

JOINT AUDIT ADVISORY COMMITTEE



Cheshire
Constabulary



John Dwyer
Police & Crime
Commissioner
for Cheshire

Date: Thursday, 29th February 2024

Time: 14:00

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, 26th February 2024** 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 30th November 2023.</i>	P Bearpark	3
2. Action Log <i>To consider the attached action log update.</i>	P Bearpark	6
3. Police & Crime Commissioner and Chief Constable Update	J Dwyer/M Roberts	V

Public Items - For Advice

4. Review JAAC Terms of Reference <i>To consider the attached document and approve or update</i>	P Bearpark	7
5. DRAFT Internal Audit Plan <i>To advise upon the attached plan from the internal Auditor</i>	C Black	13

Public Items - For Information

6. External Audit Findings Report <i>To note the attached report from the External Auditor</i>	L Luddington	27
7. External Audit Annual Report (inc. VFM) <i>To note the attached document from the External Auditor</i>	L Luddington	78
8. Internal Audit <i>To receive the attached reports from the Internal Auditor.</i> (a) Internal Audit Progress Report (b) Key Financial Systems Final Report (c) Payroll Review Final Report	C Black	109
9. Service Assurance Plan <i>To receive the attached report from the Chief Constable.</i>	L Willis	143
10. 2024/25 Budget & Medium-Term Financial Strategy <i>To receive the attached report approved by the Management Board on 24th January 2024.</i>	C Hodgson/ W Bebbington	152
11. JAAC Forward Plan <i>To consider the attached document</i>	C Hodgson	192

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: Final Report	(31) Law Enforcement
Joint Strategic Risk Register	(31) Law Enforcement

Part 2 - Private Items

13. Minutes of the Joint Audit Advisory Committee P Bearpark -
To approve the minutes of the Joint Audit Advisory Committee held on 30th November 2023.

14. Action Log P Bearpark -
To consider the attached action log update.

Private Items – For Advice

15. Strategic Risk Register L Willis -
To consider the attached report by Chief Constable/PCC.

Private Items – For Information

16. Internal Audit Stop and Search Review Final Report C Black -
To receive the attached report from the Internal Auditor.

17. Any Other Business P Bearpark -

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

Joint Audit Advisory Committee



Cheshire
Constabulary



John Dwyer
Police & Crime
Commissioner
for Cheshire

Minutes of the Joint Audit Advisory Committee Meeting 30th November 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.
Amy Davies, Senior Management Analyst, Planning and Performance.
Paul Woods, Head of Planning & Performance (Part)

Apologies

Mark Roberts, Chief Constable
Damon Taylor, Chief Executive
David Bryan, Head of Legal Services
Anne-Marie Harrop, Regional Assurance Director (MIAA)
Michael Green, Director, Grant Thornton

Office of the Police & Crime Commissioner

John Dwyer, Police & Crime Commissioner
David McNeilage, Deputy Police & Crime Commissioner
Clare Hodgson, Chief Finance Officer

Internal Audit

Charles Black, Audit Manager (MIAA)

External Audit

Liz Luddington, Manager, Grant Thornton

Part 1 - Public Items

1. Minutes of the Joint Audit Advisory Committee

The Minutes of the Joint Audit Advisory Committee held on 27th September 2023 were approved.

2. Action Log – Reviewed by The Chair

The two outstanding actions were discussed and approved for closure.

Discussions were held re the new external audit contract, contact details for new auditor and arrangements for future. A new action is to be added to ensure initial contact details are confirmed with Mazars, via PSAA if further details required, and Mazars are invited to future JAAC meetings.

ACTION: Contact to be made with Mazars, initial meeting arranged and JAAC meeting invitations to be sent. To be raised via PSAA if no contact possible by the new calendar year. **CH**

3. Assistant Chief Officer and Police & Crime Commissioner Update

Police and Crime Commissioner

Contractual Information Land at Crewe had been purchased to build a new police station. This is in line with the police and crime plan to update the police estate, as some buildings are not fit for purpose. A contract has also been signed with a builder to enable building to start on a new police station in Wilmslow.

Force Performance. The force is performing extremely well with arrests up and crime figures down.

Budget. Discussions are taking place between the force and the OPCC team in preparation for 2024/25 budget setting. The OPCC will go out physically in January 2024 to consult with the public of Cheshire.

Root and Branch Review of the Constabulary. This is ongoing work to identify any changes that can be made in the future.

Working Together Events. The PCC and the Chief Constable have recently held meetings across the nine LPU's with members of the public invited to attend and ask any questions they may have.

Parish Council Meetings. Several meetings have been held with the local Parish Councils which has given the opportunity to advise the public of all the positive police work being carried out.

Economic Crime Unit. Money has been invested into this unit. We have the power to attain criminals' ill-gotten gains, some of which can be retained and put back into our communities to benefit them.

Assistant Chief Officer

Force Performance. The ACO gave an overview of the force performance across all areas, including the ongoing murder trial for Brianna Ghey, Operation Hummingbird and Christmas Operations.

Part 1 - Public Items – For Advice

4. External Audit Annual Report 2022-23 DRAFT

Liz Luddington presented the draft report and confirmed that at the next JAAC meeting the finalised versions of reports will be available. Recommendations made were discussed.

The Chair stated that as one of the recommendations in relation to Root and Branch encourages JAAC to monitor progress, they felt it should be added to the forward plan.

ACTION: JAAC lead member to be identified by the Chair and progress review to be added to forward plan. **Chair and CH.**

The Chair asked what the OPCC website was stating at the moment in relation to the delay of the accounts. **Wendy Bebbington** confirmed that it states that the accounts will be showing in due course and that the delay is outside of our control as we are awaiting information from external organisations.

5. Internal Audit Charter

Charles Black reported on the Internal Audit Charter. **The Chair** advised that the JAAC had noted a numbering issue and a grammatical error and requested that the report be reissued.

6. JAAC Forward Plan Review

The Chair asked if a Terms of Reference review for JAAC could be added to the Forward Plan.

ACTION: Terms of Reference for review JAAC to be added to the Forward Plan. **CH**

Jean Gleave said that the Counter Corruption Unit have offered to do a presentation at the February 2024 meeting and suggested an ongoing slot for the CCU. **Clare Hodgson and Julie Gill** confirmed that this subject is covered in the Annual Governance Statement and this would provide updated information going forward.

ACTION: Counter Corruption Unit presentation to be added to the forward plan. **CH**

ACTION: External Audit Letter of Representation to be moved to September. **CH**

ACTION: JAAC Effectiveness Review to be added to plan. **CH**

Part 1 - Public Items – For Information

7. Internal Audit

Charles Black gave an update across all areas. Nothing of concern was raised.

8. Medium Term Financial Strategy Mid-Year Update

Wendy Bebbington reported on the mid-year update summary and the financial challenges faced.

9. HMICFRS Value for Money Profiles

Paul Woods reported on HMICFRS Value for Money Profiles and explained comparisons are based on budget not actual spend. **Paul Birtles** asked about the criteria used for the most similar group. **Paul Woods** explained the rationale behind this and the range of factors used. **The Chair** commented that this is a really useful report.

10. Service Assurance Plan

Louise Willis presented the Service Assurance Plan. **Elaine Smith** asked if the initial briefing has been issued for the National Fraud Initiative. **Wendy Bebbington** gave an update.

11. JAAC Annual Report 2022-23

The Chair stated the Cheshire OPCC website is fully up to date with JAAC reports. He said from next year he would like to add a section on the effectiveness of the Committee. **The Commissioner** confirmed that himself and the Chief Constable do welcome the input from the Committee.

12. Any other Business

No other business to discuss.

DRAFT

2023/24 Action Log Update -
Part 1 - Active Actions

Joint Audit Advisory
Committee



Date of Meeting	Action Number	Action Details	Responsible for Action?	Status	Notes
27/09/2023	039	Future meeting dates and invitations to be sent to MAZARS	Clare Hodgson	Propose Closure	November Update - Email sent to Mazars requesting confirmation of details for meeting invitations. No response received. To be raised with PSAA if no contact possible by the new calendar year. February Update - Contact has been made with Mazars and meeting dates sent.
30/11/2023	040	Contact to be made with Mazars, initial meeting arranged and JAAC meeting invitations to be sent. To be raised via PSAA if no contact possible by the new calendar year.	Clare Hodgson	Propose Closure	February Update - Contact has been made with Mazars, meeting dates sent and initial meeting has taken place.
30/11/2023	041	JAAC lead member for root and branch reviews to be identified by the Chair and progress review to be added to forward plan.	Clare Hodgson / Phil Bearpark	Propose Closure	February Update - Paul Birtles identified as lead member and progress reviews in forward plan for November 2024
30/11/2023	042	Terms of Reference for review JAAC to be added to the Forward Plan.	Clare Hodgson	Propose Closure	February Update - Review added to February 2024 meeting. Will be reviewed annually.
30/11/2023	043	Counter Corruption Unit presentation to be added to the forward plan.	Clare Hodgson	Open	February Update - Action to be discussed at February pre-brief
30/11/2023	044	External Audit Letter of Representation to be moved to September.	Clare Hodgson	Propose Closure	February Update - Item moved as requested.
30/11/2023	045	JAAC Effectiveness Review to be added to plan	Clare Hodgson	Propose Closure	February Update - Added to forward plan with Annual report.



JOINT AUDIT ADVISORY COMMITTEE OPERATING PRINCIPLES AND TERMS OF REFERENCE

Statement of Purpose

The purpose of the Cheshire Joint Audit Advisory Committee (JAAC) is to provide those charged with governance with independent, objective, and high-level assurance on the adequacy of governance, management, and internal control arrangements. By overseeing both internal and external audit, the JAAC makes an important contribution to ensuring effective assurance arrangements are in place. For the purposes of this document, the term 'Authority' refers to Cheshire PCC and Cheshire Constabulary.

Scope

The JAAC provides comments, advice and assurance on matters relating to the internal control environment of the Constabulary and the Office of the Police and Crime Commissioner (OPCC).

If the JAAC has concerns about a specific governance or audit matter it may request the relevant policy or strategy to be presented to a JAAC meeting in order that assurance may be obtained, and constructive comment provided where appropriate.

The following do not fall within the scope of the JAAC:

- Crime Statistic performance.
- Constabulary operational risks.
- HMICFRS reports with an operational theme/basis
- Any reviews carried out by the Police and Crime Panel

Independence and Effectiveness

The JAAC is independent and objective of executive decision making. It is an advisory committee which provides assurance to those charged with governance (the PCC and Chief Constable). The committee is directly accountable to the PCC and Chief Constable and is independent of the executive or operational responsibilities of the PCC or Chief Constable. Membership comprises of co-opted independent members and the JAAC follows the requirements set out in the Home Office Financial Management Code of Practice.

Core Functions

The core functions of the JAAC are to provide assurance to those charged with governance on a range of core governance and accountability arrangements, responses to the

recommendations of assurance providers and helping to ensure robust arrangements are maintained.

Governance, risk and control

- To review the corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance.
- To monitor the effective development and operation of risk management in the OPCC and force.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- To consider the OPCC's and force's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To review the assessment of fraud risks and potential harm to the OPCC and force from fraud and corruption.
- To monitor the counter fraud strategy, actions and resources.
- To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and governance reporting

Governance reporting

- To review the Annual Governance Statement (AGS) prior to approval by the PCC and Chief Constable and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the OPCC's and force's objectives.

Financial reporting

- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- To review the annual statements of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- To consider the external auditor's reports to the PCC and the Chief Constable on issues arising from the audit of the accounts.
- To consider the OPCC's and force's framework of assurance and ensure that it adequately addresses their risks and priorities.

External audit

- To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the auditor panel as appropriate.

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider the level of external audit fee charged.
- To advise on commissions of additional work from external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To provide free and unfettered access to the audit committee chair for the auditors, including the opportunity for a private meeting with the committee.

Internal audit

- To recommend for approval the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To consider significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to recommend and periodically review safeguards to limit such impairments.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work
 - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
 - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the head of internal audit's annual report, including:
 - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit)
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- To consider summaries of specific internal audit reports as requested.

- To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the OPCC or force, or where there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

Accountability arrangements

- To report to the PCC and Chief Constable on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To report to the PCC and Chief Constable on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- To publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement

JAAC Membership and Tenure

To provide the level of expertise and understanding required of the JAAC, and to have an appropriate level of influence, the members of the JAAC need to be of high calibre. When selecting new JAAC members, aptitude will be considered alongside relevant knowledge, skills, and experience.

Characteristics of JAAC membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable. To aid the JAAC in discharging their purpose, core functions and outputs, all Cheshire JAAC Members will be required to undergo appropriate training, as and when required by the PCC and the Chief Constable, which will be funded by the Authority.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the PCC and Chief Constables objectives.
- Financial awareness and awareness of current accounting issues and the principles of risk management and governance.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants

- maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise, and interest in the work of the JAAC and the willingness and ability to keep up to date with new developments relevant to policing and the OPCC both nationally and locally.

While expertise in the areas within the remit of the JAAC is very helpful, the attitude of JAAC members and willingness to have appropriate training are of equal importance. Understanding of the objectives and current significant issues for the police service and OPCC at a local and national level should be present or be acquired as soon as possible after appointment to the JAAC.

The appointment of new members on the committee should consider the overall knowledge and expertise of the existing members.

Cheshire JAAC will comprise a maximum of five independent members, including the Chair, who are independent of the PCC and the Chief Constable. A minimum of two members must attend for the meeting to be deemed quorate.

Members will be appointed by the PCC and Chief Constable. The initial term of office will be 3 years with up to a further 3 years renewed on an annual basis. The PCC and Chief Constable will appoint the Chair from amongst the members.

In the event of any dispute between JAAC members, this will be settled by a majority vote. In the event of an equal split vote the Chair will have the deciding vote.

Engagement and outputs

The JAAC will be established and supported to enable it to address the full range of responsibilities within its terms of reference and operating principles.

To discharge its responsibilities effectively, the JAAC will:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officers (s151 officers), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer. These officers should also be able to

access the JAAC members, or the chair, as required

- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the Chief Constable in relation to operational policing matters.
- support transparency, reporting regularly on its work to those charged with governance
- report annually at a JAAC meeting on how the JAAC has complied with their terms of reference and operating principles and include an assessment of its performance. This should include an evaluation of its impact and an identification of areas for improvement. This review may be a self-assessment or an external review. The report should be available to the public.

Arrangements for Meetings

The OPCC will provide administrative support for meetings of the JAAC.

The dates of JAAC meetings will be published on the PCC website. Additional meetings may be convened by two or more members having consulted the PCC and Chief Constable in writing.

The JAAC is not subject to the Local Government Access to Information legislation but is subject to the Freedom of Information Act. In the interests of transparency, it will meet publicly, except when considering restricted information, when it will meet privately.

The minutes of each JAAC will be presented to the PCC and Chief Constable for discussion prior to circulation and will be agreed at the next JAAC meeting.

Right of Attendance

The PCC, the Chief Constable and their Statutory Officers have the right of attendance at the JAAC meetings. Other relevant officers may also attend, if necessary, to brief the JAAC directly on specific items.

Either prior to JAAC meetings or at the end of the formal agenda, the JAAC will have the opportunity for separate private meetings with the Internal & External Auditors and Statutory Officers. The JAAC should meet with Internal and External Audit at least annually, without officers being present.



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

Draft Internal Audit Plan 2024/2025

Contents

- 1. Executive Summary
- 2. Your Assurance, Anti-Fraud and Solutions Service
- 3. Supporting you through Adding Value
- 4. Understanding Your Vision, Objectives & Risks
- 5. Internal Audit Risk Assessment
- 6. Internal Audit Plan On A Page
- 7. Operational Internal Audit Plan 2024/25

Appendix A: Strategic Three-Year Internal Audit Plan

Appendix B: Internal Audit Key Performance Indicators

Your Internal Audit Team



Anne-Marie Harrop
Engagement Lead
07920 150313
Anne-
Marie.Harrop@miaa.nhs.uk

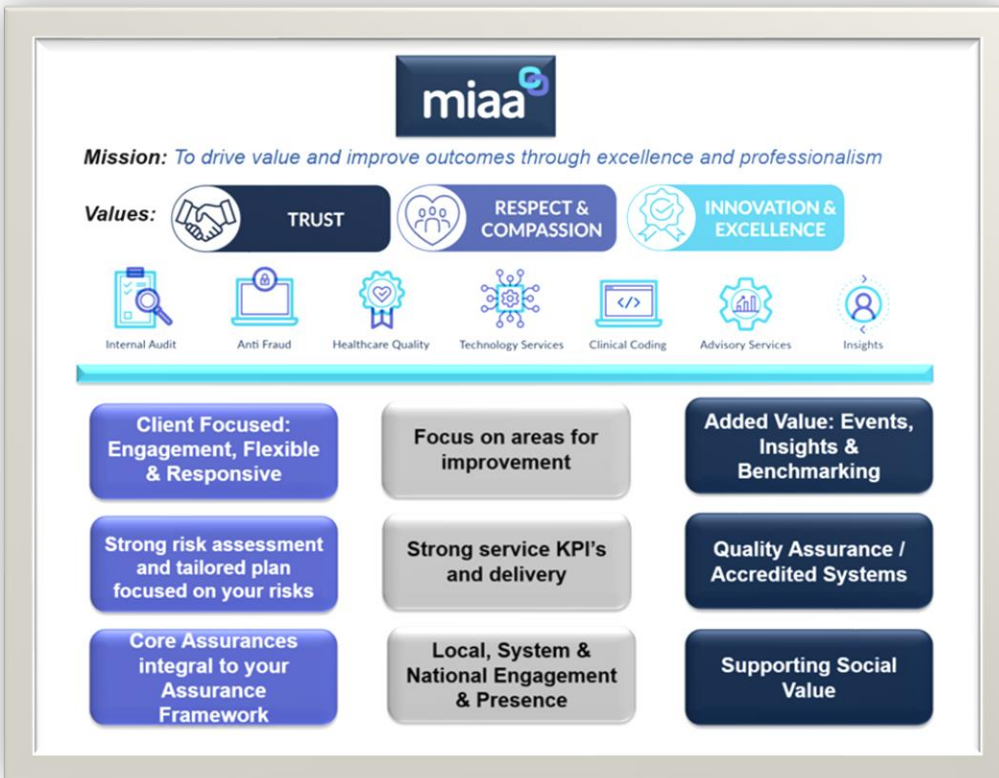


Charles Black
Delivery Manager
07554332410
Charles.Black@miaa.nhs.uk

1 Executive Summary

1.1 Working in partnership with you

MIAA Assurance, providing cost effective assurance, insight and foresight. These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience.



miaa

Mission: To drive value and improve outcomes through excellence and professionalism

Values: TRUST, RESPECT & COMPASSION, INNOVATION & EXCELLENCE

Internal Audit, Anti Fraud, Healthcare Quality, Technology Services, Clinical Coding, Advisory Services, Insights

Client Focused: Engagement, Flexible & Responsive	Focus on areas for improvement	Added Value: Events, Insights & Benchmarking
Strong risk assessment and tailored plan focused on your risks	Strong service KPI's and delivery	Quality Assurance / Accredited Systems
Core Assurances integral to your Assurance Framework	Local, System & National Engagement & Presence	Supporting Social Value

1.2 Your Risk Assessment

A strong risk assessment underpins the Internal Audit Plan. This has focused upon your Strategic Risk Register as this represents both Cheshire Constabulary and the Office of the Police and Crime Commissioner for Cheshire's own assessment of the risks to achieving strategic priorities. These are summarised in Appendix A. We have clearly set out the risks which have been prioritised within the audit plan and those which are not.

1.3 Your Internal Audit Plan

Your Internal Audit service includes core assurances, national and regional risk areas and strategic risks from your Risk Register. The draft plan is based on an initial risk assessment and provides indicative coverage for the organisation. The plan will remain flexible to allow for responses to emerging challenges that the organisation may face.

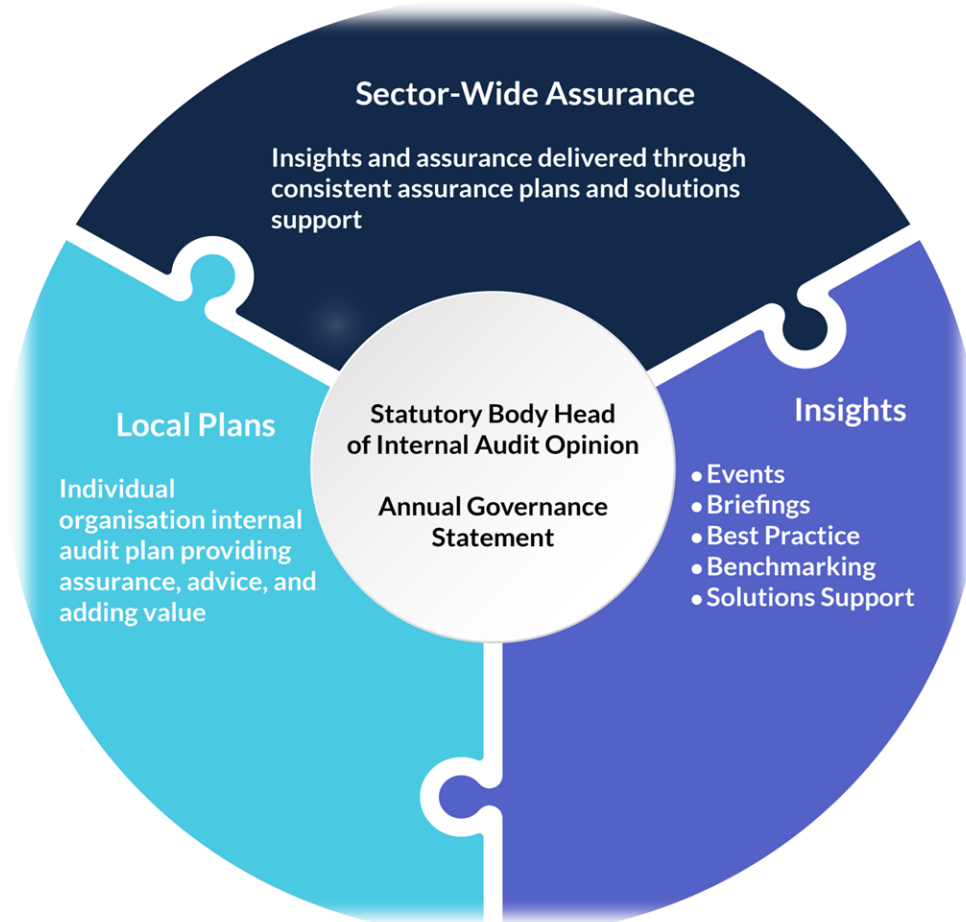
Your operational annual plan in Section 5 forms part of the organisation's three-year Strategic Plan (shown in Appendix A). This will be reviewed as part of our ongoing risk assessment process to ensure that it remains focused on the organisation's key risks and challenges and adds value.

We will actively engage across the organisation to ensure we have a full and detailed understanding of your risks and can ensure we focus our work to best effect.

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

The fees for 2024/25 are £34,020

2 Your Assurance, Anti-Fraud and Solutions Services



Internal Audit, Assurance and Solution Plans

The public sector landscape in England continues to change, and the impact of COVID-19, international and economic challenges are likely to be felt for many years to come.

Our vision is for MIAA to continue to be a Trusted Advisor through the retention of personalised, local focus and relationships with the added benefits provided by an at scale provider.

This is about MIAA continuing to build on its shared services capability to create a comprehensive offering, which provides insight, adds value and supports transformational change whilst operating efficiently.

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

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

3 Supporting you through Adding Value

Insights & Benchmarking

- Topical Briefings
- Assurance Checklists
- Through the Audit Committee Lens
- Benchmarking, shared learning & best practice

Events, Groups & Networks

- TIAN: The Internal Audit Network
- Police Audit Group
- Collaborative Masterclasses
- Representation at local, regional and national level across range of networks & professional bodies



Specialist Services

- Included within the Core IA Plan:
 - ✓ Digital
 - ✓ Capital & Estates
 - ✓ Business Intelligence & Data Analytics
- Highly experienced, professional and qualified teams
- Extensive Solutions Consultancy service

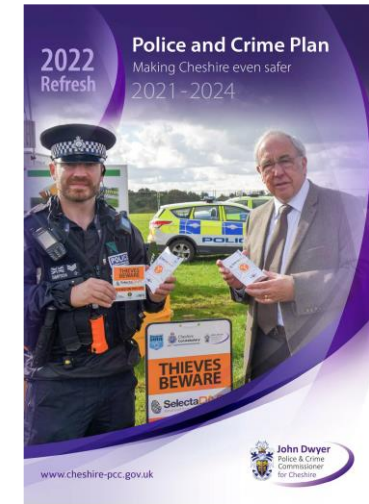
Accreditations



4 Understanding Your Vision, Objectives & Risks

Understanding Your Vision, Objectives and Risks

A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your objectives. This in turn ensures that the assurances provided are built around your risks.



Assurance Built Around Your Risks

- Financial sustainability
- Crime recording
- Professional Standards
- Delivery of Police and Crime plan priorities
- Workforce
- Cyber and IT resilience
- Sustainability – Fleet and Estates

We map your strategic objectives and strategic risks to the 3 Year Strategic Internal Audit Plan (Appendix A). This is reviewed as part of the risk assessment process to ensure that the plan remains focused on the organisation's key risks and challenges and adds value.

Your priorities for policing and crime

PRIORITY	Prevent and tackle crime	<ul style="list-style-type: none"> ✓ Tackle ASB, neighbourhood and property crime ✓ Disrupt serious and organised crime ✓ Prevent violent crime ✓ Protect rural communities ✓ Tackle cyber crime and online scams ✓ Tackle business and retail crime
PRIORITY	Make Cheshire's roads safer	<ul style="list-style-type: none"> ✓ Work together to educate road users ✓ Raise awareness of what causes collisions ✓ Reduce speeding ✓ Tackle dangerous and inconsiderate driving
PRIORITY	Deliver justice for victims of crime	<ul style="list-style-type: none"> ✓ Support victims at every stage of the process ✓ Ensure every crime is recorded accurately ✓ Increase 'Action Taken' on crime ✓ Reduce reoffending
PRIORITY	Protect vulnerable and at-risk people	<ul style="list-style-type: none"> ✓ Tackle violence against women and girls ✓ Extend mental health support ✓ Protect children and young people ✓ Protect adults at-risk ✓ Tackle hate crime and bullying
PRIORITY	Improve public confidence in policing	<ul style="list-style-type: none"> ✓ Deliver a visible police service ✓ Make it easier to contact the police ✓ Represent the diversity of our communities
PRIORITY	Modernise our police services	<ul style="list-style-type: none"> ✓ Review the police estate ✓ Latest technology for officers, staff and volunteers ✓ Increase opportunities for volunteers ✓ Deliver a visible service ✓ A carbon neutral Constabulary by 2030

5 Internal Audit Risk Assessment

The internal audit plan is built from a risk assessment which has considered national and local risks and your local strategic risk assessment, along with our breadth of experience and understanding of the challenges you face.

A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your priorities. This in turn ensures that the assurances provided are built around your risks.

The initial strategic risk assessment and internal audit risk assessment has considered:

- **Organisation intelligence** – including review of your Strategic Risk Register, Police and Crime Plan 2021-2024 and operational plans and performance.
- **Benchmarking and national Police Audit Group mapping** – MIAA are part of the Police Audit Group (PAG) where we gain insight and share learning across audit providers working within the police sector.
- **Assurance mapping** – utilisation of the 3 lines of assurance model and professional standards to ensure focused coverage.
- **Mandated assurance** – including core systems assurances and Public Sector Internal Audit Standards requirements.
- **Previous Internal Audit coverage** – we have reviewed your previous Internal Audit coverage to ensure the proposed plan does not duplicate coverage.
- **Follow Up** – Internal Audit coverage will also include follow up of outstanding internal audit actions.



6 Internal Audit Plan on a Page

For the OPCC for Cheshire and Cheshire Constabulary this is the planning approach we will adopt:

Planning Approach

- Risk Assessment of the external environment, system and organisation (including your Strategic Risk Register and Police and Crime Plan).
- Engagement of the OPCC and Constabulary Senior Leadership to discuss priorities and confirm the plan.
- Coverage of Critical Business Systems to support organisation’s objectives through the strategic internal audit plan.
- Provision of sufficient resources and expertise.
- Compliance with Public Sector Internal Audit Standards (PSIAS).

Your Plan

The outcome of your risk assessment is summarised below:

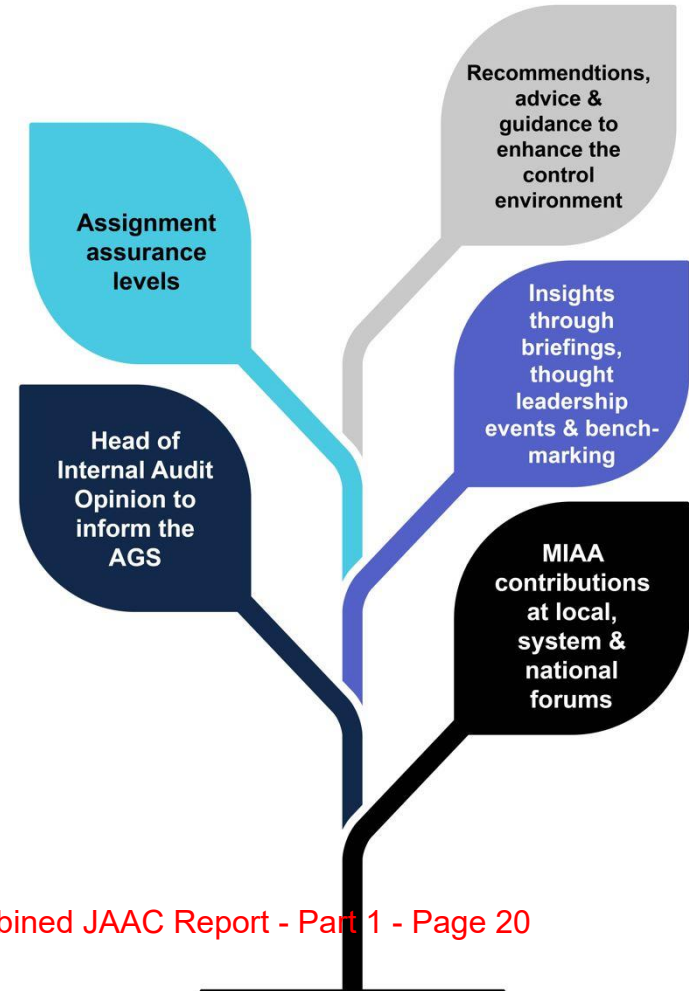
Organisational Reviews
 Provision of assurances across core and risk-based reviews

- **Key Financial Systems**
- **National Fraud Initiative**
- **Professional Standards**
- **Crime Recording**
- **Commissioner Community Funding**
- **Protecting Vulnerable People**
- **Critical Apps**

Follow Up and Contingency

Outcomes

Added Value



5 Operational Internal Audit Plan 24/25

Review & Scope	Risk / Rationale	Planned Delivery	Lead
Governance, Risk & Legality			
Commissioner Community Funding: To provide assurance in respect of the effectiveness of systems and processes in place for the management of community funding within the Office of the Police and Crime Commissioner.	Police and Crime Plan 2021 – 2024	Q4	OPCC/Chief Constable
Finance & Sustainability			
Key Financial systems: To provide assurance that the most significant key financial controls are appropriately designed and operating effectively in practice.	Core Assurance/ Joint Strategic Risk Register	Q3	OPCC/Chief Constable
National Fraud Initiative: Preparation for the release and investigation of the outcome of the NFI data match exercise.	Mandated Requirement	Q4	OPCC/Chief Constable
Compliance			
Professional Standards: To provide assurance on the systems in place with regards to reporting wrongdoing, unethical or unprofessional behaviour and an evaluation of the processes in place for the management and escalation of reports.	Police and Crime Plan 2021 – 2024/Joint Strategic Risk Register	Q2	OPCC/Chief Constable
Crime Recording: To provide assurance of the systems and processes in place with regards to recording incidents and the mechanisms in place for assuring data quality.	Police and Crime Plan 2021-2024/ Joint Strategic Risk Register	Q3	OPCC/Chief Constable

Review & Scope	Risk / Rationale	Planned Delivery	Lead
People & Performance			
Protecting Vulnerable People: To provide assurance that the Constabulary has a system in place which achieves a collective understanding of vulnerability, highlights and mitigates risk, and plans activity that will respond to the needs of the full range of vulnerable people. This could focus on any one of the following areas: Child Protection, OCAIT, Hate Crime and Bullying, Mental Health, Older People, VAWG.	Police and Crime Plan 2021 – 2024 / Joint Strategic Risk Register	Q1	OPCC/Chief Constable
Information Governance			
Critical Applications: To provide an assessment of the effectiveness of the control framework associated with the designated system and associated data flows.	Core Assurance	Q2	OPCC/Chief Constable
Follow Up & Contingency			
Follow up and Contingency	PSIAS requirement	Q1 – Q4	OPCC/Chief Constable
Planning & Reporting			
Planning, Management, Reporting & Meetings	PSIAS requirement	Q1 – Q4	OPCC/Chief Constable

The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Audit Committee. A formal 6 month review of the plan will also take place.

The following risk areas were identified as part of the annual risk assessment, but are not currently prioritised within the Internal Audit Plan coverage.

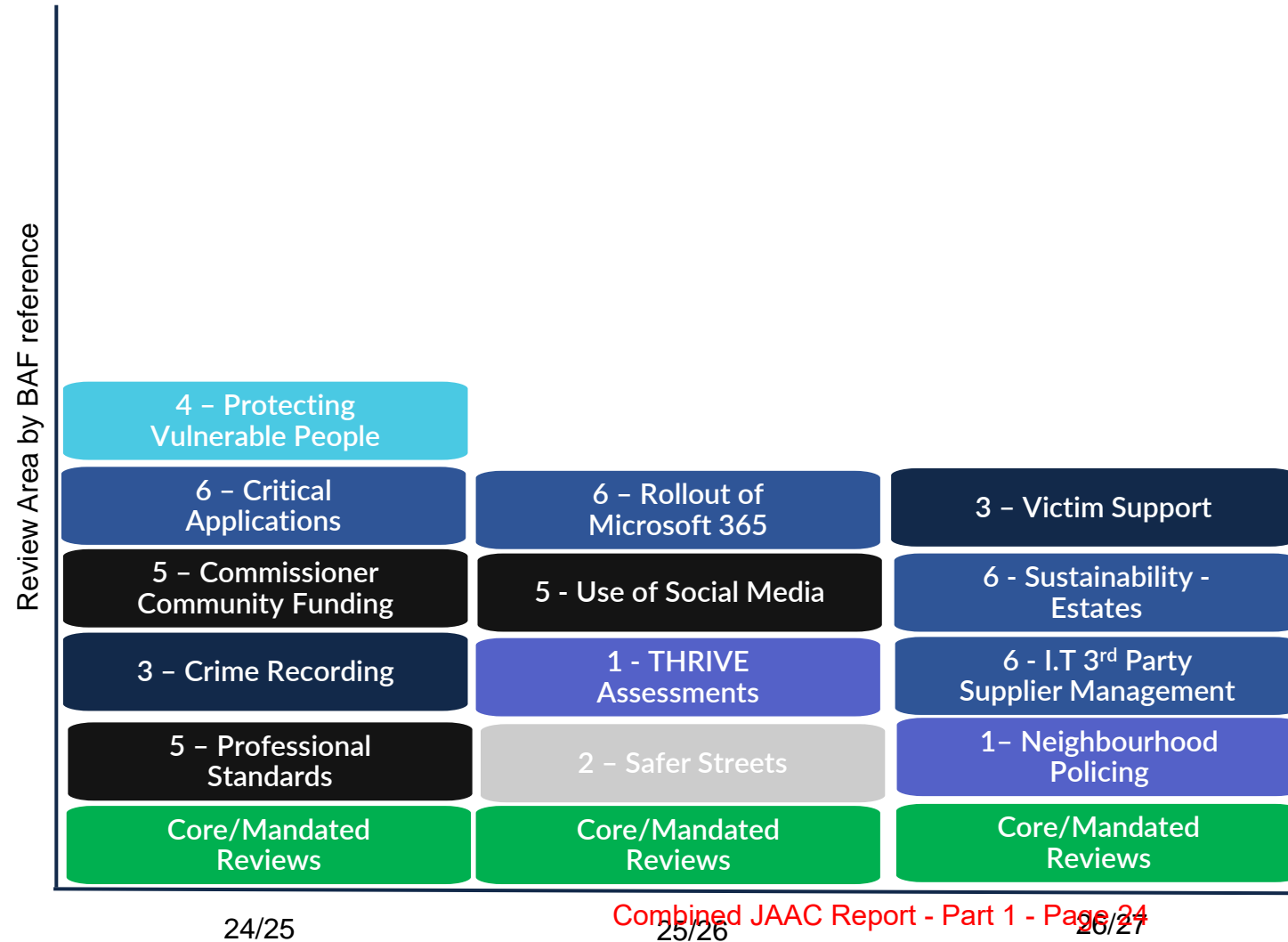
Risk Area	Review Origin	Rationale
THRIVE Assessments	Management Request	Limited days available in plan
Neighbourhood Policing	Management Request	Covered in prior year LPU audits – consider 26/27
Roll out of M365	Risk Assessment / Management Request	To consider for 2025/26
Use of Social Media	Risk Assessment	To consider for 2025/26

The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Audit Committee. A formal 6 month review of the plan will also take place.

Appendix A – 3 Year Strategic Internal Audit Plan

We have mapped the Police and Crime Plan objectives and your strategic risks to the 3 Year Strategic Internal Audit Plan. This will be reviewed as part of the risk assessment process to ensure that it remains focused on the organisation’s key risks and challenges and adds value.

Ref	Police and Crime Plan Objectives
1.	Prevent and tackle crime
2.	Make Cheshire’s roads safer
3.	Deliver justice for victims of crime
4.	Protect vulnerable and at-risk people
5.	Improve public confidence in policing
6.	Modernise our Police service



Appendix B – Internal Audit Key Performance Indicators

An efficient and effective internal audit service is delivered in partnership. It is important that clear expectations are established and a range of KPIs are in place to support this. It is important that organisations ensure an effective Internal Audit Service. Whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. Our annual Head of Internal Audit Opinion will provide you with a range of impact and effectiveness measures, as well as confirmation of our compliance with Public Sector Internal Audit Standards and accreditations. In addition, the following operational KPIs have been proposed for you.

Operational KPI	Target	Measurement and Frequency
Agreement of Annual Plan prior to the start of the year	100%	Annual (measured as per agreed Audit Committee date / Audit Committee Workplan)
Completion of annual plan within agreed timetable and budget	100%	Annual (measured through HOIA opinion) plus in year reporting to Audit Committee
Presentation of the Head of Internal Audit Opinion to the Audit Committee	100%	Annual (measured as per agreed Audit Committee date / Audit Committee Workplan)
Delivery of audit reports to audit committee as per the plan	100%	Quarterly (measured as per annual operational delivery plan)
Terms of reference agreed with management at least 10 working days before commencement of audit	100%	Quarterly (measured as per TeamMate system) – requires MIAA and organisation to deliver KPI (for urgent requests this may be shorter depending on the nature of the request)
Draft reports issued within 10 days of completion meeting	100%	Quarterly (measured as per TeamMate system)
Final audit report issued within 10 days of receiving management response	100%	Quarterly (measured as per TeamMate system)
Final audit reports are agreed by the nominated executive director, who will ensure consultation has taken place with relevant organisation officers	100%	Quarterly (measured as per annual operational delivery plan)
Receipt of all internal audit reports in accordance with timelines for Audit Committee publication with completed cover sheets as required	100%	Quarterly (measured as per agreed Audit Committee dates)
Proportion or recommendations accepted by management	95%	Quarterly (measured as per TeamMate system) – the target allows for advisory recommendations (we would expect 100% of high risk recommendations).
Monitor and Follow Up implementation of accepted recommendations by due date	95%	Quarterly (measured through follow up reports) - requires organisation and MIAA to deliver KPI
Issue of client satisfaction survey following completion of each review	100%	Quarterly (measured as per agreed Audit Committee dates)
Operation of systems to ISO Quality Standards and compliance with Public Sector Internal Audit Standards.	100%	Quarterly (measured as per agreed Audit Committee dates)
Commitment to training and development of audit staff. Maintenance of 65% Qualified (CCAB, IIA etc) 35% Part Qualified	100%	Quarterly (measured as per agreed Audit Committee dates)

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Limitations

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

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



The Joint Audit Findings for Cheshire Police

Year ended 31 March 2023

The Police and Crime Commissioner for Cheshire and Chief Constable for Cheshire

27 September 2023 - Draft

Updated as final 22 December 2023



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Your key Grant Thornton team members are:

Michael Green

Key Audit Partner

T 0161 953 6382

E michael.green@uk.gt.com

Liz Luddington

Audit Manager

T 0161 953 6410

E liz.a.luddington@uk.gt.com

Chelsey Taylor

Audit In-Charge

T 0151 224 2425

E chelsey.l.taylor@uk.gt.com

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the PCC and Chief Constable as those charged with governance, at the 27 September JAAC meeting.

Michael Green

Name: Michael Green

For Grant Thornton UK LLP

Date: 27 September 2023 and 22 December 2023

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC and Chief Constable or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the Police and Crime Commissioner for Cheshire ('the PCC') and the Chief Constable for Cheshire and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2023 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the financial statements:

- give a true and fair view of the financial positions of the PCC and Chief Constable's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated

Our audit work was completed both on site and remotely during July-September. Our findings are summarised on pages 5 to 19. We have identified one adjustment to the financial statements of the Chief Constable in respect of pensions that has resulted in a £42m adjustment to the Chief Constable's Comprehensive Income and Expenditure Statement. This same adjustment has resulted in a £1m adjustment to the PCC's Comprehensive Income and Expenditure Statement. This adjustment resulted in a £41m adjustment to the group Comprehensive Income and Expenditure Statement. There was also a subsequent pensions adjustment to allow for part-year inflation on the calculation of the Police Pension Scheme, which led to a £34m adjustment. Audit adjustments are detailed in Appendix D.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is now complete and there are no matters of which we are aware that would require modification of our audit opinion for the PCC's financial statements (including the financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements [Appendix I and Appendix J] or material changes to the financial statements].

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisations and the financial statements we have audited.

Our anticipated financial statements audit report opinions will be unmodified. Our work on the PCC's and Chief Constable's value for money (VFM) arrangements is also complete and was reported to the November JAAC meeting. We identified no significant weaknesses in the PCC's and Chief Constable's arrangements in our Auditor's Annual Report (AAR).

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our work on the PCC's and Chief Constable's value for money (VFM) arrangements is now complete and was reported to the November JAAC meeting. We identified no significant weaknesses in the PCC's and Chief Constable's arrangements in our Auditor's Annual Report (AAR).

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the PCC and Chief Constable's VFM arrangements, which will be reported in our Auditor's Annual report in December 2023, and upon completion of our Whole of Government Accounts reporting, the timetable for which has not yet been issued.

Significant matters

We identified IFRIC14 and the recognition of a pension asset as a new risk during the course of our work, as detailed on page 11 of our report and we also noted management's expert on the Police Pension Scheme did not allow for part-year inflation. We also had some issues with the land and buildings valuations, as detailed on page 8.

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the PCC and Chief Constable for their support in working with us to resolve any delays with the valuer's response and working constructively with us in respect of the recognition of any LGPS pension asset to allow a timely audit.

2. Financial Statements

Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the PCC and Chief Constable as those charged with governance, at the 27 September JAAC meeting.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group/ PCC and Chief Constable's business and is risk based, and in particular included:

- An evaluation of the PCC's and Chief Constable's internal controls environment, including their IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as presented to you on 26 July 2023, to reflect the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have now assessed the recognition and valuation of the pension asset as a risk.

Conclusion

We have now completed our audit of your financial statements and issued an unqualified audit opinion on the financial statements of both the PCC and the Chief Constable on 22 December 2023.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on page 4, during the course of the audit both your finance team and our audit team faced audit challenges this year, particularly with the change in systems and our additional journals testing land and buildings valuations and assessing the limitations of any pension surplus in accordance with IFRIC14. This resulted in us having to carry out additional audit procedures, as summarised on page 30 to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as presented to the JAAC meeting in our audit plan on 26 July 2023.

We set out in this table our determination of materiality for the PCC, Chief Constable and group.

	Group (£)	PCC (£)	Chief Constable (£)	Qualitative factors considered
Materiality for the financial statements	6,476	5,208	6,296	Materiality equates to 2% of your prior year gross expenditure for the PCC. This assessment reflects the fact that you operate in a stable, publicly funded environment and no significant control deficiencies have been identified. Whilst we calculate separate materiality for the Group, PCC and CC, we use the lowest of the three for our overall financial statements planning.
Performance materiality	4,857	3,906	4,702	Quality of working papers in prior year and client's response to audit processes and a stable, robust control environment.
Trivial matters	324	260	313	5% of materiality and the amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration	60	60	60	2% of total value disclosed, reflecting public sensitivity and interest in the pay of senior staff within the public sector.

We have determined financial statement materiality based on a proportion of the gross expenditure of the group, the PCC and the Chief Constable for the financial year. In the prior year we used the same benchmark. For our audit testing purposes we apply the lowest of these materialities, which is 5,208k (PY 5,208k), which equates to 2% of the PCC's gross expenditure or the year.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
Management override of controls	PCC / Chief Constable / Group	<p>We have</p> <ul style="list-style-type: none">evaluated the design and implementation of management controls over journals;analysed the journals listing and determined the criteria for selecting high risk unusual journals;identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; andgained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included:</p> <ul style="list-style-type: none">Post year-end journalsMaterial journals across the yearYear-end journalsYear-end income and expenditure accrual journalsJournals reducing expenditure around the year-endJournals posted by senior management <p>Application of these routines and supplementary procedures identified a total sample of 29 journals to test.</p> <p>Our audit work has not identified any issues in respect of management override of controls. However, we did note that following the implementation of Unit 4 there was an issue in being able to readily identify who had originally posted journals and therefore have raised a recommendation in respect of this – see Appendix B. In addition, we had to perform additional procedures due to some issues post implementation leading to a third party (Unit 4) posting journal transactions directly into Cheshire Police’s ledgers. In response to this, we tested a further sample of 19 journals with no matters identified to report.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of land and buildings</p> <p>The OPCC revalues land and buildings on a rolling five-yearly basis. The valuation represents a significant estimate made by management in the financial statements due to the size and value of the asset base, being £142million as at 31 March 2023 (£135m at 31 March 2022), and the sensitivity of the estimate to changes in key assumptions.</p> <p>Management will need to ensure that the carrying value in the PCC's and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>PCC and Group</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and tested revaluations made during the year to see if they had been input correctly into the Authority's asset register. <p>Page 12 provides a detailed assessment of the estimation process for the valuation of the property, plant and equipment.</p> <p>At the time of writing, we have not completed our work in this area but we hope to be in a position to give an update at the JAAC meeting.</p> <p>Our audit work identified that the BCIS rates used by the valuer were based on forecast rates for March 2023 at the time the valuation was conducted. The BCIS rates applied by the valuer are a key assumption in determining the valuation of a substantial portion of the Authority's asset base, being applied to assets assessed as specialised in nature. Our work to review the appropriateness of assumptions, including the BCIS rates used, has identified that the most recent information for March 2023 shows an increase in the rate. We also noted that the valuer used the incorrect location factor for some police stations which would impact on the valuation. The revised valuation difference was a trivial amount in the end (£189k) so is not noted as an adjustment but there is a recommendation in respect of it in Appendix B.</p> <p>Following recent press coverage related to the existence of Reinforced, Autoclaved Aerated Concrete (RAAC) within public buildings, we have enquired as to the use of this construction method within Authority buildings in order to consider the potential impact on valuations. Management have confirmed there is only one building with a small element of RAAC, which has identified sometime ago and has had remedial action, within the property portfolio.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p>Valuation of pension fund net liability</p> <p>The PCC's and Chief Constable's 's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1.7bn at March 23 and £2.6bn at March 22) and sensitivity of the estimate to changes in the key assumptions.</p> <p>The actuarial assumptions used are the responsibility of the entities but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular, the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 1.5% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the PCC's and Chief Constable's pension fund net liability as a significant risk.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS has been adopted, the PCC and Chief Constable has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a risk, see page 11.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p>	<p>PCC / Chief Constable / Group</p>	<p>We have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report; agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; asked for assurances from the auditor of Cheshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the Cheshire Pension Fund financial statements; and tested the data provided to the actuary of the Police Pension Scheme. <p>Pages 13-14 provide a detailed assessment of the estimation process for the valuation of the pension fund net liability. The assumptions used in calculating the net pension liability/surplus of both schemes are considered to be in line with expectations and at this stage we have not identified any issues with the estimation process.</p> <p>Our work is now complete. We have identified issues in respect of the impact of IFRIC14 and this is discussed on page 11, as it was identified as a new risk during the audit and there was also a pensions adjustment to allow for part-year inflation on the calculation of the Police Pension Scheme, which led to a £34m adjustment.</p>

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Relates to	Commentary
At the end of Q1 22/23 Cheshire Police swapped their ledger system from Oracle to Unit 4 as a result of the closing down of MFSS (Multi Force Shared Services). As this was a mid-year transfer there is a risk that data may not be migrated from one ledger to the other appropriately.	PCC / Chief Constable / Group	<p>We have:</p> <ul style="list-style-type: none">performed procedures on the transfer of ledger and identified no pervasive control issues;reviewed the balances transferred from one ledger to the other and gained assurance over the “opening balances” of the new ledger from the old ledger and ensure the accuracy and completeness of the financial information; andcompleted an information technology (IT) environment review to document, evaluate and test the IT controls operating within the general ledger system. <p>Our testing identified no issues in terms of the transfer from one ledger to the other, however as mentioned on page 7 we did note that following the implementation of Unit 4 there was an issue in being able to readily identify who had originally posted journals and therefore have raised a recommendation in respect of this. In addition, we had to perform additional procedures due to some issues post implementation leading to a third party (Unit 4) posting journal transactions directly into the ledger.</p>

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>Valuation of LGPS pension surplus</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk as the group's draft accounts included a £41m pension asset for the LGPS.</p>	<p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p> <p>We have:</p> <ul style="list-style-type: none"> • challenged management on the presentation of any pension asset; • received calculations from the actuary's assessing any asset ceiling in place potentially reducing the amount of any asset recognised and reperformed those calculations; • challenged the actuary on the assumptions used within that calculation; and • assessed the sufficiency of the financial statement disclosures provided in respect of the pension surplus. 	<p>The Authority had not fully considered the potential impact of IFRIC14 before any audit challenge and this has led to the following adjustments:</p> <ul style="list-style-type: none"> • Reclassification of pension surplus from liabilities to assets on the face of the balance sheet; • Adjustment to limit the amount of asset recognised; • Additional disclosures in respect of the pension surplus and impact of IFRIC14. <p>Please see Appendix B for action plan and D for adjustments proposed.</p>

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £130m	PCC / Group	<p>Management outsource the valuation of their land and buildings to an appropriately qualified external valuer, Bruton Knowles LLP.</p> <p>The valuations are undertaken on a 5 year rolling programme, the Police tender a 5 year contract for the revaluations. In year 1, a full valuation is undertaken and then a desktop valuation is undertaken in the 4 subsequent years, until a full valuation is again due to be undertaken.</p> <p>All Land and Buildings are revalued each year in line with the Entity's revaluation programme. The Valuation provided is at 31/03/22.</p> <p>Assumptions are selected by the valuer in accordance with the Valuation – Global Standards of the Royal Institution of Chartered Surveyors (RICS). Management review these assumptions and challenge where necessary.</p> <p>The total year end valuation of land and buildings was £130m, a net increase/decrease of £4m from 2021/22 (£126m).</p>	<p>We have:</p> <ul style="list-style-type: none"> deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work; assessed the competence, capability and objectivity of management's experts; tested the completeness and accuracy of the underlying information used to determine the estimate; worked with the valuers to understand the basis on which the valuations were carried out and considered whether the requirements of the Code were met; considered the potential impact of changes between valuation date and balance sheet date; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, for example by agreeing to 3rd party RICS information; tested revaluations to confirm that they had been input correctly into the Service's asset register; considered the reasonableness of changes in estimated values based on all of the available evidence and wider sector knowledge; and considered the adequacy of the disclosure of the estimates in the financial statements. <p>As noted on page 8, our work in this area is not yet finalised whilst we review the revised valuer calculations for the BCIS rates.</p> <p>The work performed to date does not indicate any lack of robustness in management's process for producing this estimate, although we have raised a recommendation in Appendix B.</p>	<p>● Light Purple</p>

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment																				
Net pension liability – police pension schemes £1,786m	PCC / Chief Constable / Group	<p>The PCC and Chief Constable's Local Government Pension Scheme net pension liability at 31 March 2023 is £1,745m (PY £2,585m) [comprising the Local Government Pension Scheme obligations and unfunded defined benefit pension scheme obligations].</p> <p>The PCC and Chief Constable uses Hymans Robertson LLP and the Government Actuary's Department to provide actuarial valuations of the PCC's and Chief Constable's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022 for the LGPS and 2020 for the PPS.. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements. There has been a £995m net actuarial gain during 2022/23.</p>	<p>We have:</p> <ul style="list-style-type: none"> deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work; undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures as suggested in the report (continued overleaf); 	<p>● Light purple</p>																				
			<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value - LGPS</th> <th>Actuary Value - PPS</th> <th>Assessment by Auditors expert PwC</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.65%</td> <td>● - Assumptions considered reasonable</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.60%</td> <td>● - Assumptions considered reasonable</td> </tr> <tr> <td>Salary growth</td> <td>3.65%</td> <td>3.85%</td> <td>● - Assumptions considered reasonable</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Current 21.3 Future 22.6</td> <td>Current 21.9 Future 23.5</td> <td>● - Assumptions considered reasonable</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>Current 23.9 Future 26.2</td> <td>Current 23.5 Future 25</td> <td>● - Assumptions considered reasonable</td> </tr> </tbody> </table>		Assumption	Actuary Value - LGPS	Actuary Value - PPS	Assessment by Auditors expert PwC	Discount rate	4.75%	4.65%	● - Assumptions considered reasonable	Pension increase rate	2.95%	2.60%	● - Assumptions considered reasonable	Salary growth	3.65%	3.85%	● - Assumptions considered reasonable	Life expectancy – Males currently aged 45 / 65	Current 21.3 Future 22.6	Current 21.9 Future 23.5	● - Assumptions considered reasonable
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Assessment





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2. Financial Statements: key judgements and estimates





Significant judgement or estimate	Relates to	Summary of management's approach	Audit Comments	Assessment
Net pension liability – police pension schemes £1,786m (continued)	PCC / Chief Constable / Group		<p>Continued from page 13</p> <ul style="list-style-type: none"> assessed the competence, capability and objectivity of management's experts; tested the completeness and accuracy of the underlying information used to determine the estimate; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; considered the reasonableness of changes in estimated values based on all of the available evidence; and considered the adequacy of the disclosure of the estimates in the financial statements. <p>Our work is now complete and there were two pensions adjustments, firstly for IFRIC14 as discussed on page 11 and also to allow for part-year inflation on the calculation of the Police Pension Scheme, which led to a £34m adjustment</p> <p>Work performed to date does not indicate any lack of robustness in management's process for producing this estimate.</p>	<p>● Light purple</p>

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit 4	ITGC assessment (design and implementation effectiveness only)					N/A

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee and no issues were identified and we have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation have been requested from both the PCC and the Chief Constable, which are appended.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to confirm cash, investments and borrowing counterparties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the PCC's and Chief Constable's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements and minor adjustments to disclosures are detailed in Appendix D.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided, although as noted previously we had some difficulty getting extra information from the valuer and actuary.

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the PCC's and Chief Constable's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the PCC and Chief Constable and the environment in which they operate;• the PCC's and Chief Constable's financial reporting framework;• the PCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern; and• management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified for either the PCC or the Chief Constable; and• management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix I and Appendix J</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions.</p> <p>Cheshire Police are below the group reporting threshold of £2 billion determined by the NAO and therefore minimal work is required and will be completed at the point of issuing the audit opinion.</p>
Certification of the closure of the audit	<p>We intend issue the audit certificate to note the closure of the 2022/23 audit of the PCC for Cheshire and the Chief Constable for Cheshire in the audit reports, as detailed in Appendix I and J.</p>

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body 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 body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our Value for Money Work and findings are reported in the Auditor's Annual Report dated 22 December 2023.

As part of our work, we considered whether there were any risks of significant weakness in the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. No significant weaknesses were identified in completing our work in this area.



4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are in Appendix E, we confirm that there are no non-audit fees.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and Cheshire Police that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with Cheshire Police.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by Cheshire Police in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and Cheshire Police
Contingent fees in relation to non-audit services	No non-audit services are provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of Cheshire Police senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation – PCC
- H. Management Letter of Representation – Chief Constable
- I. Audit opinion – PCC
- J. Audit opinion - Chief Constable
- K. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud.	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan– Audit of Financial Statements

We have identified 3 recommendations for the group/PCC and Chief Constable as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	From discussions with the actuarial firms, we understand that the application of IFRIC 14 is not within their normal scope. As such, unless they are instructed otherwise by the employer, they will produce IAS 19 disclosures assuming there are no IFRIC 14 adjustments to any surplus or deficit. This means there is a risk that material adjustments are not factored into the IAS19 disclosures.	<p>We recommend that Cheshire Police instruct their actuary to calculate any potential asset ceiling under IFRIC14 where pension schemes are in surplus to ensure they are reflected in their IAS19 calculations.</p> <p>Management response</p> <p>The use of IFRIC14 is new to Cheshire Police for this year. It will be included in all future commissions from the Actuaries, in that should the IFRS19 calculation lead to a net asset, IFRIC14 consideration will be added to the calculation.</p>
Medium	During our audit testing we identified that the valuer did not always use the correct BCIS location rates for the buildings being valued, leading to an understatement of the asset value by £188k.	<p>We recommend that management instruct the valuer to confirm all rates used within their valuations are appropriate to the asset's location.</p> <p>Management response</p> <p>Significant work by both Finance and the Auditors has been required to complete the valuations, going forward Cheshire Police will consider how best to ensure that the valuation service it receives in relation to the completion of its accounts is improved.</p>
Low	During our journals testing we identified that it was not always possible to identify who had posted the journal as when they are approved, the system changes the poster to administrator. We were able to get assurance over the processes used in Unit 4 and access control but could not identify any unusual posters for example.	<p>We recommend that management look at whether there are any alternative reports available in Unit 4 to allow control checks on individual users to be performed.</p> <p>Management response</p> <p>While workarounds enabled the auditors to complete their tasks this year, an action has been added to the Unit 4 reporting workstream to provide a report the includes all the necessary data in time for the next audit.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of the PCC and Chief Constable for Cheshire's 2021/22 financial statements, which resulted in 1 recommendation being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented our recommendations. There is a further recommendation which has not been implemented as management believe they have suitable alternative arrangements

Assessment

- ✓ Action completed
- X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Our work on Property, Plant and Equipment revaluations identified that there are some differences between the floor plans and the floor areas used in the valuation process. As the floor area of buildings is a key factor in determination of value, it is important that this is kept under review and updated in order to ensure valuations are accurate.</p> <p>We recommend that the OPCC considers including a sample of land and buildings to be remeasured, perhaps on a rolling basis, as part of the valuer's scope.</p>	<p>Management confirmed that the valuer has built this into their programme and has remeasured some items during the 2022/23 Financial Year and will continue to do so over the contract period.</p>
✓	<p>Seized monies not being held in a separate bank account</p> <p>In accordance with the Proceeds of Crime Act (POCA) 2002, the CC holds monies on behalf of third parties arising from its operational responsibilities. Monies held under the POCA are correctly not accounted for on the balance sheet as the cash does not belong to the PCC at this stage.</p> <p>As part of our audit we identified POCA third party cash is co-mingled in the CC operational bank accounts from which payments and investments are made. As at 31 March, the POCA cash co-mingled in operational bank accounts with third party monies, the PCC is benefiting from several cashflow benefits, namely:</p> <ul style="list-style-type: none"> • higher interest rates on investments; and • reduced interest payments because the increased liquidity could result in the Authority not needing to borrow when it otherwise would <p>Given that the third-party cash does not belong to the PCC, we recommend that management set up a separate non-operational bank account for third party cash to be deposited and maintained. In doing so, the PCC would no longer inappropriately benefit from cash which is not theirs.</p> <p>The other reason we are recommending the PCC to stop co-mingling third party cash is that it reduces the risk of third-party cash being incorrectly recognised on the balance sheet. This is because the current process requires third party deposits to be manually identified and coded during the reconciliation process. There is a risk that third party deposits are missed during the bank reconciliation and inappropriately recognised on the PCC balance sheet. This risk is significantly reduced with a separate bank account for third party monies.</p> <p>We are satisfied based on our audit work that there is no material misstatement in the accounts because of third-party monies. Our recommendation is being made to reduce the risk of misstatement and strengthen the controls in place to ensure the propriety of third party assets held by the PCC. We have noted an adjustment on page 28 about reclassifying the amounts owed from cash to creditors.</p>	<p>This has been raised as a recommendation again in the current year.</p> <p>Management response</p> <ul style="list-style-type: none"> • All POCA monies are tightly managed through the receipt and processing of court orders. These are used to reconcile the holding account and payments from the funds. • There are clear processes in place to ensure that these holding accounts are not included in the Statement of Accounts and they are clearly noted to that effect. • Costs are incurred in holding bank accounts and the legislation requires repayment with interest if the monies are returned after the due legal process. A separate bank account would therefore cost both in charges and interest paid. Being part of the overall bank account means interest is earned to recompense accordingly. • Finally, to operate outside of main bank accounts would take POCA out of the finance system of controls/approval workflow which would increase the risk rather than mitigate.

D. Audit Adjustments- PCC

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Limitation of pension surplus recognised in accordance with IFRIC14	(1,098)	1,098	0	0
Overall impact	£(1,098)	£1,098	£0	£0

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Pension surplus and liability netted off	Show the pension surplus separately within assets	✓
Minor typographical changes	To update in the accounts	✓

D. Audit Adjustments - PCC



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The PCC is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Reclassification of third party monies held from cash to creditors	0	1,603 (1,603)	0	0	Materiality – will be considered for amendment in future years
Overall impact	£0	£0	£0	£0	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

D. Audit Adjustments- Chief Constable

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Limitation of pension surplus recognised in accordance with IFRIC14	£42,159	£(42,159)	0	0
Adjustment for recalculation of police pension liability to include part-year inflation	£34,020	£(£34,020)	0	0
Overall impact	£76,179	£(76,179)	£0	£0

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Pension surplus and liability netted off	Show the pension surplus separately within assets	✓
Minor typographical changes	To update in the accounts	✓

Impact of unadjusted misstatements

There are no unadjusted misstatements

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

Audit fees-	Chief Constable	PCC
2022/23 Scale fee published by PSAA	£14,863	£30,233
Additional work on Value for Money (VfM) under the new NAO Code	£2,000	£7,000
Increased audit requirements of revised ISA 540	£600	£1,200
Enhanced audit procedures on journals testing	£1,000	£2,000
Payroll change of circumstances	£500	£-
Additional IT related review and procedures for Oracle ledger	£-	£4,500
Increased audit requirements of revised ISAs 315/ 240	£1,250	£1,250
Procedures relating to new ledger implementation	£2,500	£2,500
Total proposed audit fees 2022/23 (excluding VAT)	£22,713	£48,683
Additional work on land and building valuations	£-	£1,000
Additional work on pensions and IFRIC14	£2,000	£2,000
Additional journals work in respect of Unit 4 directly posting journals into the ledger	£750	£750
Total audit fees (excluding VAT)	£25,463*	£52,433*

*Fee is subject to formal approval by PSAA and proposed fee has been agreed to the financial statements

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation - PCC

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Landmark,
St Peter's Square,
1 Oxford Street,
Manchester M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Grant Thornton UK LLP

Police and Crime Commissioner for Cheshire

Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of the Police and Crime Commissioner (PCC) for Cheshire and its subsidiary undertaking, the Chief Constable for Cheshire for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and PCC financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and PCC's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and PCC and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The PCC has complied with all aspects of contractual agreements that could have a material effect on the group and PCC financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the net pension liability and the valuation of land and buildings. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or

G. Management Letter of Representation - PCC

disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and PCC financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the [group and]PCC has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and PCC financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. We have updated our going concern assessment. We continue to believe that the group and PCC's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the group and PCC means that, notwithstanding any intention to cease the group and PCC operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and PCC's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and PCC's ability to continue as a going concern need to be made in the financial statements

xiv. The group and PCC has complied with all aspects of ring-fenced grants that could have a material effect on the group and PCC's financial statements in the event of non-compliance.

Information Provided

xv. We have provided you with:

G. Management Letter of Representation - PCC

- a. access to all information of which we are aware that is relevant to the preparation of the group and PCC's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the PCC via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and PCC, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the group and PCC's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the PCC's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the group and PCC's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the JAAC at its meeting on 27 September 2023.

H. Management Letter of Representation – Chief Constable

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Landmark,
St Peter's Square,
1 Oxford Street,
Manchester M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

Chief Constable for Cheshire

Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of the Chief Constable for Cheshire for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Constabulary financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Constabulary's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Constabulary and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Constabulary has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the net pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

H. Management Letter of Representation – Chief Constable

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Constabulary has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Constabulary's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Constabulary's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
- a. the nature of the Constabulary means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Constabulary's system of internal control has not identified any events or conditions relevant to going concern.
- We believe that no further disclosures relating to the Constabulary's ability to continue as a going concern need to be made in the financial statements
- xiv. The Constabulary has complied with all aspects of ring-fenced grants that could have a material effect on the Constabulary's financial statements in the event of non-compliance.
Information Provided
- xv. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Constabulary's financial statements such as records, documentation and other matters;

H. Management Letter of Representation – Chief Constable

- a. additional information that you have requested from us for the purpose of your audit; and
- b. access to persons within the Constabulary via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Constabulary and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Constabulary's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Constabulary's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Constabulary's financial and operating performance over the period covered by the Constabulary's financial statements.

Approval

The approval of this letter of representation was minuted by the JAAC at its meeting on 27 September 2023.

I. Audit opinion- PCC

Our audit opinion is included below. We anticipate we will provide the PCC with an unmodified audit report.

Independent auditor's report to the Police and Crime Commissioner for Cheshire

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Police and Crime Commissioner for Cheshire (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable for Cheshire (the 'group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account and Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2023 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Police and Crime Commissioner and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Police and Crime Commissioner and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Police and Crime Commissioner and the group to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Police and Crime Commissioner and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Police and Crime Commissioner and the group. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Police and Crime Commissioner and group and the Police and Crime Commissioner and group's disclosures over the going concern period.

I. Audit opinion- PCC

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Police and Crime Commissioner and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

I. Audit opinion- PCC

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Police and Crime Commissioner and the Chief Finance Officer

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Police and Crime Commissioner's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Police and Crime Commissioner and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Police and Crime Commissioner and the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act, 2003), the Police Reform and Social Responsibility Act 2011, the Public Service Pensions Act 2013, the Police Pension Fund Regulations 2006 and the Police Pensions Regulations 2015.

We enquired of management and the Police and Crime Commissioner concerning the Police and Crime Commissioner and group's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Police and Crime Commissioner whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of:

- management override of controls. We determined that the principal risks were in relation to journal entries that could be used to manipulate the Authority's financial performance for the year as well as potential management bias in determining accounting estimates for the valuation of land and buildings; and the net pension

liability.

I. Audit opinion- PCC

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on non-routine transactions, and journal entries falling within identified risk criteria including, journals posted by senior officers, material journals, large year-end journals, post year-end journals year-end accruals and journals reducing expenditure at the year-end,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the pension liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Police and Crime Commissioner and group including:
 - o the provisions of the applicable legislation
 - o guidance issued by CIPFA/LASAAC and SOLACE
 - o the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Police and Crime Commissioner and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Police and Crime Commissioner and group's control environment, including the policies and procedures implemented by the Police and Crime Commissioner and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

I. Audit opinion- PCC

Report on other legal and regulatory requirements – the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Police and Crime Commissioner’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor’s responsibilities for the review of the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Police and Crime Commissioner plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Police and Crime Commissioner ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Police and Crime Commissioner uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Police and Crime Commissioner has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

I. Audit opinion- PCC

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Police and Crime Commissioner for Cheshire for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Police and Crime Commissioner’s arrangements for securing economy, efficiency and effectiveness in its use of resources
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Police and Crime Commissioner for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Michael Green, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date:

J. Audit opinion- Chief Constable

Our audit opinion is included below. We anticipate we will provide the Chief Constable with an unmodified audit report.

Independent auditor's report to the Chief Constable of Cheshire

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the Chief Constable for Cheshire (the 'Chief Constable') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the police pension fund financial statements comprising the Fund Account and Net Assets Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Chief Constable as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Chief Constable in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Assistant Chief Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chief Constable's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Chief Constable to cease to continue as a going concern.

In our evaluation of the Assistant Chief Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Chief Constable's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Chief Constable. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Chief Constable and the Chief Constable's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Assistant Chief Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

J. Audit opinion- Chief Constable

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Chief Constable's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Assistant Chief Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Assistant Chief Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Chief Constable under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

J. Audit opinion- Chief Constable

Responsibilities of the Chief Constable and the Assistant Chief Officer

As explained more fully in the Statement of Responsibilities, the Chief Constable is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Assistant Chief Officer. The Assistant Chief Officer is responsible for the preparation of the Statement of Accounts, which includes 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Assistant Chief Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Chief Officer is responsible for assessing the Chief Constable's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Chief Constable without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Chief Constable and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act, 2003), the Police Reform and Social Responsibility Act 2011, the Public Service Pensions Act 2013, the Police Pension Fund Regulations 2006 and the Police Pensions Regulations 2015.

We enquired of management and the Chief Constable concerning the Chief Constable's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Chief Constable whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Chief Constable's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of:

- management override of controls. We determined that the principal risks were in relation to journal entries that could be used to manipulate the Authority's financial performance for the year as well as potential management bias in determining accounting estimates for the net pension liability.

J. Audit opinion- Chief Constable

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on non-routine transactions, and journal entries falling within identified risk criteria including, journals posted by senior officers, material journals, large year-end journals, post year-end journals, year-end accruals and journals reducing expenditure at the year-end,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the pension liability, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the police sector
- understanding of the legal and regulatory requirements specific to the Chief Constable including:
 - o the provisions of the applicable legislation
 - o guidance issued by CIPFA/LASAAC and SOLACE
 - o the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Chief Constable's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Chief Constable's control environment, including the policies and procedures implemented by the Chief Constable to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

J. Audit opinion- Chief Constable

Report on other legal and regulatory requirements – the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Chief Constable’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Chief Constable

The Chief Constable is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor’s responsibilities for the review of the Chief Constable’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Chief Constable has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Chief Constable plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Chief Constable ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Chief Constable uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Chief Constable has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

J. Audit opinion- Chief Constable

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Chief Constable for Cheshire for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Chief Constable for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the Chief Constable, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Chief Constable those matters we are required to state to the Chief Constable in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Chief Constable as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Michael Green, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date:

K. Audit letter in respect of delayed VFM work

J Dwyer, Police & Crime Commissioner

M Roberts, Chief Constable

27 September 2022

Dear Sirs,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than December 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Michael Green

Director



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

2022/23

22 December 2023



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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.



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 recommendation

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 issued an unqualified audit opinion on 22 December 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 issued an unqualified audit opinion on 22 December 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.

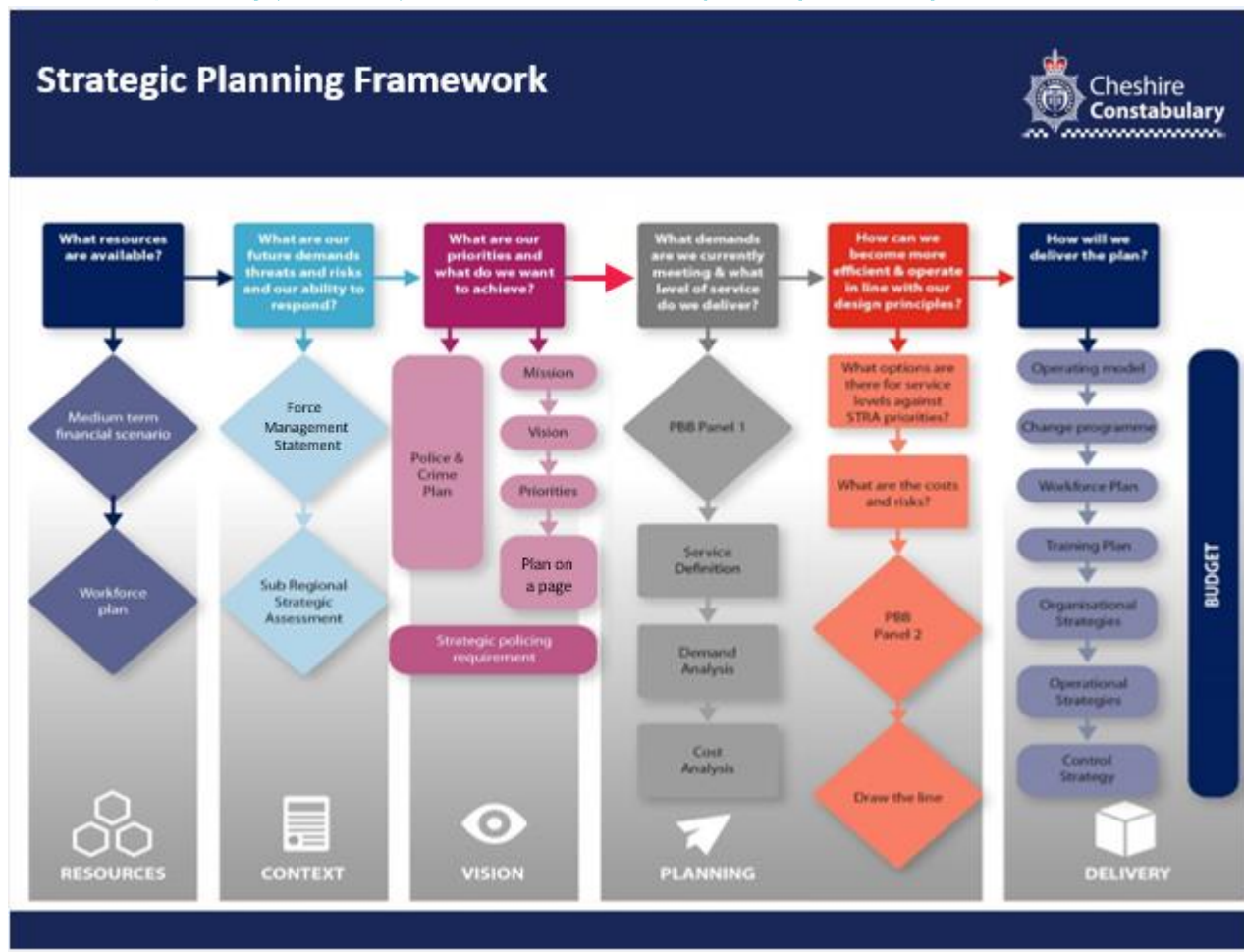
Financial planning and other operational plans

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

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



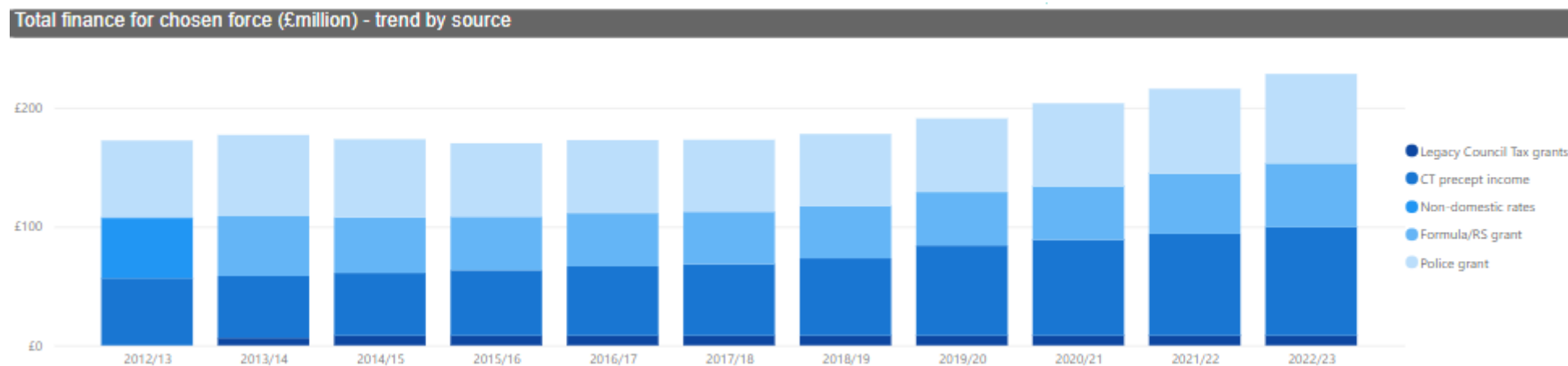
Financial sustainability

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

Key Financial Assumptions continued

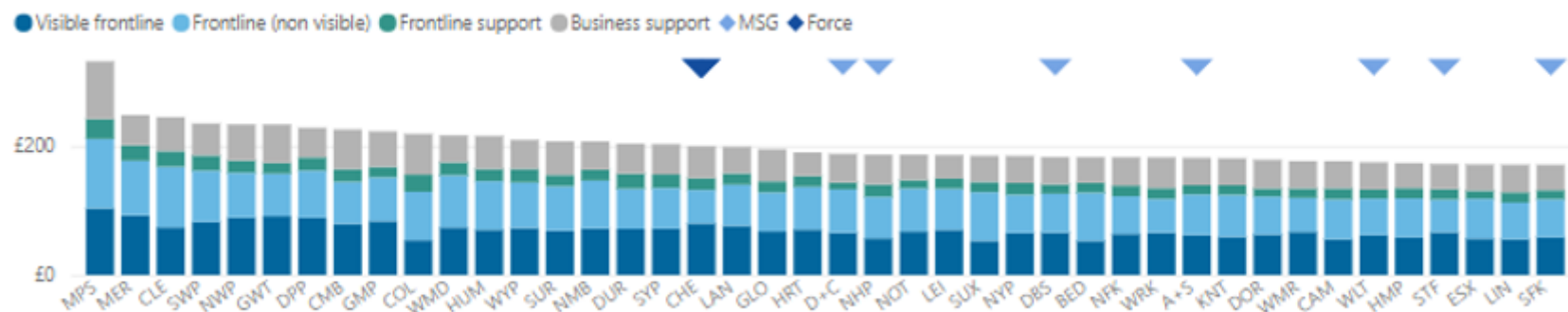
Pay is typically the largest area of expenditure for the Constabulary (around 75%), and hence forms a significant portion of the budget allocation from the PCC. The graphs below, again taken from the HMICFRS 2022/23 data show that Cheshire sits just above the middle of police forces when looking at both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

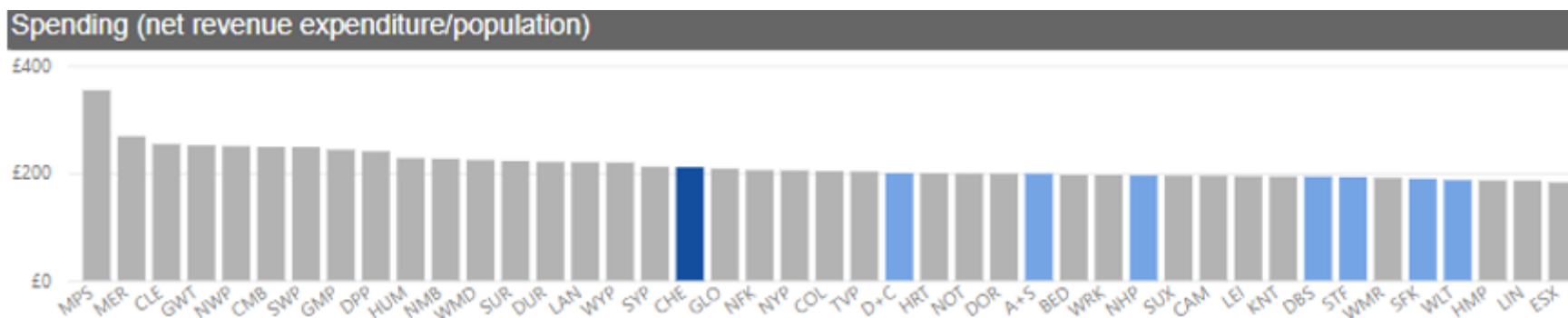
Identifying savings

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 MTF5 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

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

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.

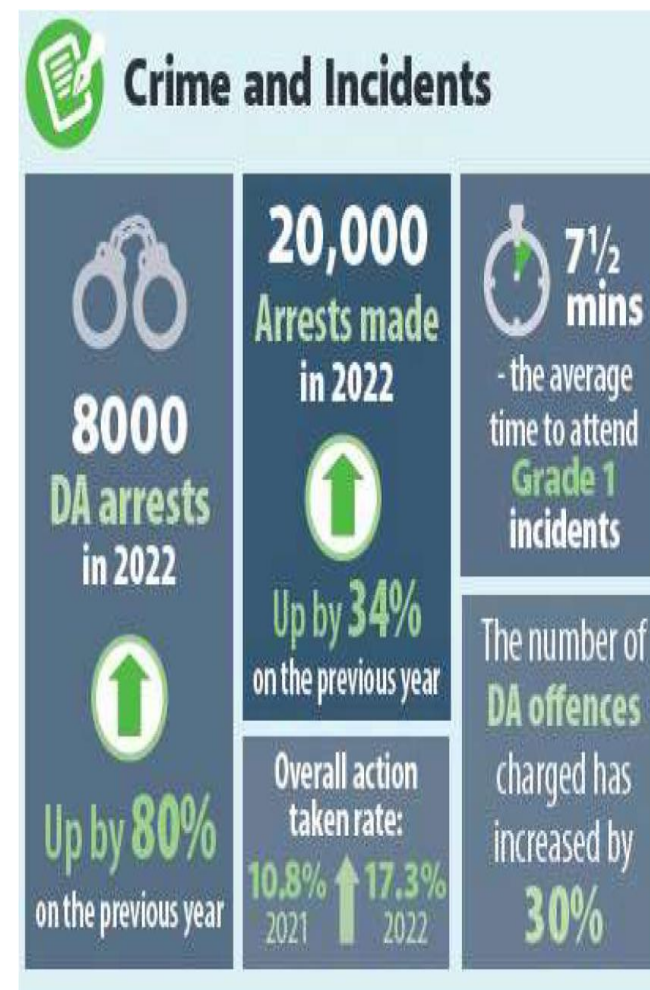
Financial plans are reviewed by budget holders as part of the PBB process. These are assessed by senior leaders at timetabled Panel meetings. Once the final budget is signed off by the PCC, Directorate budget holders are provided with details of their budget and the responsibilities of budget ownership. 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.

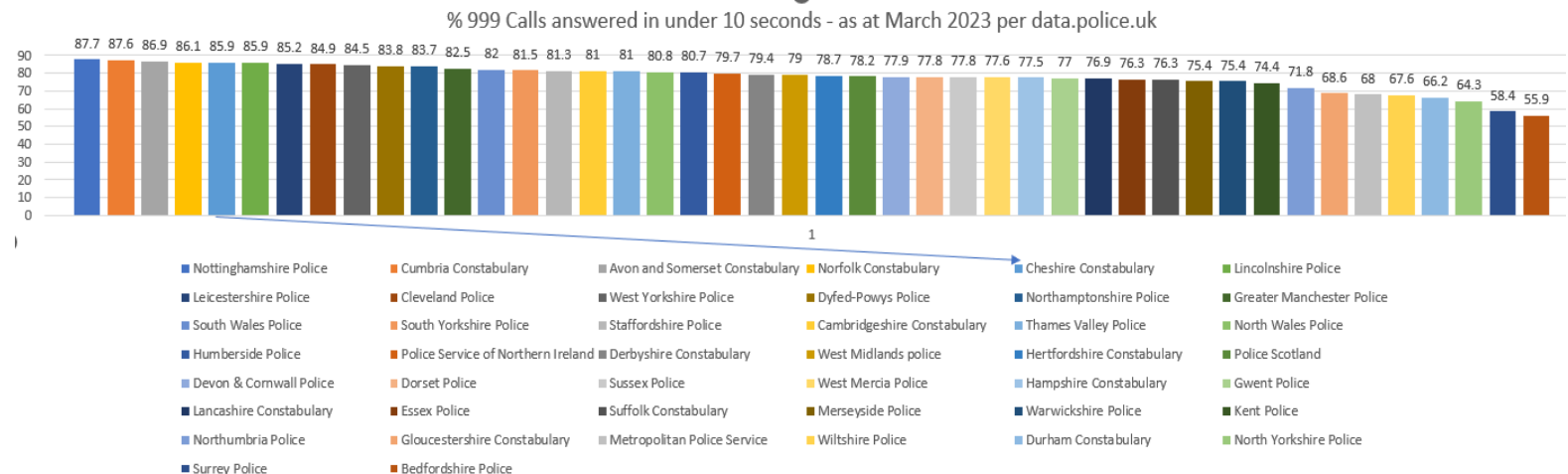
Overview of Arrangements for improving economy, efficiency and effectiveness

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.

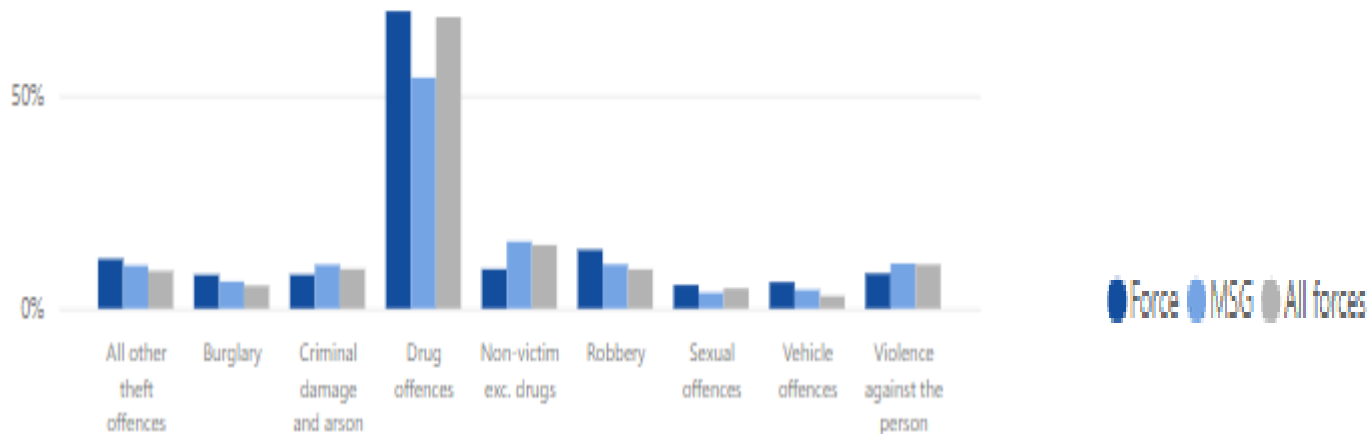
The chart below, taken from data from police.uk, shows that Cheshire is performing reasonably well, for example on the % of 999 calls answered in less than 10 seconds, they were in the top five performing UK forces in March 2023 with 85.9%.



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

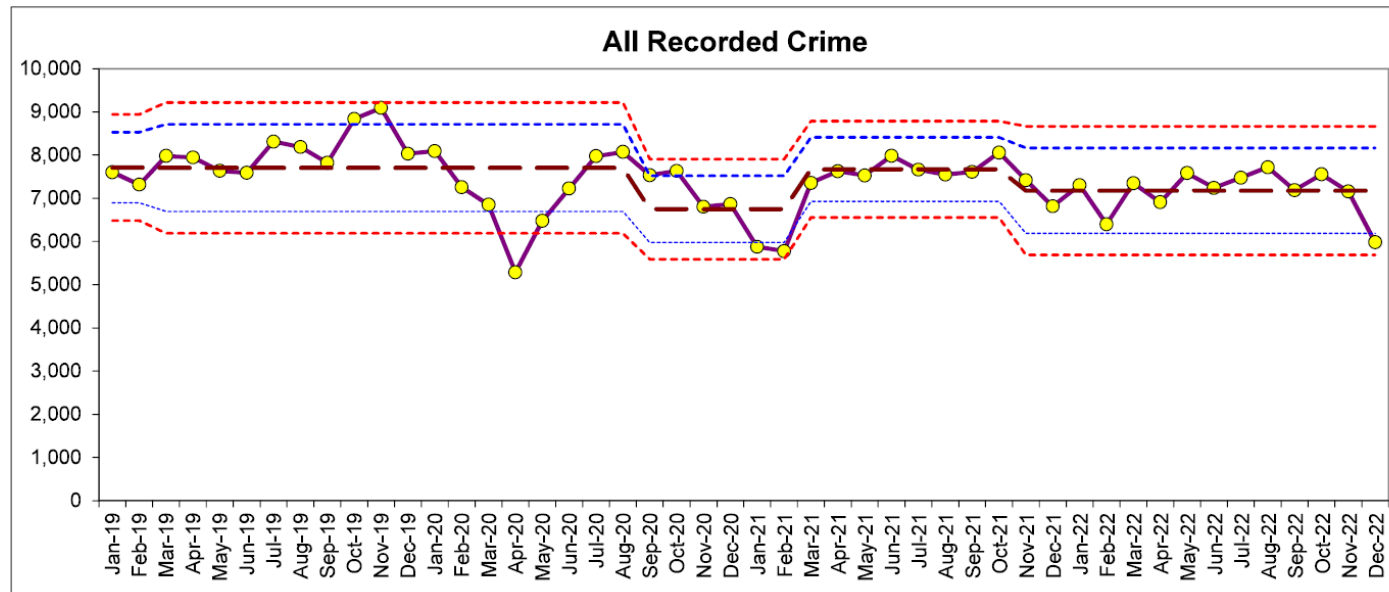
As noted on page 18 there are regular performance monitoring processes in place and the main one is the monthly force performance meeting. Key performance metrics are reviewed such as number of knife crimes by area.

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

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

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

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	<p>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.</p> <p>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.</p> <p>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.</p>	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 issued an unqualified audit opinion on 22 December 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.
- We issued our unqualified opinion on the financial statements on 22 December 2023.

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 identified an adjustment of £34m in respect of part-year inflation and an adjustment of £42m in respect of the impact of IFRIC14 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 Progress Report

Joint Audit Advisory Committee (February 2024)

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

Contents

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.

3 Executive Summary

This report provides an update to the Joint Audit Advisory Committee in respect of the progress made 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 November 2023 to February 2024. Since the last meeting of the Joint Audit Advisory Audit Committee, there has been the focus on the following areas:

2023/24 Audit Reviews

The following reviews have been finalised:

- **Key Financial Transactional Processing Controls** (High Assurance)
- **HR/Payroll** (Substantial Assurance)
- **Stop and Search** (Substantial Assurance)

A copy of the full reports is provided as separate documents.

We have a couple of reviews in progress:

- Data Protection Review (Fieldwork complete)
- National Fraud Initiative (Final Pensions data matches are being investigated)

Follow Ups

A wrap up report on recommendations will be presented to the next meeting.

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

Our latest briefings/blogs are:

- [23/24 MIAA Insight Series - Driving Efficiency and Value](#)
- [23/24 MIAA Audit Committee Insight - Technology Risk Update](#)
- [23/24 MIAA Insight Series - Through the Audit Committee Lens - Freedom to Speak Up](#)

Events

[Trauma Informed Leadership \(23rd February 2024\)](#): This virtual workshop is about creating a working environment which is supportive to people who have experienced trauma. The session will be co-facilitated by Dr Jeanne Hardacre and Georgia Twigg, who worked together as part of the Wellbeing Team at NHS Nightingale London.

[Coaching & Mentoring: Say Less, Ask More! \(14th March 2024\)](#): This session, designed from a middle-manager perspective rather than a leadership perspective, will help you use coaching questions in your day-to-day conversations with colleagues to enable them to take responsibility for their own work and help to embed a positive culture in the workplace.

Events are free to all clients and booking can be made via our website www.miaa.nhs.uk and click on Events.

Appendix A: Contract Performance

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

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

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

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Data Protection Review	✓	Fieldwork complete		May 2024
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.

Anne-Marie Harrop

Regional Assurance Director

Tel: 07920150313

Email: Anne-marie.Harrop@miaa.nhs.uk

Charles Black

Delivery Manager

Tel: 07554332410

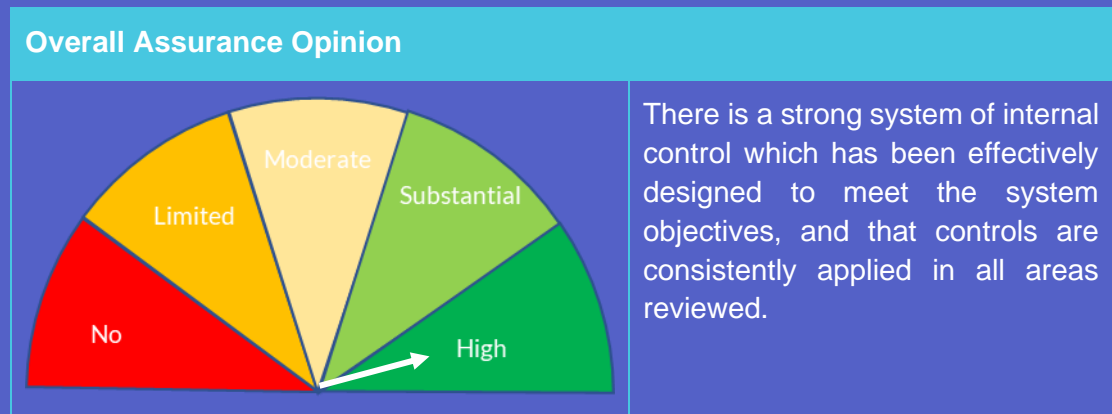
Email: Charles.Black@miaa.nhs.uk



Key Financial Transactional Processing Controls Review Assignment Report 2023/24 (Final)

Police and Crime Commissioner and Chief Constable for Cheshire

301CPCC_2324_001



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2 Findings and Management Action

Appendix A: Engagement Scope

Appendix B: Assurance Definitions and Risk Classifications

Appendix C: Report Distribution

Acknowledgement and Further Information

MIAA would like to thank all staff for their co-operation and assistance in completing this review.

This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Engagement Manager. To discuss any other issues then please contact the Director.

1 Executive Summary

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

Key Findings/Conclusion

Overall, the Constabulary has a strong system of internal control in relation to their financial systems. There is comprehensive evidence that the Constabulary's financial controls are operating robustly, and areas of good practice were found in most cases of our sample testing and documentation review.

Good practice was noted within all areas tested including General Ledger, Accounts Payable, Accounts Receivable and Treasury Management. We found compliance within all internal controls and highlighted areas of good practice with respect to authorisation and segregation of duties requirements.

We have raised one low recommendation with regards to the Constabulary implementing their write off process when an outstanding debt has been recommended for write off, to ensure these are done in a timely manner and comply with the authorisation limits within the Chief Constable's Scheme of Delegation.

Objectives Reviewed	RAG Rating
General Ledger	Green
Accounts Payable	Green
Accounts Receivable	Green
Treasury Management	Green
Overall Rating	High

Recommendations		
Risk Rating	Control Design	Operating Effectiveness
Critical	0	0
High	0	0
Medium	0	0
Low	0	1
Total	0	1

Areas of Good Practice

- Control account reconciliations are completed monthly. Audit testing undertaken on control account reconciliations confirmed that adequate segregation of duties was in place between the persons preparing and authorising the reconciliation. All accounts reviewed were adequately reconciled and this was completed within a timely manner.
- Audit testing on a sample of 20 Journals raised this financial year confirmed that in all instances there was segregation of duties in place between the person preparing and authorising the journal.
- Authorised limits have been established within Unit 4 and are maintained. Our analysis confirmed that limits were consistent with the Chief Constable's Scheme of Delegation.
- Appropriate segregation of duties was in place for a sample of 10 paid invoices supported by a purchase order and 10 paid invoices not automatically matched.
- There is a documented, standard operating procedure in place for setting up new suppliers and amendments to bank detail changes for current suppliers. Our review confirmed that any changes to a supplier including bank details needs to be approved by senior members of staff and the approval is required within Unit 4. Notes are made within Unit 4 via attached documents which outline the contact made with the supplier to ensure request to change bank details is legitimate and minimises the risk of Fraud.
- Sample testing of sales invoices highlighted appropriate approval and supporting backing documentation. Audit review of 10 credit notes confirmed valid reasons were provided for the cancellation of the debt.

- Review of the bank mandate identified that entitled officers listed were current and appropriate.
- Aged debt monitoring is in place within Unit 4 where aged debt is outlined in detail with 30, 60 and 90-day breakdowns, and comments to evidence follow up and chasing of debt. Outstanding debt is reported to the Joint Management Board.
- BACS runs are confirmed in Unit 4 by a Member of the Finance Services Management Team to ensure necessary segregation of duties and to allow any additional checks to be completed.
- Evidence was in place to demonstrate that the financial forecast outturn, including cash flow is monitored on a live basis which is reported quarterly to the Joint Management Board.

Key Findings – Issues Identified

Low	1.1 Discussions with management confirmed that no write offs had occurred this financial year, however 7 invoices within the aged debt report have been recommended for write off in June 2023.
-----	---

2 Findings and Management Action

1. Debt Write Offs		Risk Rating: Low
Operating Effectiveness		
<p>Key Finding – Review of the aged debt report (November 2023) highlighted that 7 invoices totalling £1257.37 have been recommended for write off in June 2023.</p>	<p>Specific Risk – Lack of adherence to the Chief Constable’s scheme of delegation.</p>	<p>Recommendation – The Constabulary should ensure that when an outstanding debt has been recommended for write off, this should trigger the appropriate write off process and ensure appropriate approval is obtained in a timely manner and is authorised within the delegated limits as per the Chief Constable’s scheme of delegation.</p>
<p>Management Response – The Financial Regulations allow for a total amount of write off per year to be granted prior to referring to The Commissioner. As a result of this all write offs are collated and reviewed by their respective departments in the last quarter of the financial year. A review will be done and consensus reached over the timing of this process. Once agreed it will be included in the next iteration of the Scheme of Corporate Governance.</p> <p>Responsible Officer – Fiona Aston (Finance Services Manager)</p> <p>Implementation Date – 30/06/2024</p>		<p>Evidence to confirm implementation – Confirmation of write offs with appropriate approval for 23/24.</p> <p>Updated Scheme of Corporate Governance.</p>

Appendix A: Engagement Scope

Scope

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

General Ledger

- Control Accounts Reconciliation
- Journals

Accounts Payable

- Purchase Order System Controls
- Non-Purchase Order Payments
- BACS Payment Run Controls
- 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

- Bank Reconciliations

Approach

The following approach was adopted to enable us to evaluate potential risks, issues with controls and recommend improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation.
- Sample testing of processes.
- Review of supporting procedures.

Scope Limitations

The controls reviewed relate to the 2023-24 financial year to date. IT system administration and management is not within the scope of this review.

Limitations

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

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

Appendix B: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
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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.

Appendix C: Report Distribution

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



Charles Black

Delivery Manager

Tel: 07554332410

Email: Charles.Black@miaa.nhs.uk

Anne-Marie Harrop

Regional Assurance Director

Tel: 07920150313

Email: Anne-marie.harrop@miaa.nhs.uk

Limitations

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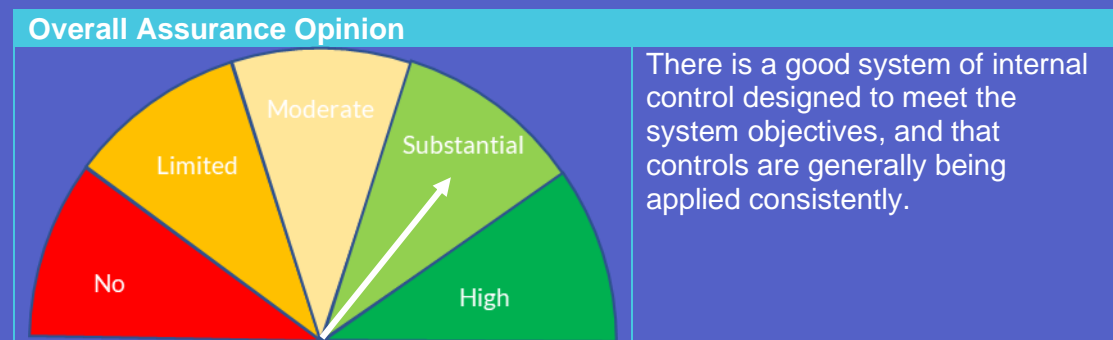
Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Payroll Review Assignment Report 2023/24 (Final)

Police and Crime Commissioner and Chief Constable
for Cheshire

301CPCC_2324_011



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2 Findings and Management Action

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Appendix C: Report Distribution

MIAA would like to thank all staff for their co-operation and assistance in completing this review.

This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Engagement Manager. To discuss any other issues then please contact the Director.

1 Executive Summary

This review was conducted in accordance with the requirements of the 2023/24 Internal Audit plan. This review concentrated 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, and payroll changes. The review also considered 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).

Key Findings/Conclusion

Overall, the review identified that controls were designed and operating effectively, noting some minor areas of improvement. We confirmed that robust controls are in place over the monthly payroll runs within the Payroll team. Checklists are completed each month to evidence the checks undertaken, prior to the payroll run. We also confirmed that appropriate sign off is evidenced from both payroll management and Head of HR before the final payroll run. Access to payroll systems within Unit 4 was appropriate and is managed through the role-based access within Unit 4.

Audit testing on a sample of new starters, leavers and payroll changes confirmed effective controls were in operation and data was accurate. We found two minor issues where leavers checklists had not been completed.

Audit recommendations have focused on the strengthening of controls in operation and the introduction of dip sample checks and segregation of duties with regards to new starter audit checks.

We have also recommended improvements in the handling of overpayments to ensure there is appropriate approval of each re-payment plan and that these comply with the overpayments procedure within the payroll team.

Objectives Reviewed	RAG Rating
Procedures	Green
New Starters, Changes and Terminations	Green
Payroll Processing	Green
Overpayments	Amber
Access	Green
HR Data Accuracy	Amber
Overall Assurance Rating	Substantial

Recommendations		
Risk Rating	Control Design	Operating Effectiveness
Critical	0	0
High	0	0
Medium	1	1
Low	0	4
Total	1	5

Areas of Good Practice

- At the time of the review, we confirmed that all staff who have access to Unit 4 (payroll) were appropriate for their duties and role.
- Procedures are in place in relation to payroll routines and these are supported by a detailed monthly processing timetable.
- Audit testing on a sample of new starters confirmed that new starter forms and checklists were in place, adequate segregation of duties had been evidenced and the forms had been completed prior to the employee's start date. It was also evidenced through payslips that all employees were paid after their start date.
- Recruitment for new employee's is managed through the HR system 'Oleoo'. Audit checks are completed on a weekly basis of 100% of new starters to ensure data input to Unit 4 matches the data from Oleoo and any issues are documented and escalated accordingly.
- Audit testing on a sample of changes (Position change / hour changes) confirmed all had been processed accurately, approved by the line manager, and had been completed before the effective start date of the change.
- Audit testing on a sample of leavers confirmed a leaver request form was completed within Unit 4 and these had been processed before the leaver's end date.
- An overpayment procedure is in place which gives guidance to staff and outlines all roles and responsibilities. When an overpayment is identified, this is logged within the overpayments tracker managed by the payroll team. If the individual is still employed, a repayment plan is constructed and a letter is issued to the employee with details of this plan, requesting their agreement. If the individual has left employment, these are invoiced by Finance and forms part of the aged debt.
- Monthly processes are in place within the payroll department to ensure payroll entries are subject to routine validation, accuracy and authorisation check. MIAA reviewed a sample of months (September, October and November 2023) and confirmed that these had been completed and signed off appropriately. Where issues have occurred after the payroll process has been completed, these are subsequently documented with a root cause analysis to ensure any trends in errors are identified.

Key Findings – Issues Identified	
High	No high-risk recommendations have been identified.
Medium	<p>1.1. One member of staff undertakes the audit checks within HR to ensure data accuracy between Unit 4 and Oleo, this poses a risk of a single point of failure. It was also noted that this member of staff audits their own data inputs. (Recommendation 1)</p> <p>1.2 Overpayments were reviewed to ensure adequate steps are taken to recover any debt outstanding. Audit review identified that repayment plans made by payroll with the employee do not require independent approval to ensure this is appropriate, and on two occasions re-payment plans did not follow the overpayments procedure. Secondly an overpayments form is in place, but this is not used to record formal employee agreement. (Recommendation 2)</p>
Low	<p>1.3 Procedures are in place in relation to payroll processes, however it was noted that at the time of the audit, that a number of procedures do not state where these were approved, when they were implemented and when they are due for a review. (Recommendation 3)</p> <p>1.4 On two occasions, a leaver checklist had not been completed. Discussions confirmed that completion of checklists are not mandatory, but it should be recommended to ensure best practice is upheld. (Recommendation 4)</p>

	<p>1.5 Discussions confirmed that ‘superusers’ are in place within Unit 4 who have access to both HR and payroll systems. These employees should be formally reviewed on a consistent basis to ensure these remain appropriate. (Recommendation 5)</p> <p>1.6 Discussions with key staff identified that changes to employee bank details are processed by the individual themselves via Unit 4. However, it was noted that these changes are not followed up with the employee to ensure these changes are correct and have been changed appropriately. (Recommendation 6)</p>
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2 Findings and Management Action

1. Audit Checks of Payroll / HR Data		Risk Rating: Medium
Control Design		
<p>Key Finding – Audit checks within HR to ensure data accuracy between Unit 4 and Oleeo are undertaken by one member of staff which may lead to a single point of failure. It was also noted that this member of staff audits their own data inputs.</p>	<p>Specific Risk – Inadequate segregation of duties of data input and review.</p> <p>Lack of assurance that employees are assigned the correct role / position within unit 4 or have been assigned the correct working pattern.</p>	<p>Recommendation – We recommend the following:</p> <ul style="list-style-type: none"> - Weekly audit checks that are undertaken on new starters should be independently reviewed on a quarterly basis via a dip sample. - We also recommend that the data inputs and the audit checks are completed by two different members of staff to ensure appropriate segregation of duties.
<p>Management Response - The Talent Acquisition team w/c 01.02.24 will have two nominated team members to complete the audit checks of all new starter hires. These will remain as 100% audits with independent dip sampling being completed on a quarterly basis. The team will also ensure that if they are hiring an individual, that a different member of the team will audit this new starter hire.</p> <p>A monthly 10% dip sample of employment tasks are already in place and will be increased if necessary.</p> <p>Responsible Officers – HR Specialist Business Partner, Talent Acquisition & HR Customer Service Manager</p> <p>Implementation Date – 01/02/2024</p>	<p>Evidence to confirm implementation – Monitoring spreadsheet managed by the employment team. This will document that checks are completed by two members of staff and will ensure that audit checks are independent.</p> <p>Dip sampling checks will be documented and filed.</p>	

2. Overpayments		Risk Rating: Medium
Operating Effectiveness		
<p>Key Finding – Overpayments were reviewed to ensure adequate steps were taken to recover any debt outstanding. Audit review identified that repayment plans made by payroll with the employee do not require independent approval to ensure this is appropriate.</p> <p>On two occasions re-payment plans did not follow the overpayments procedure. The procedure states ‘Repayment plans will usually be arranged over the same period of time of which the overpayments were made, up to maximum of 12 months.’ Our testing identified that on two occasions re-payment plan were agreed for 18 months and 24 months respectively.</p> <p>Finally, an overpayments form is in place but this is not used within the team and therefore staff do not obtain a formal employee agreement.</p>	<p>Specific Risk – Lack of compliance to the overpayments procedure, including inadequate segregation of duties for an appropriate approval process.</p>	<p>Recommendation – We recommend that each re-payment plan agreed between the payroll team and the employee has independent approval from payroll management / Head of HR to ensure the re-payment plan is appropriate and complies with the overpayment procedure.</p> <p>We also recommend that the overpayment form, which is in place within the payroll team, is used on every occasion to ensure employee agreement can be evidenced and filed, and independent approval has been evidenced.</p>
<p>Management Response – The existing letter template for overpayments will be used to confirm with employees the repayment plan. Currently this is only a verbal agreement. We will also ensure that each overpayment repay is independently agreed. All overpayments should be recovered over a 12-month period, however if this will cause significant hardship to the employee we can agree a longer repayment plan, but we will ensure this involves senior management approval and written confirmation of why the repayment period should be extended.</p> <p>Responsible Officer – Pay and Pensions Manager</p> <p>Implementation Date – 01/02/2024</p>	<p>Evidence to confirm implementation – Completed overpayment letter to be saved in the overpayment folder, and will be used going forward. This letter will evidence the agreement with the employee.</p> <p>Independent approval from management to be noted on the overpayment tracker, along with any documentation that has been needed for agreements over 12 months.</p>	

3. Payroll Procedures		Risk Rating: Low
Operating Effectiveness		
<p>Key Finding – Procedures are in place in relation to payroll processes, however it was noted that these procedures do not state where these were approved, when they were implemented and when they are due for a review.</p>	<p>Specific Risk – There is a potential that procedures have not been approved appropriately, are out of date or are not being used on a consistent basis.</p>	<p>Recommendation – Payroll procedures should be reviewed to ensure they reflect current processes undertaken. Review date should be clearly documented.</p>
<p>Management Response - Employment Procedures to be amended to show the review date to ensure these are reviewed consistently.</p> <p>Responsible Officer – HR Customer Service Manager</p> <p>Implementation Date – 01/02/2024</p>		<p>Evidence to confirm implementation – Updated Payroll procedures.</p>

4. Leavers Checklists		Risk Rating: Low
Operating Effectiveness		
<p>Key Finding – On two occasions, a leaver checklist had not been completed. Discussions confirmed that completion of checklists are not mandatory, but it is recommended that this is the case, to ensure best practice is upheld, and to ensure all leaver tasks are completed before the leaver end date.</p>	<p>Specific Risk – A lack of assurance that all necessary tasks have been completed before the leaver end date.</p>	<p>Recommendation – It is recommended that the appropriate leaver checklist is completed on every occasion. This ensures best practice is upheld and all leaver tasks are completed and these are done before the leaver end date.</p>
<p>Management Response - All staff to be instructed to use the checklists as this has now become mandatory.</p> <p>Responsible Officer – HR Customer Service Manager</p> <p>Implementation Date – 01/02/2024</p>		<p>Evidence to confirm implementation – A checklist will be completed for each leaver.</p>

5. Superusers – HR and Payroll Access		Risk Rating: Low
Operating Effectiveness		
<p>Key Finding – Discussions confirmed that ‘superusers’ are in place within Unit 4 who have access to both HR and payroll systems. These employees should be formally reviewed on a consistent basis to ensure these remain appropriate.</p>	<p>Specific Risk – Superuser access may not be appropriately monitored which may lead to the creation of fraudulent ‘ghost employees’ where HR and payroll details are used.</p>	<p>Recommendation – It is recommended that ‘superusers’ are monitored and reviewed on a consistent basis and this is reported accordingly within the internal governance process.</p>

<p>Management Response – IT complete a review of those who move positions and change their system access as a result. We will receive assurance from IT on a consistent basis that superusers remain appropriate.</p> <p>Responsible Officer – Governance Accountant</p> <p>Implementation Date – 01/02/2024</p>	<p>Evidence to confirm implementation – Regular assurance from IT that checks have been completed.</p>
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<p>6. Bank Detail Changes</p>		<p>Risk Rating: Low</p>
<p>Operating Effectiveness</p>		
<p>Key Finding – Discussions with key staff identified that changes to employee bank details are processed by the individual themselves via Unit 4. However, it was noted that these changes are not followed up with the employee to ensure these changes are correct and have been changed appropriately.</p>	<p>Specific Risk – Bank details may be changed fraudulently without appropriate internal monitoring controls.</p>	<p>Recommendation – It is recommended that when the payroll team are notified of a bank detail change within Unit 4, this is followed up with the employee to ensure the employee made the change, and that the change has been changed correctly.</p>
<p>Management Response – When the system alerts the payroll team of a bank detail change a member of the payroll team will call the individual to confirm that the change is correct.</p> <p>Responsible Officer – Pay and Pensions Manager</p> <p>Implementation Date – 01/02/2024</p>		<p>Evidence to confirm implementation –</p> <p>A log of contact with employees will be monitored within the team.</p>

Appendix A: Engagement Scope

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. The following sub-objectives were 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 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

Sub Objective	Risk
	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.
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.
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.

Limitations

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

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

Appendix B: Assurance Definitions and Risk Classifications

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

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

Appendix C: Report Distribution

Name	Title
Clare Hodgson	Chief Finance Officer (OPCC)
Julie Gill	Assistant Chief Officer
Nicola Bailey	Head of HR
Kirsty Farquharson	Pay and Pensions Manager
Catherine Dillon	Payroll Manager
Hayley Tickle	HR Specialist Business Partner, Talent Acquisition
Philip Murphy	Governance Accountant
George Bailey	HR Customer Service Manager
Wendy Bebbington	Head of Finance
Louise Willis	Planning, Performance & Risk Manager
Mark Roberts	Chief Constable
John Dwyer	Police and Crime Commissioner
Damon Taylor	Chief Executive (OPCC)
External Audit	
Joint Audit Advisory Committee	

Charles Black

Delivery Manager

Tel: 07554332410

Email: Charles.Black@miaa.nhs.uk

Anne-Marie Harrop

Regional Assurance Director

Tel: 07920150313

Email: Anne-marie.harrop@miaa.nhs.uk

Limitations

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Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

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 January 2024: Fieldwork is nearly complete, the initial draft for management responses will be issued shortly. February 2024: Final Report distributed	Joint Audit Advisory Committee February 2024
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. January 2024: Data matches being worked on by the Finance team. February 2024: 1 query remains outstanding that will be completed by the pension provider the end of February 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	Q1	May 2023: Draft Terms of Reference issued. June 2023: Final Terms of Reference distributed. August 2023: Final Report	Joint Audit Advisory Committee September 2023

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
		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.		distributed.	
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	<p>September 2023: Draft Terms of Reference circulated July 2023</p> <p>November 2023: The report is with the Lead Auditor for QA.</p> <p>December 2023: Final Draft Report circulated.</p> <p>January 2024: Final report distributed.</p>	Joint Audit Advisory Committee February 2024
MIAA	Payroll	To provide assurance in respect of HR and payroll related controls since the move to Unit 4.	Q3	<p>September 2023: Draft Terms of Reference circulated August 2023</p> <p>November 2023: Terms of Reference circulated.</p> <p>January 2024: Fieldwork is complete, initial draft report to be issued shortly.</p> <p>February 2024: Final Report distributed</p>	Joint Audit Advisory Committee February 2024
MIAA	Data Protection	To provide assurance over Data Protection compliance in line with the recent ICO audit recommendation for independent assurance .	Q2	January 2024: Fieldwork has commenced.	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</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
				N100 – incident reports of rape 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	<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 September 2023.</p> <p>An audit of crime reported via Public Protection referral team was undertaken in November 2023 with a follow up audit planned for February 2024.</p> <p>Additional audits have again been undertaken in Sept, Oct, Nov and December 2023: Crime Cancellation audit N100 – incident reports of rape And September – N200 Modern Slavery</p>	<p>Force Performance Day</p> <p>CDI Continuous Improvement Group</p> <p>DA Governance 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.	March 2024		<p>Force Performance Day</p> <p>CDI Continuous Improvement Group</p> <p>DA Governance Board</p>

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
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.
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. * % compliant with process	Any issues identified are reported to Line Manager and PSD if required. Breaches are reportable to DVLA.

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
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.
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. PSD 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

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
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 February 2024: Information Compliance confirmed this was carried over from 22/23 and no longer required, to be removed due to other audit priorities.	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. February 2024: MIAA's report has been reviewed, there are potentially some information management risks which were not in MIAA scope. Process to be reviewed.	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 February 2024: Ongoing visits which will carry over to 24/25. The site visits are being completed as BAU.	Information & Risk Management Board
Information Compliance	Publication Scheme Review	To provide assurance that force is complying with the ICO Model Publication Scheme and FOI legislative requirement.	(Q3 2023)	October 2023: Commenced, testing completed, report will be present at the Feb 2024 IRG. COMPLETED	Information & Risk Management Board
Information Compliance	Review – RESTRICTED	RESTRICTED	(Q3 – 2023)	August – October 2023: Review for Gold Group by the Data and Security Auditor . COMPLETED	Gold Command – ACC Dutton
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 resulting from this audit.	Ongoing	April 2023: Only 2 actions remain open (total 17 recommendations) which will be continued to be monitored. The ICO have confirmed that they do not intend to follow up with these. July 2023: The 2 remaining actions are being progressed by both DMIU and Forensics Quality Management.	Information & Risk Management Board

Review / Audit Team	Title and Reason for Audit	High Level scope	Status / Audit Date	Update	Board / Committee to receive Reports
				<p>September 2023: 1 action remains outstanding with a view to being completed end October 2023 by DMIU.</p> <p>October 2023: request for additional role via PBB process – work being progressed.</p> <p>February 2024: New role agreed as part of PBB. Awaiting confirmation of appointment.</p>	
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	<p>May 2023: Collaborations Board held 25th April 2023</p> <p>November 2023: Collaboration's Board held 15th November 2023.</p> <p>January 2024: Next Collaborations Board 7th May 2024.</p>	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	January 2024: 213 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	<p>September 2023: Head of Finance confirmed that the dip sample is currently being carried out.</p> <p>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.</p>	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 report and quarterly dip samples	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	July 2023: Q1 evidence of dip sample completed. September 2023: Q2 evidence of dip sample completed. November 2023: Q3 evidence of dip sample and annual report received. January 2024: Annual report to be submitted to Information & Risk Governance meeting Feb 2024.	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).
Planning, Performance & Risk Management	Business Continuity Plan Monitoring & Exercising	Business Continuity Plans are essentially contingency planning to ensure that the service to the public can continue in the event of a loss of systems, premises or human resources.	Ongoing	Ongoing regular monitoring and exercising, any overdue reviews are reported at Information & Risk Governance Board.	Information & Risk Governance Board

REVENUE BUDGET AND COUNCIL TAX 2024/25

PURPOSE OF THE REPORT

1. The purpose of this report is to enable the Commissioner to finalise the budget for 2024/25 and meet their statutory duty to set a precept. An overview of the statutory requirements regarding the budget and precept setting including the timing of decision-making and interaction with the Police and Crime Panel is attached in Appendix 2.

INTRODUCTION

2. The Commissioner is required to set an annual balanced budget and precept, taking into account Government funding, precept regulations and organisational demands. This requirement is supported by the production of a Medium-Term Financial Strategy (MTFS) with the annual budget forming the first year of the Strategy. The creation and maintenance of the MTFS is fundamental in promoting good financial planning and delivery of value for money.
3. The MTFS covers the period 2024 to 2029 with the first year covered by the Spending Review as announced by the then Chancellor in October 2021, with the remaining years being estimated. In addition to the MTFS there are a number of other financial strategies relating to reserves, capital and treasury management that both inform and support the budget process. The current documents are available on the Commissioner's website via the following link – www.cheshire-pcc.gov.uk.

FINANCIAL BACKGROUND

4. On 14 December 2023, the Minister of State for Crime, Policing and Fire published the Provisional Police Grant Report 2024/25 alongside his Written Ministerial Statement. It included the following overall statement on policing funding for 2024/25:

‘The settlement for 2024/25 provides a total of up to £18.4 billion for policing, an increase of up to £843 million when compared with the 2023/24 funding settlement, which has been restated to reflect the additional funding received to support the costs of the 2023/24 Pay Award. Funding available to Police and Crime Commissioners will increase by up to an additional £922 million in 2024/25, a 6% cash increase. This includes local flexibility to increase council tax precept by £13 for English forces.’
5. The Minister expects that in return for this investment, it is imperative that policing continues to deliver on driving forward improvements to productivity and identifying efficiencies wherever possible. In addition, the Minister recognised that investment in new technologies and innovation has the scope to unlock productivity at force level, support the policing of serious offenders, and allow forces to provide increased support to the communities they serve.

6. In addition to the general funding, the Settlement provided a number of specific grants allocated direct to Commissioners. These include £92.8 million to support activity designed to combat anti-social behaviour and serious violence and £15 million on Safer Streets Round 5, to supplement the funding already provided for 2023/24. Cheshire will receive a share of each of these grants and details will be given later in the report within the Commissioning section.
7. In terms of setting the precept, as announced at the Local Government Policy Statement on 5 December, the Government has set a precept limit of £13 for 2024-25 for English forces – higher than the level of precept flexibility agreed at SR21 of £10. Council tax policy is devolved in Wales and therefore Welsh forces are not bound by the increase in precept limits. This flexibility will result in up to an additional £298 million if all forces across England and Wales choose to maximise the precept limit, and up to an additional £60 million compared to £10 precept flexibility.
8. Without additional funding afforded through the precept uplift, substantial additional savings would be required, and the level of services provided could not be maintained. However, it is recognised that inflationary pressures affect everyone and therefore considerable scrutiny has been applied to the Constabulary to ensure it is both efficient and effective. Savings have been identified through a rigorous review of all areas to contribute to the overall budget allowing the proposed precept uplift to be as low as possible. In addition, reserves have been reviewed and where appropriate released to support the budget.

OUR PURPOSE – "DELIVERING EVEN SAFER COMMUNITIES FOR THE WHOLE OF CHESHIRE"

9. The Constabulary's priorities in support of the Commissioner's Police and Crime Plan are:
 - 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
 - Improve public confidence in policing
10. The Chief Constable is clear that to deliver the above, the Constabulary must:
 - Deliver outstanding Neighbourhood Policing and protect the vulnerable
 - Proactively understand and prevent crime and harm
 - Tackle crime and anti-social behaviour.
11. This budget proposal supports the above whilst taking into account the limiting financial factors.

2024/25 BUDGET PROPOSALS

12. The preparation of the 2024/25 budget commenced in 2023 utilising a planning process that had at its core the following key documents - the Commissioner's Police & Crime Plan; the Force Management Statement; the Chief Constable's Plan on a Page; local, regional and national commitments; and the Strategic Policing Requirement. Recognising both demand and risks together with the Value for Money profiles, the Constabulary set out the key principles for that planning process:
 - Ensure the plans and proposals align to the priorities and demands as set out in the key documents, fully utilising the priority-based budgeting (PBB) process which examines all areas of the budget and matches resources according to priorities and risk;
 - Identify savings and efficiencies which can be made through the PBB process in support of the budget and spending plans.
 - Set a comprehensive, timely, balanced and realistic budget;
 - Takes into account pay and price inflation and achievability of savings;
 - Complies with the approved treasury management strategy;
 - Complies with the approved reserves strategy;
 - Raises awareness of and communicates 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.

PROPOSED REVENUE BUDGET 2024/25

13. Table 1 shows the outcome of the budget planning process with the proposed revenue budget for 2024/25. The impact of the threats and demands placed upon policing; commitments required; proposed savings and the total funding available to the Commissioner are reflected within these proposals.
14. The proposed revenue budget is considered vital by the Chief Constable in order to deliver a viable, sustainable police service to the public of Cheshire and to deliver the priorities and demands placed on the Constabulary.

Table 1: Proposed Revenue Budget	2024/25 £000
2023/24 Gross Expenditure Budget	269,968
Pay and Price Inflation	16,117
Legal & Unavoidable Commitments	6,605
Operational Demands and Pressures	2,453
Savings	-4,920
Use of Reserves	-1,495
2024/25 Gross Expenditure Budget	288,728
Other income and specific grants	-38,898
2024/25 Net Budget Requirement	249,830
Financed by:	
Government Police Grant & Formula Funding	-137,324
Legacy Council Tax Grant	-8,256
Council Tax Precept	-104,481
(Surplus)/Deficit on Collection Funds	231
2024/25 Net Budget Requirement	-249,830

INFLATION

- Inflation in both pay and price terms is applied to budgets where appropriate. For 2024/25 the details are: pay awards are negotiated nationally and the increase is mandated for all forces. The proposed budget includes an estimated 2.3% pay award for September 2024 and the full year impact of the pay award from September 2023.
- For non-pay items, the inflation applied is based on the Office of National Statistics Inflation Report using the most applicable inflation factor. However, the proposed budget 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. The following table shows the inflation applied.

Table 2: Inflation	2024/25 £000
Pay inflation (estimated)	13,814
Price (non-pay) inflation provision	2,303
Total Inflation	16,117

LEGAL & UNAVOIDABLE COMMITMENTS

- Legal and unavoidable commitments come from two sources, the impact of decisions taken in previous years that have a financial impact in the forthcoming financial year and the financial impact of external decisions and changes such as the introduction of a new financial burden or change in legislation. The following table shows those items included in the 2024/25 budget proposal.

Table 3: Legal & Unavoidable Commitments		2024/25 £000
Prior year decisions - full year impact		18
Employers' Pension Contribution increase (grant funded)		5,094
Additional Police Uplift Programme (grant funded)		687
Collaborations		698
Forensic IT investment and support		108
	Total	6,605

18. Both police officer and staff pension schemes are subject to a valuation every three years, which sets the employers' contribution rate for the subsequent three years. These new rates come into force from 1 April 2024. For the police officer scheme, the Government has provided a one-year grant to cover the additional costs.
19. As part of the 20,000 additional officers under the Police Uplift Programme, the Constabulary has recruited and maintained their 300 allocated officers. However, in 2023/24 an further 15 officers were recruited and this will be maintained during 2024/25 supported by additional grant funding.
20. Under Sections 22B and 22C of the Police Reform and Social Responsibility Act 2011, Chief Officers and Commissioners have a duty to keep collaboration opportunities under review and to collaborate where it is in the interests of the efficiency or effectiveness of their own and other police force areas. This is in recognition that there are certain services required, which are not affordable by individual forces alone – e.g., firearms provision. The above costs reflect the additional uplift requirements to the collaborations Cheshire is involved in, subject to partner forces full agreement.
21. In the Policing Productivity Review published in October 2023, it recognised that for policing to make a step change in productivity, significant improvements are needed in how the sector identifies opportunities, prioritises investments, and adopts solutions. Technology complements investment in people by enabling efficient, effective, and safe working across all areas of policing, from creating administrative efficiencies that free time for frontline duties, to delivering tools that deliver a cheaper, faster, and more agile operational response. For the Constabulary, this is fully reflected within our Digital Business Strategy. Within this budget are several investments in technology including the on-going cost of new technology within the Forensics Department included in the above table.

OPERATIONAL DEMANDS AND PRESSURES

22. The following table sets out the additional investments included within the proposed budget and linked to the priorities set out earlier in the report. In addition, these investments also take into account the need to fund digital technology and ensure the Constabulary modernises and remains fit for the future.

Table 4 – Operational Demands & Pressures	2024/25 £000
Investment in ASB Hotspots (grant funded)	1,000
Investment in County Lines	130
Investment in Response – additional vehicle running costs	188
Investment in Custody	132
Investment in Directed Action and Operations	69
Investment in Witness Care	32
Investment in Disclosure Unit	36
Investment in Safeguarding Partnership	8
Investment in Drones & Tasers	273
Investment in Digital Business Technology	418
Increase in borrowing – capital	167
Total	2,453

23. In March 2023, the Government launched the ASB action plan to crack down on anti-social behaviour, aimed at restoring people’s confidence that this behaviour will be quickly and visibly punished. This plan includes funding for an increased police and other uniformed presence to clamp down on anti-social behaviour, targeting hotspots. For 2024/25 £1m grant has been allocated to Cheshire to fund this.
24. County lines is a form of criminal exploitation. It is when criminals target the vulnerable, either online or offline, and then manipulate them into drug dealing. Grant funding has been provided in previous years to support the fight against such criminality, but this is now reducing, and it is proposed that the support remains as it meets both the Commissioner’s and Chief Constable’s priority of protecting the vulnerable.
25. When someone asks for help, it is right that they should not only expect but receive a prompt response. With more officers, there is a need to invest in the vehicle running costs to ensure this is achieved. Currently, 92% of emergency incidents are attended within 15 minutes, an improvement of 1% in the past year. This investment recognises the increased mileage undertaken and the impact on vehicle running costs.
26. With the Constabulary’s focus on making Cheshire a hostile place for criminals, there has been a significant increase in arrests. As a result, there is a need for further investment into the Custody department to meet additional costs including clothing and food.
27. In addition, there are some modest investments to support the ongoing work of Directed Action and Operations, Witness Care, Disclosure Unit and Safeguarding Partnerships.
28. There is considerable focus nationally on the need for Digital Business Technology and its drive for efficiency and effective policing – greater productivity. Cheshire has had this as part of their priorities for some time with the Commissioner’s Police and Crime

Plan – fit for the future and the Chief Constable’s Plan on a Page – modernise our police service. This budget includes proposals for investment in drones and taser capability together with additional IT equipment and software and its maintenance. This will support the delivery of a police service fit for the 21st century.

29. Finally, it has to be recognised that the Government no longer provides direct grants to support capital investment. As part of the Reserve Strategy, funding is set aside each year to support the annual replacement cycles of items such as laptops, phones and vehicles. However, this is not always sufficient, and borrowing is used to fill any shortfall. This budget provides sufficient funding to meet the interest and set-aside for repayment based on the capital programme included within this budget.

SAVINGS

30. A key requirement of the funding settlement is an assurance that public spending provides value for money and funding is prioritised in line with the Police and Crime Plan, operational demand etc. As part of the budget process, non-pay expenditure was scrutinised to ensure that all efficiency opportunities have been maximised without impacting on service delivery and resources focussed on key priorities. The savings opportunities are set out below.

Table 5 – Savings	2024/25 £000
Full Year Effect - Prior year decisions	-359
Vacancy Management	-1,600
Management Root and Branch	-411
Workforce Planning	-562
HR – Restructure	-125
Legal – Restructure	-35
IT – Restructure	-76
Minor Staffing Changes	-29
Contract Management savings	-291
Business Rates Review	-100
Non-pay Expenditure Review	-977
National Subscriptions Review	-15
Capital Costs Review	-340
Total	-4,920

31. In order to make significant contributions to the budget shortfall, the Constabulary is robustly reviewing all vacancies under the Resources Board and Tracker Meetings. Each review will look at alternative options to recruitment together with the impact on service delivery and performance. It is expected that through attrition and this review process, sufficient vacancies can be removed permanently to provide the necessary savings included above.
32. Protection of the front-line and service delivery has been at the forefront of all the budget setting process. As such a number of ‘root and branch’ reviews have been undertaken to provide savings while maintaining performance. These reviews include

a number of management and departmental restructures and minor staffing changes all achieved without the need for compulsory redundancies.

33. Outside of these areas, all non-pay expenditure has been reviewed and efficiencies and savings taken where practical. This has provided savings from robust contract management and reviews of business rates. Challenge has also been levied against national subscriptions to ensure they provide value for money. Overall, non-pay budgets have identified nearly £1m from other non-pay items.
34. Finally, the capital programme and its subsequent funding has been reviewed and the borrowing requirement and timing amended accordingly delivering significant savings for 2024/25.

RISKS AND SENSITIVITY ANALYSIS

35. For 2024/25, there is a reasonable degree of certainty based on the Provisional Grant Settlement published on 14 December 2023. However, there remain some outstanding issues affecting next year such as the counter terrorism grant. Any changes to the funding will be reported to the Commissioner as soon as they are known together with the associated proposed changes to the budget.
36. As with any assumptions, there are risks that the actual outcome will be different. There are key assumptions included within this proposed budget that could significantly affect the proposed budget such as pay awards where a 0.5% movement in the pay award would have a potential £1.1m impact on the budget. Inflationary pressures have been reflected in this proposed budget, but with such volatility at present, the estimates made may change.
37. Reserves are held to provide flexibility in-year for such incidences and the Reserves Strategy included within this report covers this in more detail.

COUNCIL TAX PRECEPT

38. A precept is levied on the Council Tax for policing in Cheshire. It is the responsibility of the Commissioner to set the level of precept as part of the budget setting process. On the 6 December 2023, DLUHC published its Local Government Finance Policy Statement 2024/25 which set out the council tax referendum principles. These principles set the maximum increase permitted before a local referendum is required. For policing this was set at £13 on a Band D property for 2024/25. However, it is for the Commissioner to decide the level of precept annually. For 2024/25, the Commissioner is proposing to increase the precept at £12.50 on a Band D property. This represents a 4.99% increase from 2023/24 and matches the flexibility afforded to the local authorities rather than the maximum permitted. Cheshire's council tax remains the 10th cheapest of all police forces.
39. To calculate the level of Council Tax 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 etc. Compared to 2023/24, the overall taxbase has increased by 4172.28 compared to last year when the increase was 5744.36. The following table shows the proposed level of precepts for each local authority and the individual amount levied per each Council Tax band.

	Number of Band D Equivalents	Precept on Collection Fund £
Cheshire East	160,151.52	42,110,241
Cheshire West & Chester	129,059.20	33,934,826
Halton	36,409.00	9,573,382
Warrington	71,738.00	18,862,790
TOTAL	397,357.72	104,481,239

Band	Proposed 2024/25 £	Actual 2023/24 £	Change per year £	Change per week £p
A	175.29	166.96	8.33	0.16
B	204.51	194.79	9.72	0.19
C	233.72	222.61	11.11	0.21
D	262.94	250.44	12.50	0.24
E	321.37	306.09	15.28	0.29
F	379.80	361.75	18.05	0.35
G	438.23	417.40	20.83	0.40
H	525.88	500.88	25.00	0.48

40. In addition to the above precept, each of the four local authorities holds a council tax collection fund; this is a separate fund that records the income and expenditure relating to council tax. Any surplus or deficit on the fund is due to or paid for by the individual authorities, the Police & Crime Commissioner and Cheshire Fire Authority respectively. The net deficit amount declared and payable by the Commissioner in 2024/25 amounts to £231k, funded by earmarked reserve set aside for this purpose.

COMMISSIONING

41. In 2024/25, the approach to commissioning will continue to focus on victims of crime with the aim of ensuring that appropriate services are in place to assist them to cope with their ordeal and recover as best they can. The Commissioner will utilise the understanding gained from the Cheshire Victims Needs Assessment alongside the Serious Violence Needs Assessment to prioritise areas for development. The initial supporting service for victims across Cheshire is Cheshire CARES, to which all reports of crime to the Constabulary are referred. Cheshire CARES supports victims from the outset and throughout their journey through cope and recovery; furthermore, it is complemented through the provision of enhanced support to victims of Hate Crime delivered by Remedi.

42. The Commissioner has additional responsibilities to have specialist services available, e.g., to support victims of rape and sexual abuse, child sexual abuse and domestic abuse as well as to provide a restorative justice (RJ) service. The costs of victims' services commissioned are funded through an allocation provided from the Ministry of Justice. The core funding allocation for the 2024/25 Victims Grant is approximately £1.3m but as in previous years opportunities to attract further funding to support will be explored. Consequently, the Commissioner will continue to work with partners across all sectors to identify and address gaps and/or emerging areas for victims' services and to drive the effectiveness of the service commissioned through the Victim's Grant Fund in 2024/25. We anticipate further developments this year around where Cheshire is leading the way. This service is currently co-commissioned alongside probation and whilst supporting victims it also seeks to use RJ as a means of reducing future offending.
43. During 2023/24, a further £2,651,179 was obtained by the PCC over and above the core grant to support front line Domestic Abuse and Sexual Abuse services, this not only supported front line victims but also delivered pan Cheshire Domestic Abuse Perpetrator interventions. Furthermore, a new service to meet the needs of Honour Based Abuse and FGM victims has been introduced. The commitment to support victims of Domestic Abuse and reduce offending amongst perpetrators through behaviour change will continue throughout 2024/25.
44. In 2023/24, a further £465,000 has been secured by the Commissioner under the Safer Streets 5; this will be complemented by £355,000 in 2024/25. This year the Commissioner will continue to explore any opportunities to support victims of ASB whilst addressing the activities of perpetrators through behaviour change. The forthcoming year's commissioning will build upon existing services and aim to maximise opportunities, both singularly and in partnership, to provide value for money and better outcomes for our communities.
45. In 2023/24 the Commissioner commissioned a pilot working in partnership with Warrington Borough Council and Halton Borough Council to address the needs of victims of Childhood Exploitation. He also secured £362,000 to assist in understanding and addressing serious violence. In 2024/25 further serious violence funds secured in excess of £500,000 will ensure the benefits of the approach to exploitation are secured across the County as well as other innovative responses to reduce serious violence.
46. In 2023/24 the PCC in recognition of his commitment to improve the safety of our roads has part funded an Average Speed Scheme on the A41 at Christleton, Chester and funded a 'Speed on Green' camera on Watkinson Way in Halton, other similar measures are underway for delivery in 2024/25.

CAPITAL PROGRAMME

47. In addition to the revenue budget, a programme of capital investment is proposed for 2024/25. This programme links to the major strategies such as Estates, Digital

Business Technology and Fleet together with the annual replacement cycle for assets such as equipment.

48. Funding for this investment, is longer supported through Government grants and therefore is now covered by capital receipts (the net proceeds from the sales of assets), reserves held by the Commissioner, contributions and borrowing. The contributions include funding set aside within the general budget each year. A summary of the proposed programme and associated funding is shown below.

Table 7: Capital Strategy	2024/25 £000
Annual Replacement Schemes:	
Fleet Vehicles	1,880
IT and Communications	1,280
New Schemes:	
Estates - Maintenance and Environmental	1,662
Estates Strategy 2021-2031	3,748
IT and Communications	440
Operational Equipment	1,029
Collaboration/Funded Vehicles	500
Capital Expenditure	10,539

49. Full details of the individual schemes within the capital programme are provided in Appendix 4 of this report and in the Commissioner’s Capital Strategy attached at Appendix 4. The proposed funding for the above capital investment is set out in the following table.

Table 8: Capital Financing	2024/25 £000
General/Specific capital grants	286
Capital Receipts	3,107
Revenue Contributions to Capital	4,218
Revenue and Capital Reserves	120
External Contributions to Capital	190
HQ IT Reserve	284
Borrowing	2,334
Total Funding	10,539

ROBUSTNESS OF ESTIMATES

50. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in the preparation of this proposed budget. Details of how this requirement is met are in Appendix 3.

RESERVES

51. Section 25 of the Local Government Act 2003 also places a requirement on Chief Finance Officers to formally report on the adequacy of the reserves. The Chief Finance Officers assess this in the context of the strategic, operational and financial risks and opportunities facing the Commissioner and the Constabulary.
52. While holding reserves is a recognised and recommended financial management tool, the levels of such reserves must remain prudent, appropriate to the level of risk and opportunity and not excessive. This is set out within the Commissioner's Reserves Strategy attached at Appendix 5.

CONSULTATION WITH THE PUBLIC AND BUSINESS RATEPAYERS

53. A formal consultation exercise on the public's priorities and the precept was undertaken between 2 January and 23 January 2024. The survey was carried out online and paper copies were also printed and distributed to people who requested them, as well as to local police stations so that local teams could distribute to residents who were not able to have their say online.
54. Residents were encouraged to complete the survey via social media platforms e.g. Facebook, Twitter, LinkedIn, Instagram and Nextdoor, as well as via Cheshire Police Alert, the Commissioner's newsletter and press activity.
55. Public consultation roadshow sessions were held around the county. Here people could complete the survey in person or take a copy to return via freepost if they wished. 13 events were held in total, more than in previous years, and this year saw the largest ever number of people completing the survey face-to-face or via freepost. These events took place at the times/locations detailed below:

Day/Date	Location	Time
Thursday 4 January	Northwich - Barons Quay, CW9 5LG	10:00-12:00
Thursday 4 January	Winsford - Morrisons, CW7 3GZ	13:00-15:00
Friday 5 January	Macclesfield - Tesco, SK10 2AB	13:00-15:00
Saturday 6 January	Nantwich - Nantwich Market, CW5 5DG	10:00-12:00
Saturday 6 January	Crewe - Tesco, CW1 2DD	13:00-15:00
Tuesday 9 January	Runcorn - Shopping City, WA7 2EU	10:00-12:00
Tuesday 9 January	Frodsham - Morrisons, WA6 7EZ	13:00-15:00
Thursday 11 January	Stockton Heath/Latchford - Morrisons, WA4 6RN	10:00-12:00
Friday 12 January	Ellesmere Port - Morrisons, CH65 6RU	13:00-15:00
Saturday 13 January	Warrington - Golden Square, WA1 1QB	10:00-12:00
Saturday 13 January	Widnes - Morrisons, WA8 6UA	13:00-15:00
Tuesday 16 January	Chester - Tesco, CH1 3JS	10:00-12:00
Thursday 18 January	Congleton - Morrisons, CW12 1YJ	12:00-14:00

56. The key message provided via the survey and at consultation roadshows was that the Commissioner wanted to protect key improvements made by Cheshire Police over the

past year, and with the economic situation facing residents and the police service it was vital to get as many views as possible on their priorities and the precept.

57. The consultation ended at midday on Tuesday 23 January 2024. A total number of 4,346 responses were received, providing a 99% confidence level with a +/- 2% margin of error - This is the largest ever response to a budget consultation carried out by the PCC in Cheshire.

58. Before a question about the police precept, residents were provided with a table detailing the impact of each option on each Council Tax Band and were encouraged to check this table before answering. A link was also provided so that people could check their Band if they were unsure. The following question was asked after the precept information was given:

Which of these options for next year's police budget would you support?

Option 1: No increase - This would require a reduction in services significantly beyond the £6.2 million in savings already identified.

Option 2: Increase of up to £1.08 per month for Band D - This would allow Cheshire Constabulary to maintain the improved level of service that has been achieved over the past year.

Option 3: Increase of up to £2 per month for Band D - This would allow further investment to be made in key areas such as call handling and community policing. This option would require a referendum to be held.

59. 79% (3,440) of respondents to this question gave their views on the policing precept as part of the online survey and 21% (906) completed the survey at a consultation roadshow or returned the survey via freepost.

60. 79% (3,430) of respondents agreed to support some form of increase to the precept. The table below shows the breakdown of responses.

Survey completed via:	Option 1	Option 2	Option 3	Total
Online	763	1,336	1,341	3,440
Roadshow/Freepost	153	390	363	906
Total	916	1,726	1,704	4,346
Percentage	21%	40%	39%	

The full results of this survey including the responses to questions about policing priorities will be published on the Cheshire PCC website at www.cheshire-pcc.gov.uk/get-involved/have-your-say/outcomes-and-results/.

BUDGET AND PRECEPT SETTING TIMETABLE

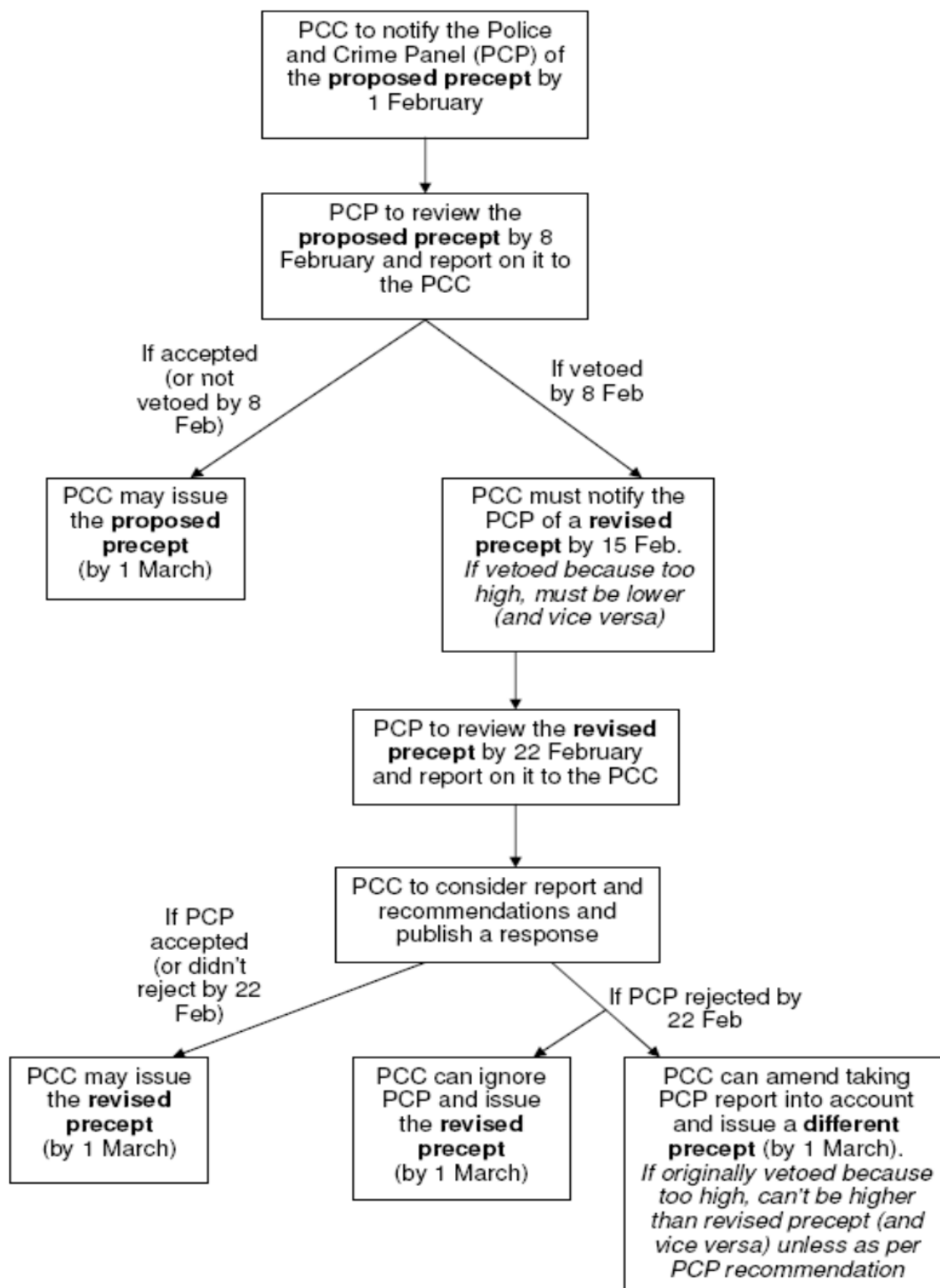
PURPOSE

- a. To provide the Commissioner with an overview of the statutory requirements regarding budget and precept setting and the interaction with the Police and Crime Panel. It also provides a copy of the internal timetable developed to enable the Commissioner to meet the statutory timetable.

STATUTORY REQUIREMENTS

- b. The statutory requirements for precepting authorities to set a budget and issue a precept for the next financial year are set out in Chapters 3, 4, and 5 of the Local Government Finance Act 1992. They include significant detail on how budget estimates and the precept must be calculated. The Police Act 1996 and the Police Reform and Social Responsibility Act 2011 amended these provisions for the change to police authorities and Police and Crime Commissioners respectively, but the basic statutory requirements remain the same.
- c. Schedule 5 of the Police Reform and Social Responsibility Act 2011 and The Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012 provide further detail on the process the Commissioner must follow for notifying the Police and Crime Panel of the proposed precept by 1 February of the relevant financial year (Section 3 of the 2012 Act). They also cover the interaction between the Panel and the Commissioner leading to the determination of the precept by the Commissioner by 1 March. The process is set out with the due dates diagrammatically in Annex A.

PCC PRECEPT APPROVAL (Final Regulations)



ROBUSTNESS OF ESTIMATES

- a. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in preparing the budget.
- b. The Commissioner has a policy and expenditure planning process that takes account of the service scenario and financial scenario in some detail for 2024/25. Alongside this, future capital programmes have been produced taking into account forecast Government funding, borrowing limits and council tax. For 2024/25 borrowing levels are also guided by the prudential indicators as set out in the Treasury Management Strategy.
- c. For 2024/25, full consideration of these issues had led to:
 - Policy and expenditure proposals that reflect the Government's Provisional Police Grant Settlement together with the on-going revenue impact of new capital projects, whilst recognising the outstanding issues and uncertainties.
 - A proposed capital-financing budget based on 2024/25 capital programme.
- d. When using estimates in preparing the budget every effort is taken to ensure that they take into account the most up to date data. However, it should be noted that there are a number of areas where the actual impact could vary from the estimates used in setting the budget. The principal areas are:
 - Pay awards, pension increases, national reviews of pay & inflation
 - Service financial performance (i.e., variances on budgets)
 - Ability to achieve projected savings
 - Operational demands
- e. To provide for all potential scenarios that may arise would be prohibitively expensive and result in demands on council taxpayers considerably higher than likely need. For 2024/25 £16.1m has been provided for pay and price increases.
- f. Many factors can affect financial performance in year including under or over-achievement of efficiency savings, income and other financial targets. The Commissioner takes a number of steps to minimise the impact by:
 - Seeking wherever possible to explore in full the implications and achievability of policy and expenditure options before the budget is set.
 - Promoting a robust approach to financial management requiring budget holders to monitor expenditure against budget and to take prompt action in reporting and responding to projected variances.
 - Quarterly reporting of the projected budgetary outturn supplemented by monthly exception reports to prompt remedial action if necessary.
 - Creation of appropriate and proportionate contingencies.
- g. It should be noted that while every effort is taken to ensure the budget is balanced, there is always the possibility of variances to the budget occurring. The Commissioner holds reserves to mitigate this as set out in the Reserves Strategy.

CAPITAL PROGRAMME	2024/25 £000
<u>Prior Year Schemes</u>	
Estates Strategy - Major Projects	1,748
Security Upgrade at HQ	301
Replacement Chiller Units - Blacon PS	86
Custody Desk replacement project	480
Additional Data Storage Hardware - Forensic Collision data.	70
In-Car ANPR/Video Refresh - Cheshire Vehicles	147
In-Car ANPR/Video Refresh - Alliance Vehicles	134
ANPR Infrastructure - Home Office Grant Funded	238
Armed Alliance Vehicle Replacements	212
Dogs Alliance Vehicle Replacements	168
UWSU Replacements	120
Workshop Tools and Cabinets	114
	3,818
<u>New Scheme</u>	
Arpley Street roof and Museum works	100
Blacon DHQ roof remedials	50
ABE suite at CSH	30
Ref areas, welfare rooms – CSH, Arpley St, Runcorn (Phase 1)	175
Relocation of PV from Wilmslow	50
Custody Desk replacement project	250
Custody Suite AFI's	140
Estates Strategy - Major Projects *	2,000
Technology Refresh - Devices	1,080
Technology Refresh - Infrastructure (Servers/Network)	200
Corporate Wifi Upgrade	100
Digital Interview Recorders - replacement	230
Technology Refresh – E-Forensics	40
Replacement of Body Worn Video (phased replacement)	50
In-Car ANPR/Video Refresh - Cheshire Vehicles	75
In-Car ANPR/Video Refresh - Alliance Vehicles	71
Annual Vehicle Replacement Programme	1,880
Workshop Capital Equipment	14
Workshop Tools and Cabinets	108
Vehicle key and building security	78
	10,539

Starred items – marked *. Any capital scheme can be ‘starred’ to reflect the Commissioner’s agreement in principle, but no further action can be taken without further approval being obtained when more detailed plans are available. For example, the Estates Strategy includes several major schemes which will be submitted for approval individually as and when details proposals are prepared.

Medium-Term Financial Strategy 2024-2029



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Foreword

The medium-term financial strategy underpins everything we do to make 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. Cheshire Constabulary has had to manage the challenging and changing financial situation facing all public services. A decade of austerity was followed by window of financial optimism in the form of the Government's police uplift programme, which in turn was followed by soaring inflation in the aftermath of the COVID-19 pandemic. Through careful financial management, in recent years we have shifted the conversation to where we could enhance Cheshire's police 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 responding to incidents, and increase our officer numbers to their highest ever level.

As inflation has fallen there is cause for more optimism once again, however the effects of the previous double-digit inflation figures remain, and there will always be 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 years of 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 towards the 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 also has an outstanding record in attracting additional Government funding for Cheshire Constabulary which enables the Chief Officer team to enhance the service the public receives.

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 2024 TO 2029

1. INTRODUCTION

- 1.1. The purpose of the Medium-Term Financial Strategy (MTFS) is to provide the Police and 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.
- 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 His 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. PRODUCTIVITY

3.1. The Policing Productivity Review was published in October 2023 and stated that 'while there has been considerable investment in policing, there is also significant focus on how policing can improve the outcomes it delivers for the public. This spans across the country, across crime types, and across the millions of interactions the police have with the public every day. We saw great work when we visited each and every police force in the UK during this review. We also saw areas in which productivity gains can improve outcomes for the public.'

3.2. It is clear that productivity has to play a crucial role going forward in order to meet the demands and performance expected of the police, while accepting less funding will be available. All initiatives, including those requiring investment, must ensure they deliver increased productivity and wherever possible, cashable savings.

4. THE MEDIUM-TERM FINANCIAL STRATEGY

4.1. 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.

4.2. 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.

4.3. 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.

5. FINANCIAL SCENARIO

5.1. 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.

5.2. 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.

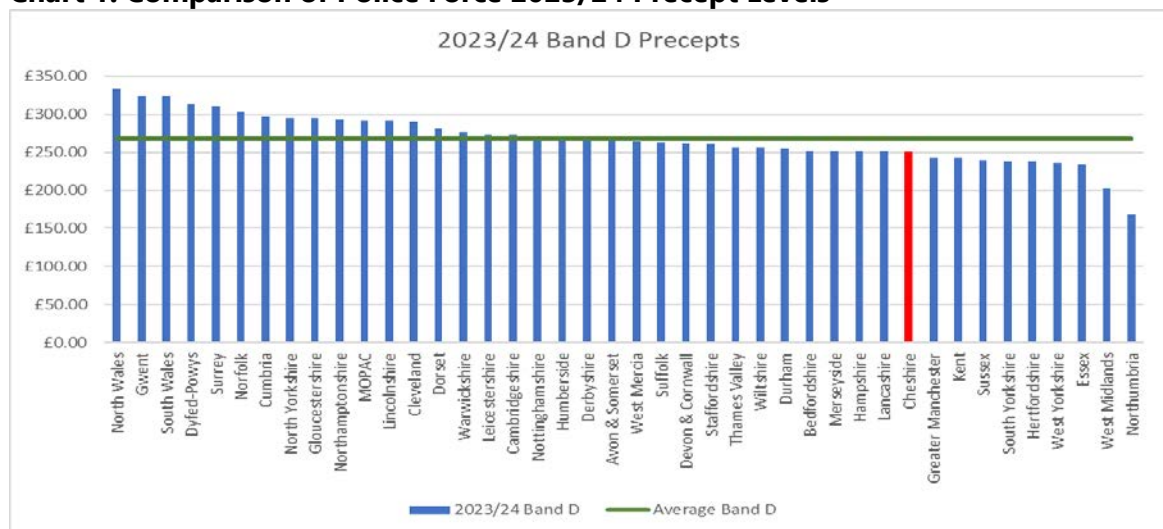
5.3. Government funding is the aggregate amount of grants for police purposes comprising of the Home Office Police Core Grant, the Department for Levelling Up, Housing & Communities (DLUHC) Formula Funding Grant; and Legacy Council Tax Grants.

5.4. On 14 December 2023, the Minister of State for Crime, Policing and Fire published the Provisional Police Grant Report 2024/25 alongside his Written Ministerial Statement. It included the following overall statement on policing funding for 2024/25:

‘The settlement for 2024/25 provides a total of up to £18.4 billion for policing, an increase of up to £843 million when compared with the 2023/24 funding settlement, which has been restated to reflect the additional funding received to support the costs of the 2023/24 Pay Award. Funding available to Police and Crime Commissioners will increase by up to an additional £922 million in 2024/25, a 6% cash increase. This includes local flexibility to increase council tax precept by £13 for English forces.’

- 5.5. The Minister expects that in return for this investment, it is imperative that policing continues to deliver on driving forward improvements to productivity and identifying efficiencies wherever possible. In addition, the Minister recognised that investment in new technologies and innovation has the scope to unlock productivity at force level, support the policing of serious offenders, and allow forces to provide increased support to the communities they serve.
- 5.6. Alongside the general funding, the Settlement provided a number of specific grants allocated direct to Commissioners. These include £92.8 million to support activity designed to combat anti-social behaviour and serious violence and £15 million on Safer Streets Round 5, to supplement the funding already provided for 2023/24. Cheshire will receive a share of each of these grants.
- 5.7. 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.
- 5.8. On the 6 December 2023, DLUHC published its Local Government Finance Policy Statement 2024/25 which set out the council tax referendum principles. These principles set the maximum increase permitted before a local referendum is required. For policing this was set at £13 on a Band D property. However, it is for the Commissioner to decide the level of precept annually.
- 5.9. 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



- 5.10. 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.
- 5.11. For 2024/25 three out of the four local authorities declared a surplus with the fourth reporting a significant deficit. The net impact is £231k, one-off repayment. However, this was anticipated as part of the response to the pandemic, and funding was set aside in 2021/22 with the sole purpose of funding such deficits. Therefore, this will be used to fund the net deficit and protect service delivery.

6. FINANCIAL ASSUMPTIONS

- 6.1. 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 as part of the settlement. For 2025/26 the assumption is 2.3%, with 2% thereafter. 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 and new annual rates have been included within the MTFs. The next valuation is due in 2025 and estimates of the impact of that valuation have also been included.
 - 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 their November 2023 Monetary Policy Report, the Bank of England states that inflation has fallen and is expected to fall further this year and next. Their forecast shows a reduction to 4.5% by the end of 2023 and the forecast rate continues to fall towards the 2% target in 2024. As such, the MTFS assumes for 2024/25 general inflation to be 2.9% falling to the target of 2% from 2025/26 onwards. Where contractual obligations demand, specific inflation factors have been applied to the relevant budgets.
- 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 – The MTFS includes all funding allocated as part of the Provisional Policing Settlement published on 14 December 2023. For future years there is a great deal of uncertainty due to the prospects of a general election in 2024 and the current economic situation. At present, the MTFS is forecasting a 1% increase in general funding and a flat line of specific grants from 2025/26 onwards, however this is highly speculative at this time.
- Precept – Since 2018 Commissioners have been given the flexibility to increase their share of the council tax (precept) by an amount above the 2% capping limit. In the last spending review, this was set at £10 on a Band D property but was increased to £15 for 2023/24 and £13 for 2024/25. There are no indications that this flexibility will continue and therefore, the MTFS needs to recognise the worst-case scenario, that the 2% capping limit is reinstated for policing. However, given the length of time additional flexibility has been afforded to policing, the MTFS will include a £10 per year increase throughout as a mid-level scenario. Finally, given there has been increased flexibility for the past two years above the £10 due to the economic pressures, a best-case scenario will also be included based on a £13 Band D increase. All these options are speculative and subject to both Government and Commissioner decisions and approvals.

7. FINANCIAL CHALLENGES AND OPPORTUNITIES

- 7.1. 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 the Constabulary in line with the aspirations of the Constabulary and Commissioner to reduce the 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.

7.2. 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.

8. FINANCIAL FORECASTS 2024 to 2029

8.1. 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.

8.2. Based on current information, priorities and assumptions, the following table sets out indicative budgets for 2024 to 2029 recognising the volatility and uncertainty of funding and the flexibility or not afforded to Commissioners to uplift the council tax.

Table 1a – MTFS Revenue Budgets	2024/25	2025/26	2026/27	2027/28	2028/29
2% precept increase from 2025/26	£000	£000	£000	£000	£000
Base budget (Gross)	269,968	290,223	293,297	297,751	302,769
Inflation	16,117	5,919	5,448	5,600	5,713
Commitments & Unavoidable Demand	9,058	1,451	2,983	2,666	1,379
Savings identified	-4,920	0	-76	-50	0
Gross Expenditure	290,223	297,593	301,652	305,967	309,861
Income and specific grants	-38,898	-37,958	-38,006	-37,993	-38,041
	251,325	259,635	263,646	267,974	271,820
Transfer to/(from) reserves	-1,495	-500	0	0	0
Net Budget to be funded	249,830	259,135	263,646	267,974	271,820
Government grant	-137,324	-138,697	-140,084	-141,485	-142,899
Legacy Council Tax Grant	-8,256	-8,256	-8,256	-8,256	-8,256
Council tax – Precept	-104,481	-107,886	-111,405	-115,035	-118,785
Council tax – Collection Fund	231	0	0	0	0
Net Budget Requirement	-249,830	-254,839	-259,745	-264,776	-269,940
Budget Gap / (Surplus)	0	4,296	3,901	3,198	1,880

Table 1b – MTFS Revenue Budgets £10 precept increase p.a. from 2025/26	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Base budget (Gross)	269,968	290,223	295,216	301,592	308,539
Inflation	16,117	5,919	5,448	5,600	5,713
Commitments & Unavoidable Demand	9,058	1,451	2,983	2,666	1,379
Savings identified	-4,920	0	-76	-50	0
Gross Expenditure	290,223	297,593	303,571	309,808	315,631
Income and specific grants	-38,898	-37,958	-38,006	-37,993	-38,041
	251,325	259,635	265,565	271,815	277,590
Transfer to/(from) reserves	-1,495	-500	0	0	0
Net Budget to be funded	249,830	259,135	265,565	271,815	277,590
Government grant	-137,324	-138,697	-140,084	-141,485	-142,899
Legacy Council Tax Grant	-8,256	-8,256	-8,256	-8,256	-8,256
Council tax – Precept	-104,481	-109,805	-115,246	-120,805	-126,484
Council tax – Collection Fund	231	0	0	0	0
Net Budget Requirement	-249,830	-256,758	-263,586	-270,546	-277,639
Budget Gap / (Surplus)	0	2,377	1,979	1,269	-49

Table 1c – MTFS Revenue Budgets £13 precept increase p.a. from 2025/26	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Base budget (Gross)	269,968	290,223	296,423	304,036	312,251
Inflation	16,117	5,919	5,448	5,600	5,713
Commitments & Unavoidable Demand	9,058	1,451	2,983	2,666	1,379
Savings identified	-4,920	0	-76	-50	0
Gross Expenditure	290,223	297,593	304,778	312,252	319,343
Income and specific grants	-38,898	-37,958	-38,006	-37,993	-38,041
	251,325	259,635	266,772	274,259	281,301
Transfer to/(from) reserves	-1,495	-500	0	0	0
Net Budget to be funded	249,830	259,135	266,772	274,259	281,301
Government grant	-137,324	-138,697	-140,084	-141,485	-142,899
Legacy Council Tax Grant	-8,256	-8,256	-8,256	-8,256	-8,256
Council tax – Precept	-104,481	-111,012	-117,690	-124,516	-131,495
Council tax – Collection Fund	231	0	0	0	0
Net Budget Requirement	-249,830	-257,965	-266,030	-274,257	-282,650
Budget Gap / (Surplus)	0	1,170	743	1	-1,348

8.3. 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.

- 8.4. 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, future years are speculative and subject to considerable change.
- 8.5. All budgets are subject to rigorous review. In addition to the standard priority-based budgeting process, a root and branch review of all budgets including underlying processes and contractual specifications will take place to ensure they remain fit for purpose and current, providing value for money whilst maintaining service performance and delivery within available funding.

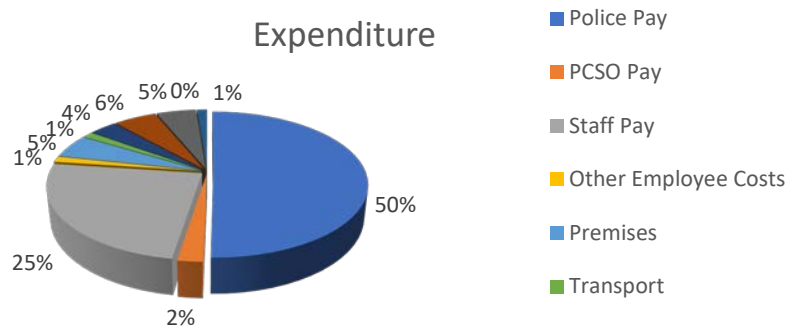
9. SENSITIVITY ANALYSIS

- 9.1. 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.
- 9.2. 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.

10. CONTEXT

- 10.1. 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 2024/25 Expenditure by Type



11. PLANS TO ADDRESS THE FINANCIAL FORECASTS

- 11.1. 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.
- 11.2. 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. To facilitate this, an Efficiency and Savings Board, chaired by the Deputy Chief Constable, has been established to support, challenge and facilitate the Constabulary's Departments in the identification and delivery of forecast budget savings targets over the next four years and to identify any additional savings opportunities.
- 11.3. 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.
- 11.4. 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.
- 11.5. 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.

11.6. It is clear that for policing, the reliance on precept flexibility as demonstrated in Tables 1a to 1c above, is now vital to making the financial scenario remotely deliverable. 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 work will commence from March 2024 and will be reflected within the MTFs as and when information becomes available.

12. ESTABLISHMENT

12.1. 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.

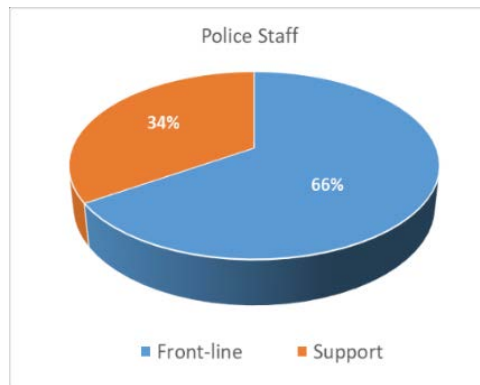
12.2. It is recognised that the people working for Cheshire Constabulary are our greatest asset. From police officers and PCSOs to police staff and volunteers, everyone plays a vital role in keeping Cheshire safe. The Government's Police Uplift Programme (PUP) has increased investment to the frontline. 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 2024/25 financial year, the Constabulary starts the year with its officer establishment at 2347 FTE plus an additional 15 PUP officers recruited in 2023/24 giving a final total of 2362, 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 the MTFs period, but that is subject to both the Police Uplift Programme (PUP) grant funding restrictions and the overall funding levels.

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. This will require a continual replacement and training programme across the year maximising intakes of 30 wherever possible. The benefit of these officers is increased operational hours supporting local policing and specialist areas.

13. RESERVES

- 13.1. 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.
- 13.2. 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: [Strategies \(cheshire-pcc.gov.uk\)](http://Strategies(cheshire-pcc.gov.uk))
- 13.3. 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.
- 13.4. 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.

13.5. 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.

13.6. 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.

13.7. The following table shows the level of reserves forecast over the MTFs period.

RESERVES FORECAST	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29
	£000	£000	£000	£000	£000	£000
Revenue Reserve for Capital	-837	-37	0	-751	-59	-468
Capital Receipts	-108	0	0	0	0	0
Unapplied Capital Grants	0	0	0	0	0	0
IT Reimbursement Reserve	0	0	0	0	-32	-32
ESN Reserve	-1,419	-225	-225	-225	-225	-225
Earmarked Capital Reserves	-2,364	-262	-225	-976	-316	-725
Carry forward Reserve	-194	0	0	0	0	0
Redundancy Reserve	-398	-398	-398	-398	-398	-398
Medium Term Finance Strategy Reserve	-2,850	-2,850	-2,850	-2,850	-2,850	-2,850
POCA Reserve	-238	-123	-109	-94	-80	-80
Hardship Loan Reserve	-50	-50	-50	-50	-50	-50
Pay and Pensions Reserve	-373	-147	-19	-19	-19	-19
Major Investigations Reserve	-1,226	-1,226	-1,226	-1,226	-1,226	-1,226
Council Tax Deficit Reserve	-1,000	-769	-769	-769	-500	-500
Estates Strategy Reserve	-500	-500	0	0	0	0
Road Safety Initiatives Reserve	-285	-187	-187	-187	-187	-187
Commissioning Reserve	-263	-263	-263	-263	-263	-263
Actuarial Valuation Reserve	0	0	0	0	0	0
Earmarked Revenue Reserves	-7,377	-6,513	-5,871	-5,856	-5,573	-5,573
Police Fund - General Reserve	-5,773	-5,773	-5,773	-5,773	-5,773	-5,773
Total Reserves	-15,514	-12,548	-11,869	-12,605	-11,662	-12,071

13.8. 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.

14. HORIZON SCANNING

14.1. Although this current MTFS covers the period 2024 to 2029, 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. There is also the introduction of the Right Care Right Person initiative.

14.2. 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.

14.3. 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.

14.4. Government funding is allocated to individual forces based on a formula which includes data such as crime, population and road networks. However, this formula has been in place for many years and has not been updated. The Government has committed to reviewing this formula and the outcome will impact on the Constabulary's share. Whether this is beneficial or adverse is entirely down to how any new formula is created and implemented.

14.5. 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.

15. INDICATIVE CAPITAL PROGRAMME

15.1. 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.

15.2. 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 MTFs 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.

15.3. 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	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Annual Replacement Schemes:					
Fleet Vehicles	1,880	2,400	2,500	2,500	2,500
IT and Communications	1,280	1,305	1,430	1,355	1,380
New Schemes:					
Estates - Maintenance & Environmental	1,662	680	600	500	300
Estates Strategy 2021-2031 * ¹	3,748	10,230	0	0	0
IT and Communications * ²	440	2,040	140	1,740	885
Operational Equipment	1,029	200	200	200	200
Collaboration/Funded Vehicles	500	520	314	173	570
Capital Expenditure	10,539	17,375	5,184	6,468	5,835
Financed by:					
General/Specific capital grants	286	0	0	0	0
Capital Receipts	3,108	3,800	500	0	0
Revenue Contributions to Capital	4,217	3,959	3,667	5,610	5,009
Revenue and Capital Reserves	120	0	0	0	0
External Contributions to Capital	190	221	133	74	242
HQ IT Reserve	284	284	284	284	284
Borrowing	2,334	9,111	600	500	300
Total Funding	10,539	17,375	5,184	6,468	5,835

15.4. 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. The MTFS recognises this within its future years' commitments. All new capital bids are subject to the same rigour as revenue bids under PBB, together with challenge over existing capital programmes.

16. RISK ASSESSMENT

16.1. 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

16.2. 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.

17. CONCLUSION AND NEXT STEPS

17.1. 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, allows more considered planning even in uncertain times. The Provisional Police Settlement for 2024/25 was published in December 2023, setting out the detailed funding at force level for one year only. Future funding remains unknown.

17.2. With the 2024/25 budget being confirmed, the budget setting process will be rolled forward, and preparation will be made to commence the 2025/26 budget cycle. 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.

Contact

Email: public.contact@cheshire.police.uk

Website: www.cheshire.police.uk

Twitter: @cheshirepolice

Facebook: Cheshire Police

Address: Cheshire Constabulary Headquarters
Clemonds Hey
Oakmere Road
Winsford
CW7 2UA

Telephone: 101



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

Part 1 Items	Feb-24	Jul-24	Sep-24	Nov-24
Minutes of Joint Audit Advisory Committee	✓	✓	✓	✓
Matters Arising from Previous JAAC Meetings	✓	✓	✓	✓
Briefing from Police and Crime Commissioner & Chief Constable	✓	✓	✓	✓
JAAC Annual Report and Effectiveness Review				✓
Single Point of contact roles for 2024/25			✓	
JAAC Single Point of Contact Report - PBB				✓
Review of JAAC Terms of Reference	✓			
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 (inc. Counter Fraud)		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	Feb-24	Jul-24	Sep-24	Nov-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 Reports/Terms of Reference	✓	✓	✓	✓

Notes

*No dates have yet been confirmed for draft and final accounts nationally.

Dates are out for consultation, propose hold July meeting to discuss draft accounts.