

Annual Audit and Inspection Letter

Cheshire Fire and Rescue Authority

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Authority, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

- 1 We have completed our audit for 2006/07 and issued an unqualified opinion on your statement of accounts together with an unqualified conclusion on your arrangements to achieve value for money. This confirms that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2 In terms of overall performance the Authority is improving strongly. It has significantly improved outcomes in its priority areas, both national and local, and is improving at a faster rate than others. Performance improvement in 2007 was the best of all Fire and Rescue Authorities and was achieved against a background of below average costs and achievement of high levels of efficiency savings.
- 3 The Authority has also been successful in targeting its activities along with partner organisations on those most at risk within the communities served by the Authority. For example, working with the NHS to promote flu jabs during home fire safety visits, undertaking contact assessments on behalf of Cheshire Social Services and taking the lead on the 'Whatever it takes' community initiative in the Lache Ward in Chester.
- 4 Overall the Authority performs well in the way it manages its resources as reflected by maintaining its a score of 3 out of 4 in our annual use of resources assessment. The Authority has made Improvements in a number of areas covered by our assessment but these have not resulted in a change in score as there are still opportunities to improve aspects of financial management and reporting.
- 5 The Governments plans for Local Government Reorganisation (LGR) in Cheshire are impacting on the Authority's constitution and governance arrangements. The Authority is clearly aware of the issues and risks which are emerging and plans are being developed to manage these.

Action needed by the Authority

- 6 Key actions for members include:
 - oversee the effective delivery of LGR whilst ensuring that good service delivery and strong governance is maintained; and
 - monitor progress against the action plan for achieving improvements in the financial management and reporting arrangements.

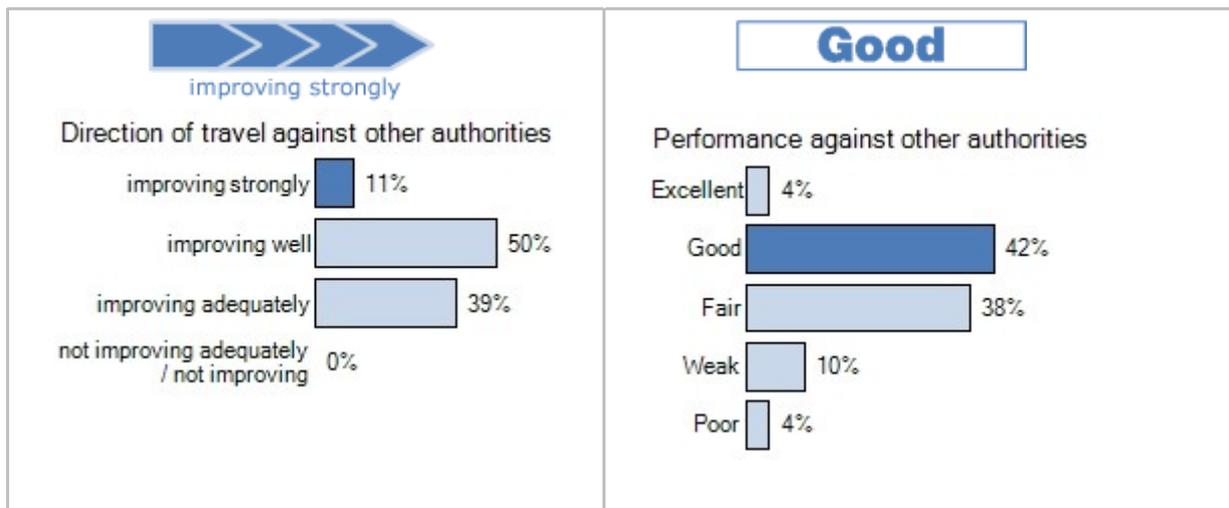
Purpose, responsibilities and scope

- 7 This letter provides an overall summary of the Audit Commission's assessment of the Authority. It draws on the most recent Comprehensive Performance Assessment (CPA) and Direction of Travel review and from the findings and conclusions from the audit of the Authority for 2006/07.
- 8 We have addressed this letter to members as it is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Authority in meeting its responsibilities.
- 9 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. The Authority is also planning to publish it on its website.
- 10 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Authority's accounts;
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Authority's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11 This letter includes the latest assessment on the Authority's performance under the CPA framework, including our Direction of Travel report, and summarises the key issues arising from the CPA.
- 12 We have listed the reports issued to the Authority relating to 2006/07 audit and inspection work at the end of this letter.

How is Cheshire Fire Authority performing?

- 13 The Audit Commission’s overall judgement is that the Authority is improving strongly. The Authority was assessed as Good in the Fire and Rescue Comprehensive Performance Assessment carried out in 2005. The latter assessed authorities on their corporate management arrangements, their achievements, their success in promoting community fire safety and how they planned to respond to incidents through their Integrated Risk Management Plan (IRMP). It did not consider performance in relation to the tactical management of emergency response. The following chart shows the latest position across all Authorities. The Audit Commission is updating these assessments, through an updated corporate assessment, in some authorities over the next year or so. Although it is unlikely that the assessment for Cheshire will be updated, the Authority has agreed to work with the Audit Commission in developing its new performance assessment framework - the comprehensive area assessment.

Figure 1 Overall performance of authorities in CPA



The improvement since last year - our Direction of Travel report

- 14 In this section we comment on the Authority’s overall direction of travel, and the progress it is making against its overall priorities. Our overall conclusion is that Cheshire Fire and Rescue Authority is improving strongly.

What evidence is there of Cheshire Fire and Rescue Authority (FRA) improving outcomes?

- 15** There has been strong improvement in outcomes and the Authority is providing good value for money. The Authority has made the most improvement nationally with 82 per cent of performance indicators improving. These include local and national framework priorities such as: number of primary fires, accidental dwelling fires, number of smoke alarms fitted and activated and fires confined to room of origin. Over 40 per cent of these indicators have also moved up in quartile position when compared to other authorities and levels of user satisfaction are high. This is set against a context of below average costs and achievement of high levels of efficiency savings. Un-audited data up to September 2007 shows further positive improvement across the range of indicators.
- 16** Improved fire and community safety outcomes can be demonstrated. There is a positive correlation between the number of accidental dwelling fires, fire deaths, injuries and fires confined to room of origin with increases in the number of Home Fire Safety Assessments (HFSAs) carried out. The indicator for 'fires confined to room of origin' has moved up from the third to top quartile as a result of community safety work being targeted at areas most at risk. A case in point is in Ellesmere Port where increased activities such as HFSAs, road safety initiatives and youth engagement work coincide with a decrease over the same time period in accidental dwelling fires, road traffic collisions and small deliberate fires.
- 17** Effective partnership working is undertaken to target those most at risk within the communities served by the Authority. There are many examples of partnership working, for example, joint initiatives with the NHS to promote flu jabs during HFSA visits, Authority advocates undertaking contact assessments on behalf of Social Services, taking leadership on the Cheshire Safer Roads Partnership and the 'Whatever it Takes' community initiative piloted on the Lache ward in Chester. There are also numerous youth engagement projects including Fire Cadets at Thornhill Young Offenders Institute and the RESPECT youth initiative. These schemes have contributed to both the achievement of Authority priorities and to wider community outcomes. The Authority is continually developing its evaluation methods to better understand the links between the work it undertakes and community outcomes, however, these are not yet evident across all projects.
- 18** Significant work has been undertaken to increase access to services for harder to reach groups. There is an extensive network of community advocates and volunteers who represent a wide range of the diverse communities across Cheshire. Consultation has been undertaken with minority and vulnerable groups within the community and risk analysis intelligence and modelling is undertaken to target resources most effectively to those most at risk. This has enabled the Authority to build up a picture of the communities it serves and how they are changing. Improvements made as a result of the consultation include: promotion of alternative language formats; availability of information in plain English and increased targeting of HFSAs. The Authority can demonstrate that this targeted work is delivering improved outcomes to its diverse communities.

- 19 The Authority provides good value for money and there is a positive balance between costs and performance. A strong culture of ensuring that resources are used more efficiently and effectively has enabled delivery of above average efficiency savings. Information on equity is used to promote access to services and the Authority is actively engaging with the wider community to ensure services meet local needs. The Authority can demonstrate that its investment in community safety activity is having a positive impact on improved outcomes.

How much progress is being made to implement improvement plans to sustain future improvement?

- 20 There are strong plans in place to sustain improvement. Plans are integrated and support the Authority's vision and priorities. The IRMP has a strong emphasis on service re-design and delivery and is supported by the medium term financial plan.
- 21 The Authority has a strong track record of delivering change and improvement in line with priorities and has made significant progress against National Framework requirements and IRMP action plans. The Post Incident Scene Management (PISM) database has been developed to enable more detailed analysis of the impact of activity on outcomes.
- 22 The Authority is making excellent progress to increase the diversity of its workforce. Positive recruitment campaigns have resulted in improvement in the percentage of top five per cent earners who have a disability and the Authority's performance is now high compared to other Authorities. However, the number of females and ethnic minorities (BME) in the top five per cent of earners has dropped slightly from the position in the previous year. The number of female fire fighters employed by the Authority has also improved but is still low in comparison to the average for other authorities. Over half of the community advocates are female and there are advocates and volunteers who represent the diverse communities, including BME, elderly and disabled. The Authority has recently received external validation for level three of the local government equality standard.
- 23 The Authority is proactive in working with partners across Cheshire and members and Officers are proactive in the region through chairing the Regional Management Board (RMB) and leading on high profile work streams such as the regional control centre. There are examples where collaboration has produced benefits and a pragmatic approach is taken to joint work between individual authorities to share expertise in specific areas. This reflects the improving maturity of regional working.
- 24 There is good commitment to improving value for money. Managers review performance and financial information and use it to target community safety activity. Member engagement and development is effective and this facilitates an effective challenge and helps to ensure that the Authority has the capacity it needs to deliver its future plans.

Service assessment

- 25 The Commission has undertaken a fire and rescue service assessment of the Authority. The assessment focused on service delivery and looked at the effectiveness of the service as experienced by recipients of the service. The assessment was constructed from two elements.
- The performance information element (an analysis of outcome focused best value performance indicators selected from those nationally available to assess the outcome of the services delivered by the Authority).
 - The operational assessment of service delivery element (provided to the Commission by the Department of Communities and Local Government (DCLG)).
- 26 The assessments for Cheshire Fire Authority are provided in Table 1.

Table 1 Fire and rescue service assessment

Element	Assessment
Performance indicator	3 out of 4
Operational assessment of service delivery	4 out of 4
Overall fire and rescue service assessment	4 - Performing strongly – well above minimum requirements

Source: Audit Commission

- 27 DCLG's 2006 operational assessment of service delivery assessed the planning and delivery of emergency response. The following text was provided by DCLG as part of their assessment of the Authority.

'Cheshire Fire and Rescue Service has clear operational direction, and is well structured to meet its objectives. The Service is performing strongly in its prevention and protection work, and uses a wide range of flexible resources to deliver an extensive programme of community safety. The Service provides a range of youth engagement activities in particular, and has a dedicated approach to evaluating programmes to ensure that outcomes are achieved. The Service is also performing strongly in emergency response, and has undertaken a significant amount of research to ensure that safe systems of work are maintained at operational incidents. There is an excellent level of Member engagement at all levels of the Service, and there are robust arrangements to ensure that initiatives and projects are developed in a holistic way. The Service is performing well in risk analysis, operational preparedness, and call management and incident support. The Service has a clear understanding of its community and is very focused on meeting its needs.'

The audit of the accounts and value for money

Audit of the accounts

- 28 I issued an unqualified opinion on the Authority's accounts on 19 September 2007.
- 29 Before giving my opinion, I reported to the Policy Committee acting as 'those charged with governance' on the issues arising from the 2006/07 audit. The key issues in the report to Committee were:
- the Authority's processes for preparing the financial statements and supporting working papers had improved;
 - the accounts were adjusted to correct one material error in relation to the cash balance;
 - other changes to the accounts have been made to achieve compliance with reporting standards and to correct minor errors and misclassifications; and
 - priority needs to be given to strengthening the bank reconciliation and stock accounting processes.

Use of Resources

- 30 I am required to conclude whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. I am also required to assess how well the Authority manages and uses financial resources by providing scored judgements on the arrangements in five specific areas. This is known as Use of Resources Evaluation.

Value for money conclusion

- 31 We assess the Authority's performance against twelve criteria determined by the Audit Commission. These criteria are set out in our audit plan and available on the Audit Commission's website at www.audit-commission.gov.uk.
- 32 I have concluded that the Authority has proper arrangements in place in relation to all twelve criteria and this enabled me to give an unqualified VFM conclusion on 19 September 2007.

- 33 As part of our assessment we performed a more detailed review of the arrangements for securing the quality of key performance data. We concluded that there are adequate arrangements in place to secure data quality. Improvements have been made during the last year including:
- improved accountability for data quality through Station Managers;
 - provision of training to every watch on importance of accurately capturing data;
 - focus on Performance Delivery Group (PDG) performance to ensure more rigorous scrutiny and to raise the profile of performance information with managers; and
 - availability of new performance indicator and target setting guidance.
- 34 The brief report summarising the outcome from the work was presented to the Performance and Overview Committee on 6 February 2008.

Use of resources assessment

- 35 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Authority and the way these are presented to the public).
 - Financial management (including how financial management is integrated with strategies to support Authority priorities).
 - Financial standing (including the strength of the Authority's financial position).
 - Internal control (including how effectively the Authority maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Authority balances the costs and quality of its services).

- 36 For the purposes of the CPA we have assessed the Authority’s arrangements for use of resources in these five areas as follows.

Table 2

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

- 37 We issued a detailed report supporting the assessment and highlighting areas for improvement to the Authority in February 2008. This report will be presented alongside this letter at the Authority's Performance and Overview Committee meeting on 9 April 2008. The main conclusions from our use of resources assessment are as follows.
- The arrangements for the closure and production of the financial statements have improved but the quality assurance process needs to be strengthened to ensure that future statements fully comply with the requirements of the Statement of Recommended Practice. The Authority recognises that the process for engaging with members on financial reporting matters can be made more effective.
 - The arrangements for setting and monitoring the budget remain robust and the Authority has enhanced its arrangements in relation to developing and managing the capital programme and budget. The IRMP and project approval processes are being used effectively to drive resource allocations. The Authority recognises that more attention needs to be given to effectively resourcing the financial management function.
 - The Authority has effectively managed its spending within budget and achieved planned efficiency savings. Financial health indicators have been developed which provide members with high level assurances. Work is ongoing in relation to enhancing the indicator set and embedding the arrangements for monitoring and challenge by members.
 - Internal control arrangements are effective. The risk management processes have been enhanced by creating a financial risk register and consideration of risks associated with regional management board work streams. The Authority finalised its business continuity plan and successfully completed a full simulation exercise, incorporating actions plans developed from lessons learnt.

- The Authority can demonstrate a positive balance between costs and performance showing that value for money is provided. Performance compares well with other authorities and public satisfaction levels are high. There is a good approach to managing and improving value for money and the Authority is actively engaging with the wider community to ensure services meet local needs. The Authority is implementing a more strategic approach to procurement which is starting to deliver savings. However, the implementation of the strategy is only recent and the full benefits have yet to be realised.

Best Value performance plan

- 38** I issued my report on the Best Value Performance Plan in December 2007 confirming that the Plan has been audited and that there were no issues to report.

Looking ahead

- 39 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements.
- 40 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with an enhanced annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 41 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 42 This letter has been discussed and agreed with senior officers. A copy of the letter will be presented at the Performance and Overview Committee on 9 April 2008. Copies need to be provided to all Authority members.
- 43 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Authority during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum	December 2007
Use of resources report	February 2008
Data Quality report	February 2008
Annual audit and inspection letter	March 2008

- 44 The Authority has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Authority's staff for their support and cooperation during the audit.

Availability of this letter

- 45 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Authority's website.

Julian Farmer
District Auditor and Relationship Manager

March 2008