

**BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY
BUCKINGHAMSHIRE FIRE AND RESCUE SERVICE**

Director of Legal & Governance, Graham Britten
Buckinghamshire Fire & Rescue Service
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Chief Fire Officer and Chief Executive

Mark Jones

To: The Members of the Overview and Audit Committee

7 July 2014

Dear Councillor

Your attendance is requested at a meeting of the **OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY** to be held in Meeting Room 1, Fire and Rescue Headquarters, Stocklake, Aylesbury on **WEDNESDAY 16 JULY 2014 at 10.00 am** when the business set out overleaf will be transacted.

Yours faithfully

Graham Britten
Director of Legal and Governance

Councillors Bendyshe-Brown, Chilver, Exon, Glover, Huxley, Mallen, Vigor-Hedderly, Watson
and Wilson



MAKING YOU SAFER

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OVERVIEW AND AUDIT COMMITTEE

TERMS OF REFERENCE

Overview

1. To review current and emerging organisational issues and make recommendations to the Executive Committee as appropriate.
2. To comment upon proposed new policies and make recommendations to the Executive Committee as appropriate.
3. To review issues referred by the Authority and its other bodies and make recommendations to those bodies as appropriate.
4. To make recommendations to the Executive Committee on:
 - (a) the Electronic Services Delivery Plan;
 - (b) the Brigade Personnel Strategy;
 - (c) Levels of Incident Response;
 - (d) the Corporate Risk Management Policy;
 - (e) the Authority's Information Policy; andother such policies and procedures as are required from time to time

Audit

1. To determine the internal and external audit plans and the Internal Audit Strategy
2. To determine the Internal Audit Annual Plan and Annual Report (including a summary of internal audit activity and the level of assurance it can give over the Authority's governance arrangements).
3. To consider and make recommendations on action plans arising from internal and external audit reports, including arrangements to ensure that processes which deliver value for money are maintained and developed.
4. To consider and make recommendations to the Executive Committee on reports dealing with the management and performance of the providers of internal audit services.
5. To consider and make recommendations on the external auditor's Annual Audit Letter and Action Plan, relevant reports and the report to those charged with governance.
6. To consider specific reports as agreed with the Treasurer, Internal Audit, Monitoring Officer, Chief Fire Officer, or external audit and to make decisions as appropriate.
7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. To oversee investigations arising out of fraud and corruption allegations.
9. To determine Insurance matters not delegated to officers, or another committee.
10. To consider and determine as appropriate such other matters as are required in legislation or guidance to be within the proper remit of this Committee.

Governance

1. To:
 - (a) make recommendations to the Authority in respect of:
 - (i) variations to Financial Regulations; and
 - (ii) variations to Contract Standing Orders.
 - (b) receive a report from the Chief Finance Officer/Treasurer when there has been any variation to the Financial Instructions in the preceding twelve month period.
2. To determine the following issues:
 - (a) the Authority's Anti-Money Laundering Policy;
 - (b) the Authority's Whistleblowing Policy; and
 - (c) the Authority's Anti Fraud and Corruption Policy.
3. To determine the Statement of Accounts and the Authority's Annual Governance Statement. 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 Authority.
4. To consider the Authority's arrangements for corporate governance and make recommendations to ensure compliance with best practice.
5. To monitor the Authority's compliance with its own and other published standards and controls.
6. To maintain and promote high standards of conduct by the Members and co-opted members of the Authority.
7. To assist Members and co-opted members of the Authority to observe the Authority's Code of Conduct.
8. To advise the Authority on the adoption or revision of a code of conduct.
9. To monitor the operation of the Authority's Code of Conduct
10. To deal with cases referred by the Monitoring Officer.
11. To advise on training, or arranging to train Members and co-opted members of the Authority on matters relating to the Authority's Code of Conduct.
12. To monitor the operation of any registers of interest, of disclosures of interests and disclosures of gifts and hospitality in respect of officers or Members

Risk

1. To monitor the effective development and operation of risk management and corporate governance within the Authority.
2. To consider reports dealing with the management of risk across the organisation, identifying the key risks facing the Authority and seeking assurance of appropriate management action.

Employees

1. To be a sounding board to help the Authority promote and maintain high standards of conduct by employees of the Authority.

2. To advise the Executive Committee on the adoption or revision of any policies, codes or guidance:
 - (a) regulating working relationships between members and co-opted members of the Authority and the employees of the Authority;
 - (b) governing the conduct of employees of the Authority; or
 - (c) relating to complaints; andother such policies and procedures as are required from time to time.
3. To monitor the operation of any such policies, codes or guidance mentioned at 2 above.
4. To comment on the training arrangements in connection with any of the above.

General

1. To make such other recommendations to the Executive Committee on the issues within the remit of the Overview and Audit Committee as required.
2. To review any issue referred to it by the Chief Fire Officer, Treasurer, or Monitoring Officer, or any Authority body within the remit of these terms of reference.
3. To consider such other matters as are required in legislation or guidance to be within the proper remit of this Committee.
4. To commission reports from the Chief Fire Officer, the Internal Audit Service, the Monitoring Officer, or such other officer as is appropriate, when the Committee agrees that such reports are necessary.
5. To support the Monitoring Officer and the Treasurer in their statutory roles and in the issue of any guidance by them.
6. To receiving reports from the Monitoring Officer in his/her statutory role or otherwise relating to ethical standards and deciding action as appropriate.
7. To respond to consultation on probity and the ethical standards of public authorities.

AGENDA

Item No:

1. Election of Chairman

To elect a Chairman for 2014/15

2. Appointment of Vice-Chairman

To appoint a Vice Chairman for 2014/15

3. Apologies

4. Minutes

To approve, and sign as a correct record, the Minutes of the meeting of the Committee held on 12 March 2014 (Item 4) **(Pages 7 – 10)**

5. Disclosure of Interests

Members to declare any disclosable pecuniary interests they may have in any matter being considered which are not entered onto the Authority's Register, and officers to disclose any interests they may have in any contract to be considered.

6. Questions

To receive questions in accordance with Standing Order S0A7.

7. Corporate Risk Management

To consider Item 7 **(Pages 11 – 20)**

8. Internal Audit Report

(a) Internal Audit Report: Final Audit Reports (Pages 21 – 50)

- i) Annex A Core Financial Controls
- ii) Annex B Treasury Management

(b) Internal Audit Report: Update of progress of audit recommendations (Pages 51 – 54)

(c) Annual Report of the Chief Internal Auditor (Pages 55 – 64)

9. Date of Next Meeting

To note that the next meeting of the Committee will be held on Wednesday 24 September 2014 at 10.00am.

If you have any enquiries about this agenda please contact: Katie Nellist (Democratic Services Officer) – Tel: (01296) 744633 email: knellist@bucksfire.gov.uk

Minutes of the meeting of the OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 12 MARCH 2014 at 10.00 am

Present: Councillors Bendyshe-Brown, Chilver, Exon, Glover, Huxley, Mallen, Watson and Webb (part)

Officers: D Skinner (Director of Finance and Assets), G Britten (Director of Legal and Governance), M Gibb (Internal Audit Manager), D O'Driscoll (Head of Service Development), J Parsons (Area Manager), S Gowanlock (Corporate Planning Manager), and R Ibberson (Mazars LLP for Internal Audit)

Apologies: Councillor Vigor-Hedderly

OA18 MINUTES

RESOLVED –

That the Minutes of the meeting of the Overview and Audit Committee held on 25 September 2013, be approved and signed by the Chairman as a correct record.

OA19 2012/13 STATEMENT OF ASSURANCE

It was explained to the Committee that it was now a requirement as set down in the National Framework that the Authority approve and publish an annual Statement of Assurance; that the Statement of Assurance consolidates many of the existing internal assurance processes; and that the Secretary of State will use it to inform biennial reports to Parliament as to whether fire and rescue authorities are acting in accordance with the National Framework.

In answer to a question it was explained that although there was no additional funding to accompany this new requirement, the obligation was not too burdensome as the annual Statement of Assurance in essence summarises and consolidates a lot of existing internal documents. In compiling the annual Statement of Assurance regard had been given to the 'light touch' statutory guidance and the Statement of Assurance had been through the internal scrutiny of the Performance Management Board and the Strategic Management Board.

A question was asked as to why targets such as road traffic collisions and anti-social behaviour were included in the appended Public Safety Plan performance summary. It was explained that these were targets set down in the extant Public Safety Plan/IRMP. As to a question raised about benchmarking: targets within a fire and rescue authority's IRMP are a matter for each individual fire and rescue authority, so it is not necessarily possible to benchmark across fire and rescue authorities as the performance measures are dependent on what targets are set.

It was explained by the Director of Legal and Governance that the document itself would not be sent to the DCLG but it was a requirement to publish the document on the Authority's website.

It was noted that the DCLG was apparently already checking websites in order to see if Statements of Assurance for year 12/13 were being approved and published.

RESOLVED –

That the 2012/13 Statement of Assurance be approved and attested by the signature of its Chairman.

(Councillor Webb joined the meeting)

OA20

CORPORATE RISK MANAGEMENT

The Committee noted that staff availability had been reduced in its risk level from red to amber due to the effectiveness of the contingency arrangements that the Authority had been able to be put in place during the recent periods of industrial action; and because there had been no announcements of intended further action. The Committee was informed that it appeared that industrial action regarding the current trade dispute was in abeyance - although it was a dynamic situation and the risk level will continue to be monitored.

The Vice-Chairman congratulated the way this particular risk had been managed especially when compared to the arrangements in some other fire and rescue authorities.

In answer to a question in connection with the risk of funding being reduced from a risk level of 16 to 12, it was explained by the Director of Finance and Assets that although the funding outlook from central government is challenging, the Authority has plans in place that should enable it to deliver savings to meet the reduced level of funding.

RESOLVED –

That the status report on identified corporate risks be noted.

OA21

REVIEW OF FINANCIAL REGULATIONS

It was explained to the Committee that the changes to the Financial Regulations were essentially cosmetic and reflected matters such as changes in post holders' job descriptions and various changes in terminology.

In answer to a question as to the meaning of 'unofficial funds' at 1.5 of the Financial Regulations, it was explained that these are funds that do not form part of the Authority's accounts.

RESOLVED –

That the Financial Regulations as amended be recommended to the Authority for approval.

OA22

INTERNAL AUDIT REPORT

The Internal Audit Manager updated Members on the following audit reports:

(A) INTERNAL AUDIT REPORT: UPDATE OF PROGRESS OF THE ANNUAL AUDIT PLAN

The Internal Audit Manager gave an update on progress against the Annual Audit Plan, with some audits having reached report stage whilst others are still at the field work stage.

In answer to a question as to findings of 'reasonable', it was explained that outcomes can fall into three categories: *limited*, *reasonable*, or *substantial*. For the benefit of Members who were new to the Authority, it was explained by the Director of Finance and Assets that obtaining reasonable in the opinion of the Auditors was an achievement reflecting a lot of work that had been undertaken; and that officers were now looking to embed 'reasonable' across all areas of audit with the aim to achieving 'substantial'.

RESOLVED -

That the progress of the Annual Internal Audit Plan be noted.

(B) INTERNAL AUDIT REPORT: FINAL AUDIT REPORTS

The Internal Audit Manager gave an update on the findings of the finalised Internal Audit reports. One report 'Fleet Management Audit - Pool & Station Vehicles' had been finalised since the last meeting. The terminology of 'White Fleet' was explained in answer to a Member's question as including pool cars, station based cars and small vans - in contrast to 'Red Fleet' being fire appliances and fire engines; and 'Grey Fleet' being privately owned vehicles that might be used on Authority business.

In answer to a question about the frequency of stock takes it was explained that these were undertaken annually as part of the statement of accounts; but would be able to be done 'in real time' in future as part of the asset management roll out.

Four recommendations had been made- and agreed by the management - in the audit.

RESOLVED -

That the recommendations raised in the finalised Internal Audit report be noted.

(C) INTERNAL AUDIT REPORT: DRAFT INTERNAL AUDIT STRATEGY AND AUDIT PLAN 2014/15

The Committee was given assurance by the Internal Audit Manager that in her view the areas identified for audits in the draft plan adequately reflected the areas of risk to the Authority and highlighted the 30 days allocated to Core Financial Controls and ten days for ICT Strategy including data quality and

information governance. Furthermore, Internal Audit would be able to react to any changes in areas of perceived risk by the flexibility afforded by 15 Contingency days.

In answer to a question from the Chairman it was confirmed that the formulation process of the annual Statement of Assurance would be audited as part of the five day Corporate Governance audit.

RESOLVED -

That the latest Internal Audit Strategy and Plan for 2014/15 be approved.

(D) INTERNAL AUDIT REPORT: PROGRESS OF AUDIT RECOMMENDATIONS

The Internal Audit Manager stated that there was nothing arising from previous audits that need concern the Committee. In all areas there was evidence of recommendations being implemented including in service areas that had seen changes in staff.

RESOLVED -

That the progress on the implementation of recommendations be noted.

Before closing the meeting the Chairman noted that there were whole council elections due to be held in Milton Keynes in May; and thanked the Committee's Milton Keynes members for their work on the committee. In response, Councillor Webb commented that although it had been a challenging year for the service with matters such as the proposals for the control room, the trade dispute, and the flooding, he was very proud of the service. Councillor Mallen stated that she had been present in full council meetings of both Buckinghamshire County and Wycombe District where the respective leaders had praised the Authority and its employees for the flood relief efforts.

The Chairman stated that the next meeting of the Committee would not be known until decided upon by the Authority at its AGM on 24 June 2014.

THE CHAIRMAN CLOSED THE MEETING AT 10.40 AM

Buckinghamshire & Milton Keynes Fire Authority



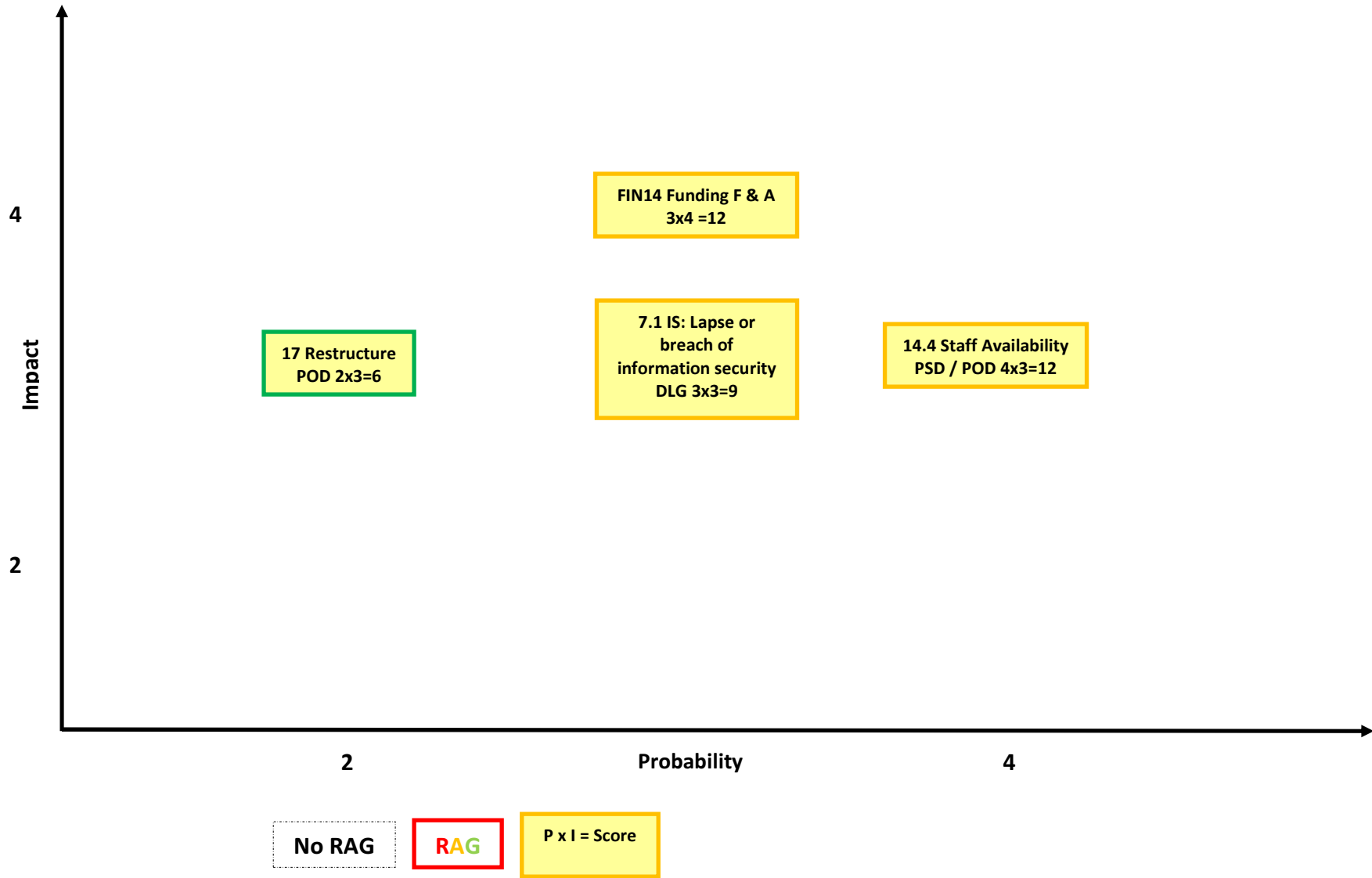
MEETING	Overview and Audit Committee
DATE OF MEETING	16 July 2014
OFFICER	Jason Thelwell, Chief Operating Officer
LEAD MEMBER	Councillor David Schofield
SUBJECT OF THE REPORT	Corporate Risk Management
EXECUTIVE SUMMARY	<p>This report provides an update on the current status of identified corporate risks. Risk registers are maintained at project, departmental and directorate levels. Corporate risks are those that have been escalated from these levels for scrutiny by the Strategic Management Board (SMB), because of their magnitude, proximity or because the treatments and controls require significant development.</p> <p>The Corporate Risk Register was last reviewed by the Overview and Audit Committee at its 12 March 2014 meeting. Since then it has been regularly reviewed by the Performance Management (PMB) and Strategic Management Boards (SMB), most recently at the 22 May PMB and 17 June SMB.</p> <p>No new corporate risks have been identified or escalated from Directorate Risk Registers. Also no changes to the distribution of Corporate Risks were recommended. However particular attention was paid to:</p> <ul style="list-style-type: none"> • risk 7.1 (Lapse or breach of information security) as the risk assessment with this has not changed over the preceding 12 month period despite work undertaken to reduce the level of risk. This is because of the dynamic and fluid nature of the risk which means that as fast as measures are taken to deal with existing or anticipated risks new ones emerge; • risk 14.4 (Staff Availability) in light of the potential for further industrial action although no change to the risk rating was considered necessary given the effectiveness of contingency cover arrangements. <p>The current distribution of corporate risks relative to probability and potential impact is shown at Annex A.</p> <p>At the 18 February SMB meeting the CFO asked for</p>

	<p>changes to the corporate risk ratings over time to be shown in graphical form. This is shown at Annex B.</p> <p>Detailed assessments of identified corporate risks are shown in the Corporate Risk Register Report at Annex C.</p>
ACTION	Information.
RECOMMENDATIONS	<p>It is recommended that:</p> <ul style="list-style-type: none"> a) Committee members review the status report on identified corporate risks at Annex C and, b) Feedback comments to officers for consideration and attention in future updates / reports.
RISK MANAGEMENT	The development, implementation and operation of effective corporate risk management structures, processes and procedures are considered critical to assure continuity of service to the public, compliance with relevant statutory and regulatory requirements and the successful delivery of the Authority's strategic aims, priorities and plans.
FINANCIAL IMPLICATIONS	No direct financial implications arising from the presentation of this report. It is envisaged that the further development of the Authority's corporate risk management framework will be undertaken from within agreed budgets.
LEGAL IMPLICATIONS	None directly arising from this report. Any legal consequences associated with the crystallisation of individual risks are detailed in the Risk Register report at Annex C.
HEALTH AND SAFETY	Development of the framework does not impact directly on the legal compliance to health and safety, however if risks are not appropriately identified then this may present Health and Safety risks.
EQUALITY & DIVERSITY	No direct implications from the presentation of this report. However risks to achieving the Authority's equality, diversity and inclusion objectives or compliance with relevant statutes or regulations are identified assessed and managed via this process and are currently monitored within the People and Organisational Development Risk Register.
USE OF RESOURCES	<p>Communication with Stakeholders</p> <p>Senior managers and principal officers are key stakeholders in the development of the corporate risk management framework and have an active role in its development at every stage. The lead Member will also be involved in the development of the framework with</p>

	<p>particular responsibility for determining the reporting arrangements for the Authority.</p> <p>As with all policy frameworks, all employees will be informed of the changes in the process and will receive any training necessary to support their role in the process.</p> <p>System of internal control</p> <p>The development of the risk management framework complements the governance framework and business processes as a critical cog in the system of internal control and makes better use of our people resources by giving them clearly defined areas of responsibility.</p> <p>Risk registers are maintained at Project, Directorate and Corporate levels. Directorate risks are regularly reviewed within Directorates and formally at their management team meetings. An escalation process is in place to enable risks to be elevated to Corporate level. Corporate risks are monitored by the Performance Management Board and the Strategic Management Board with CFA Member scrutiny exercised via the quarterly Overview and Audit Committee meetings.</p> <p>The Medium Term Financial Strategy</p> <p>Financial risks are captured at Directorate and Corporate levels. Any implications for medium term financial planning are included in the individual risk assessments.</p> <p>The balance between spending and resources</p> <p>The corporate risk management process is funded from within agreed budgetary resources. Any budgetary impacts associated with risk recorded in the risk registers are identified in the individual risk assessments and dealt with via the budget management and planning processes.</p> <p>The management of the asset base</p> <p>The asset management implications of recorded corporate and directorate risks are captured in the individual risk assessments together with details of the controls and mitigating actions.</p> <p>Environmental</p> <p>Any environmental impacts associated with risks captured in the corporate and directorate risk registers are identified in the individual risks assessment together with details of the controls and mitigating actions.</p>
<p>PROVENANCE SECTION & BACKGROUND PAPERS</p>	<p>A formal policy for the management of Corporate Risk was approved by the Authority in August 2006 and implemented with effect from 31 January 2007 (OC57: Corporate Risk Management Policy).</p> <p>Further development of this policy and framework was reported to members at the 15 September 2010 CFA</p>

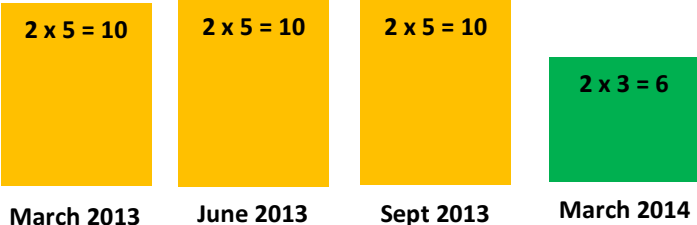
	<p>meeting (see Annex A and item 8 of 15 September CFA Papers: http://www.bucksfire.gov.uk/NR/rdonlyres/EFFF87E2-4164-4188-A805-EB85BF2B041A/0/150910_ITEM08_DEVELOPMENTOFRISKMANAGEMENTFRAMEWORK.pdf</p> <p>CFA Members were last updated on the status of the Authority’s Corporate Risks at the 12 March 2014 Overview & Audit Committee: http://www.bucksfire.gov.uk/NR/rdonlyres/9F2A549C-3B3D-43FC-B6F5-68172692BB12/0/ITEM6CorporateRiskManagement.pdf</p>
<p>APPENDICES</p>	<p>Annex A: Distribution of Corporate Risks at 17 June 2014 SMB</p> <p>Annex B: 12 Month View of Changes to Corporate Risks</p> <p>Annex C: Corporate Risk Register Report</p>
<p>REPORT ORIGINATOR AND CONTACT</p>	<p>Stuart Gowanlock, Corporate Planning Manager sgowanlock@bucksfire.gov.uk 01296 744435</p>

Annex A: Corporate Risk Map – 17 June 2014 SMB Review

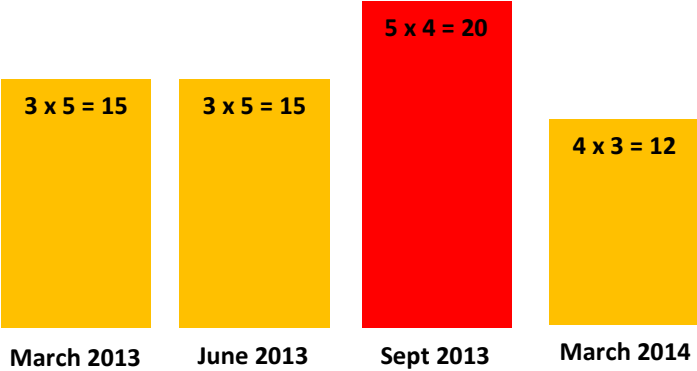


Annex B – Risk Register Changes (12 Month View)

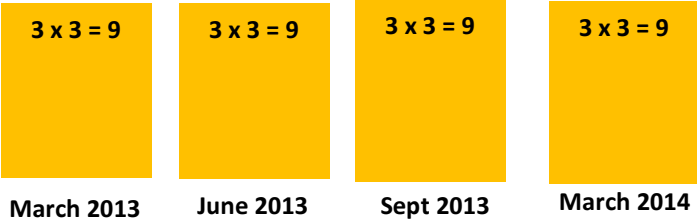
Restructure



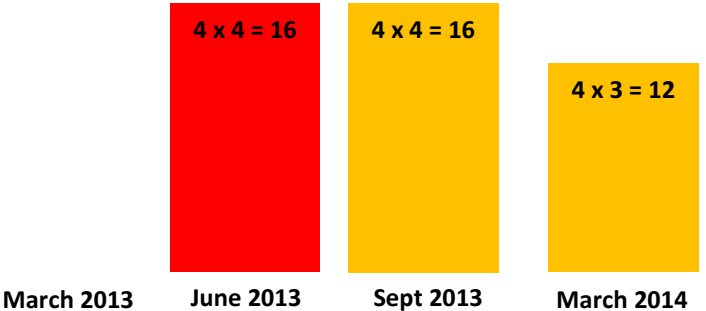
Staff Availability



Lapse or Breach of Information Security



Risk to Funding



ANNEX C - Corporate Risk Register – 17 June 2014 SMB Review

Corporate Risks

Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level H/M/L	Current Treatment	R A G	Comments / Further Treatment Proposed
			P	I	Σ				
CRR 007 Lapse or breach of Information Security	GB	1. Fine of up to £500,000 per breach from the Information Commissioner’s Office (ICO) 2. Reputational damage 3. Reduced opportunities for joint working	3	3	9	M	Various, see sample below: • Specialist information roles • Information Governance Strategy • Training package for information security/data protection • Retention & Disposal Schedules • External archive for physical assets • ICT Strategy • EDMS for Policies and procedures.	A	<ul style="list-style-type: none"> There are a wide range of information security issues and treatments to reduce the likelihood of lapses and breaches. These are being identified in a separate information risk register and risk owners identified so that treatments are managed at directorate level. <u>SMB Review – 15 April 2014</u>. Although there has been some movement in relation to this risk area, the profile of information risks means that as soon as one risk is in control another emerges. There has been some reduction in the risk profile as a consequence of the work to achieve the process side of Annex A to the Code of Connectivity but, in light of the recent virus attack across the network and the breakdown in the CCTV system at the Merlin Centre, the risk should remain at 3 x 3.

ANNEX C - Corporate Risk Register – 17 June 2014 SMB Review

Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level	Current Treatment	RAG	Comments / Further Treatment Proposed
			P	I	Σ				
CRR 014.4 Staff Availability Emerging risks of 1/ industrial action due to pension change or pay dispute; 2/ Staff inability to get to work due to external factors e.g. Pandemic Flu, disruption to fuel supplies etc. 3/ Retirements proceeding more quickly than anticipated.	JT / DO'D / MO / LS	Potential detrimental effects on service delivery to the community and our reputation.	(2)	(5)	(10)	(M)	<ul style="list-style-type: none"> • Full business continuity plan in place • Peer review of the business continuity arrangements • Bank System • Flexi-Duty System Pilot • Staff Transfer Procedure 	A	<p>6 February 14 PMB: PMB recommended that the risk score be reduced to 12 given effectiveness of contingency arrangements during strike periods which have resulted in no material disruption to the emergency response service received by the public albeit that further prolonged periods of strike action could impact on the speed with which other public safety and corporate objectives can be achieved.</p> <p>18 February 14 SMB SMB approved the changes to the risk rating recommended by PMB and also agreed a change to the RAG status from red to amber to reflect the effectiveness of the risk controls.</p> <p>27 May 14 SMB The impact of future strike action was discussed and it was agreed that this would continue to be monitored. SMB agreed to leave risk CRR 014.4 Staff Availability as amber.</p>
		Failure to discharge statutory duties.	(5)	(4)	(20)	H			
		Loss of critical knowledge / skills / capacity.	(4)	(5)	(20)	(H)			
			(3)	(5)	(15)	(H)			
			(5)	(5)	(25)	(H)			
	4	3	12	M					
CRR 017 Fit for purpose restructure / organisational change programme	LS	Change programme impacting on our ability to maintain day to day service. The possibility of employee relations issues arising from the organisation restructure, and the potential performance management difficulties. Other consequences potentially include legal challenge, loss of experience/resilience/ corporate knowledge,	(5) 2	(5) 3	(25) 6	(H) M L	<ul style="list-style-type: none"> • SMT owned & reviewed change programme in place • Communication & consultation plans in place supported by management training • Phased delivery of change prog. • Pre- and post-change EIA • Leadership and first-line management training • Processes and procedures well documented • HR, Finance, ICT resources • External communications / PR Scenario planning 	G	<p>Each element of the organisational change programme includes a people impact risk assessment and learns from initial programmes are built into current procedures.</p> <p>Some aspects of the change programme will have significantly lower risk scores and levels.</p> <p>18 February 14 SMB SMB agreed a reduction to the impact score associated with this risk from 5 to 3, and RAG status to green, to reflect improvements to the controls associated with this risk arising from the experience of implementing significant organisational changes / re-structures.</p>

ANNEX C - Corporate Risk Register – 17 June 2014 SMB Review

		reputation etc.					• BCP & negotiation strategy in place.	
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Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level	Current Treatment	RAG	Comments / Further Treatment Proposed
			P	I	Σ				
Fin 14 – Funding	DS/JM	<ul style="list-style-type: none"> If funding settlements for 2015/16+ follow the two-year trend and not the four-year trend, we would need to find an additional £2million worth of savings over and above the current MTFP between 2015/16-2017/18 	(4) 3	(4) 4	(16) 12	H M	<ul style="list-style-type: none"> A funding pressures reserve (approx. £2million by 31.03.2013) has been created, but this would be quickly exhausted without a dramatic altering of service provision and/or an increase in Council Tax to offset the reduction in Government funding 	A	<p>30 July 13 SMT: Reduce RAG rating to amber following announcement of government funding settlement.</p> <p>6 February 14 PMB: Reduction in risk score to 12 recommended in light of:</p> <ul style="list-style-type: none"> robust MTFP process and CFA in a position to approve a balanced budget at the 19 February meeting; Initiation of reviews and planning activities to address savings requirements in future years. <p>18 February 14 SMB: SMB approved the reduction to the probability score associated with this risk from 4 to 3 as recommended by PMB.</p>

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Buckinghamshire & Milton Keynes Fire Authority

MEETING	Overview and Audit Committee
DATE OF MEETING	16 July 2014
OFFICER	Maggie Gibb, Internal Audit Manager David Skinner, Director of Finance & Assets
LEAD MEMBER	Chair of Overview and Audit Committee
SUBJECT OF THE REPORT	Internal Audit Report: Final Audit Reports
EXECUTIVE SUMMARY	<p>The purpose of this paper is to update Members of the Overview and Audit Committee on the findings of the finalised Internal Audit reports.</p> <p>Three reports have been finalised since the last meeting.</p> <p>Two of the finalised reports are attached in full for the Committee's information; the third is due for review at the next Senior Management Board and will be presented to the Committee in September.</p> <p>This report includes two annexes:</p> <p>A: Core Financial Controls 2013/14 Final Report B: Treasury Management 2013/14 Final Report</p> <p>The recommendations have all been agreed with management and suitable deadline dates for implementation have been identified. Internal Audit will monitor implementation of the recommendations as they fall due.</p>
ACTION	Information.
RECOMMENDATIONS	That Members note the recommendations raised in the finalised Internal Audit reports.
RISK MANAGEMENT	There are no risk implications arising from this report.
FINANCIAL IMPLICATIONS	The audit work is contained within the 2013 - 14 budget.
LEGAL IMPLICATIONS	There are no legal implications arising from this report.
HEALTH AND SAFETY	There are no health and safety implications arising

	from this report.
EQUALITY AND DIVERSITY	There are no equality and diversity implications arising from this report.
USE OF RESOURCES	Communication and progress monitoring All audits, follow up reports and further updates will be submitted to this Committee.
PROVENANCE SECTION & BACKGROUND PAPERS	Internal Audit Plan 2013/14 Internal Audit reports taken to Overview and Audit Committee.
APPENDICES	Annex A: Core Financial Controls 2013/14 Final Report Annex B: Treasury Management 2013/14 Final Report
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Maggie Gibb – Internal Audit Manager mjibb@buckscc.gov.uk

ANNEX A

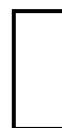
AUDIT AND RISK MANAGEMENT

INTERNAL AUDIT REPORT

BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY

Core Financial Controls

April 2014





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Audit Control:

Closing meeting:	19 March 2014
Draft report:	20 March 2014
Management responses:	27 March 2014
SMB Sign Off:	25 April 2014
Final report:	25 April 2014

Auditors:	Rebekah Ibberson Maggie Gibb	Principal Auditor Risk & Insurance Manager
Report Distribution:		
Draft Report	Mark Hemming Jacqui May David Skinner	Technical Accountant Head of Finance Director of Finance and Assets
Final Report as above plus:		Chief Fire Officer Chair, Bucks and Milton Keynes Fire Authority Ernst & Young



1. Executive Summary

1.1 Overall Audit Opinion

In our opinion **Substantial** assurance can be provided that relevant risks are effectively identified, managed and controlled.

1.2 The overall audit assurance is made up of three supporting judgements:

- a) Our assurance on the adequacy of the risk management techniques employed within the auditable area is **substantial**. This relates to the extent to which relevant risks have been identified, monitored and managed.
- b) Our assurance on the adequacy of the existing control framework to reduce identified risks to an acceptable level is **substantial**.
- c) Our assurance on the adequacy of compliance with the existing control framework is **reasonable**.

1.3 The Finance team has undergone a restructure during the financial year with many finance staff new to the organisation. Despite recent changes, the Finance team have maintained the existing control framework and have integrated system and physical controls to ensure segregation of duties and strengthen the control environment further.

1.4 In addition to the findings summarised below, we also found the following example of good practice:

- A comprehensive Income Bank user guide, Bank reconciliation process notes and VAT reconciliation process notes have been developed

1.5 Some areas for improvement were identified. One High priority recommendation is listed below:

- All purchase orders should be raised on the SAP system at the time of commitment in accordance with the Financial Instructions.

1.6 Recommendations summary:

In order to provide assurance on the extent to which the risks identified are managed, our review focussed on the main business objectives within the Core Financial System.

Progress in implementing these recommendations will be tracked and reported to the Overview & Audit Committee.



Buckinghamshire and Milton Keynes Fire Authority Core Financial Controls – Internal Audit Report

Area	Risk	Recommendations		
		High	Medium	Low
Financial Control Framework	The Financial Regulations and Financial Instructions do not reflect the closure and removal of Imprest accounts.		1	
Budget Monitoring	Virement requests are not authorised in line with requirements.		1	
Creditors	The raising of retrospective purchase orders is occurring committing spend prior to authorisation.	1		
	Validation checks are not completed on all new vendor set ups.			1
Debtors	The final version of the debt management policy is not available on the intranet.			1
	The timeframes as stated in the Financial Instructions for chasing outstanding debts are not followed.			1
Payroll	Where FB22's are not received records of overtime and sickness may be incomplete and inaccurate.			1
General Ledger	Current Finance procedure documents for journals and virements do not include the manual procedures, controls and documentation that are required.		1	
TOTAL		1	3	4

The detailed findings are summarised in Section 3 of this report. All findings have been discussed with the Technical Accountant and Head of Finance, where relevant, who have agreed the recommendations and produced an action plan to implement them.



- 1.7 There were no aspects of this audit which were considered to have value for money implications for the Authority or which indicated instances of over control. Any relevant findings will have been included in the findings and recommendations section of this report.



2. Background

- 2.1 The audit review of Core Financial Controls formed part of the agreed audit programme for 2013/14. The review was carried out during quarter 4.
- 2.2 The Core Financial Controls area was categorised as high risk as part of the audit needs assessment exercise based on its relative importance to the achievement of the Authority's corporate objectives. The Authority's objective for the area is to ensure that key controls are in place to ensure financial governance. The objective of our audit was to evaluate the area with a view to delivering assurance as to the adequacy of the design of the internal control system and its application in practice. A summary of the scope of this review can be seen in Appendix A.
- 2.3 The outcome of the previous Core Financial Controls audit can be summarised as:

Date of last audit:	March 2013
Overall last audit opinion:	Reasonable
Number of recommendations agreed with Management last audit:	High 1 Medium 7 Low 5
Follow Up at March 2014: Number of recommendations implemented by Management since last audit:	High 1 Medium 5 Low 4

The outstanding recommendations have been restated in this report.



3. Recommendations and Action Plan

The control description column details the actual controls that should be established to mitigate identified risk. The Findings & Consequences column details the results of analysis and tests carried out.

The priority of the findings and recommendations are as follows:

High immediate action is required to ensure that the objectives for the area under review are met.

Medium action is required within six months to avoid exposure to significant risks in achieving the objectives for the area under review.

Low action advised within 9 months to enhance control or improve operational efficiency.

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
Key Risk Area		Financial Control Framework			
1	Financial Regulations, Financial Instructions and Contract Standing Orders are: <ul style="list-style-type: none"> • reviewed on a regular basis • approved • comprehensive and cover all financial systems • available to all staff 	The Financial Regulations were updated and approved in June 2013, however page 14 refers to Imprest accounts which are now all closed, and requires updating. The Financial Instructions were updated and reviewed September 2013. Audit was provided with a draft and not a final version. Audit noted that the page numbers do not correspond to the table of contents from the Insurance section onwards. As stated above, the Imprest accounts are detailed in the Financial Instructions and require update.	The Financial Regulations and Financial Instructions will be updated to reflect the closure and removal of Imprest accounts.	Medium	Recommendation Agreed: Y Response: The Financial Regulations have been updated to accommodate the changes and were presented to overview and audit committee on 12 March 2014 for forwarding on to the next scheduled CFA meeting in June 2014. The Financial Instructions will be reorganised into a more user-friendly format and once authorised by the CFO and DoF&A, will be published on the I-Drive. This is a large area of work we intend to do



**Buckinghamshire and Milton Keynes Fire Authority
Core Financial Controls – Internal Audit Report**

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
		Where the financial regulations and instructions are not reviewed and updated on a regular basis there is a risk that they may be out-of-date which may result in inconsistent practices and non-compliance.			as part of our streamlining processes and each chapter will be dealt with separately over the coming months. Who to be actioned by: Head of Finance When to be actioned by: September 2014
	Key Risk Area	Budget Monitoring			
2	An appropriate system exists for monitoring of costs against budget and to report exceptions that have been identified to senior management for action.	Re-stated As noted in last year's audit, authorisation for virements between £50,000 to £150,000 require SMT approval and had not been sought for 2/3 within this approval threshold. In each case authorisation was by the Director of Finance and Assets. There is a risk that virements may be actioned without proper authority.	Re-stated management action: Management should review section 30 of the Financial Instructions to confirm suitability and then ensure that virement requests are authorised in line with requirements.	Medium	Recommendation Agreed: Y Response: We have found that the current financial instructions on virement authorisations limit the ability to expedite reorganisation changes and other hierarchy updates once the original budget has been uploaded onto the financial system. Many of the changes required have been previously authorised by Members or delegated authority given but as they have not been authorised in specific monetary terms, do not "fit" with the wording in the instructions. The



**Buckinghamshire and Milton Keynes Fire Authority
Core Financial Controls – Internal Audit Report**

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
					<p>instructions will be updated to accommodate these changes.</p> <p>Who to be actioned by: Head of Finance</p> <p>When to be actioned by: September 2014</p>
	Key Risk Area	Creditors			
3	Creditor invoices are authorised prior to payment.	<p>A sample of 25 invoices was reviewed for the period April to December 2013.</p> <p>Fifteen of the invoices were purchase order driven (10 were payroll payments to HMRC, LGPS etc.) but six of these purchase orders had been raised retrospectively one of which was for a framework order</p> <p>Where purchase orders are not raised at the time of the commitment there is a risk that the budget holder is not in a position to agree or decline the requisition before the authority is committed to expenditure.</p> <p>Where commitments are raised retrospectively there is a risk that ordering is actioned without</p>	All purchase orders should be raised on the SAP system at the time of commitment in accordance with the Financial Instructions.	High	<p>Recommendation Agreed: Y</p> <p>Response: The potential for orders being placed without proper authority is one of the risks already identified by the new Procurement team. The two key actions to address this are:</p> <p>(i) Procurement are to roll out training across the Authority, reinforcing the requirements of Financial Regulations, Instructions and Contract Standing Orders</p> <p>(ii) Finance are to monitor retrospective requisitions on a monthly basis and address the issue directly with the users involved</p>



**Buckinghamshire and Milton Keynes Fire Authority
Core Financial Controls – Internal Audit Report**

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
		proper authority and/or budget in place.			<p>Who to be actioned by: Technical Accountant (in conjunction with the Head of Procurement)</p> <p>When to be actioned by: Training – roll-out has already commenced and will continue throughout the year Monitoring and corrective actions – May 2014</p>
4	Supplier checks are made before setting up on SAP	<p>From a sample of five new vendor set ups we noted one with no evidence that the procurement validation checks had been completed.</p> <p>Where validation checks are not completed there is a risk that the vendor may not be bona fide which may increase the risk to the authority to fraud and or money laundering activity.</p>	Validation checks will be completed on all new vendor set ups.	Low	<p>Recommendation Agreed: Y</p> <p>Response: Additional checks will be carried out by the Procurement team before new vendors are created. These will ensure all compliance checks are carried out, as well as helping to rationalise the number of vendors held on our system.</p> <p>Who to be actioned by: Technical Accountant (in conjunction with the Head of Procurement)</p> <p>When to be actioned by:</p>



**Buckinghamshire and Milton Keynes Fire Authority
Core Financial Controls – Internal Audit Report**

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
					June 2014
	Key Risk Area	Debtors			
5	There is an up to date Debt Management Policy in place.	<p>The Debt Management policy was updated and approved in September 2013. The policy itself is in draft and has not been updated to a finalised version.</p> <p>Where a final version of the Debt Management policy is not available there is a risk that the most recent version may not be utilised which may result in inconsistent practices and non-compliance.</p>	To ensure that a final version of the Debt Management policy is available on the intranet.	Low	<p>Recommendation Agreed: Y</p> <p>Response: The draft protected watermark will be removed and the I-Drive updated with the latest approved version.</p> <p>Who to be actioned by: Technical Accountant</p> <p>When to be actioned by: April 2014</p>
6	Aged Debt reports are reviewed by Finance on a regular basis and debts chased promptly.	<p>For a sample of five outstanding debts, we noted that two had not been chased in line with the timeframes as stated in the Financial Instructions.</p> <p>There is a risk that amounts due may not be collected and bad debts increase.</p>	The timeframes as stated in the Financial Instructions for chasing outstanding debts should be followed.	Low	<p>Recommendation Agreed: Y</p> <p>Response: This was due to the volume of historic debt being chased at the time. During the year efforts have successfully focused on significantly reducing the value of debts that are more than 60 days overdue. As part of the overall review of financial transactions, the team will be looking to</p>



**Buckinghamshire and Milton Keynes Fire Authority
Core Financial Controls – Internal Audit Report**

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
					automate the chasing process as far as possible to ensure debts are followed up within the timeframes stated. Who to be actioned by: Technical Accountant When to be actioned by: June 2014
	Key Risk Area	Payroll			
7	Overtime and absences submitted monthly on a form FB22 by each station / department.	Re-stated The FB22's and the checklist completed by HR were reviewed for June and September 2013. We noted for June three gaps in submissions from BHQ, and for September one gap from Beaconsfield (Support) and six gaps in BHQ. There is a risk that records of overtime and sickness are incomplete and inaccurate leading to incorrect recording of leave or salary payments.	If FB22s are not received HR should chase up the missing ones and remind departments as to the importance of submitting them on time. Management should be informed if departments continue to submit the FB22s after the payroll cut off date. (Repeat of previous 2011/12 and 2012/13 recommendations)	Low	Recommendation Agreed: Y Response: A review of the processes and authorisation levels is currently being undertaken between Ops, Finance and HR. Once agreed and implemented, the changes will be updated in the Financial Instructions as part of review work mentioned at item 1 above. Who to be actioned by: Head of Finance When to be actioned by: September 2014



**Buckinghamshire and Milton Keynes Fire Authority
Core Financial Controls – Internal Audit Report**

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
	Key Risk Area	General Ledger			
8	Guidance relating to accounting in policies and procedures is fit for purpose and up to date.	<p>Re-stated Finance team have a library of procedure guidance which includes 'how to' guidance on executing a variety of SAP transactions including journals and virements. Overall process guidance including such matters as completion of documentation, supporting documentation required, documents to be filed, etc. are not included.</p> <p>There is a risk that guidance relating to accounting in policies and procedures is not fit for purpose and up to date.</p>	<p>Re-stated Current Finance procedure documents should be extended to include the manual procedures, controls and documentation that are required in addition to the SAP system actions to be taken.</p>	Medium	<p>Recommendation Agreed: Y</p> <p>Response: this will also form part of the work identified at item 1 above</p> <p>Who to be actioned by: Head of Finance</p> <p>When to be actioned by: September 2014.</p>



Appendix A

AUDIT SCOPE AND FRAMEWORK

4. Specific Audit Scope

- 4.1 We have evaluated the area against the following identified risks which we agreed with management:

Financial Control Framework

- Financial Regulations/Instructions are not comprehensive, up to date or approved
- Financial risks are not identified or managed in accordance with the corporate risk management policy.
- Staff are unaware of roles and responsibilities.
- Access controls and segregation of duties are inadequate.
- Inadequate, or lack of, budgetary control results in budget over/under spends.

Creditors

- Creditor payments are not authorised, accurate, timely or not in respect of goods and services received by the CFA

Debtors

- All income due to the organisation is not properly identified, allocated or accounted for. .
- Income due has not been invoiced, received or action taken to recover the debt

Payroll

- Payments are made to people who are not bona fide and payments are not at the correct and authorised rate.

General Ledger

- Financial transactions are not accurately or completely recorded in the General Ledger
- Transactions are not authorised or supported by documentary evidence

Grant income

- Grant income is not properly planned, identified, allocated or accounted for.

Capital

- There is no approved Capital programme and capital assets are not recorded or accounted for correctly.

Banking

- Banking transactions are not bona fide, accurate or authorised.

VAT

- VAT is not correctly accounted for by the Authority and VAT returns are not made in a timely manner.



Buckinghamshire and Milton Keynes Fire Authority Core Financial Controls – Internal Audit Report

4.2 Following preliminary risk assessments, the following processes were not included within the scope of this review and will be reviewed as a separate audit.

- Treasury Management



5. Audit Methodology and Opinions

- a. The audit was undertaken using a risk-based methodology in a manner compliant with the CIPFA Code of Practice. The audit approach was developed with reference to the Internal Audit Manual and by an assessment of risks and management controls operating within each area of the scope. Where we consider that a risk is not being adequately managed, we have made recommendations that, when implemented, should help to ensure that the system objective is achieved in future and risks are reduced to an acceptable level.
- b. The matters raised in this report are only those, which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the risks that exist or all improvements that might be made.
- c. Each audit will result in an overall ‘audit assurance’. A detailed summary will be provided to the Overview and Audit Committee for all ‘limited’ assurance opinion reports. The range of audit opinions is outlined below:

ASSURANCE	SUBSTANTIAL	REASONABLE	LIMITED
Adequacy of risk management techniques employed within the area.	Thorough processes have been used to identify risks. Action being taken will result in risks being mitigated to acceptable levels. No more monitoring is necessary than is currently undertaken.	The action being taken will result key risks being mitigated to acceptable levels. Some additional monitoring is required.	No action is being taken, OR insufficient action is being taken to mitigate risks. Major improvements are required to the monitoring of risks and controls.
Adequacy of the existing control framework to reduce identified risks to an acceptable level.	Controls are in place to give assurance that the system’s risks will be mitigated.	Most controls are in place to give assurance that the system’s key risks will be managed but there are some weaknesses.	The control framework does not mitigate risk effectively. Key risks are not identified or addressed.
Adequacy of compliance with the existing control framework.	The control framework is generally complied with. Emerging risks are identified and addressed in a timely manner.	Compliance with the control framework mitigates risk to acceptable levels, except for the risks noted.	Compliance is poor so risks are not being mitigated to acceptable levels and it is probable that some objectives will not be, OR are not being achieved.

- d. The responsibility for a sound system of internal control rests with management. Internal audit procedures are designed to focus on areas identified by management as being of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

ANNEX B

AUDIT AND RISK MANAGEMENT

INTERNAL AUDIT REPORT

BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY

Treasury Management

April 2014





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Audit Control:

Closing meeting:	27 March 2014
Draft report:	27 March 2014
Management responses:	7 April 2014
SMB Sign Off:	25 April 2014
Final report:	25 April 2014

Auditors:	Rebekah Ibberson Maggie Gibb	Principal Auditor Risk & Insurance Manager
Report Distribution:		
Draft Report	Mark Hemming Jacqui May David Skinner	Technical Accountant Head of Finance Director of Finance and Assets
Final Report as above plus:		Chief Fire Officer Chair, Bucks and Milton Keynes Fire Authority Ernst & Young

1. Executive Summary

1.1 Overall Audit Opinion

In our opinion **Substantial** assurance can be provided that relevant risks are effectively identified, managed and controlled.

1.2 The overall audit assurance is made up of three supporting judgements:

- a) Our assurance on the adequacy of the risk management techniques employed within the auditable area is **substantial**. This relates to the extent to which relevant risks have been identified, monitored and managed.
- b) Our assurance on the adequacy of the existing control framework to reduce identified risks to an acceptable level is **substantial**.
- c) Our assurance on the adequacy of compliance with the existing control framework is **substantial**.

1.3 The Fire Authority took over the management of Treasury from Buckinghamshire County Council for 2013/14. For 2013/14 onwards, the Authority is now investing in its own name and bears the risk of any counterparty failure. The volume of treasury management transactions is low and risks are managed in accordance with the strategy and with advice from external treasury management advisers.

1.4 In addition to the findings summarised below, we also found the following example of good practice:

- Comprehensive Treasury Management process notes have been developed to support the Treasury Management function.
- Electronic sign off processes creating a virtual paperless Treasury Management environment.
- The Treasury Management Practice document and Treasury Management Policy is in line with the CIPFA Treasury Management Code of Practice 2011.

1.5 Recommendations summary:

In order to provide an assurance on the extent to which the risks identified are managed, our review focussed on the main business objectives within the Treasury Management System.

Progress in implementing these recommendations will be tracked and reported to the Overview & Audit Committee.



Buckinghamshire and Milton Keynes Fire Authority Treasury Management – Internal Audit Report

Area	Risk	Recommendations		
		High	Medium	Low
Policies, Procedures & Regulations	The Financial Regulations and Instructions do not reflect the in-house Treasury Management function.		1	
Cash Flow Forecasting	Investments may be made in error.		1	
Investments	Investments are made without the appropriate authority.			1
TOTAL		0	2	1

The detailed findings are summarised in Section 3 of this report. All findings have been discussed with the Technical Accountant who have agreed the recommendations and produced an action plan to implement them.

- 1.7 There were no aspects of this audit which were considered to have value for money implications for the Authority or which indicated instances of over control. Any relevant findings will have been included in the findings and recommendations section of this report.



2. Background

- 2.1 The audit review of Treasury Management formed part of the agreed audit programme for 2013/14. The review was carried out during quarter 4.
- 2.2 The Treasury Management area was categorised as high risk as part of the audit needs assessment exercise based on its relative importance to the achievement of the Authority's corporate objectives. The Authority's objective for the area is to ensure that key controls are in place to ensure financial governance. The objective of our audit was to evaluate the area with a view to delivering assurance as to the adequacy of the design of the internal control system and its application in practice. A summary of the scope of this review can be seen in Appendix A.
- 2.3 There have been no previous audits in this area.



3. Recommendations and Action Plan

The control description column details the actual controls that should be established to mitigate identified risk. The Findings & Consequences column details the results of analysis and tests carried out.

The priority of the findings and recommendations are as follows:

- High** immediate action is required to ensure that the objectives for the area under review are met.
- Medium** action is required within six months to avoid exposure to significant risks in achieving the objectives for the area under review.
- Low** action advised within 9 months to enhance control or improve operational efficiency.

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
Key Risk Area		Policies, Procedures and Regulations			
1	Financial Regulations, Financial Instructions and Treasury Management Policies/documents are: <ul style="list-style-type: none"> • reviewed on a regular basis • approved • comprehensive and cover all financial systems • available to all staff 	The Financial Instructions do not include the Treasury Management function, and the Financial Regulations refers to the Treasury Management SLA with Bucks County Council and requires updating to reflect the in-house treasury management function. The Treasury Management Practice document provided for review is a draft document. The counter-fraud and corruption policy available on the BMKFRS website is dated 16.12.05 and not the current version dated November 2013.	The Financial Instructions and Financial Regulations are updated to reflect the in-house treasury management function. The Treasury Management Practice document is updated with the final version. The counter-fraud policy on the BMKFRS website is updated with the current version.	M	Recommendation Agreed: Y Response: The Financial Regulations have been updated to accommodate the changes and were presented to the Overview and Audit Committee on 12 March 2014 for forwarding on to the next scheduled CFA meeting in June 2014. The Financial Instructions will be reorganised into a more user-friendly format and once authorised by the CFO and DoF&A, will be published on the I-Drive. This is a large area of work we intend to do as part of our



**Buckinghamshire and Milton Keynes Fire Authority
Treasury Management – Internal Audit Report**

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
		<p>Where the financial regulations, instructions and policy documents are not reviewed and updated and made available, there is a risk that they may be out-of-date which may result in inconsistent practices and non-compliance.</p>			<p>streamlining processes and each chapter will be dealt with separately over the coming months.</p> <p>The Treasury Management Practice document was approved by the Overview and Audit Committee on 25 September 2013. The draft marking will be removed.</p> <p>The Counter-fraud and Corruption Policy will be updated on the website to reflect the latest approved version.</p> <p>Who to be actioned by: Head of Finance</p> <p>When to be actioned by: September 2014</p>
	Key Risk Area	Cash Flow Forecasting			
2	Investment and borrowing is undertaken by reference to the projected cash position.	<p>From review of the Treasury Action Logs we noted 6/25 where the available to invest figure did not correlate to the investments made/funds called for the day. It was confirmed that the closing bank balance figure is utilised and reviewed against the cash flow spread</p>	<p>The Treasury Action Log is reviewed to ensure that the available to invest figure is accurate.</p> <p>Where an investment/call for funds decision is made which is not in line with the available to invest figure, in view of the following day's</p>	M	<p>Recommendation Agreed: Y</p> <p>Response: The available to invest figure was only ever intended to provide a guideline figure based on the available bank balance. The actual amount invested will be adjusted to take into account known future cash flows.</p>



**Buckinghamshire and Milton Keynes Fire Authority
Treasury Management – Internal Audit Report**

	Control description	Findings & Consequences	Recommendation	Priority	Management Response and Action Plan
		<p>sheet in order to make decisions about investments/funds called.</p> <p>Where the treasury action log does not accurately record the available to invest figure or record the decision-making process, there is a risk that investment decisions may be made in error or do not provide an adequate audit trail.</p>	<p>cash flow commitments, this should be recorded on the treasury action log to provide an audit trail of decisions made.</p>		<p>The Action Log will be updated to include a field to record the rationale for varying the investment/call for funds from the suggested figure.</p> <p>Who to be actioned by: Technical Accountant</p> <p>When to be actioned by: April 2014</p>
Key Risk Area		Investments			
3	<p>Counter-parties are required to obtain permission from an appropriate member of Finance.</p>	<p>From review of three investments made to the Public Sector Deposit Fund (CCLA) MMF we noted one subscription form on file which had only been authorised by one signatory and not two.</p> <p>Where investments are made which are not approved by two signatories there is a risk that investments are made without the appropriate authority.</p>	<p>CCLA subscription forms are signed by two authorised signatories.</p>	L	<p>Recommendation Agreed: Y</p> <p>Response: An additional signatory will be added to reduce the risk that insufficient authorised signatories are available to complete the forms.</p> <p>Who to be actioned by: Technical Accountant</p> <p>When to be actioned by: April 2014</p>

Appendix A

AUDIT SCOPE AND FRAMEWORK

4. Specific Audit Scope

- 4.1 We have evaluated the area against the following identified risks which we agreed with management:

Area 1: Policies, Procedures and Regulations

- Treasury Management strategy may not be approved, or may not be in line with recommended practices and legislation.

Area 2: Transactions and Records

- Transactions may not be appropriately authorised.
- The integrity and reliability of the treasury management system is compromised due to inadequate access controls.

Area 3: Cash Flow Forecasting

- Information received by Treasury Management to enable effective cash flow forecasting to take place is insufficient, inaccurate or not prompt.
- Ineffective cash flow management may result in inappropriate lending's and borrowings or penalty charges.

Area 4: Investments

- Loss or misappropriation of funds via error or fraudulent activity.
- Loss of funds due to failure of an institution we have invested in.
- Underachievement of returns.

Area 5: Borrowings

- Risk of misappropriation of funds via fraudulent activity, re repayment of a borrowing.
- Borrowing may not be obtained at competitive rates leading to higher than expected charges which would have a negative impact on the Authority's finances.
- Interest on borrowings may not be paid accurately or on time.
- If a large proportion of the Authority's debt needs to be refinanced at one time and this coincides with a period of high interest rates this would have a negative effect on the Authority's finances.

Area 6: Financial and Performance Management

- Performance is not monitored effectively leading to poor decision making
- Lack of reporting and monitoring of Treasury Management activity



Buckinghamshire and Milton Keynes Fire Authority Treasury Management – Internal Audit Report

4.2 Following preliminary risk assessments, the following processes were not included within the scope of this review.

- None identified

5. Audit Methodology and Opinions

- a. The audit was undertaken using a risk-based methodology in a manner compliant with the CIPFA Code of Practice. The audit approach was developed with reference to the Internal Audit Manual and by an assessment of risks and management controls operating within each area of the scope. Where we consider that a risk is not being adequately managed, we have made recommendations that, when implemented, should help to ensure that the system objective is achieved in future and risks are reduced to an acceptable level.
- b. The matters raised in this report are only those, which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the risks that exist or all improvements that might be made.
- c. Each audit will result in an overall ‘audit assurance’. A detailed summary will be provided to the Overview and Audit Committee for all ‘limited’ assurance opinion reports. The range of audit opinions is outlined below:

ASSURANCE	SUBSTANTIAL	REASONABLE	LIMITED
Adequacy of risk management techniques employed within the area.	Thorough processes have been used to identify risks. Action being taken will result in risks being mitigated to acceptable levels. No more monitoring is necessary than is currently undertaken.	The action being taken will result key risks being mitigated to acceptable levels. Some additional monitoring is required.	No action is being taken, OR insufficient action is being taken to mitigate risks. Major improvements are required to the monitoring of risks and controls.
Adequacy of the existing control framework to reduce identified risks to an acceptable level.	Controls are in place to give assurance that the system’s risks will be mitigated.	Most controls are in place to give assurance that the system’s key risks will be managed but there are some weaknesses.	The control framework does not mitigate risk effectively. Key risks are not identified or addressed.
Adequacy of compliance with the existing control framework.	The control framework is generally complied with. Emerging risks are identified and addressed in a timely manner.	Compliance with the control framework mitigates risk to acceptable levels, except for the risks noted.	Compliance is poor so risks are not being mitigated to acceptable levels and it is probable that some objectives will not be, OR are not being achieved.

- d. The responsibility for a sound system of internal control rests with management. Internal audit procedures are designed to focus on areas identified by management as being of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.



Buckinghamshire and Milton Keynes Fire Authority Treasury Management – Internal Audit Report

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Buckinghamshire & Milton Keynes Fire Authority

MEETING	Overview and Audit Committee
DATE OF MEETING	16 July 2014
OFFICER	Maggie Gibb, Internal Audit Manager David Skinner, Director of Finance & Assets
LEAD MEMBER	Chair of Overview and Audit Committee
SUBJECT OF THE REPORT	Internal Audit Report: Update of progress of audit recommendations
EXECUTIVE SUMMARY	<p>The purpose of this paper is to update Members of the Overview and Audit Committee on the progress of the implementation of audit recommendations made as at 30 June 2014.</p> <p>This report includes one annex:</p> <p>A: An update on the progress of implementation of new audit recommendations and those previously reported as not yet implemented.</p> <p>In total there are 52 recommendations to report on the status of which are classified as follows:</p> <p>Green (Implemented) 35/52 (67%) Amber (on track not yet due) 17/52 (33%) Red (not implemented, due date revised) 0</p> <p>There are no outstanding recommendations to bring to the attention of the Overview and Audit Committee at this time.</p> <p>Internal Audit will continue to actively monitor implementation of all outstanding recommendations.</p>
ACTION	Information.
RECOMMENDATIONS	That Members note the progress on the implementation of recommendations.
RISK MANAGEMENT	There are no risk implications arising from this report.
FINANCIAL IMPLICATIONS	The audit work is contained within the 2014/15 budget.
LEGAL IMPLICATIONS	There are no legal implications arising from this report.

HEALTH AND SAFETY	There are no health and safety implications arising from this report.
EQUALITY AND DIVERSITY	There are no equality and diversity implications arising from this report.
USE OF RESOURCES	<p>Communication and progress monitoring</p> <p>All audits, follow up reports and further updates will be submitted to this committee</p>
PROVENANCE SECTION & BACKGROUND PAPERS	<p>Internal Audit Plans 2012/13 and 2013/14.</p> <p>Internal Audit reports taken to Overview and Audit Committee.</p>
APPENDICES	Annex A: An update on the progress of implementation of new audit recommendations and those previously reported as not yet implemented.
TIME REQUIRED	5 minutes.
REPORT ORIGINATOR AND CONTACT	<p>Maggie Gibb – Risk and Insurance Manager</p> <p>mgibb@buckscc.gov.uk</p>

ANNEX A:

Status of Internal Audit recommendations – June 2014

Audit Assignments	Date of final audit report	Overall Assurance	No of recommendations made	No of recommendations Implemented	Implemented since last meeting	Direction of Travel (see notes)	Status of recommendations at 30 June 2014								
							Red	Amber	Green						
							<table border="1"> <tr> <td>Red</td> <td>Recommendation has not yet been implemented and will not meet the original deadline</td> </tr> <tr> <td>Amber</td> <td>Recommendation is progressing, not due to be actioned yet.</td> </tr> <tr> <td>Green</td> <td>Recommendation has been actioned</td> </tr> </table>	Red	Recommendation has not yet been implemented and will not meet the original deadline	Amber	Recommendation is progressing, not due to be actioned yet.	Green	Recommendation has been actioned		
Red	Recommendation has not yet been implemented and will not meet the original deadline														
Amber	Recommendation is progressing, not due to be actioned yet.														
Green	Recommendation has been actioned														
2012/13															
Core Financial Controls	April 2013	Reasonable	13	10	5	↑	0	3**	10						
Human Resources	August 2013	Reasonable	6	6	6	↑	0	0	6						
Property Management	November 2013	Reasonable	4	4	4	↑	0	0	4						
Asset Management	November 2013	Reasonable	6	6	6	↑	0	0	6*						
2013/14															
Core Financial Controls	April 2014	Substantial	8	4	4	↑	0	4	4						
Treasury Management	April 2014	Substantial	3	2	2	↑	0	1	2						
Fleet Management	October 2013	Reasonable	4	3	3	↑	0	1	3						
ICT Strategy	March 2014	Reasonable	8	0	0	↔	0	8***	0						
Totals			52	35	30		0	17	35						

Notes:

* Recommendations to be revisited in 2013/14 report as project has moved on significantly since 2012/13 audit

** Restated in 2014/14 audit

*** Recommendations to be followed up during 2014/15 audit

Direction of travel indicates how well recommendations have been progressed since previous Overview and Audit Committee meeting.



Further recommendations have been implemented in period



No recommendations due for implementation in period



Recommendations due for implementation have not been actioned



Buckinghamshire & Milton Keynes Fire Authority

MEETING	Overview and Audit Committee
DATE OF MEETING	16 July 2014
OFFICER	Ian Dyson, Chief Internal Auditor David Skinner, Director of Finance & Assets
LEAD MEMBER	Chair of Overview and Audit Committee
SUBJECT OF THE REPORT	Annual Report of the Chief Internal Auditor 2013/14
EXECUTIVE SUMMARY	<p>To present the Annual Report to the Committee.</p> <p>In line with best practice, an annual report on the internal control environment is presented to those charged with governance.</p> <p>The Chief Internal Auditor's opinion is that the Fire Authority's system of internal control and risk management facilitates the effective exercise of the Authority's functions. This provides reasonable assurance regarding the effective efficient and economic exercise of the Authority's functions.</p> <p>This opinion is reflected in the Annual Governance Statement.</p>
ACTION	Information.
RECOMMENDATIONS	It is recommended that the Committee review and note the contents of the Annual Report.
RISK MANAGEMENT	There are no risk implications arising from this report.
FINANCIAL IMPLICATIONS	The audit was contained within the 2013/14 budget.
LEGAL IMPLICATIONS	There are no legal implications arising from this report.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact
USE OF RESOURCES	<u>Communication and progress monitoring</u>

	The next Annual Report will be presented to the Overview and Audit Committee in June/July 2015.
PROVENANCE SECTION & BACKGROUND PAPERS	Internal Audit Plan 2013/14 Internal Audit reports taken to Overview and Audit Committee.
APPENDICES	Annual Report of the Chief Internal Auditor 2013/14.
TIME REQUIRED	10 minutes.
REPORT ORIGINATOR AND CONTACT	Maggie Gibb – Risk and Insurance Manager mgibb@buckscc.gov.uk

**Buckinghamshire & Milton Keynes Fire
Authority**



**Internal Audit Service
Annual Report of the Chief Internal Auditor
2013/14**

**Internal Audit Service
Annual Report of the Chief Internal Auditor 2013/14**

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APPENDIX I: Summary of Audit Opinions 2013/14

1 Background

- 1.1 The Account and Audit Regulations require the Fire Authority to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The CIPFA Public Sector Internal Audit Standards (PSIAs) which sets out proper practice for Internal Audit, requires the Chief Internal Auditor to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies of the internal control environment.

2 Responsibilities

- 2.1 It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control. This opinion should be used as a key strand of the assurance framework which management use to develop their Annual Governance Statement.
- 2.2 The role of the internal audit service is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
- The Fire Authority can establish the extent to which they can rely on the whole system; and
 - Individual managers can establish how reliable are the systems and controls for which they are responsible.

3. Opinion on the Fire Authority's Internal Control Environment Summary

3.1

In my opinion the system of internal control provides **reasonable** assurance regarding the effective, efficient and economic exercise of the Authority's functions. During 2013/14 there has been further improvement to Bucks & Milton Keynes Fire Authority's system of internal control through the on-going development of policies and procedures covering the key control processes. This demonstrates a positive direction of travel towards very strong and effective internal control and risk management that will facilitate the effective exercise of the Authority's functions.

- 3.2 The audit activity in 2013/14 has demonstrated that the Authority continues to improve and develop its key governance processes, and remains focussed on creating a strong system of internal control. The opinion is consistent with the outcomes of the individual audits, in which of the 6 audits completed all had opinions of "reasonable" or "substantial" assurance.

- 3.3 A summary of our assignment outcomes and work completed during the year is shown in Appendix I.

4 Anti-Fraud

- 4.1 We continue to work closely with the Director of Finance and Assets on fraud awareness, and our work on the core financial systems includes a review of the key anti-fraud controls. There have been no suspected frauds or financial irregularity brought to the attention of the Chief Internal Auditor during 2013/14.

5 Basis of Audit Opinion

- 5.1 The Internal Audit Service has an Audit Strategy which complies with the CIPFA Code and are summarised within the Service Level Agreement. These require Internal Audit to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 5.2 The Internal Audit Plan was developed in consultation with the Director of Finance and Assets to focus specifically on financial management and corporate processes. There were no constraints placed on the scope of audit work in the year and there were sufficient resources to provide an adequate and effective audit coverage. The Internal Audit Plan was approved by the Overview and Audit Committee.
- 5.3 A summary of the work undertaken during the year forming the basis of the audit opinion on the internal control environment is shown in the Appendices. Agreed management actions arising from audit recommendations are monitored and status of implementation reported regularly to the Overview and Audit Committee.
- 5.4 In addition, in arriving at our opinion, we have taken into account:
- The results of all audits undertaken as part of the 2013/14 Audit Plan.
 - The results of follow-up action taken in respect of audits from previous years.
 - Whether or not any 'high' recommendations have not been accepted by management and the consequent risks.
 - The effects of any material changes in the Authority's objectives or activities.
 - Whether or not any limitations have been placed on the scope of internal audit.
 - Findings of work performed by other assurance providers (e.g. the External Auditors who we have liaised with throughout the year in order to share information and reduce any duplication of audit activity).

- The scope of the internal control environment - which comprises the whole framework of systems and controls established to manage BMKFRS to ensure that its objectives are met.
- 5.5 In giving our audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Accountable Officers is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. 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.

6. The Audit Team

- 6.1 The Internal Audit Service is provided by Buckinghamshire County Council. The team works to the CIPFA Code of Practice. All staff are qualified or part-qualified with either ACCA, IIA, QICA or AAT qualifications. The Service mixes resources between in-house staff and external partners.

**Ian Dyson
Chief Internal Auditor
June 2014**

APPENDIX I

1 Summary of audit outcomes for year.

1.1 Table 1: Audits undertaken and assurance opinion.

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.			
	Days	Adequacy of controls	Adequacy of compliance	Overall Assurance
Core Financial Controls	30	Substantial	Substantial	Substantial
Treasury Management	10	Substantial	Substantial	Substantial
Fleet Management	5	Reasonable	Reasonable	Reasonable
Control Centre *	5	Reasonable	Reasonable	Reasonable
ICT Strategy	10	Reasonable	Reasonable	Reasonable
Asset Management System *	10	Reasonable	Reasonable	Reasonable
Follow Ups	10			
Corporate work/Audit Management	10			
Total	90			

* *Draft report*

1.2 The days for Corporate Work/Audit Management covers management supervision and quality assurance on audit assignments, adhoc advice, and also detailed reports to Members on the implementation of recommendations from previous audit reports. The time spent by management has included attendance at meetings, responding to queries and requests for advice and the drafting of annual plans and reports for Committee.

1.3 Audit Methodology

For each audit an opinion was determined firstly on the framework of controls that exist for that operational area and secondly on compliance with the controls. From this an overall audit opinion is given for each audit. An opinion on the quality of risk management in place is also provided. Work has been planned and performed so as to obtain all the information and explanations which were considered necessary to provide sufficient evidence in forming an audit opinion. The range of audit opinions is:-

- Substantial - All controls are in place to give assurance that the system's objectives will be met.
- Reasonable - Most controls are in place to give assurance that the system's objectives will be met but there are some minor weaknesses.
- Limited - There are not the necessary controls in place to give assurance that the system's objectives will be met.

- 1.4 An audit plan for 2013/14 was approved by the Audit Committee on 20 March 2013, and subsequently reviewed at each meeting thereafter. No revisions were made to the plan during the year.

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