



## Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	15 July 2015
<b>OFFICER</b>	Ian Dyson, Chief Internal Auditor David Sutherland, Acting Director of Finance & Assets
<b>LEAD MEMBER</b>	Chairman of Overview and Audit Committee
<b>SUBJECT OF THE REPORT</b>	<b>Annual Report of the Chief Internal Auditor 2014/15</b>
<b>EXECUTIVE SUMMARY</b>	<p>To present the draft Annual Report to the Overview and Audit 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>
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	It is recommended that members review and note the contents of the Annual Report and advise of any suggested amendments.
<b>RISK MANAGEMENT</b>	There are no risk implications arising from this report.
<b>FINANCIAL IMPLICATIONS</b>	The audit was contained within the 2014/15 budget.
<b>LEGAL IMPLICATIONS</b>	There are no legal implications arising from this report
<b>HEALTH AND SAFETY</b>	No direct impact.
<b>EQUALITY AND DIVERSITY</b>	No direct impact

<b>USE OF RESOURCES</b>	<u>Communication and progress monitoring</u> The next Annual Report will be presented to SMB and the Overview and Audit Committee in June/July 2016.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	Internal Audit Plan 2014/15. Internal Audit reports taken to Overview and Audit Committee.
<b>APPENDICES</b>	Annual Report of the Chief Internal Auditor 2014/15
<b>TIME REQUIRED</b>	10 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	Maggie Gibb – Risk and Insurance Manager <a href="mailto:mgibb@buckscc.gov.uk">mgibb@buckscc.gov.uk</a>

**Buckinghamshire & Milton Keynes Fire  
Authority**



**Internal Audit Service  
Annual Report of the Chief Internal Auditor  
2014/15**

**Internal Audit Service  
Annual Report of the Chief Internal Auditor 2014/15**

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**APPENDIX I: Summary of Audit Opinions 2014/15**

## **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 2014/15 there has been continued 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 robust and effective internal control and risk management that will facilitate the effective exercise of the Authority's functions.

- 3.2 The audit activity in 2014/15 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 Acting 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 2014/15.

#### **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 The former Director of Finance and Assets left the organisation towards the end of the financial year. Appropriate restructuring was carried out immediately to fill this key post and mitigate the risk.
- 5.4 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.
- 5.5 In addition, in arriving at our opinion, we have taken into account:
- The results of all audits undertaken as part of the 2014/15 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 2015**

## 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	Reasonable	Substantial
Risk Management	5	Substantial	Substantial	Substantial
ICT Strategy	10	Reasonable	Reasonable	Reasonable
Corporate Governance	10	Reasonable	Reasonable	Reasonable
HR People Management	5	Substantial	Substantial	Substantial
Housing Accommodation and Allowances	5	Reasonable	Reasonable	Reasonable
Control Centre	5	Carried forward to 15/16		
Follow Ups	10			
Corporate work/Audit Management	10			
<b>Total</b>	<b>90</b>			

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 2014/15 was approved by the Audit Committee on 12 March 2014, and subsequently reviewed at each meeting thereafter. No revisions were made to the plan during the year.

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