with this Code, they should report the matter, acting in accordance with the Commissioner’s Confidential Reporting Procedure.

Alongside these, registers of interests, gifts and hospitality are maintained. Our review of these confirmed that the registers and declarations are up to date.

The Chief’s plan on a page (pictured opposite) outlines how the Code of Ethics underpins the purpose of the Constabulary. Our review has not identified any evidence of significant non-compliance with key policies nor and significant non-compliance with key Codes, including CIPFA FM Code.



Financial governance

Annual budget setting

The Force has demonstrated that they have an appropriate annual budget setting process in place with the PBB process. Key stakeholders are involved in the process, which includes timely approvals and budget reviews. Service activity against plan is presented and integrated into the budget and then into monthly performance reports to allow review and challenge and quarterly financial reporting on the budget versus outturn position to Senior Management Team and TCWG. The budget plan is supported with comprehensive medium term financial plans with budget setting principles informed by the medium-term strategy and engagement with external stakeholders.

Financial plans are reviewed by budget holders as part of the PBB process. These are assessed by senior leaders at timetabled Panel meetings. Once the final budget is signed off by the PCC, Directorate budget holders are provided with details of their budget and the responsibilities of budget ownership. Budget holders are required to accept their budget and acknowledgement of their responsibilities and the Budget Book for the year is published on the PCC's website detailing the budgeted amount by budget holder. This sets clear lines of accountability throughout the organisation relating to financial management.

Budgetary control

During the year there are monthly budget monitoring meetings of the Senior Manager Team. These monthly meetings feed into the quarterly reports which are reported to the Chief Officers Group and Joint Management Board and also include the capital programme and how they are progressing as well as covering debt and debt management. These form the basis of the formal quarterly reports, which are published on the PCC's website.

From Quarter 3 2022/23 financial performance reports now integrate high level performance reporting. The impact of investment in services on performance now being included within financial reporting as illustrated opposite. We have therefore concluded that our prior year recommendation to integrate performance reporting has been actioned.

The impact of budgetary control is evidenced by the achievement of a £0.2m underspend against the budget for 2022/23 as illustrated on page 8.



Improving economy, efficiency and effectiveness



We considered how the PCC and CC:

- use financial and performance information to assess performance to identify areas for improvement
- evaluate the services they provide to assess performance and identify areas for improvement
- ensure they deliver their role within significant partnerships and engage with stakeholders they have identified, in order to assess whether objectives are being met
- where they commission or procure services assess whether they are realising the expected benefits.

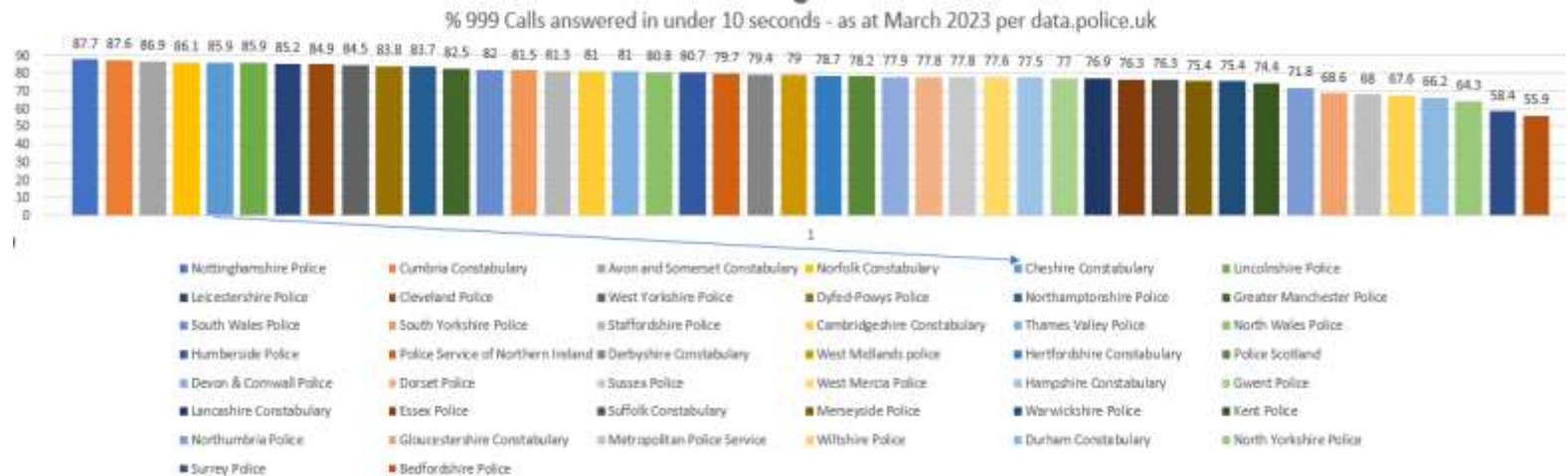
Overview of Arrangements for Improving economy, efficiency and effectiveness

The OPCC and Constabulary have put in place effective arrangements to improve economy, efficiency and effectiveness. This includes collaboration with Cheshire fire and rescue in regard to various support functions. In addition, Cheshire Police has a number of significant collaborations, primarily with other Police Forces, and these have robust arrangements in place to monitor them. There is a detailed collaborations register for each collaboration which covers governance and financial arrangements.

There are regular performance monitoring processes in place and the main one is the monthly force performance meeting. Key performance metrics are reviewed such as number of knife crimes by area.

Key performance indicators are also reported to the Joint Management Board and also the Police and Crime Panel. We note the use of Statistical Control Process Control Charts are used to illustrate performance over time and indicate areas for improvement. Currently a key describing the components of the chart and their meaning is not provided. The Head of Planning and Performance has agreed this will be useful and has agreed to develop a key and include in future reports. As such, we have raised an improvement recommendation on page 22.

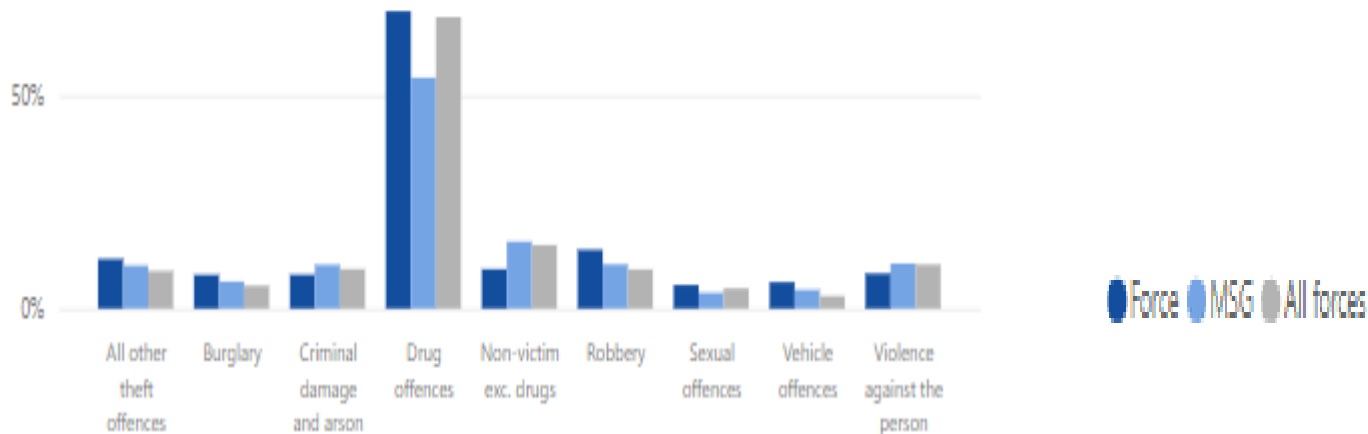
The chart below, taken from data from police.uk, shows that Cheshire is performing reasonably well, for example on the % of 999 calls answered in less than 10 seconds, they were in the top five performing UK forces in March 2023 with 85.9%.



Improving economy, efficiency and effectiveness

HMICFRS data also shows that Cheshire is performing well in terms of taking action against suspects, with the graph below showing that in most areas Cheshire is ahead of both its Most Similar Group (MSG) and all forces

Is action taken against suspects (% with action taken)



Assessing performance and identifying improvement

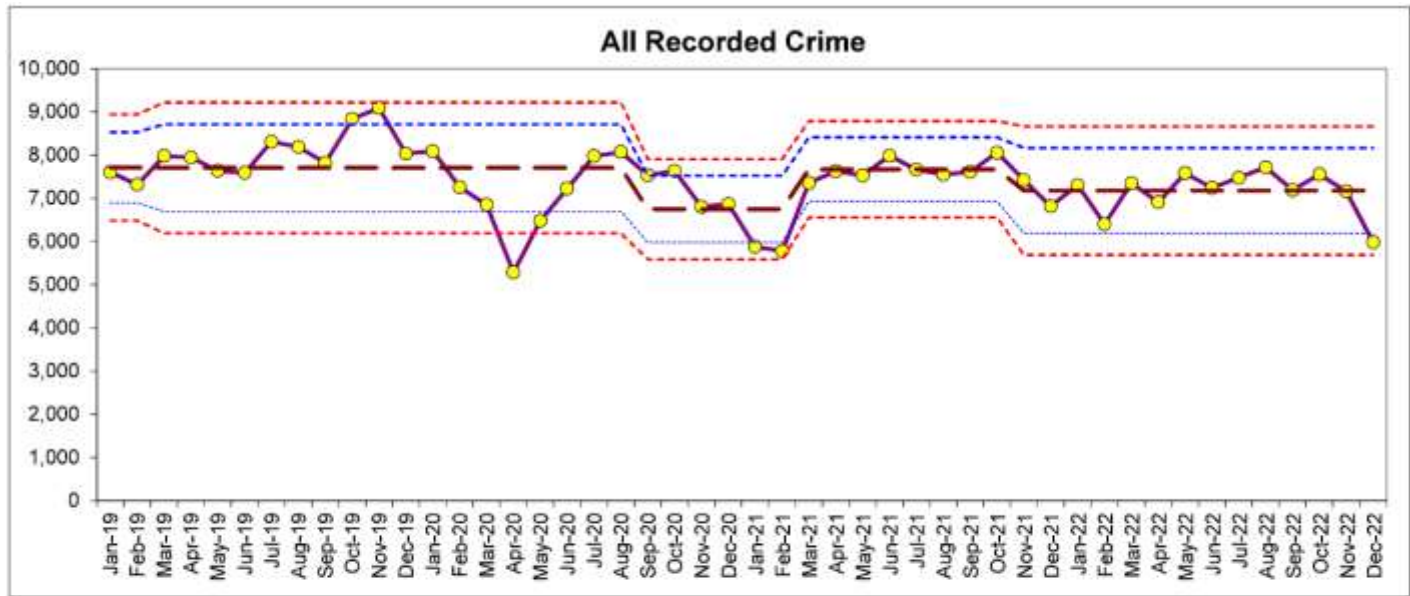
As noted on page 18 there are regular performance monitoring processes in place and the main one is the monthly force performance meeting. Key performance metrics are reviewed such as number of knife crimes by area.

Key performance indicators are also reported to the Joint Management Board and also the Police and Crime Panel. We note the use of Statistical Control Process Control (SPC) Charts are used to illustrate performance over time and indicate areas for improvement. An example is shown overleaf:

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Example SPC Chart reporting key performance indicators to Joint Management Board and Cheshire Police and Crime Panel



	Rolling 12 month period	Last Year	This Year	% Change This Year Compared to Last Year	Year to Date period	Last Year	This Year	% Change This Year Compared to Last Year	MSG Position
Total number of Recorded Crimes	January - December	87,273	86,254	-1.2%	April - December	68,259	64,994	-5.0%	7 out of 8

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

The Chart has a table beneath it describing the KPI such as total number of recorded crimes; the rolling 12 month period the performance covers; performance last year and this year; % change this year compared to last year; year to date period; performance last year and this year; % change this year compared to last year; and MSG position (where Cheshire Police compares to its most similar forces). We note, however that no key is provided describing the components of the chart. For example, the Head of Planning and Performance advised that the upper and lower red dotted lines represent the lower control line and upper control lines marking the points at which performance beyond these would cause concern and thus scrutiny. We consider that it would be helpful to provide a key describing the components of the chart thus facilitating understanding of performance and focus on key performance issues. The Head of Planning and Performance agreed and has committed to develop a key and include it in future performance reports.

The Constabulary is also subject to inspection by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and there was a PEEL Inspection during 2021/22. The review graded the Constabulary as Good in 3/9 graded areas of policing; Adequate in 4/9 areas of policing; and Requires Improvement in 2/9 areas. No areas were rated as inadequate. There are detailed action plans in place to respond to the findings of the inspection. The Deputy Chief Constable Chairs an HMICFRS Strategic Oversight Meeting held every 2 months. This meeting considers all HMICFRS inspection activity including progress against recommendations and 'Areas for Improvement'. Chief officers provide regular written updates on progress and the Deputy Chief Constable considers any proposals for 'Areas for Improvement' to be signed off as completed by the Chief Constable. Outputs from the Strategic Oversight Meetings inform the Force Management statement identifying areas for improvement.

Commissioning and procurement

The Constabulary has a Contracts and Procurement Strategy in place. There is a joint corporate strategic procurement department with Cheshire Fire to provide value for money in the procurement of goods and services for the Commissioner and Constabulary. The overall approach for procurements is that they will follow the financial regulations for procurement. There is a new procurement strategy in place for 2022-25 which includes a suite of KPIs and measures to be implemented. The Procurement Team monitors the performance of key service providers. The Procurement Team also monitors procurements savings monthly as required by Policing UK. Procurement savings of £471k were achieved in the period 1 April 2022 to 14 April 2023.

Cheshire Police has a significant PFI scheme for its headquarters, which started in 2003 and has a 30-year operational contract. This contract is well-managed.

Improving economy, efficiency and effectiveness (continued)

Partnership working

Cheshire Police has adequate arrangements for ensuring that partnership and collaboration working contributes to the ongoing delivery of the police and crime plan.

The Police & Crime Plan 2021-24 sets out the Commissioner's approach and commitment to working in partnership providing a framework for partnerships, organisations, groups and individuals to work together to tackle crime and make people safer. The impact of partnership working is included in the PCC's Annual Report for 2022/23 and the impact of partnership working is monitored as part of overall performance reporting.

The Partnerships and Collaboration Policy provides an overarching framework setting out the PCC's and Cheshire Constabulary's vision, aims and approach to partnerships and collaboration, including with regards to initial decision making, review and evaluation.


One of Cheshire Police's main partnerships has historically been with Cheshire Fire and their various Joint Corporate Services. During 2022/23 the Joint Corporate Services departmental reviews have continued. As a result of these reviews several services have moved back 'in-house' either during 2022/23 or following the year-end. Not all the reviews have yet been finalised and while this is ongoing, we noted that performance monitoring was not necessarily taking place as planned, nor were actions always being followed up, therefore we have raised an improvement recommendation on page 23 in respect of this.

HMIC's PEEL report for 2021/22 reported that the constabulary has a good track record of supporting a range of collaborations and also referred to positive impacts of working in partnership.

The Group Statement of Accounts lists the partnerships and collaborations with which Cheshire Police was involved with in 2022/23 along with the purpose and operations of these. The total spend of each arrangement is listed alongside Cheshire's contribution. Review of the PCC Group overall outturn on page 5 of the accounts notes that collaborations overspent their budget of £10.8m by £0.2m which is 2% this is not significant and reflects ongoing monitoring of the financial performance of the collaborations.

Our work has not identified any risks of significant weakness in the arrangements with regards to improving economy, efficiency and effectiveness nor is there any evidence of failure to monitor performance particularly with outsourced contracts or services.

Improvement recommendations

Improvement Recommendation 2	Monitoring of KPIs for corporate services
Improvement opportunity identified	Where joint corporate services have been reviewed, Cheshire Police should ensure that appropriate KPIs are introduced for each service and that these are monitored.
Summary findings	We understand that the Joint Corporate Services departmental reviews continued during 2022/23 and are still ongoing. We are aware that whilst these are still ongoing, assessment of KPIs and performance monitoring is not necessarily being performed.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Noted, this is under review as part of the discussions around the 'Steady Statement' agreement between Cheshire Police and Cheshire Fire.

Progressing the actions management has identified to address the recommendations made will support the PCC and CC in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the JAAC to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The PCC/CC should seek to develop a robust change programme that identifies additional recurrent savings given the likelihood that the budget gap will increase further given the current economic climate and inflationary pressures. They could also look at introducing a formal and more frequent review and sensitivity analysis and scenario planning on key assumptions and estimates within the MTFS. This will provide transparency on the sector wide uncertainties the PCC and CC is subject to and the potential impact of these on its financial sustainability.	Improvement	November 2022	A formal mid year 2023-24 review including sensitivity analysis and scenario planning on key assumptions and estimates within the MTFS 2023-28 has been undertaken and reported to Joint Management Board in November 2023. The report acknowledges that the financial outlook remains challenging and subject to uncertainty. It states that the Commissioner and Chief Constable will be undertaking a number of 'root and branch' reviews to ensure processes are efficient and effective alongside the standard PBB planning. Proposals are in place to review all non-pay budgets, contractual specifications and processes to ensure that they remain fit for purpose and current, offering value for money while preserving service performance and service delivery wherever possible. The fundamental root and branch review of the Constabulary, its service delivery and its priorities to match ambition to actual funding levels, supported by the PBB process will be reflected within the MTFS as and when information becomes available.	Partially	We have carried forward the recommendation that the robust change programme is developed to identify additional recurrent savings arising from the 'root and branch' reviews.
2	We recommend, as in 2020/21, that Cheshire Police look at integrating financial performance reporting with service delivery performance reporting.	Improvement	November 2022	Performance reporting was included alongside financial performance reporting with effect from the Quarter 3 2022-23 financial position report presented to the Joint Management Board meeting held on 25 January 2023.	Yes	No

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the PCC and CC's financial statements:

- give a true and fair view of the financial position of the PCC and CC as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the PCC and CC in accordance with applicable ethical requirements, including the Financial Reporting PCC and CC's Ethical Standard.

Audit opinion on the financial statements

We are still awaiting some third-party pension assurances to finalise our opinion on the 2022/23 accounts, hence this report being an interim. We anticipate the opinion being unqualified as noted in the JAAC meeting on 27 September 2023.

Further information on our audit of the financial statements is set out on page 26.



Opinion on the financial statements



Timescale for the audit of the financial statements

- Our Audit Plan was presented to the JAAC in July 2023.
- Our audit work was completed both on site and remotely during July-September.
- The Authority did not provide draft financial statements in line with the national timetable due to delays in receiving information from third parties.
- We identified IFRIC14 and the recognition of a pension asset as a new risk during the course of our audit.
- As we are still waiting for some third-party assurances, we have not yet signed our opinion and therefore this is also not in line with the national timetable.

Findings from the audit of the financial statements

Our audit identified 3 significant risks:

- Management override of controls, which is a mandated risk under ISA240. Our testing of journals identified through application of our specified criteria and targeted risk assessment did not identify any evidence of inappropriate management override of controls.
- Valuation of land and buildings as it represents a significant estimate. Our audit testing identified that the latest BCIS rates and the correct location rates were not always used by the valuer, however the difference was below our trivial level.
- Valuation of pension fund net liability as it also represents a significant estimate and small changes in the assumptions have a significant impact. Our work is substantially complete, subject to receipt of the assurances from the auditor of Cheshire Pension Fund and a response from GAD in respect of part-year inflation. We have identified issues in respect of the impact of IFRIC14 and this has led to an adjustment of £42m to the financial statements.

Our recommendations were linked to the pensions and land and building valuation issues noted above.

More detailed findings are set out in our Audit Findings Report, which was presented to the PCC and CC's JAAC meeting on 27 September 2023. Requests for this Audit Findings Report should be directed to the PCC and CC.



Appendices

Appendix A – Responsibilities of the Police and Crime Commissioner and Chief Constable

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the PCC and CC's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the PCC and CC will no longer be provided.

The PCC and CC are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the PCC and CC's arrangements for securing economy, efficiency and effectiveness in their use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was not identified as a potential significant weakness.	Review and assessment of arrangements in place.	No significant weaknesses in arrangements identified.	Appropriate arrangements in place, one improvement recommendation raised.
Governance was not identified as a potential significant weakness.	Review and assessment of arrangements in place.	No significant weaknesses in arrangements identified.	Appropriate arrangements in place no further action taken.
Improving economy, efficiency and effectiveness was not identified as a significant weakness	Review and assessment of arrangements in place.	No significant weaknesses in arrangements identified.	Appropriate arrangements in place, one improvement recommendation raised.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the PCC's and CC's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the PCC and CC under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the PCC and CC. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should enhance the arrangements in place at the PCC and CC, but are not a result of identifying significant weaknesses in the PCC and CC's arrangements.	Yes	13 and 23



Internal Audit Charter

Police and Crime Commissioner for Cheshire and Cheshire
Constabulary

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 Definitions

1 Introduction & Background

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

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

Public Sector Internal Audit Standards – Attribute Standards

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.

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 processes¹”.

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 opinion is a

¹ 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.

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

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

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

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

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

3 Standard 1100 - Independence and Objectivity

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

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

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

The Director of Internal Audit will agree arrangements for interim reporting to the Accountable/Accounting Officer and Joint Audit Advisory 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 any forward risk based plans.

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

8 Standard 2200 - Engagement Planning

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

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

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

9 Standard 2300 - Performing the Engagement

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

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

10 Standard 2400 - Communicating Results

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

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

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

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

The annual report will incorporate;

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

11 Standard 2500 - Monitoring Progress

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

12 Standard 2600 - Communication the Acceptance of Risks

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

Code of Ethics

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

INTEGRITY	OBJECTIVITY
<ul style="list-style-type: none"> • Honesty, diligence & responsibility • Legal & professional disclosure • Contribution to legitimate & ethical objectives 	<ul style="list-style-type: none"> • Unbiased assessment • Relationships • Not subject to undue influence • Conflict of interest disclosure
CONFIDENTIALITY	COMPETENCY
<ul style="list-style-type: none"> • Prudence in use & protection of information • Not use information for personal gain or contrary to legal requirements 	<ul style="list-style-type: none"> • Knowledge, skills and experience • Compliance with standards and professional practice • Continuous improvement

13 Definitions

Board	The Joint Management Board with overall responsibility for governance.
Accountable Officer	Officer responsible and accountable for funds entrusted to the organisation.
Joint Audit Advisory Committee	The committee with overall responsibility for advising those charged with governance on the establishment of an effective system of governance.
Director of Internal Audit	Acts as the Chief Audit Executive as the independent executive with overall responsibility for internal audit.
Senior Management	The overall Senior Leads agreed by the organisation for each audit engagement.

Anne-marie Harrop

Engagement Lead

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Overview of topics to be covered during the period November 2023-September 2024

Part 1 Items	Nov-23	Mar-24	May-24	Sep-24
Minutes of Joint Audit Advisory Committee	✓	✓	✓	✓
Matters Arising from Previous JAAC Meetings	✓	✓	✓	✓
Briefing from Police and Crime Commissioner & Chief Constable	✓	✓	✓	✓
JAAC Annual Report	✓			
Single Point of contact roles for 2024/25				✓
External Audit Findings Report				✓
External Audit Plan			✓	
External Audit Informing the Audit Risk Assessment			✓	
External Audit Progress Report			✓	
External Audit Annual Report (inc. VFM)	✓			
External Audit Letter of Representation			✓	
Internal Audit Progress Reports	✓	✓	✓	✓
Head of Internal Audit Opinion			✓	
Internal Audit Final Reports	✓	✓	✓	✓
Internal Audit Charter	✓			
Internal Audit Terms of Reference (Tor)	✓	✓	✓	✓
Internal Audit Plan			✓	
NFI Data Matching		✓		
Annual Accounts			Draft	Final
Annual Governance Statement			Draft	Final
Mid-Year Medium Term Financial Strategy Update	✓			
Value for Money profiles	✓			
Service Assurance Plan	✓	✓	✓	✓
2024/25 Budget & Medium Term Financial Strategy		✓		
Part 2 Items	Nov-23	Mar-24	May-24	Sep-24
Minutes of Joint Audit Advisory Committee	✓	✓	✓	✓
Matters Arising from Previous JAAC Meetings	✓	✓	✓	✓
Strategic Risk Register	✓	✓	✓	✓
Annual Risk Report			✓	
Internal Audit Follow Up Report		✓		✓
Internal Audit Terms of Reference	✓			

Notes

No dates have yet been confirmed for draft and final accounts nationally therefore these are subject to change
Meetings are arranged for both May and July to cover both eventualities

Internal Audit Contract is out to tender, current contract ends 31st March 2024. All IA dates are subject to change
PSAA awarded external audit contract to Mazars. EA dates and reports subject to change post handover

HR Payroll Review

Terms of Reference 2023/24

Police and Crime Commissioner and Chief Constable for Cheshire

301CPCC_2324_011

1 Introduction and Background

This review is to be conducted in accordance with the requirements of the 2023/24 Internal Audit plan.

This review will concentrate specifically on controls that support the operation of the HR / Payroll system, and the process and controls that the organisation has in place for dealing with starters, leavers, enhancements, and payroll changes.

The review will also consider the accuracy and completeness of the HR related data and the changes to the control environment since the introduction of the Unit 4 system and the demise of Multi Force Shared Service (MFSS).

2 Audit Objective

The overall objective of the audit is to provide an assessment of the effectiveness of the systems of control operating at the Constabulary to ensure that only employees of the Constabulary are paid, and only for work that they perform on behalf of the Constabulary.

3 Audit Scope

The following sub-objectives have been identified:

Sub Objective	Risk
Policies and Procedures – There are appropriate policies and procedures in place and these are readily available to staff.	Where roles and responsibilities are not clear, payments may be made to staff not employed by the organisation or for hours not worked, adversely impacting the

Sub Objective	Risk
	financial position of the organisation.
New Starters – New starters are added accurately to the payroll system prior to the payroll cutoff date (as noted in the payroll timetable) and are appropriately authorised and are only paid once they commence work.	New starters are not effectively managed and controlled resulting in under/overpayment.
Contractual Changes – Any contractual changes to employee working arrangements are processed accurately, timely and with the appropriate authorisation.	Contract changes or changes to personal data are not sufficiently authorised or are input inaccurately.
Bank Details – Any changes to individuals bank details are processed accurately and with the appropriate authorisation.	Amendments to employee bank details are not authorised appropriately, contain errors or sufficient documentation is not retained to substantiate such changes.
Terminations – Terminations are processed promptly, and salary sacrifices are treated correctly in line with policy.	Terminations are not effectively managed and controlled, resulting in under / overpayments.

Sub Objective	Risk
Overpayments – There is a process to ensure overpayments and the cause of overpayment is reviewed (e.g. salary sacrifice and late submission of termination/contractual change forms) are recorded, monitored and recovered in a timely manner.	Overpayments are not appropriately managed in a timely manner.
Checking of Payroll – The payroll is subject to validation, authorisation and accuracy checking before payment is made.	The payroll is not subject to validation, authorisation and accuracy checking before payments are made.
Access – Access to and the management of the payroll system is appropriately controlled and monitored.	User access is not set up to enforce segregation of duties, resulting in addition of 'ghost' employees.
Routine monitoring of information provided by the payroll system (e.g., KPIs) is regularly reviewed and actioned as appropriate.	Payroll information is not appropriately managed including the reporting of agreed KPIs.
Data accuracy – HR / payroll data is complete and accurate since the introduction of the Unit 4 system. and the demise of Multi Force Shared Service.	Incorrect base data leads to errors in internal and external data feeds.

The limitations to scope are as follows:

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

4 Audit Approach

Following discussion with management, it has been agreed that the review is to be undertaken both onsite and remotely. We will confirm arrangements for onsite working with you as part of audit planning. Whilst working remotely, we will ensure that regular contact is maintained throughout the audit process to feedback on progress and matters arising.

Following completion of the audit fieldwork we will meet with operational managers and/or the audit sponsor to discuss the audit findings and proposed recommendations. A draft report will be produced; your responses to these recommendations and a timetable for any actions to be carried out will be agreed and incorporated into the final report, along with the names of staff who will be responsible for their implementation. The final report will be approved by the lead Chief Officer. The conclusion of all final reports are reported to the Joint Audit Advisory Committee.

5 Information Requirements

We have provided below details of documentation we require to undertake the review. Please note that this list is not exhaustive and there may be other documents that we request once we have commenced the fieldwork. Similarly, if you are aware of any other documents that would assist the review which are not listed below, we would be grateful if you could make these available to us:

- Report detailing new starters,
- Report detailing contractual changes (i.e., changes to hours),

- Report detailing leavers,
- Report detailing amendments to pay (enhancements / overtime),
- Report detailing bank changes,
- Log of overpayments,
- Records of reconciliations between feeder systems and the payroll system (Unit 4),
- Procedures / guidance available to line managers to initiate payroll processes,
- Report of user access to the payroll system (Unit 4).

6 Proposed Timescales

Stage	Proposed Date
Fieldwork commences	November 2023
Draft report	December 2023
Responses by client	January 2024
Final report	January 2024

7 Key Contacts and Report Distribution

Name	Title	Report
Clare Hodgson	Chief Finance Officer (OPCC)	Draft & Final
Julie Gill	Assistant Chief Officer	Draft & Final
Nicola Bailey	Head of HR	Draft & Final
Wendy Bebbington	Head of Finance	Draft & Final
Louise Willis	Planning, Performance & Risk Manager	Draft & Final
Mark Roberts	Chief Constable	Final
John Dwyer	Police and Crime Commissioner	Final
External Audit		Final
Joint Audit Advisory Committee		Final

8 Data Protection and Freedom of Information

MIAA takes their responsibility for the security and protection of information acquired and used during the delivery of its work seriously.

MIAA are compliant with the requirements of the NHS Data Security and Protection Toolkit and are Cyber Essentials Plus certified. We have in place a comprehensive Information Security and Privacy Management system based upon ISO 27001 and ISO 27701 and have implemented a range of technical controls to protect data.

In delivering this assignment MIAA will acquire supporting information from you, some of which may be confidential or otherwise sensitive. This information will be used solely for the completion of this assignment and for informing our Head of Internal Audit Opinion.

In this context, MIAA are considered data processor for that information and thus are subject to the requirements of the Data Protection Act and the UK General Data Protection Regulation, where personally identifiable information is concerned, and the Freedom of Information Act, where corporate information is concerned.

MIAA will, therefore, be required to not only comply with the laws and regulations in respect of our control of the data but will also be responsible for any appropriate disclosure under the legislation.

9 Your Acceptance

Please do not hesitate to contact MIAA should you have any comments regarding the Terms of Reference (these will be assumed as agreed if MIAA are not informed otherwise).



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Key Financial Transactional Processing Controls Review

Terms of Reference 2023/24

Police and Crime Commissioner and Chief Constable for Cheshire

301CPCC_2324_001

1 Introduction and Background

This audit will focus on key transactional processing controls within the following key systems:-

- General Ledger
- Accounts Payable
- Accounts Receivable
- Treasury Management

The review will focus on the areas highlighted above.

2 Audit Objective

The overall objective of the review is to provide assurance that the most significant key controls in the areas detailed in the scope below are appropriately designed and operating effectively in practice.

3 Audit Scope

The review will focus 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 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

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

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

4 Audit Approach

Following discussion with management, it has been agreed that the review is to be undertaken onsite. Following completion of the audit fieldwork we will meet with operational managers and/or the audit sponsor to discuss the audit findings and proposed recommendations. A draft report will be produced; your responses to these recommendations and a timetable for any actions to be carried out will be agreed and incorporated into the final report, along with the names of staff who will be responsible for their implementation. The final report will be approved by the lead Officer. The conclusion of all final reports are reported to the Joint Audit Advisory Committee.

5 Information Requirements

We will discuss at the initial scope meeting our information requirements and the best method to securely receive the information required.

We have provided below details of documentation we require to undertake the review. Please note that this list is not exhaustive and there may be other documents that we request once we have commenced the fieldwork. Similarly, if you are aware of any other documents that would assist the review which are not listed below, we would be grateful if you could make these available to us:

- Control Account Schedules (most recent)
- Reports of journals posted (financial year to date)
- Finance reports to Board (most recent)
- Trial Balances (most recent)
- User Access Reports/Delegated Expenditure Approval Limits
- Papers/minutes showing approval of Annual Budget

- Scheme of Delegation
- PO and Non PO Payment Listings (financial year to date)
- GRNI Reports (last three months)
- Supplier Bank Detail Change Reports (financial year to date)
- BACS Payment Listings (financial year to date)
- List of Debtors Accounts and Credit Notes raised (financial year to date)
- Aged Debt Reports/Analysis (most recent)
- Debt Write-Off Papers (financial year to date)
- Cash Flow Reporting (most recent)
- List of Urgent Payments (financial year to date)
- Bank Mandates
- Bank Reconciliations

6 Proposed Timescales

Stage	Proposed Date
Fieldwork commences	November 2023
Discussion document to client	December 2023
Responses by client	December 2023
Final report	December 2023

7 Key Contacts and Report Distribution

Name	Title	Report
Julie Gill	Assistant Chief Officer	Draft / Final
Wendy Bebbington	Head of Finance	Draft / Final
Louise Willis	Planning, Performance and Risk Manager	Draft / Final
Mark Roberts	Chief Constable	Draft / Final
Chris Armitt	Deputy Chief Constable	Draft / Final
John Dwyer	Police and Crime Commissioner	Draft / Final
David McNeilage	Deputy Police and Crime Commissioner	Draft / Final
Clare Hodgson	Chief Finance Officer (OPCC)	Draft / Final
Damon Taylor	Chief Executive (OPCC)	Draft / Final
External Audit		Final
Joint Audit Advisory Committee		Final

8 Data Protection and Freedom of Information

MIAA takes their responsibility for the security and protection of information acquired and used during the delivery of its work seriously.

MIAA are compliant with the requirements of the NHS Data Security and Protection Toolkit and are Cyber Essentials Plus certified. We have in place a comprehensive Information Security and Privacy Management system based upon ISO 27001 and ISO 27701 and have implemented a range of technical controls to protect data.

In delivering this assignment MIAA will acquire supporting information from you, some of which may be confidential or otherwise sensitive. This information will be used solely for the completion of this assignment and for informing our Head of Internal Audit Opinion.

In this context, MIAA are considered data processor for that information and thus are subject to the requirements of the Data Protection Act and the UK General Data Protection Regulation, where personally identifiable information is concerned, and the Freedom of Information Act, where corporate information is concerned.

MIAA will, therefore, be required to not only comply with the laws and regulations in respect of our control of the data but will also be responsible for any appropriate disclosure under the legislation.

9 Your Acceptance

Please do not hesitate to contact MIAA should you have any comments regarding the Terms of Reference (these will be assumed as agreed if MIAA are not informed otherwise).



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Internal Audit Progress Report Joint Audit Advisory Committee (November 2023)

Office of the Police and Crime Commissioner for Cheshire /
Cheshire Constabulary

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1 Introduction

2 Key Messages for Joint Audit Advisory Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

Appendix C: Assurance Definitions and Risk Classifications

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 Joint Audit Advisory 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 Joint Audit Advisory 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 September 2023 to November 2023.

3 Executive Summary

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

2023/24 Audit Reviews

We have a number of reviews in progress:

- Stop and Search
- Key Financial Transactional Processing Controls Review
- HR/Payroll Review
- National Fraud Initiative data matches beign reviewed.

We have agreed the TOR for the following review:

- Data Protection Review (Scheduled to commence in Q4)

Follow Ups

An update on the implementation of prior year recommendations is provided as a separate report.

Audit Plan Changes

Joint Audit Advisory Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process. There are no requests this time.

Added Value

Briefings

An update on technology related risks is provided for JAAC members.

Events

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

- [Transforming the delivery of public services using Human Learning Systems \(7th December 2023\)](#)

Appendix A: Contract Performance

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

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

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core/ Mandated Assurances				
Key Financial Transactional Processing Controls	✓	In progress		February 2024
National Fraud Initiative	N/A	Data matches being reviewed	N/A	February 2024
Risk Based Assurances				
HR Payroll Review	✓	In progress		February 2024
Use of Force Review	✓	Complete	Substantial Assurance	September 2023
Firearms Licensing Review	✓	Complete	Substantial Assurance	September 2023
Stop and Search Review	✓	In progress		February 2024
Data Protection Review	✓	Review scheduled for Q4		May 2024

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Follow Up				
Qtr 1	N/A	Complete	N/A	July 2023
Qtr 2	N/A	Complete	N/A	November 2023
Qtr 3/4	N/A	N/A	N/A	May 2024

If 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.

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	A post audit client questionnaire is issued in the covering email with all final reports.
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	This is documented in all final reports
Percentage of recommendations which are implemented	Follow Up will be reported twice per year as a minimum.	Green	Summary reports are provided to JAAC.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA's compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix C: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives. has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Limitations

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

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

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

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Medium-Term Financial Strategy 2023-2028

Mid-Year Review 2023



**Cheshire
Constabulary**



John Dwyer
Police & Crime
Commissioner
for Cheshire

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Foreword

The medium-term financial strategy is a key document for the Constabulary as it underpins everything we do in keeping Cheshire even safer. Without the confidence of knowing what we can afford it is impossible to make balanced judgements about where we need to invest and where we can make efficiencies. After a decade of austerity, when the service was incrementally asked to do ever more with less resource, we had a fleeting window of financial optimism in the form of the Government's police uplift programme. This enabled us to shift the conversation and look to where we could enhance the service or soak up extra demand. Those gains have been baked into our way of working, guided by the analytical assessment of the Force Management Statement. Without that financial perspective we would not, for example, have been able to give a major uplift to our team tackling child abuse, drastically improve our performance in answering calls from the public and increase our officer numbers to their highest ever level.

As everyone will be aware, the national finances have hit another interesting period. We feel the effects of that volatility through increased costs driven by inflation and a degree of uncertainty which makes planning harder. As you will see from the detail in this report, the bulk of our budget is spent on people and the Government has been clear that elements of our funding are tied to maintaining the uplift numbers. Following ten years of making savings it is hopefully evident that we have little flexibility in making more. Cheshire is in the lowest ten forces nationally (out of 43) when it comes to the precept we charge to the public via their council tax. At the same time, we are top of Government league tables in key areas such as how many offenders we charge and bring to justice. The Office of the Police and Crime Commissioner has an outstanding record in attracting additional Government funding for Cheshire Constabulary which enables the Chief Officer team to give the best possible service to the people of Cheshire. Our aim is that Cheshire Constabulary will be the best Police force in the country and to achieve that we need a strong financial plan. This report articulates how we will maintain and enhance the significant performance improvements we have already made.



Mark Roberts

**Chief Constable
Mark Roberts QPM**



John Dwyer

**Police and Crime Commissioner
John Dwyer**

MEDIUM TERM FINANCIAL STRATEGY 2023 TO 2028

1. INTRODUCTION

- 1.1. The purpose of the Medium-Term Financial Strategy (MTFS) is to provide the Police & Crime Commissioner, Chief Constable, officers, staff, the public and other stakeholders with information on the financial outlook and the estimated available financing over the next five years. The strategy takes into account future high-level potential revenue and capital expenditure over the period based upon current information. This version is the mid-year update based on known data at September 2023.
- 1.2. The Commissioner undertook a refresh of his Police and Crime Plan during 2022. As part of the refresh the Commissioner consulted the public stating that 'Cheshire residents' views have been paramount in developing and refreshing this Plan'. The full plan is available on the Commissioner's website (www.cheshire-pcc.gov.uk/what-i-do/making-cheshire-safer/police-and-crime-plan).
- 1.3. The Police and Crime Plan sets out the priorities Cheshire Constabulary will deliver between 2021 to 2024, to make Cheshire even safer.



- 1.4. In addition to the Commissioner's Police and Crime Plan there are two further key documents that support the MTFs. Firstly, is the Force Management Statement which is a self-assessment that Chief Constables prepare and give to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) each year. It is the Chief Constable's statement and explanation of:
- the demand the force expects to face in the next four years;
 - how the Constabulary will change and improve its workforce and other assets to cope with that demand;
 - how the Constabulary will improve its efficiency to make sure the gap between future demand and future capability is as small as it can reasonably be; and
 - the money the Constabulary expects to have to do all this.
- 1.5. As such the Force Management Statement and MTFs are integral to each other. One to provide details on the demand and shape of the Constabulary going forward and the other to reflect the monetary impact.
- 1.6. Secondly, is the Strategic Policing Requirement (SPR). This was first issued in July 2012, in accordance with Section 77 of the Police Reform and Social Responsibility Act 2011. The Home Secretary has produced this strategy in regard to how Commissioners and Chief Constables should contribute to national policing issues. Due to the complexity of modern-day policing, there is a statutory requirement for all forces to deliver the SPR alongside problem solving local issues. It was last updated in 2015 to introduce Child Sexual Abuse (CSA) as an additional national threat. The latest SPR currently covers the following issues:
- Violence Against Women and Girls
 - Terrorism
 - Serious and organised crime
 - National Cyber Event
 - Child sexual abuse
 - Public disorder
 - Civil emergencies
- 1.7. As part of the overall budget process, the Chief Constable must satisfy himself and the Commissioner that the requirements of the SPR are achievable within the financial scenarios.
- 1.8. In the Chief Constable's plan on a page, he sets out his vision and priorities for the Constabulary as follows:

Our purpose – the reason we are here

"Delivering Even Safer Communities for the whole of Cheshire"

Prevent and tackle crime

Make Cheshire's roads safer

Deliver justice for victims of crime

Protect vulnerable and at-risk people

Modernise our police service



Operationally how we will deliver our purpose

Delivering outstanding neighbourhood policing and protect the vulnerable

Proactively understand and prevent crime and harm

Tackle crime and antisocial behaviour

2. DEMAND AND PERFORMANCE

- 2.1. While the above set the priorities for the Constabulary both nationally and locally, there has to be a recognition within this Medium-Term Financial Strategy, of the demand placed on the service and the performance required to meet that demand.
- 2.2. In HMICFRS's State of Policing Annual Assessment 2022, it recognised that despite the overall reduction in crime, the police continue to face a long-term trend of rising demand: the public is calling more and more on the police. While the reasons for this rising demand are complex and not always understood, it is partially due to the changing nature of crime. Fraud and computer misuse have become prevalent together with a greater willingness for the public to report certain crimes and an expectation that the police will take action. These crimes include domestic abuse and violence against women and girls.
- 2.3. In Cheshire, these areas have always been a priority and resources have been allocated to meet this increased demand from the call taker at first contact, to officers working on Child Sexual Exploitation and victim support as examples. This can only be done through efficient and effective management of the limited resources available, strong performance data and accountability.

- 2.4. The Constabulary has an overarching performance management framework called 'Raising the Bar'. This describes the performance management arrangements including the performance meetings and structures and the use of performance information and analysis. The arrangements include regular scrutiny from the Commissioner, monthly Force Performance Days, Quarterly Performance Reviews and Area and Departmental performance meetings. Comprehensive performance information and analytical products are provided to support the meeting structures which include a wide variety of information, and this is further supported by a suite of dashboards which provide demand and performance information on a near live time basis.

3. THE MEDIUM-TERM FINANCIAL STRATEGY

- 3.1. With the above plans, statements and objectives in mind, the purpose of this strategy is to provide a basis for determining:

- The level of funding available in the future to deliver national and local priorities;
- The future demands upon the revenue budget;
- The impact of external factors;
- The financial implications of collaborations;
- The amount of capital investment which is required to achieve corporate objectives;
- The revenue consequences of such capital investment;
- The future reserve levels;
- The impact of additional demands on the level of council tax; and
- The main financial risks facing the organisation.

- 3.2. The above determines the level of funding and demands on finances over the MTFS period enabling strategic financial planning processes to address the challenges and outcomes. The following set out the key principles for that planning process:

- Ensure that plans contribute to improved outcomes in support of set priorities;
- Set a comprehensive, timely, balanced and realistic budget;
- Take into account pay and price inflation and achievability of savings;
- Complies with the approved treasury management strategy;
- Complies with the approved reserves strategy;
- Raise awareness of and communicate key financial messages both internally and externally;
- Ensure budgets set are affordable and do not jeopardise financial stability either in the short or long term;
- All spending plans will need to demonstrate that they can achieve value for money;
- Spending will be agreed only when the necessary funding is identified and approved;
- External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs; and
- Budget proposals will be publicised and consulted upon with stakeholders in an open and transparent manner.

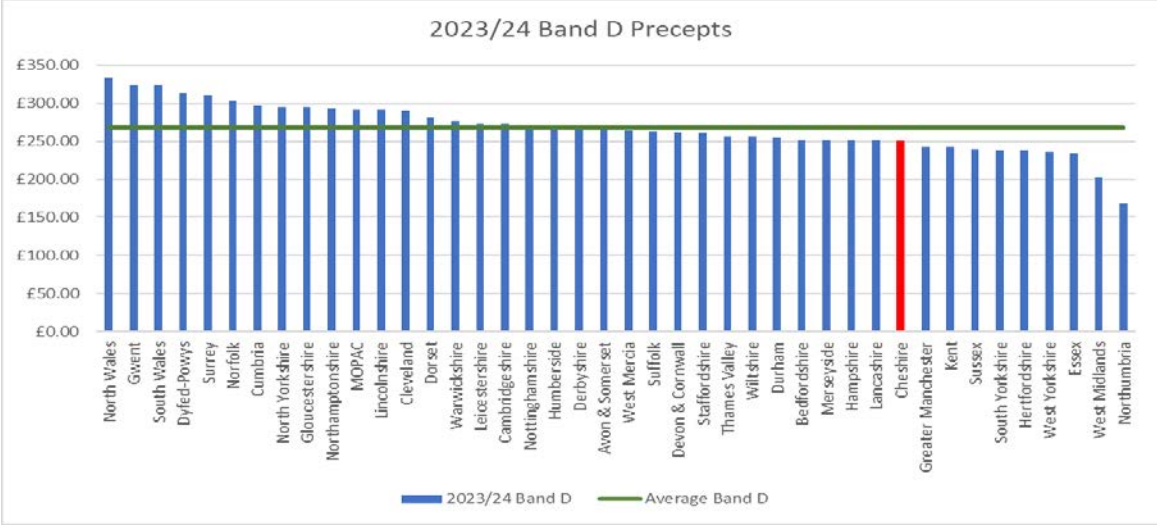
4. FINANCIAL SCENARIO

- 4.1. It is imperative that the MTFS takes account of the regional, national and global economic climates and the short to medium term impact of the current inflationary pressures both in service delivery and financial outlook.
- 4.2. The Commissioner receives his main funding from two sources – Government grants and local council tax (known as a precept). Government grants account for around 58% with local council tax funding covering the remaining 42%. The following paragraphs sets out the current financial scenarios for both.
- 4.3. Government funding is the aggregate amount of grants for police purposes comprising of the Home Office Police Core Grant, the Ministry of Levelling Up, Communities, and Local Government (MLUCLG) Formula Funding Grant; and Legacy Council Tax Grants.
- 4.4. The Statement outlined the Government’s stance that for 2023/24, they will maintain settlement funding for programmes that prevent crime and help keep communities safe.
- 4.5. The Statement also included details of the Government’s expectations in relation to efficiency and productivity, stating:

‘Police, like all public services, must ensure that they make best use of public money. This means reducing inefficiencies and maximising productivity. As part of the Spending Review 2021, we expect to see at least £100 million of cashable efficiency savings delivered from force budgets by 2024/25.’

- 4.6. On the 13 July 2023, the Prime Minister announced the Government’s acceptance of the pay review body’s recommendation of a 7% pay award for police officers. Additional funding is to be provided towards this, both in 2023/24 and 2024/25. The pay award for police staff has also been settled at 7%.
- 4.7. A precept is levied on the Council Tax for the policing in Cheshire and it is the responsibility of the Commissioner to set the level of precept as part of the annual budget setting process. To calculate the level of funding, each local authority calculates the taxbase (the assimilated number of council tax bills issued) taking into account changes in the number of houses, council tax benefits, discounts etc. These vary each year and the MTFS includes assumptions for these changes based on discussions and forecasts supplied by the local authorities.
- 4.8. To aid understanding of the context in which the precept is set, the actual level of council tax levied by each Police & Crime Commissioner for 2023/24 is shown below (Band D equivalent). Cheshire still has one of the lowest ten band D equivalent charges of all forces nationally and remains below the national average.

Chart 1: Comparison of Police Force 2023/24 Precept Levels



4.9. Each year Council Tax income is calculated based on assumed levels of collection rates by the local authorities. This means that, at the end of each year, an adjustment has to be made to reflect the actual collection rates. This can lead to a one-off surplus or deficit on the fund which is accounted for within the calculation of the following year’s net budget requirement, but the actual amounts are not declared until mid-January each year. Prior to the pandemic, it was a reasonable assumption that there would be a surplus declared each year and include a modest amount within the MTFs. However, the pandemic impact on council tax collection is still present and as such, the appropriate assumption is that the collection funds will balance and at mid-year there is insufficient data to change this assumption. This will be monitored closely and in consultation with the four local authorities in Cheshire.

5. FINANCIAL ASSUMPTIONS

5.1. The level of expenditure incurred increases each year based on a number of factors such as pay awards, inflation, changing priorities and additional demands or burdens. The following lists the financial assumptions that are included within the current MTFs:

- Pay inflation – In July 2023, the Prime Minister announced the acceptance of the pay review bodies recommendation of a 7% pay award for police officers with funding towards this additional cost being provided. This has now been applied to police staff also. For Cheshire this has meant £8.8m additional cost compared to previous 2024/25 forecasts, funded by an estimated £7.7m (subject to confirmation as part of the Government’s provisional settlement in December 2023) - a net cost impact of £1.1m. This impact has now been built into this MTFs and the figures in table 1. For September 2024, the forecast is 2.3% and beyond 2024, the assumption is that pay awards will return towards a 2% level. Cheshire is a Living Wage Foundation employer.

- Pensions - Every three years the Local Government Pension Scheme (LGPS) is valued, and the following three year's employers' contribution rates are set accordingly. The last valuation was in 2022 with the new rates applicable from 1 April 2023 at an increase of 0.5% with further increases over the next two years.
- Police Pension Scheme - Changes in the employer contribution rates were due to be implemented from April 2023 for the majority of unfunded public service pension schemes, including police officers. Due to interactions with wider pension policies, in particular the implementation of the McCloud remedy reforms, completion of the 2016 valuation process, and the review of the cost control mechanism, work would need to be undertaken in unprecedentedly short timetables to amend employer contribution rates in April 2023. Any changes to employer contribution rates resulting from the 2020 valuations will therefore be delayed from April 2023 to April 2024. It is fully expected that the rates will increase considerably, and it is further understood that funding will be provided to cover this for 2024/25, beyond then is uncertain.
- Price inflation – In 2022 more than any other year for some considerable time, inflation has hit the headlines with the UK reporting a 40-year high of 10.1% in July, increasing further to a reported 11.1% in October. Over the last decade, inflation has remained around the 2% target rate, accompanied by near-zero interest rates. As such, the rapid increase in inflation is challenging, unforeseen in most cases and generally un-funded. However, it is not just the UK, inflation is a huge problem on a global scale and the pressure is only set to increase with conflict detrimental to food, energy and commodity prices, making the outlook challenging to predict. Inflation applied within the forecast is based on the Office of National Statistics Inflation Report using the most applicable inflation factor. The MTFS acknowledges that certain non-pay items such as energy costs are significantly more expensive and additional inflation has been applied to those areas, together with contractual obligations for inflation based on specified indices.
- Borrowing – additional borrowing is required to meet the planned capital programme, although the exact timing will depend on spend and interest rate movement. Interest payable is based on forecast interest rates. Additionally, funding (known as the Minimum Revenue Provision or MRP) has to be set aside to repay debt over time and as new borrowing is undertaken this amount will increase. Estimated MRP amounts have also been built into the figures in this MTFS.
- Funding – indicative figures for policing were provided in the Spending Review 2021 and subsequent Government announcements and are included within this MTFS accordingly. For the final three years of the MTFS, it is assumed that funding will increase by 1% in line with Government's statement. Precept increases were also permitted in the Spending Review at £10 per year, with a further uplift flexibility for 2023/24 only of £15 at Band D. As 2024/25 is the final year of the Spending Review this MTFS anticipates a further Band D increase option of £10 as indicated in the Review, with a more speculative assumption that the 2% cap may return from 2025/26. These increases are all subject to Commissioner approval each year.

6. FINANCIAL CHALLENGES AND OPPORTUNITIES

- 6.1. In 2021, the Commissioner approved the Estates Strategy, Environmental Strategy and Fleet Strategy. The Estates Strategy sets the direction for the estate over the next 10 years to deliver the benefits of a modern, fit for purpose, environmentally efficient and cost-effective estate. The Environmental Strategy recognises and reflects Government targets and sets out enhanced targets for Cheshire Constabulary in line with the aspirations of the Constabulary and Commissioner to reduce the Constabulary's environmental footprint. The Fleet Strategy focuses on improved fleet utilisation, cost savings and vehicle emission reduction. It aims to support front line operations by delivering high quality vehicles, which are safe, fit for purpose, and meet the needs of modern-day policing. The financial impact of these strategies has been included in this MTFS. Since these were approved, the impact of inflation and supply chain issues have amended the profiling of expenditure and costs which are now reflected in this current MTFS.
- 6.2. In the Government's Autumn Statement 2022, the Chancellor states that 'to help get debt falling, for the years beyond the current Spending Review period, planned departmental resource spending will continue to grow, but slower than the economy, at 1% a year in real terms until 2027-28.' Should this translate into a 1% increase for police funding for those years and inflation, including pay awards, remains above that level the ability to maintain services at their current performance levels will be challenging. The income forecasts include the 2023/24 PUP Grant as it is assumed this will remain either as a grant or transferred into base funding. Without this, the retention of officers will be unsustainable.

7. FINANCIAL FORECASTS 2023 to 2028

- 7.1. It is important to note that the MTFS is a high-level strategy document that summarises plans over the medium term as they stand based upon current projections and assumptions. As additional updated information becomes available these plans will be subject to change and updated accordingly. A certain amount of detailed budget information is presented, and this should be regarded as indicative and illustrative only. Any budget shortfall is assumed to be cleared for the following year's budget. This document will inform the Commissioner's budget setting process, as will other tools such as consultation with residents.
- 7.2. Based on current information, priorities and assumptions, the following table sets out indicative budgets for 2023 to 2028 recognising the volatility and uncertainty of funding and the flexibility or not afforded to Commissioners to uplift the council tax.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Table 1 – MTFS Revenue Budgets					
Base budget (Gross)	257,397	269,968	282,321	286,735	290,101
Inflation	14,517	16,126	5,904	5,434	5,586
Commitments & Unavoidable Demand	1,253	-1,038	1,357	2,483	2,166
Savings identified	-4,244	0	0	-76	-50
Gross Expenditure	268,923	285,056	289,582	294,576	297,803
Income and specific grants	-29,670	-37,459	-36,946	-36,994	-36,981
	239,253	247,597	252,636	257,582	260,822
Transfer to/(from) reserves	-2,407	-1,264	-1,500	0	0
Net Budget to be funded	236,846	246,333	251,136	257,582	260,822
Government grant	-129,533	-131,859	-133,178	-134,510	-135,855
Legacy Council Tax Grant	-8,256	-8,256	-8,256	-8,256	-8,256
Council tax – Precept	-98,469	-103,483	-106,855	-110,341	-113,937
Council tax – Collection Fund	-588	0	0	0	0
Net Budget Requirement	-236,846	-243,598	-248,289	-253,107	-258,048
Budget Gap / (Surplus)	0	2,735	2,847	4,475	2,774

- 7.3. Please note that all of the budget gaps or surpluses are prior to any additional growth or demands not currently identified and therefore these will increase when amounts are known and the MTFS updated accordingly. It is assumed that any significant growth will be matched by appropriate savings each year. With the current financial uncertainties, the final three years are speculative and subject to considerable change.
- 7.4. Each year there are commitments and unavoidable demands that require funding. These are in addition to inflation and form part of the standstill budget proposal. For example, the financial impact of borrowing – interest and repayment.
- 7.5. For 2024/25, the Priority Based Budget process is now well underway. All budgets have been subjected to rigorous review and challenge in order to balance the budget in line with forecast funding. In addition, full root and branch reviews have been undertaken to drive out efficiencies and savings as opportunities allow.

8. SENSITIVITY ANALYSIS

- 8.1. As with any assumptions, there are risks that the actual outcome will be different. There are three key assumptions included within this MTFS that could impact significantly upon the figures presented in table 1 above. These are the level of Government funding, the amount of council tax payable towards local police funding and the level of pay awards agreed nationally. As such, the following details the financial impact of changes to the levels assumed in these tables. It is also important to note that these changes would be cumulative as they represent a change to base level funding.

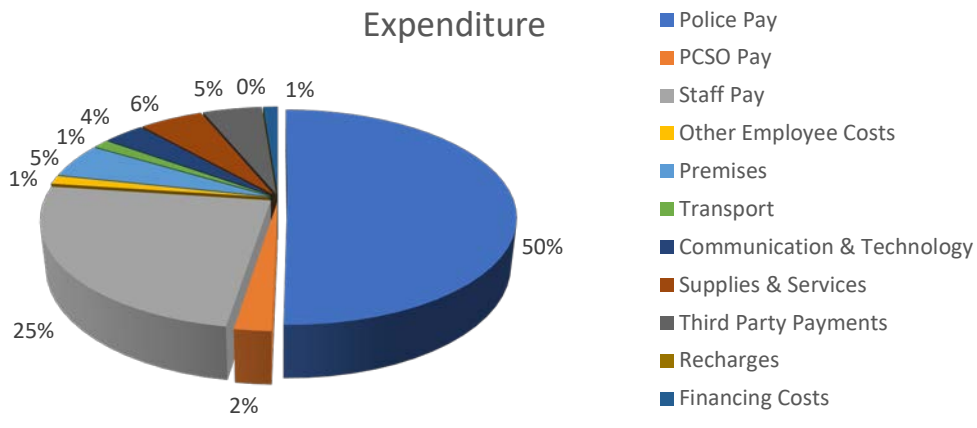
- For each change of 0.5% in the level of government funding, the impact would be either a reduction or increase in the budget gap of around £0.7m.
- For every 0.5% increase or decrease in council tax would have a potential impact of £0.5m per annum.
- Within the MTFs, it is assumed that the council taxbase will marginally increase each year in line with local authorities' forecasts. A 0.5% overall increase in the taxbase results in £0.5m of additional funding.
- A 0.5% movement in the pay award would have a potential £1.1m impact on the budget gap.

8.2. To put the above figures into context, a change in funding or additional costs of £0.5m per annum would equate to eight police constables per annum based upon average salary costs.

9. CONTEXT

9.1. As part of the ongoing review of expenditure and the search for further efficiencies and savings, it is important to understand how the Commissioner and Constabulary currently spend their funding. The following chart shows that 77% is spent on pay with the remaining funding spread over premises, transport etc.

Chart 2: Cheshire Police and PCC 2023/24 Expenditure by Type



10. PLANS TO ADDRESS THE FINANCIAL FORECASTS

10.1. Priority based budgeting (PBB) is a method of planning for and assigning effort and money to best achieve the Police & Crime Plan priorities for policing Cheshire and tackle the key areas of threat and demand as identified within the Force Management Statement. During PBB managers and staff consider the relative benefits of future expenditure to ensure money and effort are directed to achieve the required outcomes. To ensure efficiencies are driven out of the PBB process, HMICFRS's Value for Money Profiles are used to challenge and benchmark individual service areas and ensure best value is achieved, together with operational demand and performance data.

- 10.2. It is fully recognised that the current economic outlook is challenging and with limitations on reviewing officer numbers without punitive loss of grant, the Commissioner and Chief Constable will be undertaking a number of 'root and branch' reviews to ensure processes are efficient and effective alongside the standard PBB planning.
- 10.3. Using the priorities set in Commissioner's Police and Crime Plan; the Chief Constable's Plan on a Page; and the SPR, the outcome of the PBB process will allow resources to be allocated accordingly and within the legal requirement to balance the budget.
- 10.4. The delivery of efficiencies and savings have been part of budget planning from the beginning, but with austerity followed by the pandemic, it has brought challenges and opportunities previously unthinkable. However, this has meant that any easy wins have already been delivered and any future efficiencies and savings harder to achieve.
- 10.5. Despite these challenges, proposals are in place to review all non-pay budgets, contractual specifications and processes to ensure that they remain fit for purpose and current, offering value for money while preserving service performance and service delivery wherever possible. Alongside there is a robust vacancy management process lead by the Deputy Chief Constable and HR, which is now fully embedded within the Constabulary. This reviews all vacancies as they arise to understand the options available which, ultimately, may include the removal of the vacant post.
- 10.6. Looking forward, as it becomes clearer on both medium-term funding and the Government's support for the Police Uplift Programme beyond 2024, there is a need for a fundamental root and branch review of the Constabulary, its service delivery and its priorities to match ambition to actual funding levels, supported by the PBB process. This will be reflected within the MTFS as and when information becomes available.

11. ESTABLISHMENT

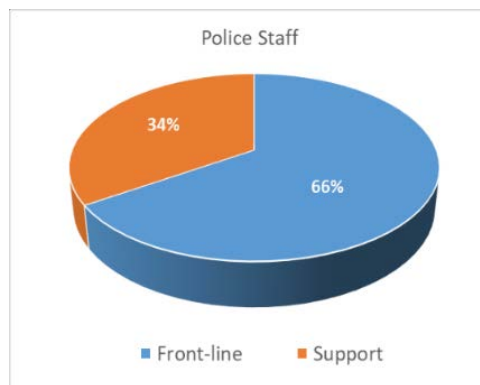
- 11.1. At the Joint Management Board in November 2022, the Commissioner approved the People Strategy. The Strategy has been developed to support the Chief Constable's strategic vision and the Commissioner's Police and Crime Plan and makes a clear statement about how the Constabulary values and treats its people, and the culture it wishes to foster to enable everyone to achieve outstanding and sustain excellence in all areas of policing activity. It aims to ensure that the Constabulary is an employer of choice with a culture, policies and procedures that set high performance expectations, whilst providing a stimulating and rewarding environment for its people and the communities it serves.
- 11.2. It is recognised that the people working for Cheshire Constabulary are our greatest asset. From police officers and PCSOs to police staff and volunteers, everyone plays a vital role in keeping Cheshire safe. The Government's Police Uplift Programme (PUP) has increased investment to the frontline. The Constabulary now has more officers than it has ever had, and the impact is being felt through improved incident response times and increased arrest and charge rates. The following paragraphs set out the key establishment details.

Police Officers

For the 2023/24 financial year, the Constabulary starts the year with its officer establishment at 2347 FTE, the largest it has been since the modern boundaries of the Constabulary were created. It is not currently expected that this establishment will change during 2024/25 but will be subject to review dependent on Government funding and the implications of the PUP grant going forward.

Police Staff

The police staff establishment comprises numerous roles including PCSOs, civilian investigators, emergency call takers and many others that work on front-line policing. These roles have continued to increase year on year with dedicated posts in areas such as analytical capabilities and specialist civilian investigators supporting our most complex cases. The Constabulary is supported by roles in the enabling services such as HR, Training and IT. Overall, the split of front-line staff to support staff 66% to 34% as shown in the following chart. However, due to the impact of inflation and the limited funding available, there is a robust vacancy management process in place that reviews all vacant posts with a view to making savings where possible without major impact on service delivery or performance.



Specials and Volunteers

The Constabulary continues to strive to maximise the number of Special Constables that it maintains each year focusing to achieve a 10% ratio to budgeted officers. As the Constabulary are increasing Officer numbers to 2347, the focus is on achieving an establishment of 235 Specials in 2023/24. This will require a continual replacement and training programme across the year maximising intakes of 30 where possible.

12. RESERVES

- 12.1. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets. In establishing reserves, the Commissioner must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.

- 12.2. In addition, the Home Office Financial Management Code of Practice requires the Commissioner to publish a Reserves Strategy on an annual basis. This Strategy provides an explanation for each reserve held along with details on the current and forecast values. The Reserve Strategy is published on the Commissioner's website as follows: www.cheshire-pcc.gov.uk/commissioner-and-office/policies-and-strategies/strategies
- 12.3. In compliance with the above, the Reserves Strategy ensures that the Commissioner's reserves are sufficient to meet the known risks and issues facing the Constabulary without holding excessive amounts. The view of the Government is that reserves are a valid tool in sound financial management, but their steer is that they should be utilised and not held indefinitely.
- 12.4. The Strategy addresses specific (earmarked) and general reserves both for capital and revenue expenditure and considers the principles that should be applied that support the Police & Crime Plan. Reserves support the Police & Crime Plan by ensuring there is sufficient financial resilience to mitigate the impact of significant demands on funding. Such demands could include the cost of a prolonged major inquiry or an 'invest to save' capital programme.
- 12.5. The Strategy requires the transfer of monies between reserves in future periods in order that those identified risks and issues are adequately provided for. In considering future risks two horizons have been considered, a shorter-term horizon of three years where it is proposed all known issues and risks are provided for if sufficient funds are available and a longer horizon of five years where certain provisions may not be fully made but will be considered. A key principle should be the avoidance or minimisation of extreme changes to available funding arising from one-off costs. Therefore, whilst the strategy should not be subject to frequent change the specific reserves should be dynamic and responsive to changing circumstances. The dynamic use of reserves can be an effective tool in medium term financial planning, if maintained at reasonable levels reflective of the scale of risk.
- 12.6. It is recognised that use of reserves to support revenue budgets is short-term only, with permanent savings being required in the medium-term. The use of reserves in this manner allows for savings to be identified and implemented in a more controlled way that protects service delivery. However, it is also recognised that this is not an indefinite yearly option as the financial sustainability and resilience will be impaired otherwise. This has been considered and included within the MTFs and the Reserve Strategy.
- 12.7. The following table shows the level of reserves forecast over the MTFs period.

RESERVES FORECAST

	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
	£000	£000	£000	£000	£000
Revenue Reserve for Capital	-2,360	-189	-189	-189	-189
Capital Receipts	0	-108	0	0	0
ESN Reserve	-3,090	-1,419	-225	-225	-225
Earmarked Capital Reserves	-5,450	-1,716	-414	-414	-414
Carry forward Reserve	-1,519	0	0	0	0
Redundancy Reserve	-467	-398	-398	-398	-398
Medium Term Finance Strategy Reserve	-3,401	-3,401	-3,401	-3,401	-3,401
POCA Reserve	-435	-260	0	0	0
Hardship Loan Reserve	-50	-50	-50	-50	-50
Pay and Pensions Reserve	-734	-338	-113	0	0
Major Investigations Reserve	-1,226	-1,226	-1,226	-1,226	-1,226
Council Tax Deficit Reserve	-1,580	-1,000	-1,000	0	0
Estates Strategy Reserve	-500	-500	-500	0	0
Road Safety Initiatives Reserve	-566	-487	-187	-187	-187
Commissioning Reserve	-228	-263	-263	-263	-263
Earmarked Revenue Reserves	-10,706	-7,923	-7,138	-5,525	-5,525
Police Fund - General Reserve	-5,773	-5,773	-5,773	-5,773	-5,773
Total Reserves	-21,929	-15,412	-13,325	-11,712	-11,712

12.8. Cheshire Constabulary acts as lead force for a number of collaborations and where appropriate, holds reserves on behalf of all partners. Details can be found in the Reserves Strategy and Statement of Accounts.

13. HORIZON SCANNING

13.1. Although this current MTFs covers the period 2023 to 2028, there are a number of financial challenges that need to be considered within the context of this timeframe. The principal three are the Private Finance Initiative (PFI) contract for Headquarters, the delivery of the Estates Strategy and the Government's review of the formula funding.

13.2. The PFI contract ends in 2033 when the Headquarters building, and services are handed over to the Commissioner for a nominal fee. There are considerable estates, procurement, legal and financial work required in preparation for this and a PFI Board has been created to facilitate this change. PFI contracts when originally created were accompanied by specific Government grant and this will also conclude at the end of the contract. Provision will need to be made within the MTFs as it moves forward to recognise this and the change to associated costs.

- 13.3. As part of the funding proposals for the Estates Strategy, borrowing is required. The financial impact of this needs to be covered within the Capital, Medium Term Financial and Treasury Management Strategies going forward to ensure borrowing is taken at the optimum point and the consequential costs of interest and repayment built into the revenue budget.
- 13.4. The Minister for Crime, Policing and Fire has confirmed their commitment to the Police Funding Formula Review. The formula is the mechanism by which police funding is distributed to individual forces. It is anticipated that this review will issue a public consultation in early 2023. Should the review materially amend the share each force receives – which is anticipated, it is expected that transitional arrangements will be put in place to allow forces time to implement the changes. It is currently too early in the review to forecast what this may mean for Cheshire, therefore all assumptions included here are based on the current allocations.
- 13.5. Right Care Right Person is a national operating model for police and partners that seeks to ensure the public are provided with the right care, responded to by the right person with the right skills and training, and experience to best meet their needs. It aims to ensure people who call the police get the best possible support and service. Police Officers have often been required to offer support to those who really require specialist medical or psychological care. Under this model, officers will no longer be taking on this responsibility when it is not appropriate to do so. Indeed, police intervention can have a detrimental effect on vulnerable patients who feel they are being criminalised because of their health or social care issues. Their care will now be provided by the agency that can best meet the individual's needs. This transition will take place over two years with the Constabulary working closely with health partners to ensure that vulnerable people get the right support from the right emergency service.
14. INDICATIVE CAPITAL PROGRAMME
- 14.1. In addition to the revenue budget, there is a proposed capital investment programme to both maintain essential buildings, equipment, IT and vehicles together with new investment in priority areas. The funding of this programme comes from a number of sources including revenue funding set aside for capital purposes, use of reserves and other contributions. However, if this is not sufficient to fund the programme any shortfall can be met by borrowing – although there is an annual cost to this in terms of interest and Minimum Revenue Provision (MRP) - setting aside funds to repay the loan.
- 14.2. As with the revenue budget, assumptions are required over the level of funding available for capital investment. Over the last decade, the level of government grant allocated to Cheshire fell to £0.17m in 2020/21 with no generic capital grant provided since. Equally, with borrowing being required over the MTF period, assumptions are made on both the interest rates applicable at the time of the loan and the length of the loan. Both have direct impact on the revenue budget and have been included in the revenue projections earlier in this Strategy.

14.3. In line with the Capital Strategy, supported by specific strategies such as Estates and IT, the following table shows the proposed capital investment programme together with the associated funding. Final approval for each year's capital programme remains with the Commissioner as part of his budget setting process each January.

Table 2 Capital Strategy	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Annual Replacement Schemes:					
Fleet Vehicles	2,748	1,980	2,500	2,500	2,500
IT and Communications	970	902	945	990	1,037
New Schemes:					
Estates - Maintenance & Environmental	1,464	1,100	500	600	300
Estates Strategy 2021-2031	3,552	2,000	16,105	8,000	13,366
IT and Communications	1,654	0	0	0	0
Operational Equipment	1,679	1,010	150	150	150
Collaboration/Funded Vehicles	53	500	0	0	0
Capital Expenditure	12,120	7,492	20,200	12,240	17,353
<u>Financed by:</u>					
Specific capital grants	557	48	0	0	0
Capital Receipts	3,406	2,108	1,800	500	0
Revenue Contributions to Capital	2,585	3,000	3,000	3,000	3,000
Revenue and Capital Reserves	2,229	304	0	0	0
External Contributions to Capital	146	128	0	0	0
HQ IT Reserve	284	284	284	284	284
Borrowing	2,913	1,620	15,116	8,456	14,069
Total Funding	12,120	7,492	20,200	12,240	17,353

14.4. The above figures include within the Estates Strategy a provisional £27m for the Northern Review. This will be subject to the approval of a full business case before any action is taken.

14.5. With no further grant funding forecast, the pressure of the capital programme is now significant. Borrowing costs have increased considerably due to interest rate rises and is now only practical for long-term assets. This in turn, puts pressure on the MTFS revenue budget to bridge the shortfall to fund short life assets such as vehicles and Information Technology.

14.6. Consideration will be given to this as part of the 2024/25 budget setting and beyond. All new capital bids are subject to the same rigour as revenue bids under PBB, together with challenge over existing capital programmes.

15. RISK ASSESSMENT

15.1. This Strategy contains the most up to date information and data available at the time of writing. However, it is important to note that the financial environment in which this is created is volatile and subject to material change. There are a number of financial risks that could alter key assumptions and therefore change the financial outlook. An assessment of these risks is set out below.

	Risk	Likelihood	Impact	Mitigating Action
1	Pay awards and inflation are higher than forecast	Possible	Very High	Budgets set based on latest information and updated when required. Reserves held for in-year mitigation
2	PUP Grant and Pension Grant not included in future funding	Possible	High	NPCC liaison with Home Office; review of establishments and use of reserves until permanent savings are achieved
3	Specific Government grants reduced or removed	Probable	High	Liaison with Home Office, review service provision linked to grants
4	Police Pension 2020 Valuation – impact of higher employer contributions funding	Probable	High	HM Treasury has stated that funding will be provided at government departmental level to cover these costs, but only for one year. No clarity after that point.
5	Formula Funding Review	Probable	High	Regular monitoring of the national review; transitional arrangement expected for any changes
6	Capital Strategy – costs higher than expected	Possible	Medium	Current building costs are higher than original strategy forecast. All projects reviewed to ensure costs are affordable. Borrowing costs are in line with current interest forecasts and closely monitored
7	Ability to deliver planned savings	Possible	Medium	Clear processes are in place to deliver and monitor planned savings. Monthly budget reports are provided to enable decision to be made in a timely manner as required

15.2. Not all risks are identified here, the Strategic Risk Register is the primary document for the organisational risks, and it is maintained and reported on a regular basis. The table shows the main risk areas currently identified that could materially impact on the MTFS only.

16. CONCLUSION AND NEXT STEPS

- 16.1. The use of priority-based budgeting with its flexibility to increase or decrease services to match funding, in a way that clearly links to the priorities of the Police and Crime Plan; Force Management Statement; demands and Strategic Policing Requirement, allowing more considered planning even in uncertain times. The provision of a three-year spending review has enabled a clearer direction of travel in the short-term, although there are a number of areas that still need to be refined and clarified. The Provisional Police Settlement for 2024/25 is due in December 2023, setting out the detailed funding at force level.
- 16.2. The 2024/25 budget setting process is well underway, and this updated MTFS reflects the latest information. A new MTFS will be produced as part of the formal budget setting process in January 2024. Should any major changes occur which impact on this Strategy in the meantime; further updates will be made accordingly and reported through Joint Management Board.

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VALUE FOR MONEY PROFILES

PURPOSE OF THE REPORT

1. To provide an update on the latest HMICFRS Value for Money Profiles.

BACKGROUND

2. Since 2009 HMICFRS have published Value For Money profiles. The profiles are based on the CIPFA Police Object Analysis (POA) returns provided by Forces and allocate costs across a range of defined policing and supporting functions.
3. The returns are based on the *budget* allocated not on actual spend and therefore if specific budgets have been over or under utilised this is not reflected in the profiles.
4. In recent years the VFM profiles have been made available in the form of a 'dashboard' on the HMICFRS website. The 2022 profiles have now been published and contain information based on police force's 2022/23 budgets.
5. This paper provides a range of comparisons between Cheshire and other forces and offers further contextual information regarding the policing functions in Cheshire.

RECOMMENDED:

That the report be considered by the Joint Audit Advisory Committee.

MARK ROBERTS
CHIEF CONSTABLE

HMICFRS Value For Money Profiles

Since 2009 HMICFRS have published Value For Money profiles. In recent years this has been made available in the form of a ‘dashboard’ on the HMIC website. The 2022 profiles have now been published and contains a range of information to compare forces.

This summary focuses on the financial information contained within the profiles. It provides commentary on the Constabulary’s position in key areas of service provision compared to other forces nationally.

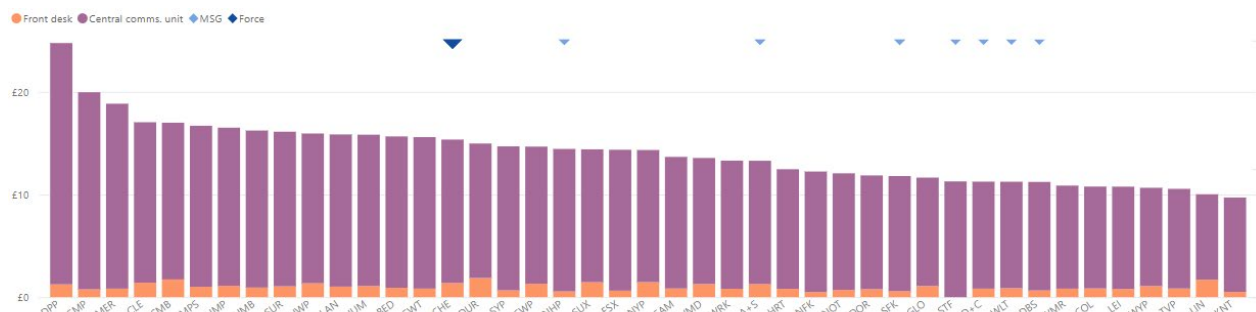
1. Neighbourhood Policing

This category shows Cheshire as having the 6th highest spend per population and 2nd highest out of 8 forces in its most similar group. This is a positive reflection on the Constabulary’s commitment to local policing and investment in this area.



2. Dealing with the Public

This category includes budgets associated with helpdesks and call centres. Cheshire is shown as having the 15th highest spend per population and highest out of 8 forces in its Most Similar Group.

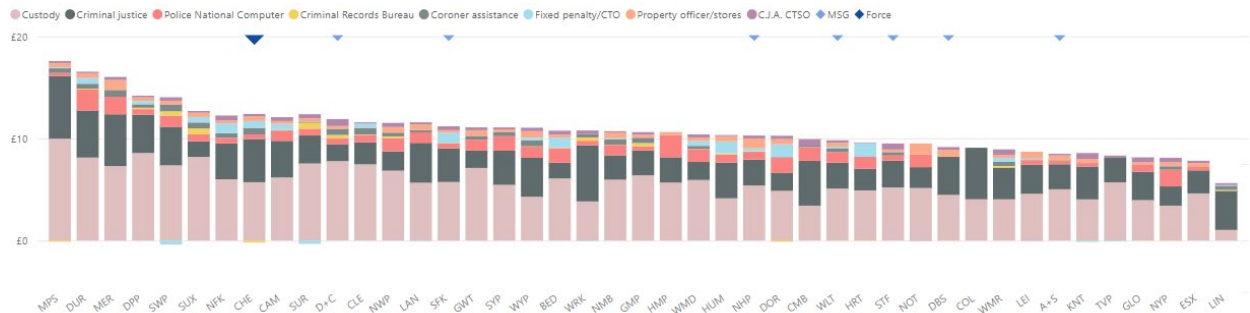


This area has seen investment over recent years and resulting performance improvements in call handling times and is seen as a critical driver of public accessibility and confidence. The most recent PCC Scrutiny report (October 2023) showed that the Constabulary have continued to increase performance with the percentage of 999 calls

answered within 10 seconds improving from 79% in 2021, to 88.6% in 2022 and 89.8% in 2023. Non-emergency call answering times have also improved and with an average of less than 6 minutes for the 12 months to end of September 2023 compared to over 7 minutes in 2021.

3. Criminal Justice

This category includes a range of functions within criminal justice and also includes custody. Cheshire is shown as having the 8th highest spend per population and highest in its most similar group of forces.



The Constabulary’s proactive approach to policing has significantly increased the number of arrests made in recent years with more than 21,500 arrests in the 12 months to end of September 2023, a 60% increase on the same period ending in 2021.

4. Road Policing

Cheshire is shown as having the 11th highest spend per population and highest in its most similar group of forces.

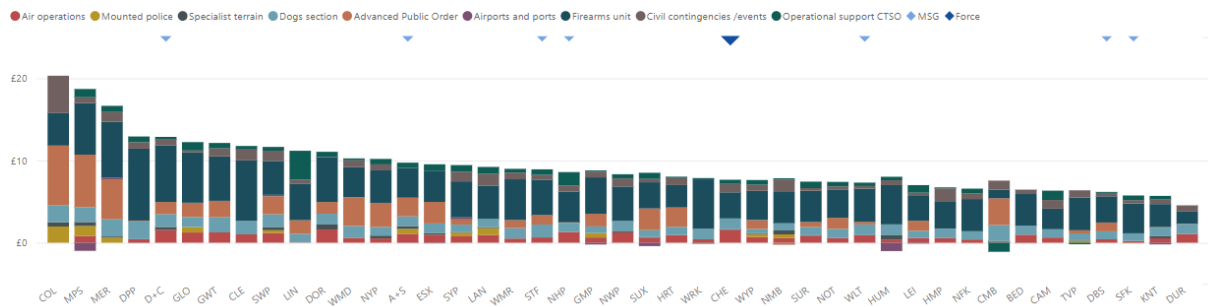


Making Cheshire Road’s Safer is one of the Police and Crime Commissioner’s six key priorities. Cheshire has an extensive motorway network and class ‘A’ roads, with over two-thirds classified as rural.

Performance in this area also continues to improve with the latest PCC Scrutiny report showing a reduction in serious injury collisions and increases in the number of Traffic Offence Reports issued in relation to use of devices while driving, speeding and seatbelt offences.

5. Operational Support

This category includes operational support, events / civil contingencies, firearms units, dog units etc. Cheshire is shown as having the 18th lowest spend per population and 4th lowest out of 8 forces in its most similar group.



This area is reviewed as part of the Chief Constable’s Force Management Statement in order for the Force to satisfy itself that the level of investment is commensurate with the risk and threats within Cheshire. The force does meet the requirement for its contribution to the Strategic Policing requirement (SPR).

6. Intelligence

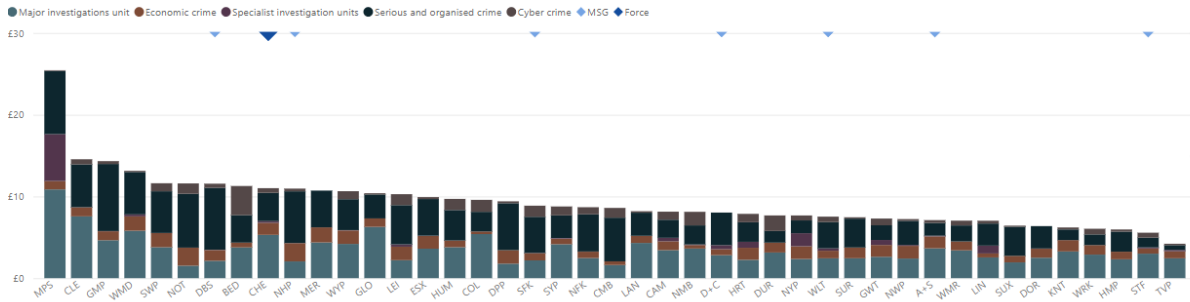
Cheshire is shown as having the 19th highest spend per population and 3rd out of 8 forces in its most similar group.



Through last year’s Priority Based Budgeting process the Constabulary invested additional resources to increase research and analytical capability to support strategic analysis, Serious Organised Crime (SOC) and general operational work.

7. Investigations

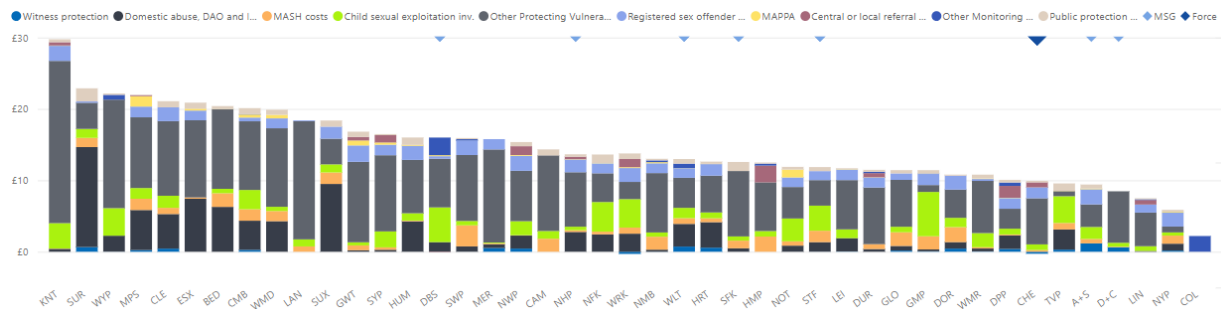
This category includes a range of specialist investigation teams including Major Investigations, Economic Crime and Serious and Organised Crime. Cheshire is shown as having the 9th highest spend per population and 2nd out of 8 in its most similar group of forces.



The capacity and capability within the Major Investigation Team (MIT) allows flexibility to support local investigations where appropriate and the Serious Organised Crime Unit (SOCU) has consistently demonstrated its effectiveness in tackling high harm criminality in disrupting county lines and organised crime groups.

8. Public Protection

This category includes a range of specialist teams focusing on offences such as domestic abuse, child sexual exploitation and Multi Agency Public Protection Arrangements. Cheshire is shown as having the 7th lowest spend per population and 6th out of 8 in its most similar group.



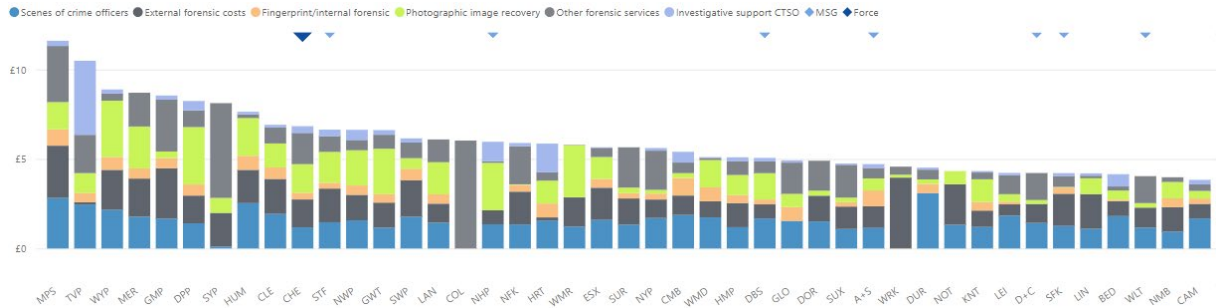
It is recognised that the investment in this area has historically been low and further investment has been made in the last year as part of the restructure of the Public Protection functions and investment in the Online Child Abuse Investigation Team (OCAIT).

The latest PCC Scrutiny report shows continued performance improvements in this area with charge rates high compared to other forces including year on year improvements relating to ‘action taken’ rates for:

- Stalking and harassment offences with Cheshire also having the highest charge rate of its most similar group.
- Domestic abuse.
- Rape offences with Cheshire also having the highest charge rate of its most similar group.
- Sexual offences with Cheshire also having the highest charge rate of its most similar group.
- Child Sexual Abuse offences.

9. Investigative Support

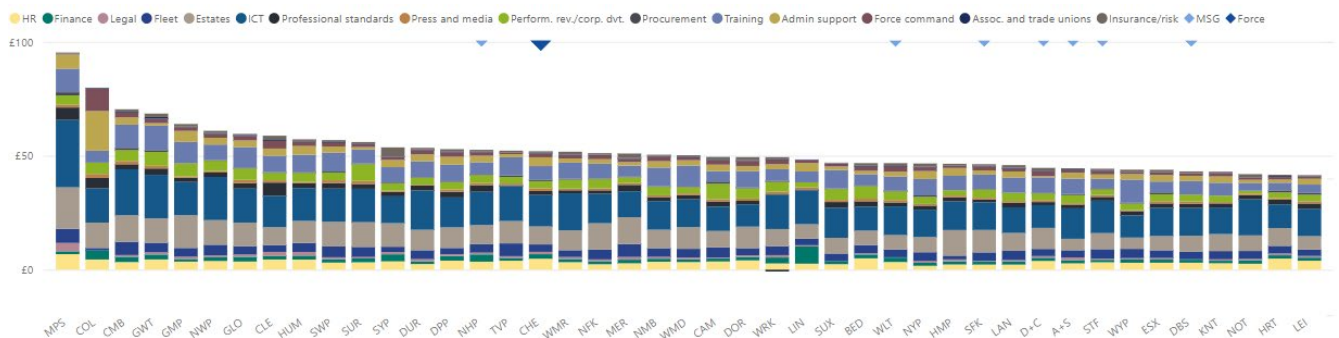
This category predominantly includes forensic investigative support such as scenes of crime officers, fingerprint analysis and other internal or external forensic budgets. Cheshire is shown as having the 10th highest spend per population and 1st out of 8 in its most similar group.



This is relatively high level of investment, and a review of the area is currently being finalised to further understand the return on this investment and value for money.

10. Support Functions

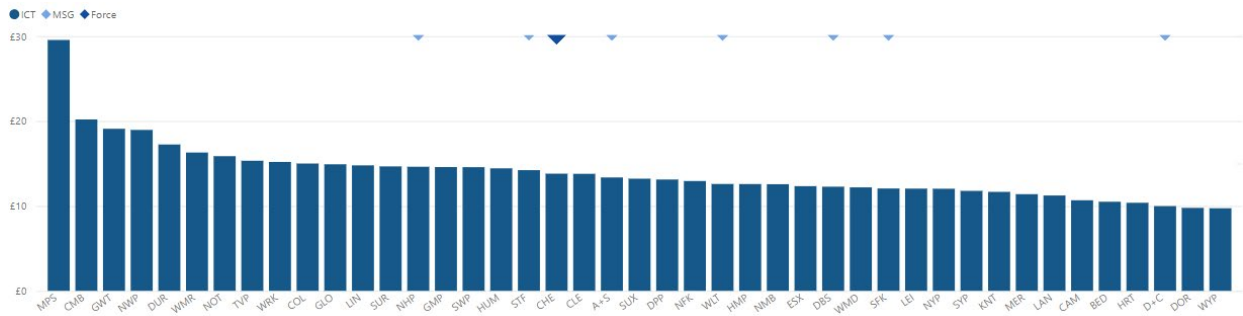
This category includes business and corporate support functions and infrastructure. Further detail on some of the key functions is shown in further tables below. Cheshire is shown as having the 17th highest spend per population and 2nd out of 8 in its most similar group.



In recent years the force has changed from its previous Multi-Force Shared Services Model and some collaboration arrangements with Cheshire Fire & Rescue Service have also changed. There have also been some temporary transitional arrangements in place.

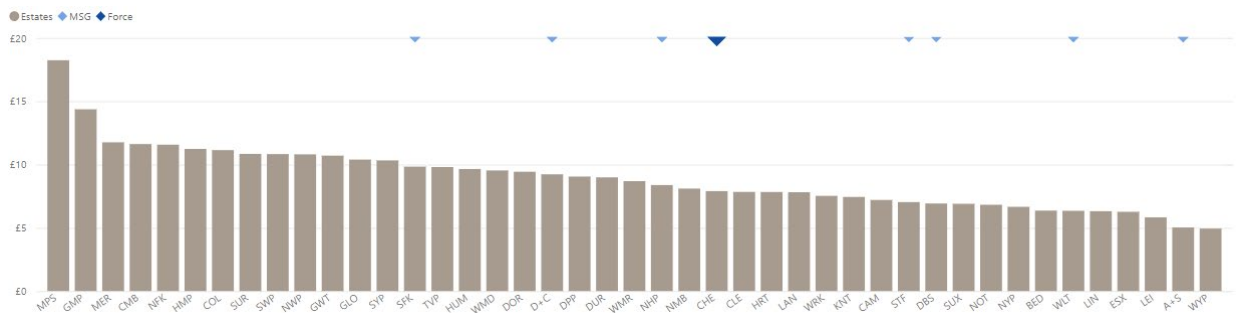
11. Information Technology

This section includes the total budget allocated for local and national IT systems as well as the budget associated with the IT services support function. Cheshire is shown as having the 19th highest spend per population and 3rd out of 8 forces in its most similar group.



12. Estates

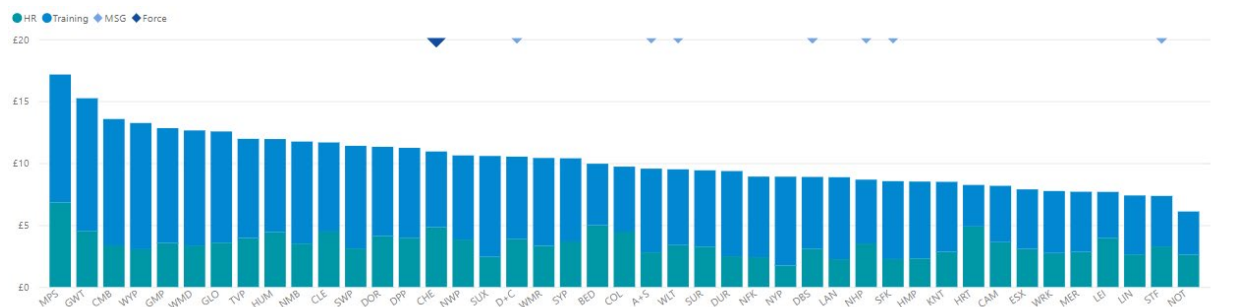
This section includes the total budget allocated for the estate as well as the cost of the Estates and Facilities support function. Cheshire is shown as having the 19th lowest spend per population and 4th out of 8 forces in its most similar group.



This includes the costs of the HQ PFI for which the Force receives additional grant. The force is committed to its Estates strategy and has recently purchased land for a new operational police station at Crewe. The new, fit for purpose station will be more operationally as well as environmentally efficient.

13. HR & Training

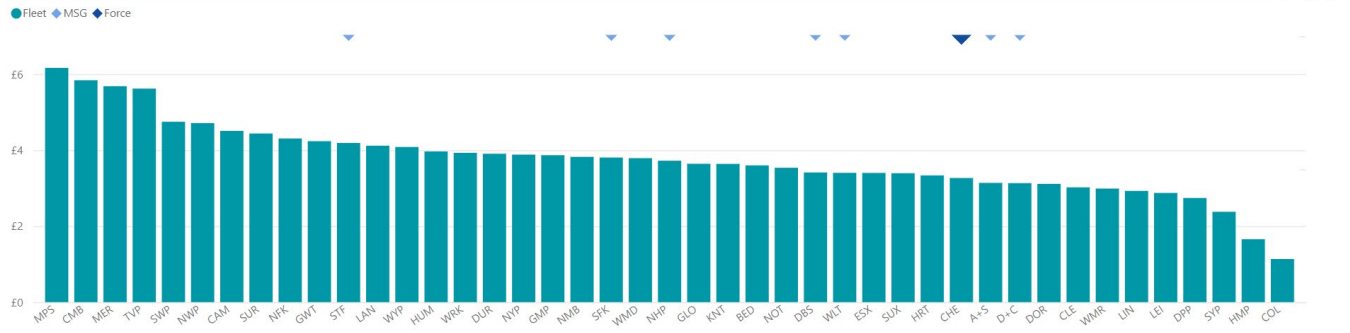
Cheshire is shown as having the 15th highest spend per population and 1st out of 8 forces in its most similar group.



14. Fleet

Cheshire is shown as having the 12th lowest spend per population and 3rd lowest of 8 forces in its most similar group.

Which functions (sub-objectives) make up this spending (net revenue expenditure per population)



Cheshire Constabulary Service Assurance Plan – 2023/24

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
MIAA	Key Financial Controls	To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.	Transferred from 22-23 Q4 2022 12 days	April 2023: Final version of the MIAA Key Financial Systems Report circulated.	Joint Audit Advisory Committee July 2023
MIAA	Firearms Licensing	To provide assurance on the adequacy and effectiveness of controls relating to the licensing of firearms by Cheshire Constabulary	Q1	May 2023: Draft Terms of Reference circulated June 2023: Final ToR circulated July 2023: Final Draft report circulated. August 2023: Final Report distributed.	Joint Audit Advisory Committee September 2023
MIAA	Key Financial Systems	To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.	Q3	November 2023: Terms of Reference circulated	Joint Audit Advisory Committee
MIAA	National Fraud Initiative	Evaluation and investigation of the outcome of the NFI data match exercise.	Q2	November 2023: Initial briefing on potential matches has been issued. Will be complete by March 2024.	Joint Audit Advisory Committee
MIAA	Use of Force	To provide assurance on the procedures and internal controls in place regarding the recording, monitoring and reporting of 'use of force' in line with the Constabulary policy and the reporting of data externally. From April 2017, all police forces in the UK have been required to record this data. The use of force data collection is intended to hold police forces to account and to provide the public with greater information on the different types of force used and the context in which this occurs. This was last subject to audit in 2016/17 before the national reporting requirements were introduced.	Q1	May 2023: Draft Terms of Reference issued. June 2023: Final Terms of Reference distributed. August 2023: Final Report distributed.	Joint Audit Advisory Committee September 2023
MIAA	Stop and Search	To assess the efficiency and effectiveness of the processes for recording stop and search activity and the associated procedures for supervision, audit and governance.	Q2	September 2023: Draft Terms of Reference circulated July 2023. November 2023: The report is with the Lead Auditor for QA.	Joint Audit Advisory Committee
MIAA	Payroll	To provide assurance in respect of HR and payroll related controls since the move to Unit 4.	Q3	September 2023: Draft Terms of Reference circulated August 2023	Joint Audit Advisory

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
				November 2023: Terms of Reference recirculated due to requested delay.	Committee
MIAA	Data Protection	To provide assurance over Data Protection compliance in line with the recent ICO audit recommendation for independent assurance .	Q3		Joint Audit Advisory Committee

On-going Regular Monitoring Activity – 2023/24

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	This ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	June 2023	<p>Audits of Sexual, Domestic and Violence and ASB incidents continue to be subject to FCR audits based on perceived risk and are regularly reported to Force Performance Day and to the CDI continuous improvement group. Such audits were undertaken in June 2023.</p> <p>An audit of crime outcomes was also undertaken in June with the results forwarded to the crime outcomes lead and discussed at the 'threat management outcomes board'.</p> <p>Additional audits have been undertaken in June 2023: Crime Cancellation audit N100 – incident reports of rape</p>	<p>Force Performance Day</p> <p>Strategic Crime Recording User Group</p> <p>Threat management – crime outcomes board</p>
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	This ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	September 2023	<p>Audits of Sexual, Domestic and Violence and ASB incidents continue to be subject to FCR audits based on perceived risk and are regularly reported to Force Performance Day and to the CDI continuous improvement group. Such audits were undertaken in August 2023.</p> <p>An audit of crime outcomes was also undertaken in August with the results forwarded to the crime outcomes lead and discussed at the 'threat management outcomes board'.</p> <p>Additional audits have been undertaken in August 2023: Crime Cancellation audit N100 – incident reports of rape</p>	<p>Force Performance Day</p> <p>CDI Continuous Improvement Group</p> <p>Threat management – crime outcomes board</p>

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
				And September – N200 Modern Slavery	
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	This ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	December 2023		Force Performance Day CDI Continuous Improvement Group DA Governance Board
NCRS	Enhanced review of Violent Crime / Domestic Abuse / Sexual Offences for NCRS compliance.	This ongoing work will establish that the three key areas of crime recording continue to comply with the 'victim focused' approach of NCRS.	March 2024		Force Performance Day CDI Continuous Improvement Group DA Governance Board
Information Compliance	PNC & LEDS (Law Enforcement Data Service) Transaction Monitoring (#TE)	PNC & LEDS Transaction Monitoring is a requirement established by Her Majesty's Inspectorate of Constabulary (HMIC) and the Association of Chief Police Officers (ACPO) to ensure the security and integrity of the Police National Computer System.	Quarterly	PNC Transaction Monitoring (#TE) Ongoing reviews being completed with compliance reported quarterly. Any issues are raised to PSD or Line Manager (as appropriate on an individual basis).	Any issues identified are reported to Line Manager and PSD if required.

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
Information Compliance	Police National Database (PND) Auditing and Transaction Monitoring	To ensure the security and integrity of this national CONFIDENTIAL system, forces are required to undertake transactional monitoring of Constabulary users. Monthly reports to the PND Governance Group chaired by Director of Intelligence.	Quarterly	Police National Database (PND) Auditing and Transaction Monitoring Ongoing reviews with compliance reported quarterly. Reports are issued to the PND Governance Group which is chaired by the Director of Intelligence.	Reports to the PND Governance Group chaired by Director of Intelligence.
Information Compliance	Driver Validation Service (DVS) Transaction Monitoring	DVS is a browser based system owned by the Driver Vehicle Licensing Authority (DVLA). It provides nominated staff with direct access to DVLA driver records for road traffic offences.	Ongoing	Ongoing reviews completed, with compliance reported quarterly. Any issues are raised with the Line Manager or PSD (as deemed appropriate on an individual basis. Any breaches are required to be reported to DVLA.	Any issues identified are reported to Line Manager and PSD if required. Breaches are reportable to DVLA.
Information Compliance	Automatic Number Plate Recognition (ANPR) Transaction Monitoring	ANPR data is currently accessed through three systems: Northgate, Cleartone and the National ANPR Service (NAS). National audit guidelines have been issued and a National Auditor appointed, in preparation for all Forces to move to the NAS.	Ongoing	Ongoing reviews completed, any issues are raised with the Line Manager or PSD (as deemed appropriate on an individual basis).	Any issues identified are reported to Line Manager and PSD if required.
Information Compliance	Child Abuse Indecent Images (CAID) transaction monitoring.	Transaction Monitoring commenced Feb 2022 – this is a new process and will continue to develop. It is a requirement to audit to ensure compliance and integrity with national policy and codes of connection.	Ongoing	Ongoing reviews completed, any issues are raised with the Line Manager or PSD (as deemed appropriate on an individual basis).	Any issues identified are reported to Line Manager and PSD if required.

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
Information Compliance	Stalking – Harm Reduction Unit Audit 2023	To provide assurance that the Stalking process is compliant with MoPI, DPA and national force Procedure	Q1	June 2023: Commenced audit, expected completion July/August 2023 September 2023: Completed August 2023.	Information & Risk Management Board
Information Compliance	Non-Police Personnel – Review	Mini audit to reduce and manage number of NPP's to improve security and integrity of buildings and systems.	Q1	June 2023: Info. Comp. review but also now part of Supt. Banusic work to implement monitoring & management of NPP's as tasked by the Chief Constable (following HMIC recommendations). September 2023: Completed	Information & Risk Management Board
Information Compliance	Freedom of Information Hidden Date Audit 2023	In response to breaches of personal data by three police forces (PSNI), to provide assurance that the FOI process and disclosures to MOP do not contain hidden personal data that could present a risk to the force.	Q2	August – September 2023: Completed	Information & Risk Management Board
Information Compliance	PPD – domestic violence disclosures (Transferred from 22-23)	To provide assurance that disclosure process ensures compliance with MOPI and Data Protection requirements	(Q4 2022)	April 2023: On hold, carried forward to 23/24	Information & Risk Management Board
Information Compliance	Firearms Licensing – Optional (Transferred from 22-23)	To provide assurance that disclosure process ensures compliance with MOPI and Data Protection requirements	(Q3 2022)	April 2023: On hold, carried forward to 23/24 July 2023: On hold due to external audit by MIAA.	Information & Risk Management Board
Information Compliance	Security – Optional (Transferred from 22-23)	To determine compliance in Physical security risk, and data protection and records management.	(Q3 2022)	April 2023: Ongoing visits which will carry over to 23/24	Information & Risk Management Board
Information Commissioner's Office	Recommendations resulting from the ICO Audit of Mobile Phones data	Assurance regarding compliance against legislation for this area of business. Monitor progress against recommendations	Ongoing	October 2023: Only 1 action remains open out of a total of 17 recommendations. A request has been submitted via the PBB process for an additional role work being progressed,	Information & Risk Management Board

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
		resulting from this audit.		but Data Protection confirmed the need to continue monitoring.	
Governance Of Collaborations	Quarterly	To review collaborations of which Cheshire Constabulary is a party and check that performance reports have been received and given transparency at the relevant Force/ Regional Meeting.	Ongoing Monthly	Nov 2023: Collaboration Board held 15 th November 2023.	Senior Command Team
Taser Downloads	Governance and compliance monitoring	Audit of completion of Taser downloads	Taser's downloaded every 8 weeks (Feb, April, June, Aug, Oct, Dec) Audited quarterly	October 2023: 215 Tasers 100% compliant.	Procedural Justice Meeting
Finance - Compliance with GPC Cards Guidance Manual	Annually due September 2023	Dip sample to ensure compliance in the use of GPC Cards guidance against MFSS reports on GPC card use.	Annually	September 2023: Head of Finance confirmed that the dip sample is currently being carried out. October 2023: Head of Finance has confirmed that the dip sample is now complete and a new draft policy should be going to the next SCT/JMB for approval.	Information & Risk Management Board

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
Evidence / Property Management	Exhibit Management – annual dip sample	To receive an annual report from Exhibit Management of dip samples undertaken to test compliance with process.	Quarterly - evidence of dip samples Annually – Annual report due November 2023	November 2023: Dip samples completed and evidenced up to Oct 23. Annual report being prepared.	Information & Risk Management Board
Planning, Performance & Risk Management	Policy & Procedure Monitoring	Cheshire Constabulary's Policy & Procedures are published when the National Guidelines laid down by College of Policing – Authorised Professional Practice (APP) do not have adequate detail, specifically in respect of Cheshire local practices. It is important that these Policies & Procedures are kept up to date and reviewed on a regular basis.	Ongoing	Ongoing regular monitoring and reviews, any overdue policies or procedures or issues are raised directly with the Policy Owner, Author and Business Area Leads.	Status reported at Information & Risk Governance Board twice yearly (April & September, or more frequently should there be any concerns).



Joint Audit Advisory Committee

Annual Report 2023

Chair's Foreword

Welcome to the 2023 annual report of the Cheshire Police and Crime Commissioner and Chief Constable's Joint Audit Advisory Committee ['the Committee'].

The Committee is an independent body set up in accordance with the requirements of the Home Office Financial Management Code of Practice. The Committee provides advice and assurance functions to the Police and Crime Commissioner and the Chief Constable on the effectiveness of governance, risk and audit arrangements and controls in place within the Office of the Police & Crime Commissioner and the Constabulary. The Committee achieves this by undertaking a wide range of reviews against an annual work programme. Through providing support and challenge, the Committee aims to improve and add value to those areas of governance within its remit.

The Chartered Institute of Public Finance and Accountancy (CIPFA) provides guidance on the role of the Committee. Following the publication of new guidance from CIPFA at the end of last year, the Terms of Reference for the Committee have been updated. The Terms of Reference are closely aligned to all aspects of the CIPFA guidelines and are reviewed and formally adopted on an annual basis.

Membership of the Committee

This year saw the retirement of David Gilbert and Tony Snape. The Committee would like to extend our thanks to David and Tony for their efforts during their six years as Committee members.

Following a recruitment process supported by the Police and Crime Commissioner and Chief Constable, three new members have now joined the Committee.

Membership of the Committee is now as follows:

Chair

Phil Bearpark is a Chartered Mechanical Engineer and has held a number of senior roles within the UK Rail Industry over the last 32 years. He still works part

time in Rail and is now a director of his own business and a Non-Executive Director of Heathrow Express. Phil is very experienced in audit, governance and risk management.

Jean Gleave is a fully qualified member of the Chartered Institute of Internal Auditors. She has over 35 years of internal audit, governance, control and risk experience in both the public and private sector with roles as Head of Internal Audit at Warrington Borough Council and Salford City Council and as Chief Internal Auditor in the NHS; she has also held audit positions in private sector (insurance), and with the civil service. She is also an independent member of Liverpool City Region Combined Authority Audit & Governance Committee.

Paul Birtles (New Member) is a certified programme manager with over 30 years experience in the delivery of major business change and IT programmes. Working for a global consultancy, Paul has undertaken roles spanning most areas of the IT and business change lifecycle, including portfolio & programme management, risk management, quality assurance, client consulting, outsourcing and financial management. He has worked across most industry sectors, frequently leading engagements with personal accountability for budgets of £10m+, both in regulated and private sector organisations.

V J Karthikeyan (Karthik) (New Member) is a Consultant Cardiologist in the National Health Service with significant experience in audit and governance in healthcare. He is the Associate Lead for Hypertension in Greater Manchester and is also the Education Lead for Cardiology at Wythenshawe Hospital, Manchester University Foundation Trust. He has been the Lead for the Cardiac Catheter Labs as well as Research Lead in a previous post at Wigan and supported the establishment of lifesaving services to treat heart attacks for the population of North Wales.

Elaine Smith (New Member) is a Chartered Management Accountant and a Chartered Member of the Chartered Institute for Securities and Investment. She has extensive experience of audit, governance, risk and controls via a number of senior roles in the investment operations sector and has over 20 years' experience as head of regulatory compliance and risk for a number of FCA regulated fund management firms, more recently as a Director and Chief Compliance Officer for Momentum Global Investment Management, a global investment manager.

Members of the Committee bring with them a range of experience and skills which cover the various aspects of the Committee's work. Training has been available for members over the last 12 months which has ensured all members are able to contribute fully to the work of the Committee and fulfil their roles professionally.

2022/2023

The Committee met regularly during the year, with all meetings held in person at the Constabulary HQ in Winsford. Meetings have covered a wide range of topics with particular focus on monitoring the strategic risk management framework to ensure that risks were adequately assessed, recorded and mitigated where possible.

The Committee has noted the Commissioner's budget proposals and have received a detailed presentation on the Priority Based Budgeting process that is used to arrive at the final budget.

We agreed the plans of both internal and external auditors and received their reports which we have examined to ensure that Cheshire Constabulary maintains the high standards of governance, finance and audit that the people of Cheshire would expect.

We have received copies of all finalised Internal Audit Reports prepared by the Mersey Internal Audit Agency (MIAA) and have monitored the implementation of the agreed management actions arising from these reports. Topics covered include Key Financial Systems, HR Payroll Review, Use of Force, Firearms Licensing and Stop and Search. The Committee has also noted the progress of work on the National Fraud Initiative (NFI). We were very pleased to receive a substantial assurance from MIAA that there is a good system of internal control designed to meet system objectives and that the controls are generally being applied consistently.

The Committee also considered the Commissioner's and the Chief Constable's Statements of Accounts and Annual Governance Statements to provide assurance that they complied with the relevant requirements. During the year members have made a number of contributions to the narrative and content of the Annual Governance Statement. The work of the External Auditors has also

been reviewed by the Committee to provide additional assurance that all relevant processes have been followed by the Commissioner and Chief Constable. The draft and final accounts were presented to the committee and were very clearly explained to us.

External Audit services have been provided by Grant Thornton for a number of years. From next year this service will be provided by Mazars. The committee would like to thank the team at Grant Thornton for the high quality and timely work that they have provided.

The Chair has held meetings with Senior Staff of the PCC and Constabulary. The Chair has also met with the Commissioner and Chief Constable. The Committee has been granted unfettered access to and received constructive engagement with all parties and received reports and assurances from relevant officers to enable it to address the full range of responsibilities within its Terms of Reference. The Committee is grateful to all who have given their valuable time to assist its work which has been well supported by senior staff from both the Constabulary and the Office of the PCC.

The future

The Committee will continue our consideration of a number of areas including developing the risk management arrangements, updates on the Medium Term Financial Strategy, reviewing recommendations from Auditors including monitoring the implementation of recommendations.

Further information

For further information on the work of the Joint Audit Advisory Committee, its Terms of Reference, Minutes and Agendas, please refer to the website of the Police and Crime Commissioner for Cheshire. <https://www.cheshire-pcc.gov.uk/search?q=audit>

Phil Bearpark – MSc CEng MIMechE

Chair of the Joint Audit Advisory Committee of the Cheshire Police and Crime Commissioner and Chief Constable