

Government and Public Sector

September 2006

Cambridgeshire & Peterborough Fire Authority

2005/06 Audit Letter

The Members
Scrutiny and Performance Committee
Cambridgeshire and Peterborough Fire Authority
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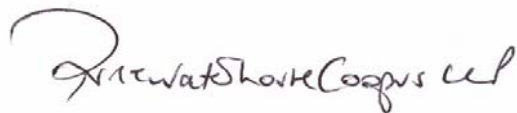
1 September 2006

Ladies and Gentlemen

2005/06 Audit Letter

We are pleased to present our audit letter summarising the results of our audit work for 2005/06. We hope that the information contained in this report provides a useful source of reference for members.

Yours faithfully



PricewaterhouseCoopers LLP

Enclosure

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2005 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Fire Officer. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2005/06 audit work we have undertaken at Cambridgeshire and Peterborough Fire Authority.

This letter also reports the detailed findings from our audit work to those charged with governance (International Standard of Auditing (ISA) 260 report).

The matters reported here are those that we consider are most significant for the Authority.

Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, including the statement on internal control. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and the production and publication of an annual best value performance plan.

As auditors we are responsible for:

- Forming an opinion on the Statement of Accounts and the Authority's statement on internal control;
- Forming a conclusion on the arrangements that the audited body has in place to secure economy, efficiency and effectiveness in its use of resources;
- Forming an opinion as to whether the Best Value Performance Plan complies with statutory requirements; and
- Undertaking any other work specified by the Audit Commission.

Our 2005/06 audit work has been undertaken in accordance with the Audit Plan that we issued in September 2005.

Executive summary

Key Matters

We are required, under the Audit Commission's Code of Audit Practice (the Code), to issue an annual Audit Letter to the Authority on completion of our audit, demonstrating that the Code's objectives have been addressed and summarising all issues of significance arising from our work.

Our Audit Plan 2005/06 set out the risks that we identified as part of our audit planning, together with the targeted work that we planned to perform in order to address these risks. We have issued a number of reports during the audit year, detailing the findings from our work. A list of these reports is included at Appendix A to this Audit Letter.

We have set out below what we consider to be the key issues arising from our audit work.

- We expect to issue an unqualified audit opinion on the Statement of Accounts 2005/06 (page 6).
- A number of amendments and presentational adjustments have been made to the draft accounts submitted for audit. The Authority should take these into account in preparing the accounts for 2006/07 to ensure these same errors do not reoccur (page 6).
- One unadjusted misstatement is included within the Statement of Accounts 2005/06 which will need to be considered for adjustment by

Members of the Scrutiny and Performance Committee. This has been noted within our ISA 260 report, included within this Letter (page 7).

- Under the new Code of Audit Practice we are required to provide a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. There are twelve criteria which we are required to consider in reaching our conclusion – these are set out in appendix C. Our work is still on-going in relation to one of those criteria. In relation to ten criteria we have concluded that the Authority has adequate arrangements in place. However, in relation to one criteria (management of asset base), we consider that adequate arrangements are not in place and our overall conclusion reflects this. The Authority recognises the matters that need to be addressed and refers to these in the Statement of Internal Control (page 8).
- We issued an unqualified opinion on the Authority's Best Value Performance Plan 2005/06 (page 10).

Statement of Accounts 2005/06

Accounts

The purpose of our accounts work was to perform an audit of the Statement of Accounts of the Authority, in accordance with approved Auditing Standards.

Audit opinion and progress

The draft accounts submitted for audit were of a reasonable standard. We were pleased to note that management had taken into account a number of the errors that arose in the prior year audit and had accounted for these appropriately in preparing the 2005/06 Statement of Accounts. In addition, the Authority produced a good quality set of working papers to support the accounts.

However, there were still some amendments and presentational adjustments which were required to be made to the draft accounts submitted for audit. The Authority should take these into account in preparing the accounts for 2006/07 to ensure these same errors do not reoccur.

The Statement of Accounts 2005/06 is at present in draft. At the time of writing this paper, the main areas of audit work outstanding are:

- Final set of accounts including all amendments made to be reviewed and PwC final checking and proof reading of this final version of the financial statements; and

- Completion of internal PwC quality control procedures.

Subject to satisfactory completion of the outstanding work above, we anticipate issuing an unqualified audit opinion on the 2005/06 financial statements.

Financial Standing

In this section we comment upon the Authority's general financial standing taking into account both its performance during the last year and its ability to meet known financial obligations.

Overall financial performance

The Chairman of the Policy and Finance Committee has provided regular updates of the Authority's financial performance to Members throughout the year. The 2005/06 financial outturn was reported to Members in May 2006. The outturn position in 2005/06 noted a net under-spend against budget of £5k after the Authority's planned contribution to the general reserve of £1,259k and contributing a further net £473k to earmarked reserves to finance future expenditure. Further details regarding variances against budget were detailed within the outturn report to Members.

No amendment has been made to the achieved surplus of £5k within the Statement of Accounts 2005/06.

Formal communication of relevant audit matters to those charged with governance (ISA 260 Report)

International Standard of Auditing (ISA) 260 (previously SAS 610) - "Communication of audit matters to those charged with governance" requires us to communicate relevant matters relating to the audit of the financial statements to those charged with governance of the entity, sufficiently promptly to enable them to take appropriate action. We have agreed with the Performance and Scrutiny Committee that these matters should be communicated to members through this letter.

In accordance with ISA 260, we have the following matters to report:

Audit Opinion

As noted previously, we expect to issue an unqualified opinion on the Authority's Statement of Accounts 2005/06.

Our conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources will be qualified. Further detail on this has been included within the section 'Use of Resources' on page 9.

Unadjusted misstatements

We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature (i.e. items less than £1,000 in value).

Appendix B includes details of the one unadjusted misstatement within the Statement of Accounts 2005/06.

Accounting practices

We are also required to report to you our view on qualitative aspects of the Authority's accounting practices and financial reporting and have set out below our observations on key issues affecting the Authority.

The Best Value Accounting Code of Practice (BVACOP) requires the

Authority to analyse its net cost of services across certain headings. The aim is to allow greater comparability of financial information across fire authorities.

The information for the Authority's Statement of Accounts is compiled by apportioning the financial information, as recorded in the general ledger, to the BVACOP headings on a range of different bases, (e.g. floor space, employee numbers), depending on the type of cost. We identified that the figures used within the bases of apportionment have not been updated to ensure that they are still relevant. Whilst we are satisfied with the total net cost of services disclosed, we are unable to conclude that the apportionment of costs to the BVACOP headings is accurate. We have requested the Authority include declarations within the management representation letter regarding the accuracy of the amounts.

This issue should be considered in preparing the Authority's accounts in 2006/07.

Systems of internal control

We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit. We have identified from our interim audit work in March 2006 and from our year end audit work a number of matters which management will need to be aware of when producing the 2006/07 financial statements or where procedural improvements can be made. Recommendations from our interim work will be reported in our Report to Management: Internal Financial Controls 2005/06 and recommendations arising from our year end work to date are set out in Appendices D and E.

Other matters

There are no other matters that we wish to bring to your attention.

Use of Resources

Work performed

In accordance with the Code of Audit Practice, we have performed work to conclude on the Authority's arrangements for achieving economy, efficiency and effectiveness in its use of resources. Our work to support our conclusion comprised the following elements:

- Assessing the Authority's performance against the criteria within the Use of Resources conclusion;
- Mandatory Data Quality Review work;
- Review of the Statement on Internal control; and
- Audit of the Best Value Performance Plan (BVPP).

Use of Resources Conclusion

Under the new Code of Audit Practice we are required to provide a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. This conclusion is reached by assessing the Authority's arrangements against a set of criteria issued by the Audit Commission. Our conclusion is based on the work performed on assessing the Authority's performance against the criteria within the Use of Resources conclusion, undertaken between March and August 2006, our local government data quality work, our audit of the BVPP and other information that came to our attention during the course of our audit work.

Our data quality review work has yet to be finalised and therefore our conclusion on one of the criteria in the Use of Resources conclusion is yet to be made. Further details on this are provided below.

We have completed our work in relation to the remaining eleven criteria within the Use of Resources conclusion. We intend to issue a qualified use of resources conclusion in respect of one of the twelve code criteria: *The body has put in place arrangements for the management of its asset base*, where in our opinion, the Authority does not currently have adequate arrangements in place. We raised a number of recommendations where improvements can be made at the Authority, within our Internal Financial Controls Report to Management. These include the need to compile and formally approve a corporate capital strategy, which is linked to the Authority's strategic objectives and medium term financial plan, and an asset management plan, including underlying policies and procedures.

Further details of our conclusion for each of the criteria specified by the Code of Practice are set out in Appendix C. In addition, we have noted a number of areas for improvement during our review. These have been included within Appendix F.

Data Quality Review work

Whilst we are required to perform a mandatory review in relation to data quality as part of our 2006/07 audit work, (which includes assessing arrangements in place during 2005/06), the results of this review are required to be considered in forming our 2005/06 conclusion on the Use of

Resources.

Our data quality work is currently in progress and, whilst it will inform our Use of Resources Conclusion, the full results will be reported to you when our work has been completed.

Statement on Internal Control

The Authority is required to produce a Statement on Internal Control (SIC) in accordance with the Accounts and Audit Regulations 2003 and Statement of Recommended Practice, and include it within the Statement of Accounts.

We reviewed the SIC to consider whether it complied with the requirements and whether it was misleading or inconsistent with other information known to us from our audit work. The matters leading to the qualification of the use of resources conclusion are referred to in the SIC.

Best Value Performance Plan

Under the Local Government Act 1999 we are required to carry out an audit of the Authority's Best Value Performance Plan (BVPP).

Our work on the Authority's BVPP 2005/06, and the Best Value Performance Indicators (BVPIs) included within it, was undertaken in September and October 2005. We issued an unqualified opinion on the Authority's BVPP in December 2005. Furthermore, we issued our Matters Arising report to management on areas in which the Authority needed to improve on in relation to the audit of the BVPIs, in February 2006. We agreed an appropriate course of action with the Authority in relation to the matters identified. We will follow these up as part of our work in 2006/07. There are no matters that we wish to draw to the attention of Members.

Audit Plans and Fees

Audit Plan 2005/06 Update

Our Audit Plan for 2005/06 was presented to the Audit and Review Panel in September 2005.

We have performed appropriate procedures for each of the risks identified in our Audit Plan of 2005/06. We use this Audit Letter to comment only on those areas where we believe we need to communicate these with those charged with governance.

Audit Fees 2005/06

Our budgeted fee was included within our Audit Plan 2005/06. As we have yet to conclude our audit work our outturn fees are not yet finalised. Therefore, we will report the final outturn against budget to Members once we have finalised our audit work.

Audit Plan 2006/07

We have issued our Audit Plan for 2006/07, which will be presented to Members of the Scrutiny and Performance Committee in September 2006. Our Audit Plan is reviewed regularly to ensure that it remains appropriate for the whole of the financial year. At the time of issuing our report, we were unable to provide a fee budget for 2006/07 as we were awaiting further details from the Audit Commission regarding the scope of our audit work. We will report our budgeted fees for 2006/07 to Members along with our final 2005/06 audit fees.

Appendix A: Audit reports issued in relation to the 2005/06 audit year

The following audit reports have already been issued in relation to the 2005/06 audit year:

- Report to Management: Internal Financial Controls 2005/06;
- Review of the Best Value Performance Plan and Performance Indicators 2005/06; and
- Auditor's Statutory Report on the Best Value Performance Plan.

The following reports have yet to be issued:

- Audit Report on the Statement of Accounts and the conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix B: Summary of Unadjusted Misstatements

Unadjusted Misstatement	Correcting Entries	Consolidated Revenue Account		Consolidated Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
1. One revenue item has been incorrectly capitalised. [Note: This error will also impact on the depreciation that is charged in relation to this item].	CR Fixed Assets				37.5
	DR Net Cost of Services – Revenue Account	37.5			

Appendix C: Use of Resources conclusion

The Audit Commission has published 12 Code of Practice criteria on which auditors will be required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its Use of Resources. There are only two assessments – 'adequate' and 'not adequate'. The Code criteria and Use of Resources conclusion are shown in the table below:

Code Criteria	Description	Use of Resources Conclusion
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Adequate
2	The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Adequate
3	The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Adequate
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	TBC
5	The body has put in place arrangements to maintain a sound system of internal control	Adequate
6	The body has put in place arrangements to manage its significant business risks.	Adequate

Code Criteria	Description	Use of Resources Conclusion
7	The body has put in place arrangements to manage and improve value for money.	Adequate
8	The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Adequate
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Adequate
10	The body has put in place arrangements for managing performance against budgets.	Adequate
11	The body has put in place arrangements for the management of its asset base.	Inadequate
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Adequate

Appendix D: Recommendations arising from our review of the Statement of Accounts 2005/06

Ref	Matter and recommendation	Management response	Responsible Officer
1	<p>Verification of Fixed Assets</p> <p>There is no process in place to verify and confirm the existence of plant and equipment on the fixed asset register, other than identifying receipts of monies. As a result, any changes in ownership of assets, such as disposal, loss or donation may not be identified by the finance department and accurately updated on the fixed asset register.</p> <p>We therefore recommend that periodic sample checks of the plant and equipment on the fixed asset register are undertaken in order to verify their continued existence.</p>	Agreed.	Treasurer.
2	<p>Depreciation</p> <p>The Authority charges a full year's depreciation in the year of acquisition of an asset and none in the year of disposal. This is allowable per the Statement of Recommended Practice (SORP) unless this results in a material difference between the correct treatment as per Financial Reporting Standard (FRS) 15. FRS 15, Tangible Fixed Assets, determines that depreciation should be pro-rated to accurately match the cost with the benefit of the asset.</p> <p>We accepted this treatment in the prior year on the basis that adopting the correct treatment as per FRS 15 would not result in a materially different depreciation figure as calculated by the Authority. However, there remains a possibility that the cumulative effect of the adoption of this treatment may become materially different from the treatment adopted under FRS 15.</p> <p>Therefore, we recommend that the Authority reconsiders its treatment to ensure depreciation is provided in accordance with FRS 15.</p>	The depreciation technique will be reconsidered in relation to FRS15 for financial year 2006/07.	Treasurer.

Ref	Matter and recommendation	Management response	Responsible Officer
3	<p>Lack of authorisation for the donation of assets</p> <p>Our review of fixed assets disposals noted that there was no evidence to support the disposal (a donation to charity) of a fire appliance during the year by the Authority.</p> <p>The Authority should ensure that its authorisation procedures are followed in relation to all assets disposed of.</p>	Agreed.	Treasurer / Chief Fire Officer (CFO).
4	<p>Incorrect calculation used for the Minimum Revenue Provision (MRP)</p> <p>The Authority has calculated the Minimum Revenue Provision (MRP) calculation based on the historic formula of using 4% of the approved credit ceiling. Following the introduction of the Prudential Framework, the credit ceiling is no longer to be used. The Authority should be calculating its revenue provision based on the Capital Financing Requirement (CFR).</p> <p>We recommend that for future that the Authority uses the Capital Financing Requirement in order to calculate its MRP. In addition, the Authority will need to consider whether assumptions made in calculating the MRP are appropriate to its circumstances.</p>	Agreed.	Treasurer.
5	<p>Lack of agreement of a creditor balance</p> <p>As part of our audit procedures, we obtained confirmations from a sample of creditors recognised by the Authority at the year end.</p> <p>One confirmation received did not agree with the Authority's records and further investigation demonstrated that the Authority were unable to reconcile the balance with their records. The difference is £624. We understand that there is a disagreement as to which invoices made up the total creditor balance at the end of March 2006. The invoices, which largely relate to the servicing and maintenance of water hydrants, are being disputed by the Authority as it believes some of the maintenance work to be sub-standard.</p> <p>We recommend that the Authority resolves this dispute as soon as practicable and amend any accounting records as necessary to ensure that this issue does not continue and escalate in the future.</p>	Work is on-going with AWG to resolve all of the outstanding creditor issues.	Treasurer.
6	<p>Write-off of aged debts</p> <p>At the time of our audit, the Authority is currently owed a sum of £1,509 by Network Rail which is over 365 days old. 100% of this debt has been provided for within the bad debt provision at the year end. Following discussions with management, it appears unlikely that this debt will be recovered.</p> <p>Therefore, the Authority should consider writing off this debt accordingly.</p>	This debt has now been written off.	N/A.

Ref	Matter and recommendation	Management response	Responsible Officer
7	<p>Lack of date stamping on invoices</p> <p>Our re-performance of Internal Audit's work in relation to purchasing and payments noted that the Authority's invoices are not date stamped on receipt. Further investigations with officers also noted that, although invoices are logged when received, (which would note the date), this date is overwritten during further stages of the payment process. As a result, the Authority does not have a record of the date an invoice is received. We understand that the current system is to estimate this as the invoice date plus two days when calculating the payment due date. A lack of recording of this information may affect the Authority's payment performance and its ability to justify why an invoice is paid outside payment terms.</p> <p>The Authority should give consideration to this matter going forward.</p>	<p>Consideration will be given but deemed low priority owing to central nature of finance function.</p>	<p>Treasurer.</p>
8	<p>Programme of Revaluations</p> <p>During the audit, we identified that a number of the Authority's properties have not been revalued since 1999/2000. The Authority is not in compliance with the Statement of Recommended Practice (SORP) and CiPFA guidelines, which require authorities to revalue their significant fixed assets at least once every five years.</p> <p><i>During 2006/07, the Authority should ensure that revaluations are obtained for all properties previously revalued prior to 2002/03, to ensure that the requirements of the SORP and CiPFA are met.</i></p>	<p>Agreed.</p>	<p>Treasurer.</p>
9	<p>Accounting treatment relating to capital receipts</p> <p>The Authority includes all proceeds from the disposals of capital assets within the Usable Capital Receipts Reserve (UCRR). This is not in accordance with the capital accounting regulations, which state that only disposal proceeds greater than £10,000 should be included within the UCRR. Proceeds of a lesser value should be credited directly to the Revenue Account as income.</p> <p><i>Going forward, the Authority should consider revising its treatment of disposal proceeds to ensure that these are performed in accordance with the capital accounting regulations.</i></p>	<p>Agreed.</p>	<p>Treasurer.</p>

Appendix E: Follow up of recommendations raised from previous reviews

Ref	Original matter and recommendation	Follow-up action and further recommendation	Management response	Responsible Officer
1	<p>Agreement of the net cost of services figures in the Best Value Accounting Code of Practice (BVACOP) spreadsheet</p> <p>In the prior year when auditing the net cost of pensions figures we had found that it was extremely difficult to follow the spreadsheet used by the Authority to determine that the current service costs for pensions were inserted into the correct headings in the BVACOP analysis in the revenue account. We were however able to ensure that the figure had been included within the total operating costs.</p> <p>We recommended that the Authority undertake a review of the BVACOP spreadsheet to ensure that it provides an adequate audit trail between the Authority's ledger and the headings within the accounts.</p>	<p>We noted that no changes had been made to update the process for compilation of the costs per the BVACOP headings within the Statement of Accounts.</p> <p>In addition, we noted that the percentages used to apportion the figures have not been updated for four years and no supporting evidence had been retained to demonstrate that these percentages were still appropriate.</p> <p>As a result, we were unable to gain assurance that the split of costs is accurate. However, we are satisfied that total net cost of services is accurate.</p> <p>We re-iterate our original recommendation. Furthermore, we recommend that the percentages used in the apportionment are reviewed to ensure they are still appropriate with current circumstances at the Authority.</p>	<p>A full review of the BVACOP spreadsheet will be undertaken for 2006/07 accounts.</p>	<p>Treasurer</p>

Ref	Original matter and recommendation	Follow-up action and further recommendation	Management response	Responsible Officer
2	<p>Transfer of ownership of title deeds</p> <p>We noted that title deeds for several of the Authority's land and property assets were registered in the County Council's name with statutory instruments transferring rights to the Fire Authority. Discussions noted that the assets were never formally transferred with the Land Registry.</p> <p>We recommended that the Authority register this interest with the Land Registry to officially confirm ownership.</p>	<p>The Authority has made good progress in ensuring that the transfer of ownership is underway. However, five of the twenty eight land registry transfers are still outstanding.</p> <p>We therefore recommend that the title deeds for these properties are transferred as soon as possible.</p>	<p>We are working with the Land Registry to move this forward owing to the fact that the original deeds cannot be located.</p>	<p>D. Rust</p>

Appendix F: Matters arising from our Use of Resources conclusion review

Certain matters in relation to our work on the Authority’s Use of Resources conclusion were reported within our Report to Management: Internal Financial Controls 2005/06. At the time of issuing this report, however, we had not concluded our work. We include within this appendix, further matters identified in concluding our work in this area - we have not repeated any of the recommendations previously made.

Ref	Matter and recommendation	Management response and officer responsible
1	<p>Lack of Formal Policy on the nature and level of reserves</p> <p>We are aware that the Authority does include detail within its budget book regarding the level and nature of its general and earmarked reserves. In addition, we are aware that the Authority does monitor the levels of these reserves and makes appropriate contributions / use of these reserves when necessary.</p> <p>However, the Authority does not have a formal written policy in relation to the nature and levels of its general and earmarked reserves. The sub-criteria within the Use of Resources conclusion require that a formal policy over the nature and level of general and earmarked reserves be agreed by Members. Furthermore the level of reserves should be monitored against the agreed policy.</p> <p>We recommend that the Authority compile and approve a formal written policy on the nature and level of its earmarked reserves. Once agreed, monitoring of the levels of the reserves should be performed against the policy.</p>	<p>A formal policy to supplement risk matrix will be written.</p> <p>Officer responsible: Treasurer.</p>

Ref	Matter and recommendation	Management response and officer responsible
2	<p>Assurance statements regarding reserves and estimations</p> <p>Statements have been made within the budget book by the Chief Finance Officer in relation to:</p> <ul style="list-style-type: none"> ○ The nature and level of reserves. This details the balances on the general and earmarked reserves and notes the basis for the level of these reserves. However no statement is given as to the sufficiency or otherwise of the reserves; and ○ Estimates. The statement gives details of the estimates made within the budget but does not conclude on the reasonableness of these estimates. <p>We consider that further improvements could be made to these statements to provide a greater positive assurance statement as to the sufficiency of the reserves and the reliability of the estimates.</p>	<p>Agreed.</p> <p>Officer responsible: Treasurer.</p>
3	<p>Consideration of the Statement on Internal Control (SIC) and its sources of assurance</p> <p>The sub-criteria for consideration of whether the Authority has put in place arrangements to maintain a sound system of internal control require that the sources of assurance to support the SIC be identified. Our review of internal audit's Use of Resources review noted this had not been performed in detail and recommended that further work be performed to identify these sources of assurance. In addition, we recommend that Members review these sources of assurance in considering the SIC.</p> <p>We wish to re-iterate internal audit's recommendation that the sources of assurance which support the SIC are identified and documented. In addition, Members should review this information when reviewing the SIC.</p>	<p>Agreed – this will be implemented.</p> <p>Officer responsible: Treasurer.</p>

Ref	Matter and recommendation	Management response and officer responsible
4	<p>Update required to the terms of reference of the Scrutiny and Performance Committee</p> <p>The core functions of an audit committee are not included within the terms of reference of the Scrutiny and Performance Committee. According to the views of CiPFA's Audit Panel on the role of audit committees in local government, the core functions of an audit committee are:</p> <ul style="list-style-type: none"> ○ To approve (but not direct) internal audit's strategy, plan and performance. ○ To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary. ○ To consider the reports of external audit and inspection agencies. ○ To consider the effectiveness of an authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors. ○ To be satisfied that an authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it. ○ To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted. ○ To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit. <p>Consideration should be given to amending the terms of reference to ensure that these core functions, as described above, are included within the terms of reference of the appropriate committee.</p>	<p>New Terms of Reference for Scrutiny and Performance Committee now covers some of the specific points raised, namely:</p> <ul style="list-style-type: none"> • Approve internal audit strategy, plan and performance; • Review summary audit reports; • Consider the reports of external audit and inspection agencies; and • To be satisfied that the Authority's assurance statements, including the SIC, properly reflect risk. <p>The remaining points are relevant and will be added to the Terms of Reference.</p> <p>Officer responsible: Treasurer.</p>

Ref	Matter and recommendation	Management response and officer responsible
5	<p>Lack of evidence to support the achievement of significant improvements in value for money</p> <p>A lack of evidence has been provided to show that the Authority reviews areas of high spending as compared to operational performance and considers the actions that could be taken to lower costs in these areas.</p> <p>In addition, there was a lack of evidence to support that the outcomes of processes and procedures put in place (e.g. IRMP and Best Value reviews) have achieved significant improvements in value for money.</p> <p>Further work could be performed to review areas of high spending against those of other fire authorities. It will be important for the Authority to be able to demonstrate that significant improvements in value for money have been achieved as a result of the IRMP and best value reviews.</p>	<p>Agreed.</p> <p>Officer responsible: Treasurer.</p>

In the event that, pursuant to a request which Cambridgeshire and Peterborough Fire Authority has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Cambridgeshire and Peterborough Fire Authority agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Cambridgeshire and Peterborough Fire Authority shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Cambridgeshire and Peterborough Fire Authority discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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