

BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY
BUCKINGHAMSHIRE FIRE AND RESCUE SERVICE

Director of Legal & Governance, Graham Britten
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Tel: 01296 744441 Fax: 01296 744600



Chief Fire Officer and Chief Executive

Jason Thelwell

To: The Members of the Overview and Audit Committee

29 February 2016

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 9 MARCH 2016 at 10.00 am** when the business set out overleaf will be transacted.

Yours faithfully

A handwritten signature in black ink that reads 'Graham Britten'.

Graham Britten
Director of Legal and Governance

Chairman: Councillor Watson
Councillors: Bendyshe-Brown, Clarke OBE, Exon, Glover, Huxley, Mallen, Vigor-Hedderly and Wilson



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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
5. To consider and make recommendations to the Authority on the Annual Treasury Management Strategy.

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. Apologies

2. Minutes

To approve, and sign as a correct record, the Minutes of the meeting of the Committee held on 2 December 2015 (Item 2) **(Pages 7 - 12)**

3. 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.

4. Questions

To receive questions in accordance with Standing Order S0A7.

5. Corporate Risk Management

To consider Item 5 **(Pages 13 - 26)**

6. Internal Audit Reports:

(a) Internal Audit Report: Update of Progress of the Annual Audit Plan

To consider Item 6(a) **(Pages 27 - 30)**

(b) Internal Audit Report: Final Audit Reports

To consider Item 6(b) **(Pages 31 - 48)**

(c) Internal Audit Report: Update on Progress of Audit Recommendations

To consider Item 6(c) **(Pages 49 - 54)**

(d) Internal Audit Report: Draft Internal Audit Strategy and Annual Internal Audit Plan 2016/17

To consider Item 6(d) **(Pages 55 - 66)**

7. Injury Awards: Final update report

To consider Item 7 **(Pages 67 - 78)**

8. Treasury Management Performance 2015/16 - Quarter 3

To consider Item 8 **(Pages 79 - 86)**

9. Business and Systems Integration Project: Progress Report

To consider Item 9 (**Pages 87 - 92**)

10. 2014/15 Statement of Assurance

To consider Item 10 (**Pages 93 - 118**)

11. Annual Report on Regulation of Investigatory Powers Act 2000 (RIPA)

To consider Item 11 (**Pages 119 - 136**)

12. Ernst & Young Audit Plan for financial year 2015-16

To consider Item 12 (**Pages 137 - 156**)

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 2 December 2015 at 10.00 am

Present: Councillors Exon, Glover, Huxley, Mallen and Watson (Chairman)

Officers: J Thelwell (Chief Fire Officer), M Osborne (Deputy Chief Fire Officer), G Britten (Director of Legal and Governance), D Sutherland (Director of Finance and Assets), L Swift (Director of People and Organisational Development), G Smith (Head of Service Delivery), J Parsons (Head of Service Development), L Blunt (Deputy Finance Officer), M Gibb (Internal Audit Manager), B Davidson (Internal Audit), S Gowanlock (Corporate Planning Manager), G Barry (Information Governance and Compliance Manager) and Katie Nellist (Democratic Services Officer)

Apologies: Councillors Bendyshe-Brown, Clarke OBE, Vigor-Hedderly and Wilson

0A24 MINUTES

RESOLVED –

That the Minutes of the meeting of the Overview and Audit Committee held on 23 September 2015, be approved and signed by the Chairman as a correct record.

0A25 CORPORATE RISK MANAGEMENT

The Corporate Planning Manager advised Members that the Corporate Risk Register was last reviewed by the Overview and Audit Committee on 23 September 2015, and also by the Performance Management Board (PMB) on 22 October 2015 and the Strategic Management Board (SMB) on 10 November 2015. As a result of those reviews, no new risks had been identified and there were no changes to the risk scores.

Since the report was written there had been a couple of developments that the Corporate Planning Manager wanted to bring to Members' attention; the first one related to the staff availability risk and the risk of industrial action in relation to the pensions dispute.

The Chief Fire Officer had received a letter from Matt Wrack, General Secretary of the Fire Brigades Union, informing the Authority 'no further strikes will be called in relation to the existing trade dispute on pensions, while this legal challenge is pursued. For the avoidance of doubt, and for your purposes, I can confirm that no strike action will be called before June 2017'.

The risk score would be reviewed in light of this new development, but it was unlikely to change as it was a general

risk to staff availability and industrial action was only one factor of it.

The other update was in relation to the funding and savings risk. There was still a degree of uncertainty following the Autumn Statement. The Government had announced its intention to devolve business rates to local authorities by the end of this parliament and withdraw central government grants. It was not clear how this would affect some of the more specialist grants the Authority receives such as USAR.

The Director of Finance and Assets advised Members that the Authority was aware that the Government intended to transfer 100% of the business rates through to local authorities and remove the revenue support grant. In terms of medium term financial planning, it was being monitored closely.

A question was asked regarding the wider terrorism risk and whether it came under corporate risk. Members were advised that it came within the scope of the Authority's public safety plan and integrated risk management planning and training exercises were undertaken with partners for eventualities of that nature.

The Deputy Chief Fire Officer advised Members that the Authority currently had an embedded officer seconded into the South East Counter Terrorism Unit. This officer represented all of the Thames Valley Fire and Rescue Authorities including Hampshire.

The Deputy Chief Fire Officer also reassured Members that the Authority had a number of National Inter-Agency Liaison Officers (NILO) who had undertaken special vetting to gain access to shared intelligence that was held on the wider Thames Valley area and beyond and this was factored into the Authority's planning and operations.

A question was asked as to how the Authority was dealing with the ageing workforce risk. Members were advised that from April 2016 it was planned to refresh the workforce with up to 10 apprentices a year for three years. This would fit in with the workforce plan and predicted retirement profile and was factored into the medium term financial plan. This was primarily for firefighter replacement. A briefing sheet would be sent out to Members with all the information, for them to pass on at Local Area Forums and Parish Councils.

RESOLVED –

That the status report on identified corporate risks at Annex C be noted.

0A26 INTERNAL AUDIT REPORTS

(A) Internal Audit Report: Final Audit Report

The Internal Audit Manager advised Members that the purpose of this paper was to update the Committee on the finalised Internal Audit reports issued since the last meeting. One report, Asset Management System, had been issued since the last meeting.

The recommendations had all been agreed with management and suitable deadline dates for implementation had been identified. Internal Audit would monitor implementation of the recommendations as they fall due.

The areas looked at were governance and system security, functionality and recording of assets, and reporting. The report had been given a 'reasonable' level of assurance, that relevant risks were effectively identified, managed and controlled. Eight recommendations were raised, four were high priority, but easily rectified, three medium and one low priority.

RESOLVED –

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

(B) Internal Audit Report: Update of Progress of audit recommendations

The Internal Audit Manager advised that the purpose of the report was to update Members on the progress of the implementation of audit recommendations. In total there were 33 recommendations, 27 had been fully implemented, 4 were on track but were not yet due and there were 2 which had not been implemented and the due date revised. The 2 recommendations which had not been fully implemented had been progressed but were not yet fully complete. There were no outstanding recommendations to be brought to the attention of the Committee at that time.

Internal Audit continued to actively monitor implementation of all outstanding recommendations throughout the year.

RESOLVED –

That the progress on the implementation of recommendations be noted.

(C) Internal Audit Report: Update of Progress of the Annual Audit Plan

The Internal Audit Manager advised that the purpose of the report was to update Members on the progress of the annual internal audit plan; work was progressing according to the

2015/16 plan and regular discussions had been held with the Director of Finance and Assets to monitor progress.

The Asset Management System report had now been issued as a final report and the Pensions Administration audit had now been issued as a draft report and was out for management comment and would be presented at the next Overview and Audit Committee.

The Control Centre review would now be undertaken in Quarter four along with the HR People Management audit. All work was progressing as planned and the follow ups were on-going.

The Core Financial Controls audit which looks at the key financial areas of the Authority was carried out every year in Quarter Four. The External Auditors place reliance on the work carried out by Internal Audit and any actions identified that need to be implemented and that formed part of their annual opinion.

RESOLVED –

That the progress on the annual Audit Plan be noted.

OA27

TREASURY MANAGEMENT PERFORMANCE 2015/16 – QUARTER 2

The Director of Finance and Assets introduced the Finance Officer who was the author of the two Treasury Management reports and responsible for looking after the Authority's day to day investments.

The Treasury Management Performance report continued to justify the Authority's decision to bring Treasury Management in house. The accrued interest earned for the first half of 2015/16 was £84k, which was £34k higher than the budget for the period.

A question was asked regarding the stability of Standard Chartered Bank and Royal Bank of Scotland, as the report showed they had been downgraded to 'no colour'. Capita had advised that they were still comfortable with Standard Chartered Bank and as at 13 October 2015, had re-classed the bank as 'Red – 6 months' status. Standard Chartered Bank and the Royal Bank of Scotland were certificates of deposit and the Authority could come out of those, at any time, on the advice of Capita.

The Director of Finance and Assets advised Members that the Counterparty list was on constant review and regular updates and meetings with Capita the advisors were held.

RESOLVED –

That the Treasury Management Performance 2015/16 – Quarter 2 report be noted.

OA28**TREASURY MANAGEMENT STRATEGY 2016/17**

The Director of Finance and Assets advised Members that this was the first time the Committee had examined the Treasury Management Strategy, as the Authority had recently determined to pass the monitoring of this to the Overview and Audit Committee.

The Authority was obliged to set a Treasury Management Policy and Strategy every year and was obliged to ensure it was done before the end of the financial year for the year to follow. If approved today, the strategy would be forwarded to the February 2016 Fire Authority meeting for approval.

The report sets out a fairly prudent approach to investment management to ensure that the balance of risk versus the reward was as balanced as it could be, by proactive management.

A question was asked regarding ethical investment which had been raised before. The Director of Finance and Assets explained the Authority's position regarding investing or otherwise in ethical investments. The duty of the Authority was to ensure that the rate payers were protected as far as possible, in relation to any returns the Authority seek to get. The question of which companies offer truly ethical investment was very subjective and the evidence was these are few in number, are not necessarily securely rated and do not bring returns in line with normal market expectations.

RESOLVED –

That the Authority be recommended to approve the Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy for 2016/17.

OA29**BUSINESS AND SYSTEMS INTEGRATION PROJECT: PROGRESS REPORT**

The Head of Service Development advised the Committee that the project was given the go ahead by the Executive Committee on 29 July 2015. At the Executive Committee meeting on 18 November, it was agreed that update reports would come to this Committee.

The project was sponsored by the Head of Service Development, the Director of People and Organisational Development and the Acting Director of Finance and Assets and a Project Manager, Anne-Marie Carter, had been appointed. A wide ranging stakeholder group was formed to finalise the technical specification.

Some detailed work had been undertaken with Royal Berkshire Fire and Rescue Service over opportunities to collaborate. This

work had progressed well with agreements to collaborate in various areas extensively through the course of the project. The Project Manager was completing further stakeholder analysis and developing a communications strategy for all staff and stakeholders.

A question was asked as to whether the project was now fully staffed, and a Business Systems Analysis recruited. The Head of Service Development advised Members that the role had already been advertised but the quality of response was not deemed suitable, so it was hoped that the job market would be more buoyant in the New Year.

RESOLVED –

That the report be noted.

OA30

KIS STRATEGY 2014-2019 REVIEW & PROGRESS REPORT

The Head of Service Transformation advised that at the meeting of this Committee on 23 September 2015, Members received a report from the auditors in relation to the audit of the Knowledge and Information Systems (KIS) Strategy 2014-2019.

The report recommended two actions, that the KIS Strategy be reviewed to provide a more concise view of the way forward and the project portfolio be updated. The KIS Strategy had since been subject to a very detailed review which found that the existing strategy was still very much fit for purpose. A new project portfolio had been developed which clearly set out the projects which were live, those that were completed and those which were now considered business as usual. The review evidenced progress against the strategic business requirements and key issues and contained detail on the performance of the department which clearly showed the progress that had been made.

RESOLVED –

That the contents of the report be noted.

OA31

DATE OF NEXT MEETING

The Committee noted that the next meeting of the Committee would take place on Wednesday 9 March 2016 at 10.00am.

THE CHAIRMAN CLOSED THE MEETING AT 11.04 AM

Buckinghamshire & Milton Keynes Fire Authority



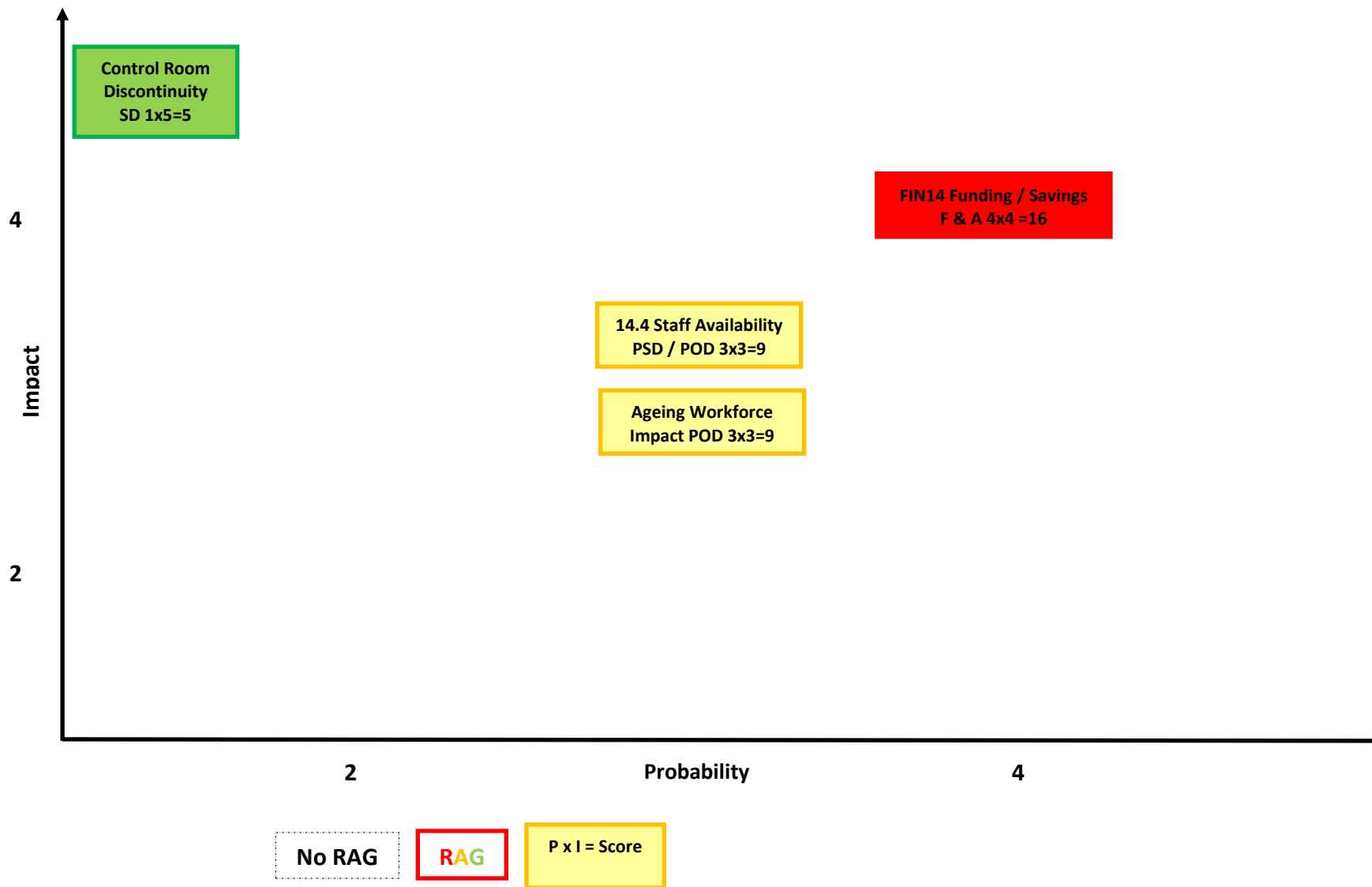
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|------------------------------|---|
| MEETING | Overview and Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | Julian Parsons, Head of Service Development |
| LEAD MEMBER | Councillor David Schofield, Health and Safety and Corporate Risk |
| 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 & Audit Committee on 2 December 2015 at which Members noted the FBU's statement that they intended to defer any future industrial action in relation to the pensions' dispute until the outcome of the legal challenges is known which means that there will be no pensions related strike action until June 2017 at the earliest.</p> <p>Since then the Risk Register has been regularly reviewed by the Performance Management (PMB) and Strategic Management Boards (SMB), most recently at the 4 February 2016 PMB and 16 February SMB. No new risks were identified or escalated from Directorate Risk Registers at these meetings. However, at the 12 January SMB, an increase in the risk scoring of the funding and savings risk from 3 x 4 to 4 x 4 was agreed in light of the 2016/17 Central Government financial settlement and potential risk to future USAR grant funding.</p> <p>The current distribution of corporate risks relative to probability and potential impact is shown at Annex A.</p> <p>Changes to the corporate risk ratings over the last year are 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 | Decision |
| RECOMMENDATIONS | It is recommended that committee members: <ul style="list-style-type: none"> i. Review the status report on identified corporate risks at Annex C; and, ii. 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. |
| CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION | The potential to share corporate risk intelligence with neighbouring FRS and other relevant agencies will be considered. BMKFA already participates in the multi-agency Thames Valley Local Resilience Forum which produces a Community Risk Register which is among the sources used to identify potential risks to the Authority. |
| 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 AND 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 | 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>Senior managers and principal officers are key stakeholders in the development of the 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 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>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 meeting (see Annex A and item 8 of 15 September CFA Papers:</p> <p>http://bucksfire.gov.uk/files/8114/0681/3588/150910.PDF</p> <p>An updated Corporate Risk Management Policy was approved at the 18th March 2015 Executive Committee:</p> <p>http://bucksfire.gov.uk/files/3314/2564/2098/Executive Committee 180315.pdf</p> <p>CFA Members were last updated on the status of the Authority's Corporate Risks at the 2 December 2015 Overview & Audit Committee:</p> <p>http://bucksfire.gov.uk/files/6914/4827/3626/Overview and Audit Committee Agenda and Reports 0212 15.pdf</p> |
| <p>APPENDICES</p> | <ol style="list-style-type: none"> 1. Annex A: Distribution of Corporate Risks at 16 February 2016 SMB meeting. 2. Annex B: 12 Month View of Changes to Corporate Risks 3. Annex C: Corporate Risk Register Report |
| <p>TIME REQUIRED</p> | <p>15 minutes.</p> |
| <p>REPORT ORIGINATOR AND CONTACT</p> | <p>Stuart Gowanlock, Corporate Planning Manager sgowanlock@bucksfire.gov.uk 01296 744435</p> |

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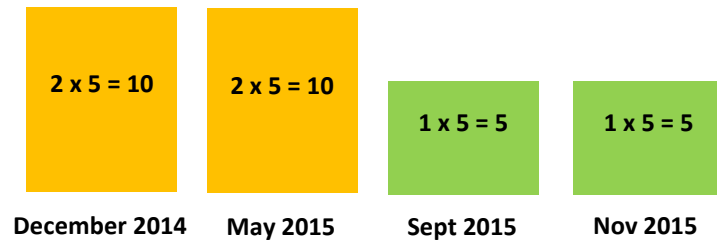
Annex A: Corporate Risk Map – As at 16 February SMB



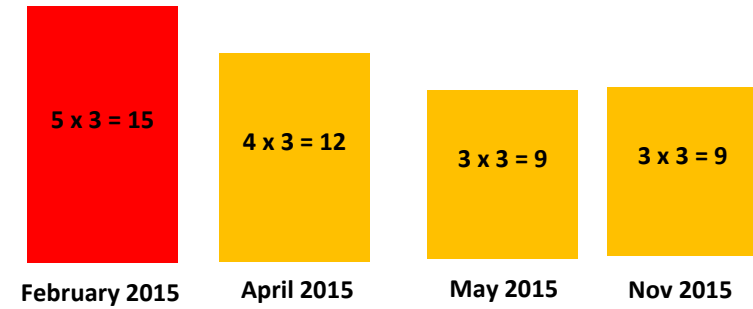
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Annex B: Risk Register Changes (12 Month View)

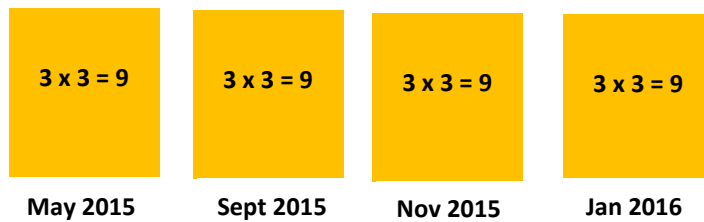
Thames Valley Control



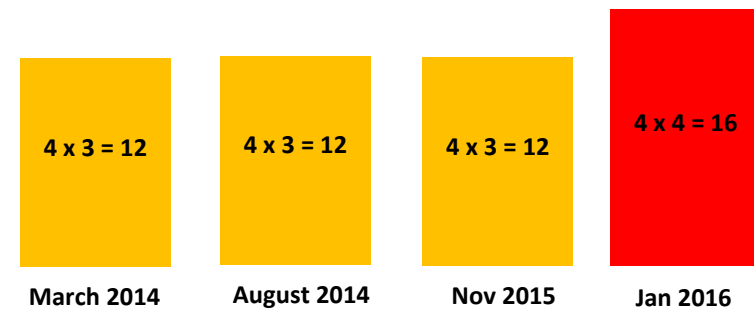
Staff Availability



Ageing Workforce Impact



Risk to Funding



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Annex C: Corporate Risk Register – as at 16 February 2016

Corporate Risks

| Risk Description | Resp. | Consequences if Untreated Risk Occurs | Risk Score (Former) / New | | | Risk Level | Current Treatment | R A G | Comments / Further Treatment Proposed |
|---|----------------|--|---------------------------|------|------|------------|---|-------|--|
| | | | P | I | Σ | HML | | | |
| 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. | COO / POD Dir. | 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>2 September 14 SMB Probability score for further industrial action raised to 5 (Extremely Likely).</p> <p>13 January 15 SMB Probability score reduced to 4 (Very Likely)</p> <p>17 February 15 SMB Probability score increased to 5 (Extremely Likely) following announcement of further strike action by the FBU (from 7 am on Wednesday 25 February 2015 until 7am on Thursday 26 February 2015).</p> <p>14 April 15 SMB Probability reduced to 4.</p> <p>21 May 15 PMB Probability score recommended to reduce to 3 in light of current position in relation to the FBU trade dispute with the Government following enactment of the new Pensions legislation.</p> <p>16 June 15 SMB PMB recommendation to reduce risk score approved.</p> <p>11 August 15 SMB & 20 August PMB Agreed that risk score should remain at 9 as although the risk of industrial action over the pension dispute has receded staff availability is affected by other contingencies such as Pandemic Flu (WHO currently predicting an outbreak within the next 18 – 24 months.)</p> <p>1 September 2015 SMB PMB risk review confirmed.</p> |
| | | (5) | (5) | (25) | (H) | | | | |
| | | (3) | (5) | (15) | (H) | | | | |
| | | (4) | (5) | (20) | (H) | | | | |
| | | (3) | (5) | (15) | (H) | | | | |
| | | Failure to discharge statutory duties. | (5) | (4) | (20) | (H) | | | |
| | | (4) | (3) | (12) | (M) | | | | |
| | | (5) | (3) | (15) | (H) | | | | |
| | | Loss of critical knowledge / skills / capacity. | (4) | (3) | (12) | (M) | | | |
| | | (5) | (3) | (15) | (H) | | | | |
| 3 | 3 | 9 | M | | | | | | |

Annex C: Corporate Risk Register – as at 16 February 2016

| 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 and Savings Requirement | Director Finance & Assets | The funding settlement for 2016/17 and beyond now assumes that a council tax increase is required each year in line with CPI inflation and that local growth meets expectations. If either or both do not come to fruition there is a risk the Authority will not meet its commitment to the PSP 2015-20 and that a fundamental re-think of service provision will be required. | (4) | (4) | (16) | H | Proactive management of the MTFP is in force which includes a re-alignment of existing balances to free up MRP and a risk assessed level of general fund reserve. Together with continued contingency funding and active workforce planning, linked to the MTFP, the saving requirement can be managed in the period up to 2019/20, <u>provided the Authority raises council tax in line with govt. expectations.</u> USAR grant is also now assumed to be cut which will leave a challenge with a cumulative savings requirement in the order of £1.5m up to 19/20, <u>even if Council Tax is increased.</u> However, early treatment should ensure this is manageable pending confirmation of the loss of grant. | R | <p><u>1 September 2015 SMB</u> Funding risk score to remain as is pending outcome of Autumn Budget and spending review.</p> <p><u>10 November 2015 SMB</u> Risk Consequences and Treatments updated to reflect current MTFP projections.</p> <p><u>12 January 2016 SMB</u> Risk consequences, treatments & score updated to reflect current MTFP projections including 16/17 financial settlement & potential risk to USAR grant.</p> <p><u>4 February 2016 PMB</u> Degree of Business Rate volatility seen in 2016/17, mainly due to the need for billing authorities to increase their provisions for historical NDR appeals. Area to be kept under review moving forward.</p> <p><u>16 February 2016 SMB</u> PMB risk review confirmed.</p> |
| | | | (3) | (4) | (12) | M | | | |
| | | | (3) | (4) | (12) | M | | | |
| | | | 4 | 4 | 16 | H | | | |

Annex C: Corporate Risk Register – as at 16 February 2016

| Risk Description | Resp. | Consequences if Untreated Risk Occurs | Risk Score (Former) / New | | | Risk Level | Current Treatment | R A G | Comments / Further Treatment Proposed |
|--|-------------------------|--|---------------------------|---|----|------------|---|-------------|--|
| | | | P | I | Σ | | | | |
| Thames Valley Control Service discontinuity (Control Room continuity of service following delay to Thames Valley Control implementation) | COO / Head Service Dev. | <ul style="list-style-type: none"> Potential for delay in receiving and handling of calls locally, therefore affecting response times of appliances | 2 | 5 | 10 | M | <ul style="list-style-type: none"> Legal agreement now in place for North Yorkshire FRS to call handle and mobilise for TVFCS in the event of service discontinuity. Secondary Control at Kidlington now tested and mirrors primary. Exercises planned for 2015 | G | <p><u>21 May 15 PMB</u></p> <p>Risk re-defined to relate to new Thames Valley Control Service</p> <p><u>16 June 15 SMB</u></p> <p>Re-definition of risk approved</p> <p><u>11 August 2015 SMB</u></p> <p>Amend risk description to incorporate its previous title, 'Control Room continuity of service following delay to Thames Valley Control implementation' in brackets, for reasons of clarity.</p> <p><u>1 September 2015 SMB</u></p> <p>Risk factor to be reduced from 2 x 5 to 1 x 5 following successful implementation of the new service and the completion of business continuity plans that have been successfully tested. The software provider has resolved initial issues with the mobilising system and ways of working are now embedded within the new control room.</p> |
| | | | 1 | 5 | 5 | L | | | |

Annex C: Corporate Risk Register – as at 16 February 2016

| Risk Description | Resp. | Consequences if Untreated Risk Occurs | Risk Score (Former) / New | | | Risk Level | Current Treatment | RAG | Comments / Further Treatment Proposed |
|--|-------------------------------|--|---------------------------|-----------------|-----------------|-----------------|---|-----------------|---|
| | | | P | I | Σ | | | | |
| <p>Potential impact on of operational staff resources due to aging workforce profile. As of April 2015 the average age of our FF's is 39.</p> | <p>Director of POD</p> | <ul style="list-style-type: none"> An aging workforce and significant retirement and leaver profile would impact on the Service providing an operational response to the community, and may also impact on the capacity and capability of our staff to provide a diverse range of services. Greater potential for increased long term Sickness absence, which would not demonstrate an effective use of salary spend, and would increase management time spent managing attendance. A potential increase in ill health retirements would negatively | <p>3</p> | <p>3</p> | <p>9</p> | <p>M</p> | <ul style="list-style-type: none"> SMB are reviewing the Whole time workforce and retirement profile in line with the MTFP to consider what options are available for refreshing the workforce and aligning staff with demand. Improved take up of Bank and Ops resourcing pool will assist operational resilience. Review wellbeing support options for different workforce profiles Functional hearing assessments being conducted in house | <p>A</p> | <ul style="list-style-type: none"> Next SMB planning meeting 8 June 2015 Potential to offer different and more flexible contractual arrangements which may be more attractive to an aging workforce with different needs and priorities Encourage a balance of demographics across the organisation Succession and workforce planning to be developed further. Review opportunities for reasonable adjustments for aging workforce. <p><u>21 May 15 PMB</u> An initial score of 3 x 3 = 9 recommended for this newly defined risk.</p> <p><u>16 June 15 SMB</u> Risk approved for inclusion in Corporate Risk Register.</p> <p><u>1 September 2015 SMB</u> Risk score considered to be at right level at present but will a reduction will be considered once the new</p> |

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Buckinghamshire & Milton Keynes Fire Authority



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| MEETING | Overview and Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | David Sutherland, Director of Finance and Assets Maggie Gibb, Internal Audit Manager |
| LEAD MEMBER | Councillor David Watson |
| SUBJECT OF THE REPORT | Internal Audit Report: Update of Progress of the Annual Audit Plan |
| EXECUTIVE SUMMARY | <p>The purpose of this paper is to update Members on the progress of the annual Internal Audit Plan since the last meeting.</p> <p>Work is progressing according to the 2015/16 plan, and regular discussions have been held with the Director of Finance and Assets to monitor progress.</p> <p>The audit of Pensions Administration has been completed and issued as a final report.</p> <p>The fieldwork for the Core Financial Controls audit has been completed, with the draft report due for issue before the end of February. The final report will be presented to Members in June.</p> <p>The Control Centre audit has not yet progressed but will be completed before the year-end. We are in discussions with Audit colleagues in Oxfordshire regarding the approach.</p> <p>The audit of HR People Management has been replaced by a review of the governance arrangements in place to oversee the transfer of Pension Administration responsibilities from Buckinghamshire County Council to West Yorkshire Pension Fund.</p> <p>Timings for the remaining audits will be discussed and agreed with SMB.</p> |
| ACTION | Information. |
| RECOMMENDATIONS | That Members note the progress on the Annual Internal Audit Plan. |
| RISK MANAGEMENT | There are no risk implications arising from this report. |
| FINANCIAL IMPLICATIONS | The audit work is contained within the 2015-16 budget. |

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| LEGAL IMPLICATIONS | There are no legal implications arising from this report. |
| CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION | Not applicable. |
| 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 SMB and Overview and Audit Committee. |
| PROVENANCE SECTION & BACKGROUND PAPERS | Internal Audit Plan 2015/16 Internal Audit reports taken to Overview and Audit Committee |
| APPENDICES | Annex A: Progress against 2015/16 Internal Audit Plan with a schedule of proposed work still to be undertaken |
| TIME REQUIRED | 10 minutes |
| REPORT ORIGINATOR AND CONTACT | Maggie Gibb – Internal Audit Manager mgibb@buckscc.gov.uk 01296 387327 |

Annex A**Progress against 2015/16 Internal Audit Plan with a schedule of proposed work still to be undertaken**

| Auditable Area | Key Audit Objectives | Day Budget (Timing) | Status | O&A Report Date |
|----------------------------------|--|----------------------------|--|----------------------------|
| Core Financial Controls | To fulfil our statutory responsibilities, we will undertake work to provide assurance over key controls within the financial governance framework. Key systems that will be tested include: <ul style="list-style-type: none"> o Budget Setting/Monitoring o Procure to Pay o Payroll & Pensions o Debtors o Capital o Financial Regulations o General Ledger o Reconciliations o Treasury Management This review will include a follow up of the 2014/15 audit report. | 40 days (Q4) | Fieldwork complete | June 2016 |
| Pension Administration | This audit will focus on the systems of control in place for the administration of Firefighters Pensions, including roles and responsibilities, compliance with legislation and accuracy of accounting. | 10 days (Q2) | Final Report REASONABLE | March 2016 |
| Control Centre | Scope to be agreed post cut over (possibly joint with OCC) | 8 days (Q4) | Planning | June 2016 |
| Asset Management | The audit will provide assurance on the governance framework and functionality of the Asset Management System including system security, asset recording and reporting. | 7 days (Q2) | Final Report REASONABLE | December 2015 |
| HR People Management - CANCELLED | This audit will focus on the systems of control in place within the HR service over allocation of workloads and managing staff. This will include a review of the VIVA system. | N/A | Replaced by Pensions Transfer review (below) | June 2016 |
| Pensions Administration Transfer | The objective for this review is to provide an evaluation of the adequacy and effectiveness of the transfer arrangements and governance surrounding the transfer of the administration of the Firefighters' Pension Schemes | 5 days (Q4) | Terms of Reference issued | June 2016 |
| Contingency | A contingency has been included within the audit plan to provide flexibility and in recognition of an expected but as yet unspecified need. If the days remain as at the beginning of Q4 then they will be used to review some key Governance areas such as Project Management and Contract Management, with the agreement of the Director of Finance and Assets. | 10 days | | |

Annex A

| Follow Up | | | | |
|-------------------------|--|-----------------|---------|---------------|
| Follow Up general | - To ensure all 2013/14 and 2014/15 medium and high recommendations of significant nature are implemented, in addition to recommendations still outstanding from previous years. | 10 days | Ongoing | December 2015 |
| Audit Management | | | | |
| Corporate Work | A proportion of the total audit resource is made available for 'corporate work'. Corporate work is non-audit specific activity which still 'adds value' or fulfils our statutory duties. Examples of this type of work include attendance and reporting to Management and Committee, and audit strategy and planning work. This also includes developing the Audit Plan, writing the Annual Report and undertaking the annual Review of Effectiveness of Internal Audit. | 10 days | N/a | N/a |
| Total | | 100 days | | |

Buckinghamshire & Milton Keynes Fire Authority



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| MEETING | Overview and Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | David Sutherland, Director of Finance and Assets Maggie Gibb, Internal Audit Manager |
| LEAD MEMBER | Councillor David Watson |
| SUBJECT OF THE REPORT | Internal Audit Report: Final Audit Reports |
| EXECUTIVE SUMMARY | <p>The purpose of this paper is to update Members on the findings of the finalised Internal Audit reports issued since the last Overview and Audit Committee meeting.</p> <p>One report, Pensions Administration, has been issued since the last meeting and has been agreed with management.</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 2015-16 budget. |
| LEGAL IMPLICATIONS | There are no legal implications arising from this report. |
| CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION | Not applicable. |
| HEALTH AND SAFETY | There are no health and safety implications arising from this report. |
| EQUALITY AND | There are no equality and diversity implications arising |

| | |
|---|---|
| DIVERSITY | from this report. |
| USE OF RESOURCES | Communication and progress monitoring All audits, follow up reports and further updates will be submitted to SMB and Overview and Audit Committee. |
| PROVENANCE SECTION & BACKGROUND PAPERS | Internal Audit Plan 2015/16 Internal Audit reports taken to Overview and Audit Committee |
| APPENDICES | Annex A: Pensions Administration Final Report |
| TIME REQUIRED | 10 minutes. |
| REPORT ORIGINATOR AND CONTACT | Maggie Gibb – Internal Audit Manager mgibb@buckscc.gov.uk 01296 387327 |

AUDIT AND RISK MANAGEMENT

INTERNAL AUDIT REPORT

BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY

Pensions Administration 2015/16

December 2015





Audit Control:

| | |
|------------------------------|------------------|
| Closing meeting: | 24 November 2015 |
| Draft report: | 2 December 2015 |
| Management responses: | 7 December 2015 |
| Final report: | 23 December 2015 |

| | | |
|--------------------------------|------------------|---|
| Auditors: | Ian Dyson | Chief Internal Auditor |
| | Maggie Gibb | Business Assurance Team Manager |
| | Betty Davidson | Senior Auditor |
| Report Distribution: | | |
| Draft Report | Kerry McCafferty | Head of Human Resources |
| | Sharon Elmes | Employee Services and Payroll Manager |
| | Lynne Swift | Director of People and Organisational Development |
| | Mark Hemming | Head of Finance |
| | David Sutherland | Director of Finance and Assets |
| Final Report as above plus: | | Chief Fire Officer Chair, Bucks and Milton Keynes Fire Authority External Audit |



1. Executive Summary

1.1 Overall Audit Opinion

In our opinion **Reasonable** 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 **reasonable**. 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 **reasonable**.
- c) Our assurance on the adequacy of compliance with the existing control framework is **reasonable**.

1.3 Currently Buckinghamshire County Council (BCC) provides a pensions administration service for both the Local Government Pension Scheme (LGPS) and Firefighters' Pension Schemes using the Altair Pension System. BCC have given notice to terminate this service for the Firefighters' Pension Schemes with effect from the 1 April 2016. A joint tender exercise is being carried out with Royal Berkshire Fire and Rescue Service for a new pension administration service provider. BCC will continue to provide the service for the LGPS.

As at October 2015 there were 431 active members of the Firefighters' Pension Schemes and 96 active members of the LGPS. The Fire Authority provides information to BCC regarding starters, leavers and variations on a monthly basis for the LGPS. BCC run reports from SAP to collect information regarding Firefighter starters, leavers and variations.

Both the LGPS and the Firefighters' Pension Schemes have seen a period of major change following the Public Service Pension Act 2013. These changes have increased the work load for the Human Resources Team to ensure that transitions to the new 2015 Firefighters Pension Scheme have been completed accurately and on time and to ensure compliance with the new requirements for governance arrangements. HR have also provided guidance and training to firefighters and HR staff on the changes to pension schemes.

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



-
- A Local Pension Board has been set up in accordance with the 2015 Statutory Instrument Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015.
 - There is a good system in place for reporting starters, leavers and variations for the LGPS to the Pension Administrators.
- 1.5 Some areas for improvement were identified. All High recommendations are listed below:
- Notice has been given by BCC for termination of the SLA with BMKFA for the Firefighters Pension scheme with effect from 1 April 2016. Although BCC have agreed to continue the service if the new provider cannot be set up in time this has not been confirmed in writing. Confirmation has also not been received that any requested changes to scheme membership including starters and leavers will be completed before the service is terminated.



1.6 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 Pensions Administration process.

Progress in implementing the management actions will be tracked and reported to the Overview & Audit Committee.

| Business Objective | Risk | Findings | | |
|--|---|----------|--------|-----|
| | | High | Medium | Low |
| Roles and responsibilities are appropriately assigned. | If roles and responsibilities are not assigned there is a risk that procedures are not followed. Staff charged with operating and overseeing the administration of the pensions are unable to discharge their duties, leading to ineffective operations and governance. | 0 | 0 | 0 |
| | If the Service Level Agreement with Buckinghamshire County Council to administer the pension schemes is not monitored and/or complied with there is a risk that the service is not delivered as agreed. | 1 | 1 | 0 |
| Relevant legislation is complied with. | If there is no process in place to identify changes in legislation regarding the pension schemes there is a risk of failure to adhere to relevant statutory regulations, including updates to schemes, resulting in non-compliance with scheme requirements. | 0 | 0 | 0 |



| | | | | |
|--|--|---|---|---|
| The scheme is administered properly and changes are processed promptly and accurately. | If new scheme members and other life events or change of details are not processed accurately, in accordance with scheme rules, there is a risk that records are inaccurate leading to incorrect payments being made. | 0 | 4 | 0 |
| Pension schemes are accurately accounted for. | If income required to be allocated to the Pension Account is not completely, accurately or promptly processed, there is a risk that records are inaccurate which could have financial implications for the Fire Authority. | 0 | 0 | 0 |
| | If the LOGASnet grant claims are not completed accurately there is a risk that the Authority may under or over claim the 'top-up' grant to which it is entitled. | 0 | 0 | 0 |
| TOTAL | | 1 | 5 | 0 |

The detailed findings are summarised in Section 3 of this report. All findings have been discussed with the Head of Human Resources who has agreed all the findings 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 Pensions Administration formed part of the agreed audit programme for 2015/16. The review was carried out during November.
- 2.2 The Pensions Administration 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 there is a robust system in place for the administration of the pension schemes. The objective of our audit was to evaluate the area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. A detailed summary of the scope of this review can be seen in Appendix A.
- 2.3 An audit of Pensions Administration has not been carried out previously.



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 | Issues & Consequences | Priority H/M/L | Management Action Plan | Task owner and target date for implementation |
|-----------------|--|---|----------------|--|---|
| Key Area | | Roles and Responsibilities | | | |
| 1 | Alternative arrangements are in place to administer the Firefighters' Pension Schemes. | <p>Notice has been given by BCC for termination of the SLA with BMKFA for the Firefighters Pension scheme with effect from 1 April 2016. Although BCC have agreed to continue the service if the new provider cannot be set up in time, this has not been confirmed in writing.</p> <p>Confirmation has also not been received that any requested changes to scheme membership will be completed before the service is terminated.</p> <p>There is a risk that following the termination of the SLA there will be no arrangements in place to administer the Firefighters' Pension Schemes and data will not be up to date.</p> | High | Confirmation in writing will be sought from BCC that the service will continue if the new provider is not in place by 1 April 2016. This will also include an agreement that all data held by BCC is transferred to the new provider within an agreed timescale and all outstanding actions completed before transfer of data to the new service provider. | <p>Who to be actioned by: Head of Human Resources</p> <p>When to be actioned by: 1 January 2016</p> |



| | Control description | Issues & Consequences | Priority H/M/L | Management Action Plan | Task owner and target date for implementation |
|---|--|--|----------------|---|--|
| 2 | Management information regarding target times which have not been met in accordance with the SLA is provided to BMKFA HR and discussed with pension system administrators (BCC). | <p>The Head of Human Resources confirmed that management information is not provided on a regular basis. Although meetings are held with BCC Pensions Team staff to discuss delays, these tend to be regarding specific pieces of work rather than setting up new starters on the system etc. these are not formally minuted with agreed actions.</p> <p>There is a risk that instances where BCC are not complying with the Service Level Agreement are not identified, leading to remedial actions not being taken in time and a possible negative effect on scheme members.</p> | Medium | Following the transfer of the Firefighters' Pension Schemes to a new administrator BCC Pensions Team will be asked to provide management information on a regular basis for the LGPS. Meetings will be held to discuss any issues arising and actions will be agreed, minuted and progress monitored. | Who to be actioned by: Head of Human Resources. When to be actioned by: 1 June 2016 |



| | Control description | Issues & Consequences | Priority H/M/L | Management Action Plan | Task owner and target date for implementation |
|-----------------|---|--|----------------|--|--|
| Key Area | | Pension Scheme Administration and Transactions | | | |
| 3 | Staff are informed that they are auto enrolled to a pension scheme upon employment. | <p>A sample of ten starters was reviewed to ensure that they were given sufficient details regarding the specific pension scheme. The following issues were identified:</p> <ol style="list-style-type: none"> 1. The offer letters for LGPS members give details of the percentage rate of pension contributions that the employee will pay; however Fire Fighter letters did not include this information. 2. One employee was previously employed via an agency and did not receive an employment offer letter and as a result was not formally informed that he would be auto enrolled into the pension scheme. 3. A Firefighter, who was in the 92 scheme, took on additional responsibilities this year i.e. On Call. Due to this change in roles the employee was given a secondary contract and entered into the 2015 scheme. It was confirmed by the Pension Administrators that he should be on the 92 scheme for both roles. <p>There is a risk that Pension Scheme members are not fully informed or not set up correctly on Altair which could have financial implications in the future for both the member and the Fire Authority.</p> | Medium | <ol style="list-style-type: none"> 1. The offer letters to Firefighters will be amended to include the pension contribution rate. 2. Going forward all new starters will be given an employment offer letter stating that they will be auto-enrolled into the relevant pension scheme. 3. The identified Firefighter's pension will be investigated, advice sought and actioned as necessary. | <p>Who to be actioned by: Employee Services and Payroll Manager</p> <p>When to be actioned by:</p> <ol style="list-style-type: none"> 1. Completed 2. Completed 3. 1 January 2016 |



| | Control description | Issues & Consequences | Priority H/M/L | Management Action Plan | Task owner and target date for implementation |
|---|--|--|----------------|--|---|
| 4 | Starters are set up on Altair correctly and within the agreed timeframe. | <p>A sample of ten starters was reviewed to ensure that they were set up correctly on Altair and within the agreed timeframe. The following issues were identified:</p> <ol style="list-style-type: none">1. The contribution rate for one LGPS starter member was 6.8% on SAP and on the contract letter, but 6.5% on the return and on the Pension System, Altair. The Pension Administrators do not check new LGPS starter details against SAP, they enter the data into Altair based on information provided by the Fire Authority.2. Pension Administrators do not run a monthly report on SAP to identify new Firefighter starters. Starters are only set-up during the year if a query is raised against their membership.3. The start date for one Firefighter was incorrect Altair. <p>If starters are not set up accurately or within the agreed timescale there is a risk that future pension payments will be incorrect and decisions will be based on incorrect management information. There is also a risk that data provided to the pension service provider will be incomplete.</p> | Medium | These issues will be discussed with the Pension Administrators and actions agreed to ensure that data is correct on the Altair system. | Who to be actioned by: Head of Human Resources When to be actioned by: 31 January 2016 |



| | Control description | Issues & Consequences | Priority H/M/L | Management Action Plan | Task owner and target date for implementation |
|---|--|---|----------------|--|---|
| 5 | Leavers are actioned on Altair within the agreed timeframe. | <p>A sample of ten leavers was reviewed to ensure that they had been actioned within the agreed timeframe. At the time of testing five of the sample of leavers had not yet been set-up as leavers (all deferred pensions) on Altair; two of the five had gone over the six week timeframe.</p> <p>If leavers are not set up on Altair within the agreed timeframe there may be delays in transferring pensions and decisions made may be based on inaccurate management information.</p> | Medium | These issues will be discussed with the Pension Administrators and actions agreed to ensure that data is correct on the Altair system. | Who to be actioned by: Head of Human Resources When to be actioned by: 31 January 2016 |
| 6 | Variations to pensions are actioned on Altair accurately and within the agreed timeframe in accordance with the SLA. | <p>A sample of ten variations to pension records was reviewed to ensure that they had been actioned accurately and within the agreed timeframe. Six of the ten queries from the variations sample were not resolved within the required timeframe. This was mainly due to the requirement of additional information from the Fire Authority and a back log. Only one member was informed that there would be a delay in addressing their query.</p> <p>If information on Altair is not updated there is a risk that decisions are made based on incorrect information which could have financial implications for both the member and the Fire Authority.</p> | Medium | These issues will be discussed with the Pension Administrators and actions agreed to ensure that data is correct on the Altair system and members kept informed. | Who to be actioned by: Head of Human Resources When to be actioned by: 31 January 2016 |

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:

Roles and Responsibilities.

- If roles and responsibilities are not assigned there is a risk that procedures are not followed. Staff charged with operating and overseeing the administration of the pensions are unable to discharge their duties, leading to ineffective operations and governance.
- If the Service Level Agreement with Buckinghamshire County Council to administer the pension schemes is not monitored and/or complied with there is a risk that the service is not delivered as agreed.

Legislation

- If there is no process in place to identify changes in legislation regarding the pension schemes there is a risk of failure to adhere to relevant statutory regulations, including updates to schemes, resulting in non-compliance with scheme requirements.

Pension Scheme Administration and Transactions

- If new scheme members and other life events or change of details are not processed accurately, in accordance with scheme rules, there is a risk that records are inaccurate leading to incorrect payments being made.

Accounting

- If income required to be allocated to the Pension Account is not completely, accurately or promptly processed, there is a risk that records are inaccurate which could have financial implications for the Fire Authority.
- If the LOGASnet grant claims are not completed accurately there is a risk that the Authority may under or over claim the 'top-up' grant to which it is entitled.

4.2 Following preliminary risk assessments, the following processes were not included within the scope of this review and will be considered for inclusion within future audits of the area:

- None

5. Staff Interviewed

- Kerry McCafferty, Head of Human Resources
- Faye Mansfield, HR Development Manager
- Sharon Elmes, Employee Services and Payroll Manager
- Mark Hemming, Head of Finance
- Carly Humphrey, Employee Services Team Leader
- Maria Edmonds, Key Account Manager, BCC
- Liz Hughes, Senior Pensions Officer, BCC
- Mike Dean, Systems Controller, BCC

6. 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.

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Buckinghamshire & Milton Keynes Fire Authority

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| MEETING | Overview and Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | David Sutherland, Director of Finance and Assets Maggie Gibb, Internal Audit Manager |
| LEAD MEMBER | Councillor David Watson |
| SUBJECT OF THE REPORT | Internal Audit Report: Update on progress of audit recommendations |
| EXECUTIVE SUMMARY | <p>The purpose of this paper is to update Members on the progress of the implementation of audit recommendations made as at 8 February 2016.</p> <p>Any further progress against outstanding recommendations will be verbally presented to the Overview and Audit Committee on 9 March 2016.</p> <p>In total there are 42 recommendations to report on the status of which are classified as follows:</p> <p>Green (Implemented) 31/42 (74%) Amber (on track not yet due) 6/42 (14%) Red (not implemented, due date revised) 5/42 (12%)</p> <p>The five recommendations which have not been fully implemented have been progressed but are not yet complete.</p> <p>There are no outstanding recommendations to bring to the attention of the Members at this time.</p> <p>Internal Audit continues to actively monitor implementation of all outstanding recommendations throughout the year.</p> |
| ACTION | Information. |
| RECOMMENDATIONS | That Members note the progress on implementation of recommendations. |
| RISK MANAGEMENT | There are no risk implications arising from this report. |
| FINANCIAL IMPLICATIONS | The audit work is contained within the 2015-16 budget. |
| LEGAL IMPLICATIONS | There are no legal implications arising from this report. |

| | |
|---|---|
| CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION | Not applicable. |
| 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 SMB and Overview and Audit Committee. |
| PROVENANCE SECTION & BACKGROUND PAPERS | Internal Audit Plan 2015/16 Internal Audit reports taken to Overview and Audit Committee |
| APPENDICES | Annex A: Status of Internal Audit Recommendations – February 2016 |
| TIME REQUIRED | 10 minutes |
| REPORT ORIGINATOR AND CONTACT | Maggie Gibb – Internal Audit Manager mgibb@buckscc.gov.uk 01296 387327 |

ANNEX A:

Status of Internal Audit recommendations – February 2016

| 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 8 Feb 2016 | | |
|--------------------------------------|----------------------------|-------------------|----------------------------|-----------------------------------|--------------------------------|---------------------------------|---|----------|-----------|
| | | | | | | | Red | Amber | Green |
| 2014/15 | | | | | | | | | |
| HR People Management | April 2015 | Substantial | 2 | 1 | 0 | ↓ | 1* | 0 | 1 |
| Corporate Governance | February 2015 | Reasonable | 13 | 12 | 0 | ↓ | 1** | 0 | 12 |
| Housing Accommodation and Allowances | March 2015 | Reasonable | 5 | 4 | 0 | ↓ | 1*** | 0 | 4 |
| Core Financial Controls | March 2015 | Substantial | 8 | 6 | 1 | ↑ | 0 | 2 | 6 |
| Asset Management | November 2015 | Reasonable | 8 | 4 | 4 | ↑ | 1**** | 3 | 4 |
| Pensions Administration | December 2015 | Reasonable | 6 | 4 | 4 | ↑ | 1***** | 1 | 4 |
| Totals | | | 42 | 31 | 9 | | 5 | 6 | 31 |

Notes for Overview and Audit Committee:

* **HR People Management** – Recommendation 1 - Communications & Consultation: Employee representatives are following the spirit of the document in conjunction with the terms of reference for the Joint Consultation Forum. HR is the final stages of consultation with FOA on this document.

BA Health Monitoring: On hold. There is a national document from CFOA still out for consultation on the health management of compartment fires and behaviour instructors, this document will influence the content of the BA Health Monitoring document so the Authority will not progress an internal document until the national position is known.

** **Corporate Governance** – Recommendation 9 - The communication strategy has been delayed going to BTB and SMB due to the Communications Team being tied up dealing with higher than anticipated levels of public and media enquiry over the MK transformation programme. The draft has been finalised and will be going to a meeting of BTB on 29 February, and to SMB 15 March 2016 for sign off.

*** **Housing Accommodation and Allowances** - Recommendation 4 - L&Q confirm the tenancy agreements are drafted but L&Q have not yet provided these to relevant staff to sign, or supervisors to arrange this signing. Although the risk to the organisation on this matter is low, the Head of HR is still chasing this and it will now be escalated.

**** **Asset Management** – Recommendation 4 - A copy of the contract between BMKFA and Redkite has not been located on site, a copy will be requested from Redkite.

***** **Pensions Administration** – Recommendation 1 - The Director of POD wrote to the Finance Director in BCC on 8 December 2015 requesting confirmation in writing. Whilst no formal response has been received to the Director's letter, during direct engagement with BCC by both BMKFA and the new pension provider it has been confirmed that BCC will provide support in the timely transfer of data and duplicate the first payroll run by the new provider. This will continue to be monitored as part of the Pension transfer governance arrangements.

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

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Buckinghamshire & Milton Keynes Fire Authority



| | |
|---|---|
| MEETING | Overview and Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | David Sutherland, Director of Finance and Assets Maggie Gibb, Internal Audit Manager |
| LEAD MEMBER | Councillor David Watson |
| SUBJECT OF THE REPORT | Draft Internal Audit Strategy and Annual Internal Audit Plan 2016/17 |
| EXECUTIVE SUMMARY | <p>This paper sets out the Internal Audit Strategy and the proposed Internal Audit Plan for 2016/17 (attached at Appendix A) for the approval of the Committee.</p> <p>There are no material changes from the strategy of previous years, however, some flexibility has been built into the 16/17 plan to enable the Director of Finance and Assets to work with Internal Audit to direct the work to the most appropriate areas.</p> <p>15 days of unused contingency provision from the 2015/16 Audit Plan has been carried forward to 2016/17.</p> |
| ACTION | To consider the proposed scope of the 2016/17 Internal Audit Strategy and Annual Internal Audit Plan. |
| RECOMMENDATIONS | That Members approve the Internal Audit Strategy and Annual Internal Audit Plan. |
| RISK MANAGEMENT | There are no risk implications arising from this report. |
| FINANCIAL IMPLICATIONS | The audit work is contained within the 2016-17 budget. |
| LEGAL IMPLICATIONS | There are no legal implications arising from this report. |
| CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION | Not applicable. |
| 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. |

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|---|---|
| USE OF RESOURCES | Communication and progress monitoring All audits, follow up reports and further updates will be submitted to SMB and Overview and Audit Committee. |
| PROVENANCE SECTION & BACKGROUND PAPERS | Internal Audit Plan 2015/16 Internal Audit reports taken to Overview and Audit Committee |
| APPENDICES | Appendix A – Draft Internal Audit Strategy and Annual Plan for 2016/17 |
| TIME REQUIRED | 15 minutes. |
| REPORT ORIGINATOR AND CONTACT | Maggie Gibb – Internal Audit Manager mgibb@buckscc.gov.uk 01296 387327 |

Buckinghamshire and Milton Keynes Fire Authority



Draft Internal Audit Strategy and Annual Plan for 2016/17

Presented to the Overview and Audit Committee
9 March 2016

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1 Introduction

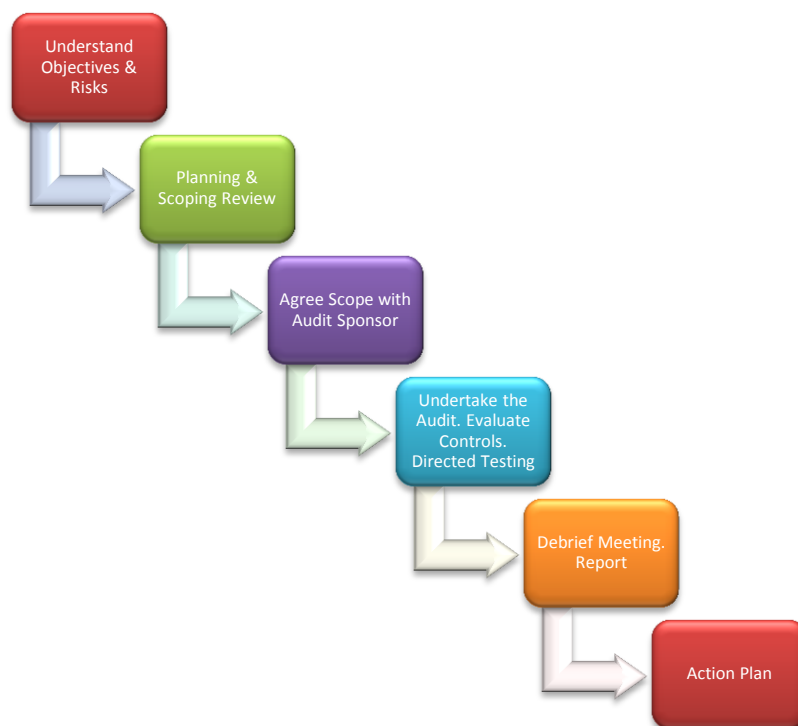
- 1.1 This paper details the Internal Audit Strategy for 2016/17 and the proposed Internal Audit Plan for the year. The Plan will be subject to regular review and presented to the Overview and Audit Committee on a quarterly basis, together with a progress report, for approval.
- 1.2 The responsibility, status and authority of Internal Audit at the Fire Authority is outlined within the Constitution and Financial Regulations.

2 Internal Audit Strategy

- 2.1 The Accounts and Audit Regulations 2015 (R5) state that the Fire Authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Proper internal audit practices are defined in the Public Sector Internal Audit Standards (adopted from 1 April 2013).
- 2.2 The Public Sector Internal Audit Standards defines Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.3 The Chief Internal Auditor provides this opinion in an annual report on the System of Internal Control, which is used to inform the Fire Authority's Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Authority. This includes reviewing internal control systems for key processes on a risk basis.
- 2.4 The Internal Audit Service is provided as part of a service level agreement with Buckinghamshire County Council. The Council's Internal Audit Service is delivered in collaboration with Oxfordshire County Council, where resources are shared between the two Councils, with a predominantly in house team. The Internal Audit Service also manages a call off contract where it is necessary to outsource specific audit skills.
- 2.5 A key part of the strategy is ensuring the right skills mix and resources exist to deliver an effective service. For the 2016/17 Internal Audit Plan, we aim to provide continuity in the resources we allocate for the audit assignments; an Audit Manager will oversee the programme of work, ensuring work is delivered on time and to the correct quality, and will present the quarterly plans and progress reports to the Overview and Audit Committee; suitably qualified and experienced auditors will be allocated to undertake the audit assignments. If required a specialist IT Auditor will be available to support the delivery of the work programme.

- 2.6 The Annual Internal Audit Plan is drafted for the approval of the Overview and Audit Committee, in consultation with the Senior Management Board, with consideration of the Fire Authority's Corporate Plan, Strategic Risks and previous audit activity. There will remain a significant emphasis for internal audit activity in reviewing financial systems and compliance with the governance framework; however, the Plan also reflects strategic projects and reviews that will be progressed during 2016/17.
- 2.7 The plan and allocation of audit days will be regularly reviewed by the Audit Manager and the Director of Finance and Assets to ensure the focus of the audit activity is directed to the key risk areas where independent assurance is required.

Our Approach to an Internal Audit Assignment



- 2.8 In order to underpin the Annual Audit Opinion, a risk based methodology will be applied to all audit assignments, providing assurance that key controls are well designed and operating effectively to mitigate principal risk exposures. Terms of reference will be prepared for each audit assignment, in consultation with the relevant Manager, to ensure that key risks within the audited area are identified.
- 2.9 The quality of work is assured through the close supervision of staff and the subsequent review of reports, audit files and working papers by an Audit Manager. Exit meetings are held with the relevant officers to ensure factual accuracy of findings and subsequent reporting, and to agree appropriate action where additional risk mitigation is required.

3 The Internal Audit Plan

- 3.1 The Internal Audit Plan for 2016/17 is outlined within Appendix A. Of those audits listed within Appendix A, it is proposed that the following audits will be undertaken in Quarter 1:
- Financial Planning
 - Project Management
- 3.2 Each audit assignment will result in a specific audit report although the audit methodology will vary depending on the requirements of the scope of work.
- 3.3 In accordance with the Audit Strategy, we will audit the processes in place for governance, financial management and risk management on an annual basis. We will continue to work with the External Auditors to ensure the scope of our work is sufficient that they can seek to place reliance on it for their audit of the Statement of Accounts and value for money opinion.
- 3.4 Implementation of the Internal Audit Plan will be monitored by use of Performance Indicators as outlined in **Appendix B**. These will be discussed at service level agreement meetings with the Director of Finance and Assets.

Responsible Officers

Audit Service

Ian Dyson
Chief Internal Auditor 01296 387327 c-idyson@buckscc.gov.uk

Maggie Gibb
Audit Manager 01296 387327 mgibb@buckscc.gov.uk

Betty Davidson
Senior Auditor 01296 382557 badavidson@buckscc.gov.uk

Fire Authority

David Sutherland
Director of Finance
& Assets 01296 744671 dsutherland@bucksfire.gov.uk

Appendix A – Internal Audit Plan 2016/17

| Auditable Area | Key Audit Objectives | Day Budget (Timing) | Risk Assessed |
|------------------------------|--|---------------------|---------------|
| Core Financial Controls | <p>To fulfil our statutory responsibilities, we will undertake work to provide assurance over key controls within the financial governance framework. Key systems that will be tested include:</p> <ul style="list-style-type: none"> • Budget Setting/Monitoring • Procure to Pay • Payroll & Pensions • Debtors • Capital • Financial Regulations • General Ledger • Reconciliations • Treasury Management <p>This review will include a follow up of the 2015/16 audit report.</p> | 40 days (Q4) | High |
| Project Management | The audit will cover the key controls within the Project Management Framework, and will provide assurance over the project management disciplines for a major project (to be agreed with SMB). | 10 days (Q1) | High |
| Financial Planning | The audit will focus on the robustness of the Financial Planning process in place, including roles and responsibilities, timetable for reporting and decision making. | 10 days (Q1) | High |
| Business Continuity Planning | The Fire and Rescue Service are required to have in place plans to manage incidents and emergencies that may have an adverse effect on service delivery. The scope will cover the Business Continuity Strategy, accompanying Plan and risk management processes to ensure the Service also has associated continuity plans covering critical areas. | 10 days (Q2) | High |
| Contingency | <p>A contingency has been included within the audit plan to provide flexibility and in recognition of an expected but as yet unspecified need. If the days remain as at the beginning of Q4 then they will be used to review some key Governance areas such as Project Management and Contract Management, with the agreement of the Director of Finance and Assets.</p> <p>Note: 15 days of contingency carried forward from 15/16 Internal Audit Plan</p> | 25 days | |

| | | | |
|---------------------|--|-----------------|---------|
| Follow Up - general | To ensure all 2014/15 and 2015/16 medium and high recommendations of significant nature are implemented, in addition to recommendations still outstanding from previous years. | 10 days | Various |
| Corporate Work | A proportion of the total audit resource is made available for 'corporate work'. Corporate work is non-audit specific activity which still 'adds value' or fulfils our statutory duties. Examples of this type of work include attendance and reporting to Management and Committee, and audit strategy and planning work. This also includes developing the Audit Plan, writing the Annual Report and undertaking the annual Review of Effectiveness of Internal Audit. | 10 days | N/a |
| Total | | 115 days | |

Types of Audit Approach

The audit techniques to be used will be selected from the following, depending on which is considered to be the most effective for delivering the audit objectives:

Risk Based Audit (Risk)

A full audit which focuses on key risks in relation to system objectives. Audit work will be structured to direct audit resource in proportion to risk exposures.

Systems Based Audit (Systems)

A full audit in which every aspect and stage of the audited subject is fully considered. It includes review of both the design and operation of controls. Undertaken from a systems perspective with a 'cradle to grave approach'.

Key Controls Testing (Key)

Clearly focused on a small number of material or key controls.

Systems Development Audit (SDA)

Ongoing review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control if the plans and designs go ahead as they are.

Verification Audit (Verification)

Where there is pre-existing confidence that controls are well designed, but compliance is a material issue, audits which test only for compliance with controls can be appropriate. Audit undertaken to verify key outcomes. This work normally takes the form of checking data and management actions to confirm accuracy and appropriateness and does not consider controls or risks in the wider sense.

Follow Up

Work undertaken to assess the extent to which management action plans have been implemented. This may be following up our own recommendations from previous years or through follow up of other assurance provider outcomes (e.g. External Audit).

Appendix B – Previous Audit Activity and Assurance Levels

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|-------------------|--------------------|---|---|---|
| Core Financial Controls | ✓ (Reasonable) | ✓ (Substantial) | ✓ (Substantial) | ✓ (TBC) | ✓ |
| Asset Management System (Project) | ✓ (Reasonable) | | | | |
| HR Workforce Planning, Training and Appraisal / Performance Management | ✓ (Reasonable) | | | | |
| Property Management | ✓ (Reasonable) | | | | |
| Treasury Management | | ✓ (Substantial) | ✓ (Incl. in Core Financial Controls) | ✓ (Incl. in Core Financial Controls) | ✓ (Incl. in Core Financial Controls) |
| Fleet Management | | ✓ (Reasonable) | | | |
| ICT Strategy | | ✓ (Reasonable) | | ✓ (Reasonable) | |
| Asset Management System | | ✓ (Limited) | | ✓ (Reasonable) | |
| Corporate Governance | | | ✓ (Reasonable) | | |
| Risk Management | | | ✓ (Substantial) | | |
| Housing Accommodation and Allowances | | | ✓ (Reasonable) | | |
| HR People Management | | | ✓ (Substantial) | | |
| Pensions Administration | | | | ✓ (Reasonable) | |
| Control Centre | | | | ✓ (TBC) | |
| Financial Planning | | | | | ✓ |
| Business Continuity | | | | | ✓ |
| Project Management | | | | | ✓ |

Appendix C - 2016/17 Internal Audit Performance Indicators

| | Performance Measure | Target | Method |
|---|---|---|--|
| 1 | Elapsed time between start of the audit (opening meeting) and Exit Meeting. | Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc.) | Internal Audit Performance Monitoring System |
| 2 | Elapsed Time for completion of audit work (exit meeting) to issue of draft report. | 15 Days | Internal Audit Performance Monitoring System |
| 3 | Elapsed Time between issue of Draft report and issue of Final Report | 15 Days | Internal Audit Performance Monitoring System |
| 4 | % of Internal Audit Planned Activity delivered by 30 April 2017 | 100% of Plan by End of April 2016 | Internal Audit Performance Monitoring System |
| 5 | % of High and Medium priority recommendations followed up after implementation date | All High and Medium recommendations followed up within three months of the date of expected implementation | Internal Audit Performance Monitoring System |
| 6 | Customer satisfaction questionnaire (Audit Assignments) | Overall customer satisfaction 95% | Questionnaire |
| 7 | Extent of reliance External Audit can place on Internal Audit | Reliance placed on IA work | External Audit Annual Report |

We will also continue to monitor performance standards outlined in the service level agreement. This includes ensuring requests for assistance with suspected cases of fraud (% of responses made within 24 working hours) as appropriate and also monitors relationship management issues in the areas of:

- Timeliness
- Willingness to cooperate/helpfulness
- Responsiveness
- Methodical approach to dealing with requests
- Quality of work/service provided

Buckinghamshire & Milton Keynes Fire Authority



| | |
|------------------------------|--|
| MEETING | Overview and Audit |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | Lynne Swift, Director of People & Organisational Development |
| LEAD MEMBER | Councillor Roger Reed |
| SUBJECT OF THE REPORT | Injury Awards: Final update report |
| EXECUTIVE SUMMARY | <p>A report to the Fire Authority on 18 February 2015 detailed the results of an investigation into the circumstances in which the Authority had been making compensation payments to former employees for "service related injury" from its Firefighters' Pension Fund, rather than from its Operating Account. This report provides information on the three recommendations that specifically relate to resolutions required by the People and Organisational Development Directorate. These are:</p> <ul style="list-style-type: none"> • A review of the Authority's arrangements for the administration of its pension fund in consultation with the Lead Member for Human Resources and Equality and Diversity (recommendation one) • A review of the processes for handovers between leavers and joiners (recommendation three) • Development of a policy for dealing with injury awards under the 2006 Compensation Scheme (recommendation five) <p>For completeness, recommendations two and four have been actioned and detailed in Annex 1.</p> |
| ACTION | Information. |
| RECOMMENDATIONS | It is recommended that the resolution of all of the recommendations accepted by the Authority on 18 February 2015 (as detailed in Annex 1) be noted. |
| RISK MANAGEMENT | <p>Initial risk assessment has identified potential risks as follows:</p> <p>Timescales: The transfer date of 1 April 2016 to the</p> |

| | |
|------------------|--|
| | <p>new pension administrator will be challenging to meet given the work involved with the transfer, the requirement for business as usual and the management of national pension projects coinciding with the transfer. With the focussed efforts of HR staff and close working relationships with the current and new pension administrators the deadlines will continue to be met. Buckinghamshire County Council (BCC) have also verbally committed to continue with the current arrangements in the event the transfer date is not met, however all plans indicate the new provider will be fully operational by 1 April 2016. Highlight reports as at January 2016 and February 2016 are attached (Annex 2, Annex 3).</p> <p>Administration: The changes to the pension schemes and resolutions of national pension cases has created huge administration burden and increased bureaucracy.</p> <p>Members of the HR team continually review processes and make revisions to procedures and guidance notes. This will aid improvements to employment related matters and internal understanding on some complex topics. The new provider has a fire service 'expert' with experience on a national technical board which will further aid development and understanding of the different Schemes and any future changes and impacts to the Authority.</p> <p>The Director of People & Organisational Development remains in regular contact with BCC at Director level over services and has agreed priorities to be delivered to ensure a smooth transition to the new pension administrator.</p> <p>A dedicated project plan, regular meetings and risk and issues logs are part of the transfer arrangements to ensure risk is mitigated.</p> <p>Internal audit is being used as a critical friend to support the transition to the new pension administrator, providing an evaluation of the adequacy and effectiveness of the transfer arrangements and governance surrounding the transfer of the administration of the Firefighters' Pension Schemes.</p> <p>An annual pension report to Members on all pension related activities will continue to ensure sound internal controls.</p> |
| FINANCIAL | The cost for the new pension administration services to |

| | |
|--|---|
| <p>IMPLICATIONS</p> | <p>be paid by the Authority are based on a shared supply for this Authority and Royal Berkshire Fire Authority. The cost for this Authority is based on a forty-one month contract at a circa cost of £50,000. This will be contained within existing budget for pension administration.</p> <p>There may be additional costs to support the successful transfer and these will be known as the project progresses.</p> <p>There are no financial implications arising from recommendations three and five. By having appropriate internal documentation it should prevent any potential future challenges with any associated costs.</p> |
| <p>LEGAL IMPLICATIONS</p> | <p>None arising from the recommendation.</p> |
| <p>CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION</p> | <p>The Authority is collaborating with Royal Berkshire Fire Authority on contracting West Yorkshire Pension Fund as the new pension administrator for the Firefighter Pension Schemes. As the administration and management of the Schemes will be shared from April 2016, the two authorities will be able to submit a Joint Pension Board request for approval. Consideration will be given to this later in the year when the new arrangements are fully in place.</p> <p>The Authority continues to seek opportunities to further collaborate on service improvements.</p> |
| <p>HEALTH AND SAFETY</p> | <p>There are no health and safety implications.</p> |
| <p>EQUALITY AND DIVERSITY</p> | <p>Appropriate equality assessments and other equality and diversity requirements will be included and accounted for as appropriate.</p> <p>A clause specifically relating to equal opportunities was contained in the Pension Administration tender document.</p> |
| <p>USE OF RESOURCES</p> | <p>Communication with stakeholders: Stakeholder communication is a significant element to the successful implementation of the new pension administrator. A communications strategy is being established to ensure important information is effectively delivered.</p> <p>The system of internal control: Regular reports will be provided to the Strategic Management Board, Executive Committee, Overview and Audit and Fire Authority as necessary. Pension administration arrangements will also be subject to internal audit</p> |

| | |
|--|--|
| | <p>schedules as appropriate, the last audit taking place in December 2015.</p> <p>The balance between spending and resources: Funding for any additional expenditure will be identified as appropriate. Additional training requirements will need to be established for members of the HR team responsible for pensions. Any additional training requirements will be built into the Authority's annual plan.</p> <p>The arrangements to promote and ensure probity and propriety: Audit arrangements will ensure compliance in accordance with any recommendations from the audit. A new SLA will be introduced as part of the contractual arrangements with the new pension administrator and services will be measured against key performance indicators as detailed in the contract.</p> |
| <p>PROVENANCE SECTION & BACKGROUND PAPERS</p> | <p>Background:</p> <ul style="list-style-type: none"> • Report to Fire Authority on 18 February 2015 http://bucksfire.gov.uk/files/4614/2347/0573/Fire_Authority_Agenda.pdf • Report to Executive Committee on 18 November 2015 http://bucksfire.gov.uk/files/7114/4612/0304/ITEM_9_Cover_Report_-_Pensions_Update_Executive_Committee_18.11.15_Annex.pdf |
| <p>APPENDICES</p> | <p>Annex 1 - Recommendations from the Injury Awards report</p> <p>Annex 2 - Firefighter pensioner payroll and administration transfer highlight report for January 2016</p> <p>Annex 3 - Firefighter pensioner payroll and administration transfer highlight report for February 2016</p> |
| <p>TIME REQUIRED</p> | <p>10 minutes.</p> |
| <p>REPORT ORIGINATOR AND CONTACT</p> | <p>Faye Mansfield, Human Resources Development Manager fmansfield@bucksfire.gov.uk 01296 744623</p> |

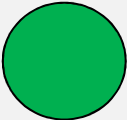
| Recommendation | Action | Status |
|---|--|---|
| <p>Recommendation One</p> <p>Buckinghamshire & Milton Keynes Fire Authority (BMKFA) should review its arrangements for the administration of its pension fund. Specifically, BMKFA should consider: (a) whether to bring the function in-house; or (b) whether a new administrator of the firefighters’ pension fund should be appointed.</p> | <p>Buckinghamshire County Council currently provides the pensions administration service for the Authority for the Local Government Pension Scheme (LGPS) and the Firefighters’ Pension Schemes (FPS 1992, PFS 2006, FPS 2015, MPS 2015). The pension administration service for the Firefighters’ Pension Schemes will cease to be provided by Buckinghamshire County Council with effect from the end of the financial year 2015/16.</p> <p>In collaboration with Royal Berkshire Fire Authority, and following a joint tender process, a new pension administrator was awarded in December 2015; West Yorkshire Pension Fund. Work is now underway with West Yorkshire Pension Fund to seamlessly transfer the pension administration from Buckinghamshire County Council to West Yorkshire Pension Fund ready for a go live date of 1 April 2016. Copies of the project highlight reports are attached at Appendix 1 and 2 for information for January 2016 and February 2016.</p> | <p>Complete</p> <p>A new provider has been appointed</p> |
| <p>Recommendation Two</p> <p>BMKFA should review its arrangements for external audit and financial assurance, including whether it is possible or desirable to change its current appointed auditor.</p> | <p>The Closing of Accounts year ending March 2015 had a new audit director and audit manager. Audits substantially completed by the Overview and Audit Committee on 15 July 2015 and final certification issued at the meeting on 23 September 2015.</p> | <p>Complete</p> <p>E&Y appointed a new Audit Director and Audit Manager to the Authority for the year ending 31 March 2015</p> |

| | | |
|--|---|---|
| <p>Recommendation Three</p> <p>BMKFA should review its processes for handovers between leavers and joiners. In particular BMKFA should consider whether departing staff members should be required to set out (e.g. in meeting and/or written briefing note) all the information that is relevant to the on-going and future tasks in that role. The requirement should apply at least to the senior managers at BMKFA.</p> | <p>As detailed in minutes of the meeting of the Overview and Audit Committee held on 11 March 2015, the Director of People and Organisational Development Director explained that amendments had been made to the Recruitment Procedure to incorporate handovers between staff joining and leaving the Authority. An additional section has been added to the procedure;</p> <p><i>"In most circumstances it is expected for the employee leaving the department / Authority to have produced full handover notes for the new employee to aid successful introduction into the role. If practicable the new employee filling an existing position will have a handover period with the individual prior to them leaving the department / Authority.</i></p> <p><i>The handover should be structured, cover the main responsibilities, tasks and processes and provide key contacts the new employee will require. It is also important for any on-going issues, tasks and project deadlines to be detailed in handover to minimise any disruption to work output.</i></p> <p><i>Once a leaving date is confirmed, the line manager should commence the handover requirements with the employee leaving the department / Authority. It is the line manager's responsibility to ensure the handover is completed and an appropriate record is kept of this."</i></p> <p>In accordance with handover arrangements, appropriate files and folders are established by the individual leaving the role to</p> | <p>Complete</p> <p>Appropriate documentation amended</p> |
|--|---|---|

| | | |
|---|---|---|
| | ensure the new employee has the information required to be able to pick up the role and responsibilities and therefore minimise disruption to work output, and we can confirm this is happening in practice. | |
| <p>Recommendation Four</p> <p>BMKFA should fully support efforts within the Fire Finance Network to encourage greater information sharing and cooperation on financial matters.</p> | <p>The Authority fully supports efforts within the Fire Financial Network to encourage information sharing and cooperation. The Mr Milne v Government Actuary’s Department (GAD) case in 2015 is a recent example of this, where treatment was consistent and shared across the different Fire Authorities.</p> | <p>Complete</p> <p>Information sharing and cooperation fully supported</p> |
| <p>Recommendation Five</p> <p>BMKFA should develop a policy within human resources for dealing with injury awards under the 2006 Compensation Scheme to complement the policies addressing ill-health retirements.</p> | <p>The Authority accepted that a policy within Human Resources for dealing with injury awards under the 2006 Compensation Scheme to complement the policies addressing ill-health retirements should be developed. A document has been produced which sets out the process of ill health retirements, including injury awards as defined by the Firefighters’ Compensation Scheme (England) Order 2006.</p> | <p>Appropriate documentation produced and external scrutiny currently under way. Document to be launched following scrutiny</p> |

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Ff Pensioner payroll and administration transfer – January 2016

| | | | |
|--|------------------------------------|--|---|
| Project Lead : Project Sponsor: | Faye Mansfield Kerry McCafferty | Project Objectives: To seamlessly transfer the Firefighter pension administration and pensioner payroll from the current provider, Buckinghamshire County Council to West Yorkshire Pension Fund into business as usual at WYPF for the go live date of 1 April 2016. All stakeholders are kept informed of the transition All BMKFA member data is transferred to WYPF and the transfer audited and confirmed full and correct. | Overall RAG  |
|--|------------------------------------|--|---|

| | | | | | | | | | |
|---------|---|------|---|----------------|---|-------|---|-----------|---|
| Finance |  | Plan |  | Risks & Issues |  | Scope |  | Resources |  |
|---------|---|------|---|----------------|---|-------|---|-----------|---|

Exec Summary – Past Period's Activities

Tender & contract award

- Evaluation of tender responses at the beginning of December 2015 and contract awarded to West Yorkshire Pension Fund (WYPF)

Finance

- Initial finances specified
- Additional costs may be raised by Heywood

Resources

- Faye Mansfield named lead for BMKFA
- Jacky Manning named lead for RBFA
- Liz Hughes & Mike Dean leads in BCC
- Yunus Gajra, Ola Ajala & David Robertson in WYPF

Actions to date

- Formal monthly face to face meetings held 7 January
- Meeting with BCC on 11 January
- Two questionnaires to be completed by BCC (22 January) & sent to WYPF (25 January) (no confidential data)
- Internal auditors met with on 25 January as a 'critical friend'. TOR being drafted by BCC

Priorities for Next Period

Meeting Frequencies:

- Key stakeholders (WYPF, RBFA & BMKFA)
 - Next formal monthly face to face meeting 1 March
 - One formal tele-conference (16 February)
 - Weekly telephone catch ups will continue (each Wednesday)
- Bucks CC
 - Next meeting to involve WYPF on 3 February
 - Tele-conference on completion of questionnaires to be arranged
 - BCC to complete contract with Year End

New provider:

- Training & induction for HR staff on new systems
- Dual running of data

Key actions:

- Communication plan – in line with Royal Berkshire
- Contract & Data Sharing Agreement to sign
- Data migration from BCC to WYPF

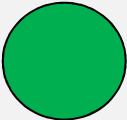
Key Milestones

| Milestone | Forecast/ Actual | RAG |
|--|---------------------|---|
| Soft market presentations | 28 September 2015 |  |
| Evaluation of tender responses | 27 Nov – 2 Dec 2015 |  |
| Supplier Chosen | 7 December 2015 |  |
| WYPF formally notified of award (allows for 10 day standstill) | 29 December 2015 |  |
| First formal meeting with WYPF, RBFA & BMKFA | 7 January 2016 |  |
| Contract & Data Sharing Agreement signed | February 2016 |  |
| Last BCC pay run | 23 March 2016 |  |
| First live WYPC pay run | April 2016 |  |
| Cut over of business as usual | April 2016 |  |

| Risk/ Issue | Description | Mitigating Action |
|-------------|--|---|
| R | Resource availability | Dedicated resource on project, extra temporary HR resources to support remaining work |
| R | Data migration issues; timescales, quality of data, system integration | Meeting between WYPF & BCC. Early testing of data transfer |
| I | First data cut not provided to original timescales | Meeting with BCC 3 February 2016 |
| R | Data conversion and errors discovered in data transfer | Overpayment & Retirement procedures drafted. Early testing of data |
| R | Problem with first live run | BCC to run a dummy run in May 2016 |
| R | Business as usual negatively affected | Constant engagement with BCC & WYPF on different levels |

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Ff Pensioner payroll and administration transfer – February 2016

| | | | |
|--|------------------------------------|--|---|
| Project Lead : Project Sponsor: | Faye Mansfield Kerry McCafferty | Project Objectives: To seamlessly transfer the Firefighter pension administration and pensioner payroll from the current provider, Buckinghamshire County Council to West Yorkshire Pension Fund into business as usual at WYPF for the go live date of 1 April 2016. All stakeholders are kept informed of the transition All BMKFA member data is transferred to WYPF and the transfer audited and confirmed full and correct. | Overall RAG  |
|--|------------------------------------|--|---|

| | | | | | | | | | |
|---------|---|------|---|----------------|---|-------|---|-----------|---|
| Finance |  | Plan |  | Risks & Issues |  | Scope |  | Resources |  |
|---------|---|------|---|----------------|---|-------|---|-----------|---|

Exec Summary – Past Period's Activities

Contract

- Data Sharing Agreement signed by all parties w/c1 February
- Contract signed w/c 15 February

Finance

- Initial finances specified
- Additional costs may be raised by Heywood

Resources

- Faye Mansfield named lead for BMKFA
- Jacky Manning named lead for RBFA
- Liz Hughes & Mike Dean leads in BCC
- Yunus Gajra, Ola Ajala & David Robertson in WYPF

Actions to date

- Formal monthly face to face meetings held 2 February
- Meeting with BCC & WYPF on 3 February
- Data reports sent from BCC to WYPF 16 February for data migration
- Finalised TOR sent by internal auditors 17 February
- Communication sent to affected individuals regarding the transfer 17 February
- Local Pension Board and trade unions notified of communication 17 February

Priorities for Next Period

Meeting Frequencies:

- Key stakeholders (WYPF, RBFA & BMKFA)
 - Next formal monthly face to face meetings 1 March & 23 March, 23rd provisioned as a visit to WYPF
 - Weekly telephone catch ups will continue (each Wednesday), with w/c 16 February telephone conference
- Bucks CC
 - Tele-conference on completion of questionnaires to be arranged
 - BCC meeting with Heywood to discuss transfer of image files
 - BCC to complete contract with Year End

New provider:

- Training & induction for HR staff on new systems. Training dates scheduled for 1 March & 15 March
- Dual running of data

Key actions:

- Communication plan – in line with Royal Berkshire
- Data migration work from BCC to WYPF to continue

Key Milestones

| Milestone | Forecast/ Actual | RAG |
|--|----------------------|---|
| Data Sharing Agreement signed | w/c 1 February 2016 |  |
| Contract signed | w/c 15 February 2016 |  |
| Data reports sent from BCC to WYPF | 16 February 2016 |  |
| Last BCC pay run | 23 March 2016 |  |
| Image files to be transferred from BCC to WYPF | 29 March 2016 |  |
| First live WYPC pay run | April 2016 |  |
| Cut over of business as usual | April 2016 |  |

| Risk/ Issue | Description | Mitigating Action |
|-------------|--|---|
| R | Resource availability | Dedicated resource on project, extra temporary HR resources to support remaining work |
| R | Data migration issues; timescales, quality of data, system integration | Meeting between WYPF & BCC. Early testing of data transfer |
| R | Image files not sent to WYPF in timely manner | Early identification of retirements for April 2016 needed in order to avoid pension payment issues. BCC in discussion with Heywood to transfer files in a timely manner |
| R | Data conversion and errors discovered in data transfer | Overpayment & Retirement procedures drafted. Early testing of data |
| R | Problem with first live run | BCC to run a dummy run in May |
| R | Business as usual negatively affected | Constant engagement with BCC & WYPF on different levels |

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Buckinghamshire & Milton Keynes Fire Authority

| | |
|-------------------------------|--|
| MEETING | Overview and Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | David Sutherland, Acting Director of Finance & Assets |
| LEAD MEMBER | Councillor Andy Dransfield |
| SUBJECT OF THE REPORT | Treasury Management Performance 2015/16 - Quarter 3 |
| EXECUTIVE SUMMARY | <p>This report is being presented as Members resolved at the meeting of Buckinghamshire and Milton Keynes Fire Authority on 14 October 2015 that future Treasury Management reports would be submitted to the Overview and Audit Committee. It is best practice to review on a regular basis how Treasury Management activity is performing.</p> <p>The accrued interest earned for the first three quarters of 2015/16 is £132k, which is £57k higher than the budget for the period.</p> |
| ACTION | Information. |
| RECOMMENDATIONS | That the Treasury Management Performance 2015/16 – Quarter 3 report be noted. |
| RISK MANAGEMENT | <p>Making investments in the Authority's own name means that the Authority bears the risk of any counterparty failure. This risk is managed in accordance with the strategy and with advice from external treasury management advisors.</p> <p>The Director of Finance and Assets, will act in accordance with the Authority's policy statement; Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.</p> <p>There are no direct staffing implications.</p> |
| FINANCIAL IMPLICATIONS | The budget for 2015/16 relating to interest earned on balances invested is £100k (increased from £70k in 2014/15). Performance against the budget is included within Appendix A. |
| LEGAL IMPLICATIONS | The Authority is required by section 15(1) of the Local Government Act 2003 to have regard to the Department for Communities and Local Government Guidance on Local Government Investments; and by regulation 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI |

| | |
|---|---|
| | <p>3146] to have regard to any prevailing CIPFA Treasury Management Code of Practice</p> <p>Section 12 of the Local Government Act 2003 the Authority has the power to invest for “any purpose relevant to its functions” and “for the purposes of the prudent management of its financial affairs”.</p> <p>However it must exercise its investment power in accordance with its fiduciary duty, analogous to that of a trustee, owed to those who contribute to the funds of the Authority.</p> |
| CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION | <p>Informal discussions have taken place with Royal Berkshire Fire & Rescue service to share this authority’s expertise on treasury management; however, no decision has yet been made in respect of that proposition.</p> |
| HEALTH AND SAFETY | No direct impact. |
| EQUALITY AND DIVERSITY | No direct impact. |
| USE OF RESOURCES | See Financial Implications. |
| PROVENANCE SECTION & BACKGROUND PAPERS | <p>Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy http://bucksfire.gov.uk/files/2514/2719/3915/Treasury_Management_Strategy_2015-16.pdf</p> <p>Treasury Management Practices http://www.bucksfire.gov.uk/NR/rdonlyres/FDA454EA-1735-4569-BE96-C1E3D0079A75/0/ITEM6TreasuryManagementPractice sandASep13andAnnexA.pdf</p> |
| APPENDICES | Appendix A – Treasury Management Performance 2015/16 – Quarter 3 |
| TIME REQUIRED | 5 minutes. |
| REPORT ORIGINATOR AND CONTACT | <p>Linda Blunt lblunt@bucksfire.gov.uk (01296) 744404</p> |

Appendix A – Treasury Management Performance 2015/16 – Quarter 3

Background

Up until 31 March 2013, the Authority's cash balances were managed by Buckinghamshire County Council (BCC) under a Service Level Agreement (SLA). From 2013/14 the Authority began investing in its own name. This report highlights the performance of the in-house treasury management function for its third year 2015/16.

Security of Investments

The primary investment priority as set out in the Treasury Management Policy Statement is the security of capital. The Authority applies the creditworthiness service provided by Capita (formerly known as Sector). This determines whether or not a counterparty is suitable to invest with and if so, the maximum duration an investment could be placed with them. In the Annual Investment Strategy (AIS), the Authority resolved that the balances invested with any single counterparty at any point in time would be 30% of the total investment portfolio to a maximum of £5m (with the exception of Lloyds Bank, who as our banking provider have a limit of £7.5m, of which at least £2.5m must be instant access). The amount invested with each counterparty on the approved lending list as at 31st December 2015 is detailed below:

| Counterparty | Amount (£000) |
|------------------------------------|----------------------|
| Lloyds Bank plc | 5,000 |
| Santander | 5,000 |
| Nationwide Building Society | 2,000 |
| Barclays Bank | 5,000 |
| Leeds Building Society | 1,000 |
| Yorkshire Building Society | 1,000 |
| Standard Chartered Bank | 1,000 |
| Royal Bank Of Scotland | 3,000 |
| Lloyds Bank plc (current accounts) | 1,115 |
| Ignis Sterling MMF* | 300 |
| Total | 24,415 |

*MMF denotes a Money Market Fund

No counterparty limits were breached during Quarter 3.

The above investments include an amount of £300k invested in a money market fund (MMF). A MMF employs credit analysts who first assess who is a suitable counterparty and then continue to monitor those counterparties over time. By investing with a range of counterparties, risk is able to be diversified to a greater extent than investing directly in single counterparties.

In its AIS the Authority also resolved that all credit ratings will be monitored weekly, by means of the Capita creditworthiness service. During Quarter 2 Capita made one relevant change to the counterparty listing. Therefore in line with the AIS, the Authority's lending list has been updated to reflect these changes as detailed in the table below:

| <u>Country</u> | <u>Counterparty</u> | <u>Maximum Duration as at 30/09/2015</u> | <u>Maximum Duration as at 31/12/2015</u> |
|----------------|-------------------------|--|--|
| UK | Standard Chartered Bank | No colour - 0 mths | Red - 6 mths |

Key:

| | |
|------------------|--|
| Orange - 12 mths | Approved for investments up to 12 months in duration |
| Red - 6 mths | Approved for investments up to 6 months in duration |
| Green - 100 days | Approved for investments up to 100 days in duration |
| No Colour | Counterparty no approved for investments of any duration |

Note on Ethical Investments

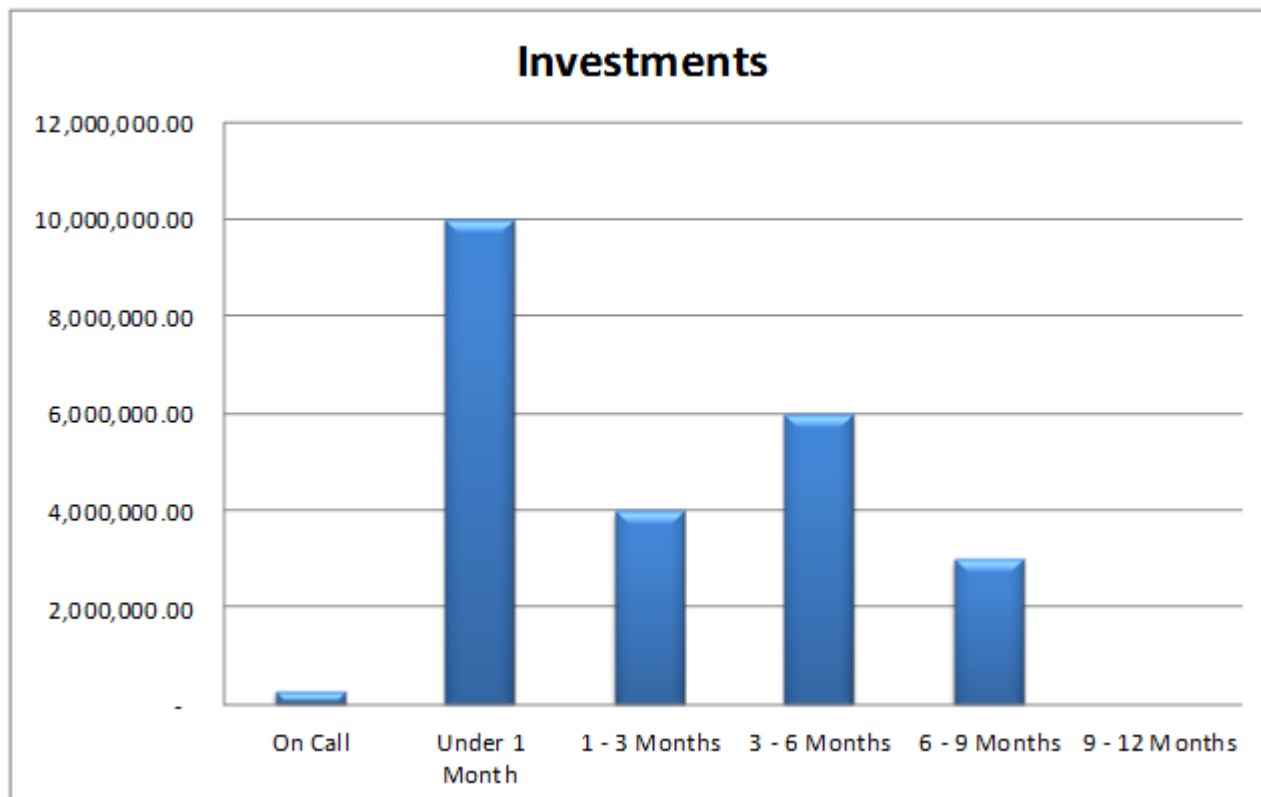
The advice from the Authority's current treasury management advisers is that they are "not aware of any public sector bodies which actually make ethical investments. This is down to the two factors referred to, i.e. security, in that an organisation may be ethical but may not have the required credit ratings and guarantees in place to secure your investment and secondly yield, where returns are well below other secure investments available in the market place. To go down this route may therefore compromise security and yield."

"Ethical investments" currently available do not provide the necessary security and yield.

Liquidity

Investments

The second objective set out within the Treasury Management Policy Statement is the liquidity of investments (i.e. keeping the money readily available for expenditure when needed). Investments have been placed at a range of maturities, including having money on-call in order to maintain adequate liquidity. The current investment allocation by remaining duration can be seen on the chart below:



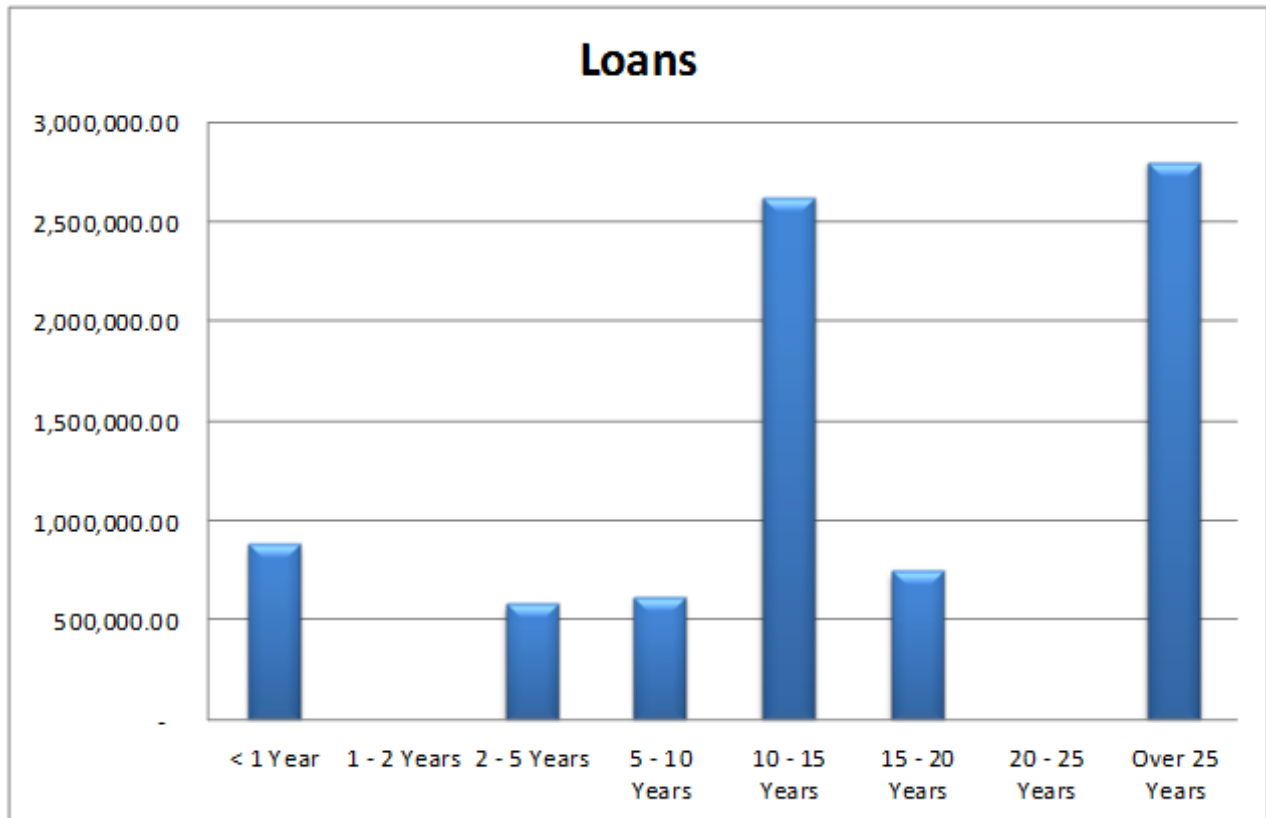
By reviewing the Balance Sheet position, level of reserves and cash requirements, the Authority determined that it was able to re-invest £5m for one year (which matures on 4 April 2016). In order to cover expenditure such as salaries, pensions, creditor payments, and potential liabilities for which we have made provisions within the Statement of Accounts, a greater proportion of the balances are invested as short fixed-term deposits. Any unforeseen circumstances and potential major incidents that could occur are covered by holding a smaller proportion of the investment balances on call (i.e. it is available for use on the day it is required).

The investments under one month duration, totalling £10m consist of four investments; one of £5m to Santander, one of £3m to Barclays Bank and two £1m investments to Yorkshire and Nationwide Building Societies. Three of these were originally made for six months and the fourth for three months. When they are reinvested they will again be spread over varied lending periods in order to maintain liquidity. The investments for 1-3 months totalling £4m is spread over four counterparties and they were originally made for a period of 6 months. The investments in the 3-6 month period totalling £6m include the £5m investment to Lloyds that was originally made for a one year period in order to secure the best interest rate.

Balances on call include the investments in the MMF. A MMF helps improve the liquidity of the Authority's balances. By investing collectively, the Authority benefits from liquidity contributed by others and from the knowledge they are all unlikely to need to call on that money at the same time.

Borrowing

As part of managing the liquidity of investments, it is important to have regard to the maturity structure of outstanding borrowing. This can be seen in the following chart:



The total borrowing outstanding as at 31 December 2015 is £8.265m. The earliest date for repayment of borrowing is March 2016, when £0.515m is due to be repaid. A further £0.368m is also due to be repaid in May 2016. These repayments do not directly affect the revenue budget, as they simply reflect the use of cash (accumulated by setting aside the appropriate minimum revenue provision (MRP)) to settle the outstanding liability.

Investment Yield

Having determined proper levels of security and liquidity, it is reasonable to consider the level of yield that could be obtained that is consistent with those priorities.

Performance Against Budget – Quarter 3

The budget for future years was reviewed as part of the Medium Term Financial Plan process and the income target was increased to £100k. This increase is due to the continuing over-achievement against the previous year’s budget.

The accrued interest earned as at 31st December 2015 is £132k, which is an over achievement of £57k for the first three quarters of the year.

Performance Against the Benchmark – Quarter 3

The relative performance of the investments is measured against two benchmark figures:

- 7 day LIBID – this is the rate the Authority would have earned on all balances had the SLA with BCC continued into future years
- Capita benchmark – this is the indicative rate that Capita advised we should be looking to achieve for 2015/16 at the start of the year
- The weighted average rate (%) is compared to the two benchmark figures in the following chart for each month:



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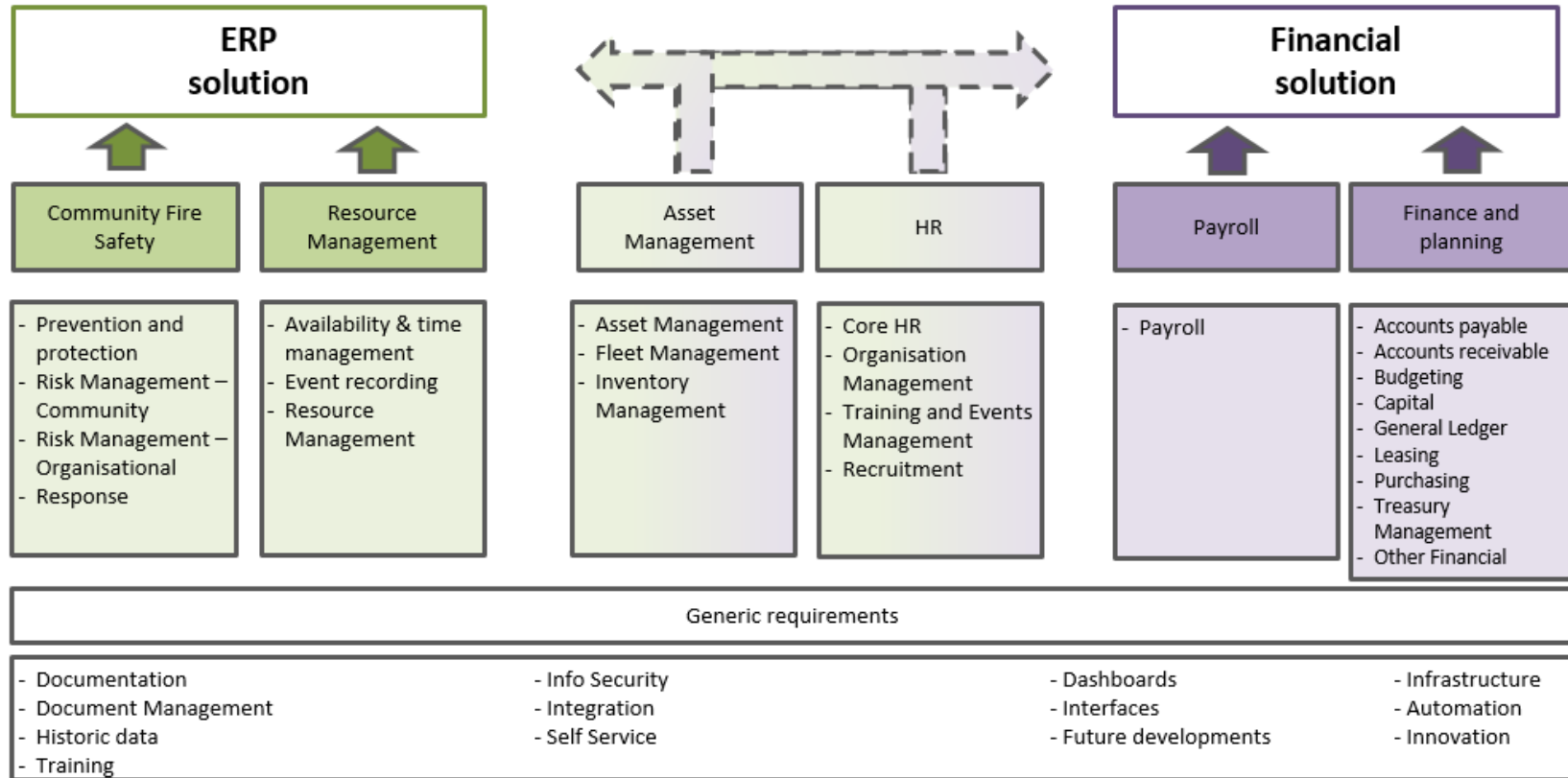
Buckinghamshire & Milton Keynes Fire Authority

| | |
|-------------------------------|---|
| MEETING | Overview and Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | Julian Parsons, Head of Service Development |
| LEAD MEMBER | Councillor Andy Dransfield |
| SUBJECT OF THE REPORT | Business and Systems Integration Project: Progress Report |
| EXECUTIVE SUMMARY | <p>The procurement process is moving forward on target. Since the last Overview and Audit Committee meeting there has been the following activity:</p> <ul style="list-style-type: none"> • The tender response window closed on the 8 January. (See Appendix A for tender structure) • 5 responses have been received across both Tenders. (See Appendix A for supplier information) • 4 responses have been through a 2 stage scoring process including a half day presentation of their system, one supplier was rejected due to non-compliance. <p>At the time of completing this report the current activities are underway in relation to procuring the necessary software:</p> <ul style="list-style-type: none"> • Final supplier selection is planned for 12 February 2016. • Work will start with the chosen suppliers on the 1 March 2016 to include initial work on the project & resource plan. |
| ACTION | For information. |
| RECOMMENDATIONS | That the report is noted. |
| RISK MANAGEMENT | <p>The project risks will be contained within a project risk register.</p> <p>Current project risks can be seen in Appendix B – Highlight report – January 2016.</p> <p>The governance of this register, including escalations will be in line with existing service policy.</p> |
| FINANCIAL IMPLICATIONS | There are no further financial implications related to the project identified in this paper. |

| | |
|--|---|
| <p>LEGAL IMPLICATIONS</p> | <p>There are no further legal implications related to the project identified in this paper.</p> |
| <p>CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION</p> | <p>Opportunities for collaboration have been actively sought and considered during this procurement phase of the project.</p> <p>Collaboration has been explored with RBFRS and OXFRS. Further collaboration was explored with Oxford City Council and Reading Council. None of these potential collaborations have led to formal agreements due to various issues around differing needs and timings. RBFRS have been named on our tenders as a future partner.</p> <p>Agreements of information sharing have been made with the other potential partners.</p> |
| <p>HEALTH AND SAFETY</p> | <p>No Health and Safety implications perceived at this time.</p> |
| <p>EQUALITY AND DIVERSITY</p> | <p>No Equality and Diversity implications identified at this time.</p> |
| <p>USE OF RESOURCES</p> | <p>The project is now managed by the Project Manager. The Project Manager is proactively using existing skills and experience within the workforce to move the project forward.</p> <p>A decision has been made to delay the recruitment of the Business Analyst until a supplier is chosen. This will ensure we recruit the most suitable candidate.</p> <p>A resource plan will be created once a supplier has been selected.</p> <p>As per our agreed governance arrangements a team of staff from across the organisation who are end users of the new software will be carrying out the evaluation of tenders through a two stage process (technical scoring followed by presentations with a question and answer session).</p> <p>Staff are being kept abreast of progress through the i:drive and blogs. A full communication strategy will be implemented as part of the roll out of the new systems and in line with the project plan which has to be agreed with the suppliers.</p> |
| <p>PROVENANCE SECTION & BACKGROUND PAPERS</p> | <p>Background</p> <p>As part of the ICT Strategy 2014-2019 an independent review of systems integration was commissioned. An external consultant undertook this task and delivered a business case which was formally agreed to be progressed by the Executive Committee Meeting 29 July 2015.</p> <p>The project is scheduled to be delivered in phases</p> |

| | |
|--------------------------------------|--|
| | <p>over a two year period.</p> <p>Background Papers</p> <ul style="list-style-type: none"> • ICT Strategy 2014-2019 • Business and Systems Terms of Reference • Business and Systems Integration Business case • Business and Systems Integration Project: Governance Reporting Arrangements (18 November 2015) |
| APPENDICES | <p>Appendix A: Tender Structure and response</p> <p>Appendix B: Highlight Report – January 2016</p> <p>Appendix C: Highlight Report – November 2015</p> |
| TIME REQUIRED | 5 minutes. |
| REPORT ORIGINATOR AND CONTACT | <p>Anne-Marie Carter</p> <p>acarter@bucksfire.gov.uk</p> <p>07966 886689</p> |


Tender Structure:



The table below shows the suppliers that have responded to the tenders and the elements they could offer

| Supplier | | Community Fire Safety | Resource Management | Asset Management | HR | Payroll | Finance |
|------------------------------|---------|-----------------------|---------------------|------------------|----|---------|---------|
| Infographics -Firewatch | ERP | Y | Y | Y | Y | | |
| Genesis Business Systems | ERP | Y | Y | Y | Y | | |
| Method – Unit 4 | Finance | | | | | Y | Y |
| Capita | Finance | | | | Y | Y | Y |
| Bramble Hub - Technology One | Finance | | | Y | | | Y |

Business & Systems Integration project – Jan 2016

| | | | |
|--|--|---|---|
| Business Owner: Project Manager: Business Sponsors: | Julian Parsons Anne-Marie Carter Lynne Swift David Sutherland | Project Objectives: To streamline, automate and integrate systems and business processes across: - Community Fire Safety, Resource Management, Asset Management, HR, Payroll, Finance & Planning Data duplication will be reduced and the efficiency and effectiveness of both our processes and MI will increase | Overall RAG  |
|--|--|---|---|

| | | | | | | | | | |
|----------------|---|-------------|---|---------------------------|---|--------------|---|------------------|---|
| Finance |  | Plan |  | Risks & Issues |  | Scope |  | Resources |  |
|----------------|---|-------------|---|---------------------------|---|--------------|---|------------------|---|

Exec Summary – Past Period's Activities

Tender

- Tender now closed - 5 responses in total
 - 2 for ERP element– Infographics and Genesis Business Systems
 - 3 for Finance element – Capita, Methods and Bramble Hub
- 1st round scoring complete
- Supplier presentations complete

Finance

- £20k spent to end of Jan, £20k projected to end of year - £40k total

Other

- Communication plan drafted
- Work started on cleansing SSRA database in prep for transfer






Priorities for Next Period - Feb

Tender

- Gain sponsor agreement on evaluation groups choice
 - Suppliers chosen
- Sign off Communication Paper
 Update at Officers' day

Next Business Sponsors Meeting – 8th Feb – Tender update




Key Milestones

| Milestone | Forecast/ Actual | RAG |
|---|--|--|
| Supplier scoring and review | 11 th Jan – 9 th Feb |  |
| Supplier Chosen | 12 th Feb |  |
| Start Contract (allows for 10 day standstill) | 1 st Mar |  |
| Next BTB | 28 th Jan/31 st Mar |  |
| Next O&A | 9 th Mar/27 th Jul |  |


Key Decisions Required:

- What would Sponsors like to see in the tender update?
- Gather feedback on Communication plan

Risks & Issues

| Risk/ Issue | RAG | Description | Mitigating Action | Next Action |
|-------------|---|---|---|-------------|
| R |  | Suppliers do not respond | 4 tender received | Closed |
| R |  | Suppliers aren't able to provide what we need | Most requirements have been met across the tenders | Closed |
| R |  | Resource availability | Once supplier chosen share timescales with stakeholders | Mar |
| R |  | People continue to want best in class | Review as work progresses | Feb |
| R |  | Tender Costs are over budget | Review tender responses cost v's delivery | Feb |

Business & Systems Integration project – Nov 2015

| | | | |
|--|--|--|---|
| Business Owner: Project Manager: Business Sponsors: | Julian Parsons Anne-Marie Carter Lynne Swift David Sutherland | Project Objectives: To streamline, automate and integrate systems and business processes across: - Community Fire Safety, Resource Management, Asset Management, HR, Payroll, Finance & Planning To reduce data duplication and increase the efficiency and effectiveness of both our processes and Management Information | Overall RAG  |
|--|--|--|---|

| | | | | | | | | | |
|---------|---|------|---|----------------|---|-------|---|-----------|---|
| Finance |  | Plan |  | Risks & Issues |  | Scope |  | Resources |  |
|---------|---|------|---|----------------|---|-------|---|-----------|---|

Exec Summary – Past Period’s Activities

Tender

- ERP tender sent out 4th Dec, Financial Tender sent out 7th Dec
- Amended the lots within each tender to allow flexibility when choosing the supplier
- We have reviewed collaboration with both Berkshire and Oxfordshire. The ERP tender will be sent out with no other services but Berkshire will be named on the finance tender

Finance

- £10k spent to end of Nov, £30k projected to end of year - £40k total
- Software/hardware costs/breakdown to be confirmed once supplier is chosen

Resources

- Team engagement complete
- Business analyst role on hold until the new year

Key Decisions Required:

Meeting Frequencies:

- Sponsors – Monthly/prior to BTB/O&A
- Senior Stakeholders – Monthly
- NWT – Monthly until Feb, then fortnightly with relevant people

New Systems:








- Do we want new systems/suppliers being used as an interim before BASI?
 - Trials to happen and feedback captured.
 - Before moving on bring back to governance group to review against BASI timescales

Priorities for Next Period

- Communication plan – who, how, when & what
- Continue with Tender

Proposed Next Business Sponsors Meeting – w/c 18th Jan

Key Milestones

| Milestone | Forecast/ Actual | RAG |
|---|--|--|
| Tender Sent out | 4 th Dec/7 th Dec |  |
| Tender deadline | 8 th Jan '16 |  |
| Supplier scoring and presentations | 11 th Jan – 9 th Feb |  |
| Supplier Chosen | 12 th Feb |  |
| Start Contract (allows for 10 day standstill) | 1 st Mar |  |
| Next BTB | 17 th Dec |  |
| Next O&A | 9 th Mar |  |

| Risk/ Issue | RAG | Description | Mitigating Action | Next Action |
|-------------|-----|---|-------------------|----------------------|
| R | | Suppliers do not respond | | 31 st Jan |
| R | | Suppliers aren't able to provide what we need | | 31 st Jan |
| R | | Resource availability | | Feb |
| R | | People want best in class | | Jan/Feb |
| R | | Tender Costs are over budget | | 31 st Jan |

Buckinghamshire & Milton Keynes Fire Authority



| | |
|------------------------------|---|
| MEETING | Overview & Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | Graham Britten, Director of Legal and Governance |
| LEAD MEMBER | Councillor David Watson (Chairman, Overview & Audit Committee) |
| SUBJECT OF THE REPORT | 2014/15 Statement of Assurance |
| EXECUTIVE SUMMARY | <p>The revised Fire and Rescue National Framework, published by the Department of Communities and Local Government in July 2012, introduced the requirement for fire and rescue authorities in England to produce a 'statement of assurance' on an annual basis. The first statements were published in the 2013/14 financial year. Buckinghamshire and Milton Keynes Fire Authority's first statement of assurance for 2012/13 was reviewed and approved by the Overview and Audit Committee on 12 March 2014 & the 2013/14 statement on 11 March 2015.</p> <p>The statements are intended to provide assurance to the public on financial, governance and operational matters and demonstrate that National Framework requirements, including those relating to integrated risk management planning, are being met.</p> <p>The precise form, content and methodology used to prepare the statements are left to local discretion. Where authorities "<i>have already set out relevant information that is clear, accessible, and user-friendly within existing documents</i>" they may draw on these in preparing their statements of assurance.</p> <p>Buckinghamshire and Milton Keynes Fire Authority already produces and publishes a variety of separate statements relating to financial, governance and operational performance such as the Annual Governance Statement and Annual Financial Statements. The draft 2014/15 Statement of Assurance, shown at Annex A, draws on, summarises and includes relevant extracts from these more detailed assessments. Officers are of the view that collectively the assurance processes underpinning the range of existing statements covers the scope and nature of what is required for the statement of assurance.</p> <p>The statement of assurance should be signed off by an</p> |

| | |
|---|--|
| | <p>elected member of the authority who is able to take responsibility for its contents. It is for authorities to decide who the most appropriate person is.</p> <p>In respect of Buckinghamshire and Milton Keynes Fire Authority, officers are of the view that the most appropriate person is the Chairman of the Overview and Audit Committee.</p> |
| ACTION | Decision. |
| RECOMMENDATIONS | That the 2014/15 Statement of Assurance be approved for signature by the Chairman and Chief Fire Officer. |
| RISK MANAGEMENT | Financial, governance and operational assurance processes form part of the Authority's risk management framework. The effectiveness of these contributes to the identification, reduction and mitigation of corporate and operational risks. |
| FINANCIAL IMPLICATIONS | There are no direct financial implications arising from the introduction of the statement of assurance. |
| LEGAL IMPLICATIONS | <p>Section 21 of the Fire and Rescue Services Act 2004 (FRSA 2004) provides the statutory authority for the National Framework and requires Fire and Rescue Authorities to 'have regard' to it in carrying out their functions. However, Section 22 of the Act gives the Secretary of State the power to intervene if he considers that "<i>...a fire and rescue authority is failing, or is likely to fail, to act in accordance with the Framework prepared under section 21</i>".</p> <p>Also "<i>The Secretary of State must report to Parliament on—</i></p> <p>(a) the extent to which fire and rescue authorities are acting in accordance with the Framework prepared under section 21;</p> <p>(b) any steps taken by him for the purpose of securing that fire and rescue authorities act in accordance with the Framework".</p> <p>The Statement of Assurance will be used as a source of information by the Secretary of State when preparing biennial reports required by section 25 of the Fire & Rescue Services Act 2004.</p> |
| CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION | The statement is designed to provide assurance in relation to the operations of the Authority and details any relevant collaborative work with the other Thames Valley Fire Authorities and other agencies. |
| HEALTH AND SAFETY | There are no direct health and safety implications arising from this report. |

| | |
|---|---|
| EQUALITY AND DIVERSITY | There are no direct equality and diversity implications arising from this report. |
| USE OF RESOURCES | <p>Communication and consultation</p> <p>The officers with responsibility for the areas reported on in the Statement of Assurance have been responsible for supplying the information and responses necessary for its preparation.</p> |
| PROVENANCE SECTION & BACKGROUND PAPERS | <p>The requirement for Statements of Assurance arose from the revisions to the National Framework published by the Department for Communities and Local Government in July 2012. An evaluation of the implications of the new Framework was reported to the Fire Authority at its 27 September 2012 meeting:</p> <p>http://www.bucksfire.gov.uk/NR/rdonlyres/E6EE2A89-79F6-45B3-B02E-CE3675D252A3/0/270912Agendaandreports.pdf</p> <p>The Authority's first Statement of Assurance for 2012/13 was approved by the Overview and Audit Committee on 12 March 2014:</p> <p>http://bucksfire.gov.uk/files/2914/0620/7328/ITEM5201213StatementofAssurance.pdf</p> <p>The 2013/14 Statement of Assurance was approved on 11 March 2015:</p> <p>http://bucksfire.gov.uk/files/1114/2529/7877/Overview_Audit_Committee_Agenda_Pack_110315.pdf</p> |
| APPENDICES | <p>Annex A: Draft 2014/15 Statement of Assurance</p> <p>Annex B: CLG Guidance on Statements of Assurance</p> |
| TIME REQUIRED | 15 Minutes. |
| REPORT ORIGINATOR AND CONTACT | <p>Stuart Gowanlock</p> <p>sgowanlock@bucksfire.gov.uk</p> <p>01296 744435</p> |

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Approval date: 9 March 2016



**Statement of Assurance
2014/2015**

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* Changes and additions compared with the previous 2013/14 Statement of Assurance are highlighted in grey.

1. INTRODUCTION

- 1.1 Although Fire and Rescue Services in England are run by local government bodies, the Fire and Rescue Services Act 2004 requires that local fire and rescue authorities must have regard to direction from central government. This direction is issued in the form of a 'National Framework' which sets out the Government's strategic aims and requirements for Fire and Rescue Services. In the most recent update to the National Framework, in 2012, the Government introduced a requirement that:

'Fire and rescue authorities must provide annual assurance on financial, governance and operational matters and show how they have due regard to the expectations set out in their integrated risk management plan and the requirements included in the Framework. To provide assurance, fire and rescue authorities must publish an annual statement of assurance'.

- 1.2 The first of the new statements of assurance were published during the 2013/14 financial year and are required annually thereafter.
- 1.3 The purpose of this document is to provide the public and Government with assurance that Buckinghamshire and Milton Keynes Fire Authority ('The Authority') met the requirements set out in the National Framework and accompanying Government guidance¹ during the 2014/15 financial year.
- 1.4 Where relevant the document draws on, consolidates and summarises the findings of existing assurance processes relating to financial, governance and operational matters that were set up to meet other statutory and regulatory requirements of fire and rescue authorities.

¹ 'Guidance on Statements of assurance for fire and rescue authorities in England, Department for Communities and Local Government, May 2013.

2. FINANCIAL ASSURANCE

- 2.1 It is a statutory requirement under the Accounts and Audit (England) Regulations 2011 for authorities to publish the financial results of their activities for the year. This 'Statement of Accounts', shows the annual costs of providing the service and is determined by a Code of Practice which aims to give a "true and fair" view of the financial position and transactions of the authority.
- 2.2 The Annual Financial Statements for the Year Ending 31 March 2015 can be found on our website:
- http://bucksfire.gov.uk/files/7814/4301/6123/Audited_Annual_Financial_Statements_2014-15.pdf
- 2.3 The financial statements are required to be audited under the Audit Commission Act 1998. The auditors are responsible for:
- forming an opinion on the financial statements;
 - reviewing the Annual Governance Statement;
 - forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources.
- 2.4 The table overleaf summarises the findings from all elements of the appointed auditor's work.
- 2.5 The appointed auditors noted the following in their annual audit letter:
- The organisation has proper arrangements in place for securing financial resilience
 - The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness
- 2.6 The auditors also tested for the risk of management 'override' but found no evidence of inappropriate or biased management decisions having been made.
- 2.7 In addition to the statutory requirement to publish annual financial results, the government is committed to increasing transparency across local authorities. One of the first steps in this process is for the publication online of information relating to spend items in excess of £500. In accordance with that requirement, the Authority is publishing monthly schedules of payments, which can be found on our website:

<http://bucksfire.gov.uk/fire-authority/financial-information/spend-over-500/>

| Area of work | Result |
|--|--|
| Audit of the financial statement of Buckinghamshire and Milton Keynes Fire Authority for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland). | On 23 September 2015 we issued an unqualified audit opinion in respect of the Authority. |
| Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources. | On 23 September 2015 we issued an unqualified value for money conclusion. |
| Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. | We reported our findings to the National Audit Office on 23 September 2015. |
| Consider the completeness of disclosures on the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/ SOLACE guidance. | No issues to report. |
| Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit. | No issues to report. |
| Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act. | No issues to report. |

3. GOVERNANCE

- 3.1 The Authority is responsible for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives whilst safeguarding public money and organisational assets. There is also a requirement to ensure that the Authority is administered prudently and economically and that resources are used efficiently and effectively and that sound arrangements are in place for the identification and management of risks.
- 3.2 The Authority's approach to governance is based on the six core principles of good governance set out in the CIPFA / SOLACE governance framework ("*Delivering Good Governance in Local Government*"):
1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 5. Developing the capacity and capability of members and officers to be effective;
 6. Engaging with local people and other stakeholders to ensure robust public accountability.
- 3.3 There is already a statutory requirement for the Authority to produce an annual governance statement to demonstrate and evidence that it operates an effective system of internal control. The internal control systems underlying the annual governance statement are assessed by Internal Audit to ensure that they are adequate and effective so that:
- The Authority can establish the extent to which they can rely on the whole system; and,
 - Individual managers can establish the reliability of the systems and controls for which they are responsible.

- 3.4 The Chief Internal Auditor's most recent opinion on the Authority's internal control environment was published in the Annual Governance Statement for the 2014/15 financial year. This stated that:

*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.*

- 3.5 Additionally, the Chief Internal Auditor's [annual audit letter](#) identified no issues to report following its consideration of the completeness of disclosures in the Authority's Annual Governance Statement, its consistency with other information of which the Auditor was aware and its compliance with CIPFA / SOLACE guidance.

- 3.6 Further details of the Authority's governance arrangements and the internal auditor's findings in relation to these can be found in the Annual Governance Statement 2014/15:

[http://bucksfire.gov.uk/files/7114/4345/2321/Annual Governance Statement 2014-15.pdf](http://bucksfire.gov.uk/files/7114/4345/2321/Annual_Governance_Statement_2014-15.pdf)

- 3.7 The Annual Governance Statement also confirms that the Authority met its statutory obligation to review its Pay Policy Statement annually. This sets out its policies on the remuneration of its chief officers, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers. This was approved and adopted by the Authority at its February 2015 meeting, and can be viewed via the following link to the Authority's website:

<http://bucksfire.gov.uk/fire-authority/policies/>

4. OPERATIONAL ASSURANCE

4.1 The Government requires Fire Authorities to provide assurance that they meet the requirements arising out of the legislative and policy framework for fire and rescue services. In particular:

- Details of specific events that raise issues of operational competence or delivery such as advice received under health and safety or other legislation together with assurance that these matters have been considered and, where appropriate, acted on;
- That integrated risk management plans are consulted on and that during the consultations appropriate information was provided to enable active and informed participation;
- Details of any agreements and / or mutual aid arrangements with other relevant bodies such as neighbouring fire and rescue services.

Statutory Duties and Operational Effectiveness

Fire and rescue authorities operate within in a clearly defined legislative and policy framework comprising of:

- The Fire and Rescue Services Act 2004;
- The Civil Contingencies Act 2004;
- The Regulatory Reform (Fire Safety) Order 2005;
- The Fire and Rescue Services (Emergencies) (England) Order 2007;
- The Localism Act 2011;
- The Fire and Rescue National Framework for England.

4.2 The last formal external assurance of the Authority's operational effectiveness and performance was carried out in June 2014 as part of a comprehensive 'Peer Review' process developed by the Chief Fire Officers Association in conjunction with the Local Government Association.

4.3 The Peer Review focused in depth on the key areas of:

- Leadership and Governance
- Outcomes for Citizens
- Organisational Capacity
- Community Risk Management
- Prevention

- Response

4.4 The Review also considered the following areas on a more 'light touch' basis:

- Training and Development
- Protection
- Health and Safety
- Call Management

4.5 Although the Peer Review identified a number of areas for consideration, it did not identify any issues that would raise concerns about the Authority's operational competency or delivery. All areas for consideration raised in the report were already known to service management and are already been captured in improvement plans.

4.6 The Peer Review also found the Authority's internal arrangements for operational assurance to be robust:

"Operational Assurance is delivered by a highly motivated and well-resourced team. This has led to a proactive approach to incident monitoring and feedback, monthly performance reports, debriefs and gap analysis, with actions influencing training, operational intelligence and health and safety".

4.7 A full report of the Peer Review Outcomes can be viewed on the Authority's website:

http://bucksfire.gov.uk/files/6514/1803/5987/ITEM_15_Local_Government_Association_LGA_Peer_Challenge_Report_Appendix_A.pdf

5. INTEGRATED RISK MANAGEMENT PLANNING

5.1 The National Framework requires that Fire Authorities must produce an Integrated Risk Management Plan (IRMP) that identifies and assesses all foreseeable fire and rescue related risks that could affect its community, including those of a cross-border, multi-authority and / or national nature. The plan must have regard to the community risk registers produced by Local Resilience Forums and any other local risk analyses as appropriate. Each fire and rescue authority integrated IRMP must:

- be easily accessible and publicly available; and,

- reflect effective consultation throughout its development and at all review stages with the community, its workforce and representative bodies, and partners.
- 5.2 The Government guidance relating to statements of assurance requires that they should include details of IRMP consultations and, in particular, that appropriate information was provided to enable active and informed participation.
- 5.3 Buckinghamshire and Milton Keynes Fire Authority regularly reviews the fire and rescue related risks to the community it serves and updates its IRMP in response to any material changes to the nature and level of the risks identified and assessed.
- 5.4 The Authority's current IRMP, known as the '2015-20 Public Safety Plan', is published on its website. This sets out the Authority's strategy for achieving its vision of making *'Buckinghamshire and Milton Keynes the safest areas in England in which to live, work and travel'*:
- [http://bucksfire.gov.uk/files/8114/2116/4524/2015 - 20 PSP Updated after 17 Dec CFA.pdf](http://bucksfire.gov.uk/files/8114/2116/4524/2015_-_20_PSP_Updated_after_17_Dec_CFA.pdf)
- 5.5 The draft Public Safety Plan was subject to extensive consultations prior to the Authority reaching any decisions. The consultation process embraced key stakeholder groups including the general public, Authority staff, neighbouring fire and rescue services and a range of other organisations with a potential interest in the development of the plan. It also included the use of qualitative consultation methods such as 'community engagement forums' and focus groups which encourage participants to reflect in depth about their priorities for the Authority while both receiving and questioning background information and discussing service delivery issues in detail. Full details of the consultation process and its outcomes are available on the Authority's website:
- [http://bucksfire.gov.uk/files/5414/1803/6075/ITEM_16_2015-20 PSP Consultation - 17 December 14 CFA Paper Annexes.pdf](http://bucksfire.gov.uk/files/5414/1803/6075/ITEM_16_2015-20_PSP_Consultation_-_17_December_14_CFA_Paper_Annexes.pdf)
- 5.6 The Authority has also established a framework of **key performance indicators** and measures to help it assess progress towards the achievement of its vision. Performance in relation to these is reported to the Authority's Executive Committee on a regular basis whose role is to scrutinise any areas of under-performance together with proposals for corrective action. A report on performance outcomes against the framework of indicators and measures can be viewed on the Authority's website (at item 13, pages 121-143):

http://bucksfire.gov.uk/files/6414/3714/4213/EXECUTIVE_COMMITTEE_PACK_290715.pdf

6. MUTUAL AID, REGIONAL AND NATIONAL RESILIENCE

6.1 The National Framework requires fire authorities to consider risks of a cross-border, multi-authority and/or national nature and to make appropriate provision for dealing with these. The Authority does this via:

- Its active participation in the Thames Valley Local Resilience Forum which comprises other Category 1 and 2 responders. The forum maintains a community risk register which the Authority considers as part of its integrated risk management planning process;
- Review of the National Risk Register, National Risk Assessment and National Resilience Planning Assumptions which are maintained by the UK Government Cabinet Office to inform planning in relation to major civil emergencies of a national or regional nature;
- Mutual aid agreements with neighbouring fire and rescue authorities which enable authorities to provide each other with additional resources to deal with emergencies that cannot be dealt with by an authority acting alone. Buckinghamshire and Milton Keynes Fire Authority maintains formal mutual aid agreements with all six of its neighbours – Bedfordshire, Hertfordshire, London, Royal Berkshire, Oxfordshire and Northamptonshire. Buckinghamshire and Milton Keynes Fire Authority also provided mutual aid to Devon and Somerset FRS during the flooding on the Somerset Levels in February 2014 in the form of personnel and a specialist appliance. The cost of this operation was recovered from the host FRS.
- Working with South Central Ambulance Service (SCAS) to provide co-responding services to medical emergencies and in allowing SCAS crews to use Authority premises.

6.2 Also the Authority maintains specialist resources to enable it to deal with major civil emergencies such as major transport incidents, natural disasters and terrorist incidents. These include capabilities such as its Urban Search and Rescue, and, Water Rescue Teams which it deploys in support of other Authorities during major emergencies such as the instances of wide area flooding that have taken place in recent years. The cost of providing such assistance is recovered from requesting Authority. The Authority also collaborates with all the other South East Fire and Rescue Services to jointly fund the post of a Station Commander who is seconded to the South East Counter

Terrorism Unit. This post has been filled by a BFRS Officer since April 2014 who acts as a focal point for advice to and from the unit.

6.3 As a Category 1 responder as defined in the Civil Contingencies Act 2004, business continuity is a high priority for Buckinghamshire and Milton Keynes Fire Authority. During the period covered by this statement the Authority was subject to strike action by members of the Fire Brigades Union as part of its dispute with central government over changes to pension arrangements. During these periods of strike action the Service's business continuity arrangements have been put into operation. As result fire cover was provide for the whole of the Service's area by the Service's own employees. Every fire call received during these periods of strike action that warranted an attendance received one, in a timely manner and the incidents were successfully dealt with.

6.4 Also the Service has engaged in a partnership with the other two Thames Valley Fire & Rescue Services by sharing the Command and Control function to increase operational resilience and make use of Government grant to release year on year cost savings.

Its technology includes a new mobilising system, which enables control operators to identify the exact geographic location of an incident more quickly and, at the same time, pinpoint the precise position of each available fire appliance and officer.

Every fire appliance across the three services has been fitted or upgraded with the latest mobile data terminals which display incidents on a mapping system, enabling fire crews to see their location and that of the incident in real-time. Mobile data terminals also provide the crews with risk-critical information, such as individual building design and details about any special hazards or unusual processes or manufacturing at a particular location.

To ensure resilience, a non-staffed secondary control room has been created in Kidlington. In the unlikely event that the primary control room fails or needs to be evacuated, North Yorkshire Fire and Rescue Service will take 999 calls and mobilise resources on behalf of Thames Valley Fire Control Service for the short period of time needed to transfer control staff to Kidlington.

7. DECLARATION

Buckinghamshire and Milton Keynes Fire Authority are satisfied that the financial, governance and operational assurance arrangements in place across the organisation meet the requirements set out in the National Framework.

Jason Thelwell
Chief Fire Officer and Chief Executive

Councillor David Watson
Chairman, Overview and Audit Committee



Department for
Communities and
Local Government

Guidance on statements of assurance for fire and rescue authorities in England

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May, 2013

ISBN: 978-1-4098- 3879- 1

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Introduction

1. The Government is committed to unburdening local government; eliminating top-down bureaucracy and increasing local flexibility. For fire and rescue authorities, this ethos is demonstrated by the revised Fire and Rescue National Framework for England (the Framework), and in the provisions of the Localism Act 2011, which helps to let them run their services as they see fit.
2. This freedom and flexibility is accompanied by the need for accountability and transparency. Providing an excellent service is only the starting point - communities expect to know how their services are being provided.
3. It is against this background that the Framework sets out a requirement for fire and rescue authorities to publish Statements of Assurance. It says:

‘Fire and rescue authorities must provide annual assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their integrated risk management plan and the requirements included in the Framework. To provide assurance, fire and rescue authorities must publish an annual statement of assurance’.

4. This document provides guidance on the content of statements of assurance, and indicates how existing assessment processes might feed into the statements in order to avoid duplication.
5. Guidance should not be taken to constitute legal advice. We have indicated what should be included in the statements of assurance, while allowing the flexibility to tailor the format and presentation. It is for fire and rescue authorities to decide how to best present the information with their communities in mind.

Context

6. Fire and rescue authorities are accountable for their performance and should be open to evaluation by the communities they serve. Information on their performance should be accessible, robust, fit-for-purpose and accurately report on effectiveness and value for money.
7. One of the principal aims of the statement of assurance is to provide an accessible way in which communities, Government, local authorities and other partners may make a valid assessment of their local fire and rescue authority’s performance.
8. Where fire and rescue authorities have already set out relevant information that is clear, accessible, and user-friendly within existing documents, they may wish to include extracts, or links to these documents within their statement of assurance.

9. The statement of assurance will be used as a source of information on which to base the Secretary of State's biennial report under section 25 of the *Fire and Rescue Act 2004*.¹

Assessment and ownership

10. Authorities should assess their performance across a number of key areas. The areas to be included for assessment, and the methodology used, are a matter for local determination, although authorities will need to satisfy themselves that the measures and methods used are appropriate and fit for purpose.
11. The statement of assurance should be signed off by an elected member of the relevant authority who is able to take responsibility for its contents. It is up to the individual authority to ensure that this is done by an appropriate person (or persons) who can approve it on behalf of the authority.
12. Statements of assurance should be published annually by fire and rescue authorities. It is for fire and rescue authorities to decide when they should publish depending on individual reporting arrangements. The first statements are due for publication in the financial year 2013-14, and annually thereafter.

Content of the annual statement of assurance

Financial

13. Fire and rescue authorities are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is properly accounted for and used economically, efficiently and effectively.²
14. It is a statutory requirement under the *Accounts and Audit (England) Regulations 2011*³ for authorities to publish the financial results of their activities for the year. This 'Statement of Accounts', shows the annual costs of providing the service and is determined by a Code of Practice⁴ which aims to give a "true and fair" view of the financial position and transactions of the authority. The authority is responsible for approval of the statement of accounts prior to publication.
15. The statement of assurance may briefly set out what assessment procedures are in place with regard to the authorities' statements of account.

Governance

16. The *Accounts and Audit (England) Regulations 2011* also requires authorities to prepare an annual governance statement in support of this statement of accounts. This governance statement is an expression of the measures taken by the authority to ensure appropriate business practice, high standards of conduct and sound governance. The statement of assurance may set out what work authorities

¹ <http://www.legislation.gov.uk/ukpga/2004/21/section/25>

² Section 3 of the Local Government Act 1999

³ <http://www.legislation.gov.uk/uksi/2011/817/contents/made>

⁴ *Code of Practice on Local Authority Accounting* - Chartered Institute of Public Finance and Accountancy

have undertaken to review the effectiveness of their governance framework, including the system of internal control.

17. Greater transparency is a key element of the Framework and is at the heart of the Government's commitment to enable the public to hold their authorities to account for the way they spend public money. In preparing the statement of assurance, fire and rescue authorities may consider the principles of transparency set out in the *Code of Recommended Practice for Local Authorities on Data Transparency*.⁵

Operational

18. Fire and rescue authorities function within a clearly defined statutory and policy framework. The key documents setting this out are:
- the [Fire and Rescue Services Act 2004](https://www.legislation.gov.uk/ukpga/2004/21/contents)⁶
 - the [Civil Contingencies Act 2004](http://www.legislation.gov.uk/ukpga/2004/36/contents)⁷
 - the [Regulatory Reform \(Fire Safety\) Order 2005](http://www.legislation.gov.uk/uksi/2005/1541/contents/made)⁸
 - the [Fire and Rescue Services \(Emergencies\) \(England\) Order 2007](http://www.legislation.gov.uk/uksi/2007/735/contents/made)⁹
 - the [Localism Act 2011](http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted)¹⁰
 - the [Fire and Rescue National Framework for England](https://www.gov.uk/government/publications/fire-and-rescue-national-framework-for-england)¹¹
19. Fire and rescue authorities already consult on, and publish, their integrated risk management plans, which set out local strategies including cross-border, multi-authority and national arrangements where appropriate. The statement of assurance should include details of consultation on these plans, and confirm that appropriate information was provided to enable active and informed participation.
20. The statement of assurance may also indicate where fire and rescue authorities have entered into agreements and/or mutual aid arrangements with other relevant bodies. The level of detail included will be a matter for each individual fire and rescue authority and may be linked to their integrated risk management plan.
21. It is not the aim of statements of assurance to set out the operational procedures for fire and rescue authorities. However, statements of assurance are the appropriate vehicle with regard to specific events which raise issues of operational competence or delivery. For example, when advice is received under health and safety or other legislation, it is appropriate for the fire and rescue authority to use the statement of assurance as a means to inform their communities that these matters have been considered and, where appropriate, acted on.

Framework requirements

⁵ <https://www.gov.uk/government/publications/local-authority-data-transparency-code>

⁶ <http://www.legislation.gov.uk/ukpga/2004/21/contents>

⁷ <http://www.legislation.gov.uk/ukpga/2004/36/contents>

⁸ <http://www.legislation.gov.uk/uksi/2005/1541/contents/made>

⁹ <http://www.legislation.gov.uk/uksi/2007/735/contents/made>

¹⁰ <http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>

¹¹ <https://www.gov.uk/government/publications/fire-and-rescue-national-framework-for-england>

22. Where fire and rescue authorities are satisfied that the systems they have in place, and any specific measures they have undertaken, fulfil their Framework requirements, this should be clearly stated in the statement of assurance. Accordingly, where appropriate, authorities may consider making a simple declaration that the Framework requirements have been met.

Future improvements

23. Fire and rescue authorities may wish to include a section in their statements of assurance on any potential improvements they have identified across their accounting, governance or operational responsibilities to communities, particularly where plans are underway.

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Buckinghamshire & Milton Keynes Fire Authority



| | |
|------------------------------|--|
| MEETING | Overview and Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | Graham Britten, Director of Legal and Governance |
| LEAD MEMBER | Councillor David Watson |
| SUBJECT OF THE REPORT | Annual Report on Regulation of Investigatory Powers Act 2000 (RIPA) |
| EXECUTIVE SUMMARY | <p>The purpose of this report is to:</p> <ol style="list-style-type: none"> 1. update the committee on RIPA activity over the past year by confirming that the Authority has had no requirement to use RIPA for enforcing the Regulatory Reform (Fire Safety) Order 2005; 2. apprise the committee of the inspection by the Assistant Surveillance Commissioner on 20 January 2016 (Inspection report not received as yet). 3. obtain approval of a revised CHIS and Surveillance policy (Appendix B) which has the revisions highlighted for ease of reference; and 4. apprise members of how the Investigatory Powers Bill will affect the Authority <p>All previous annual RIPA policy reviews have been undertaken by the Authority. As the Assistant Surveillance Commissioner has recommended quarterly reporting in addition to annual reviews it is the intention that all RIPA related matters are now received by the Overview and Audit Committee.</p> |
| ACTION | Information/Decision. |
| RECOMMENDATIONS | <p>It is recommended that:</p> <ol style="list-style-type: none"> 1. The update report be noted. 2. The CHIS and Surveillance policy (Appendix B) be approved. |
| RISK MANAGEMENT | <p>Processes that are compliant with RIPA mitigate the risk sanctions for breaches of privacy law; and evidence obtained being inadmissible in proceedings. However, although the Authority remains subject to the Office of the Surveillance Commissioner (OSC) inspection regime it can undertake all of its functions without any need to use covert directed surveillance.</p> |

| | |
|---|--|
| FINANCIAL IMPLICATIONS | None directly arising from the recommendations. The refresher training for officers that has been recommended by the OSC for four employees will cost in the region of £49 per person (online) up to £250 per person (workshop). |
| LEGAL IMPLICATIONS | <p>The Authority has powers under RIPA to conduct covert surveillance in order to prevent and detect crime and in the interests of public safety.</p> <p>The statutory guidance requires that elected members review use of RIPA; set the policy at least once a year; and consider internal reports on a regular basis to ensure that it is being used consistently with the policy and that the policy remains fit for purpose.</p> |
| CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION | Whilst each Authority is responsible for managing its own RIPA authorisation processes the potential to share resources with Royal Berkshire Fire Authority (RBFA) to build in resilience, is being explored by officers. |
| HEALTH AND SAFETY | None. |
| EQUALITY AND DIVERSITY | None. |
| USE OF RESOURCES | Maintaining a RIPA compliant policy and associated procedures involves periodic training for relevant staff to maintain competence. |
| PROVENANCE SECTION & BACKGROUND PAPERS | <p>Background papers:</p> <ul style="list-style-type: none"> • BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY WEDNESDAY 18 FEBRUARY 2015 Agenda Item 9, Annual Report on Regulation of Investigatory Powers Act 2000 • EXECUTIVE COMMITTEE WEDNESDAY 8 AUGUST 2012 Agenda Item 15, Office of Surveillance Commissioner's Inspection Report 2012 • Code of practice for the interception of communications (Home Office, 8 September 2010) • Code of practice for investigation of protected electronic information (Home Office, 8 September 2010) • Code of practice for the acquisition and disclosure of communications data (8 September 2010) • Interception of communications: code of practice (Home Office, 12 March 2010) • Covert Human Intelligence Source Code of Practice (Home Office, 10 December 2014) • Fire and Rescue monthly bulletin: 60 (DCLG, 11 |

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| | November 2015) |
| APPENDICES | Appendix A: RIPA report. Appendix B: BMKFA CHIS and Surveillance Policy. |
| TIME REQUIRED | 5 minutes. |
| REPORT ORIGINATOR AND CONTACT | Gerry Barry, Information Governance and Compliance Manager gbarry@bucksfire.gov.uk 01296 744442 or 07920 710637 |

Appendix A RIPA Report

1. Background

- 1.1 RIPA regulates a number of investigative procedures including covert surveillance, the acquisition of communications data (to obtain information about the times of calls and the location and identity of callers - but not the content of the calls).
- 1.2 Fire and Rescue Authorities have powers under RIPA to prevent and detect crime and to protect public safety which enables the use of covert surveillance and the acquisition of communications data during the course of investigations into alleged breaches of the Regulatory Reform (Fire Safety) Order 2005 and in relation to hoax or nuisance calls for emergency assistance. However to date no investigative procedures covered under RIPA have been authorised or undertaken.
- 1.3 By having these powers the Authority is required to have robust procedures in place governing the use and authorisation of RIPA applications so that, if the powers were to be used and the privacy of an individual was invaded, the Authority would be able to demonstrate that the intrusion is lawful, necessary and proportionate.
- 1.4 The statutory guidance requires that the Authority review its use of RIPA, set the policy at least once a year, and considers internal reports on a regular basis to ensure that it is being used consistently with the policy and that the policy remains fit for purpose.

2. Office of Surveillance Commissioners(OSC) inspection

- 2.1 On 20 January 2016 the Authority was subject to an RIPA inspection by the OSC, which is responsible for overseeing the use of covert surveillance by designated public authorities. The Authority is subject to a triennial inspection. This inspection was delayed from 2015 due to resourcing issues at the OSC.
- 2.2 The previous OSC inspection was on 1 May 2012 by His Honour (HH) Norman Jones QC – Deputy Surveillance Commissioner who also conducted the 2016 inspection. HH met with the director of Legal and Governance, Graham Britten in his role as Senior Responsible Officer (SRO) and Gerry Barry RIPA Single Point of Contact (SPoC) and RIPA Co-ordinating Officer.
- 2.3 At this time the findings of the report have not been received but initial findings are likely to be as follows:
 - 2.3.1 As found in 2012 Buckinghamshire Fire and Rescue Service (BFRS) does not have recourse to covert surveillance therefore there were no RIPA authorisations to examine. BFRS does not anticipate using covert surveillance at any future date as it has adequate powers to meet its needs. – For example BFRS and Royal Berkshire Fire and Rescue Service (RBFRS) continue to use the services of an ex-police officer who engages with the police for arson investigations.
 - 2.3.2 Changes to RIPA that came into effect in December 2014 led to a rework of the policy which was approved by the Authority in February 2015. The Inspector has suggested additions to the policy to reflect the RIPA roles and responsibilities of Authority employees and these have been incorporated.

2.3.2 The Inspector also advised that, whilst BFRS did not anticipate using its RIPA covert surveillance powers it is important that there sufficient trained staff available to support its covert surveillance authorisation processes and that this training is refreshed periodically.

2.3.3 When considering resilience the Inspector advised that the RIPA Co-ordinating Officer cannot be an Authorising Officer as this could be a conflict of interests. Currently BFRS have two trained Authorising Officers and the Inspector suggested that the SRO could also act as an Authorising Officer in exceptional circumstances but must receive appropriate training.

2.3.4 To ensure that the Authority is aware of any authorisations a quarterly report should be made to members.

2.3.5 That the Director of Legal & Governance publishes guidance on the Intranet to raise awareness of RIPA requirements.

3. *Investigatory Powers Bill*

In the draft Investigatory Powers Bill published on 4 November 2015, the Government plans to restrict the power of fire and rescue services to acquire communications data to only 'threat to life' situations.

Currently, under RIPA powers, fire and rescue authorities can acquire communications data for three purposes:

1. for the purpose of preventing or detecting crime or of preventing disorder;
2. in the interests of public safety; and,
3. for the purpose, in an emergency, of preventing death or injury or any damage to a person's physical or mental health, or of mitigating any injury or damage to a person's physical or mental health.

However, data from the Home Office and from information collected from fire and rescue authorities in 2013 and more recently from Chief Fire Officers by the Department for Communities and Local Government, shows low use of these powers over the last five years. On this basis it is intended to limit fire and rescue authorities' investigatory powers to those described in 3 (above). Where fire and rescue authorities identify the need for data in respect of purposes 1 and 2 above, it is expected that fire and rescues services will work closely with the police to acquire such data.

The new Bill continues to allow a "first hour" exemption (the 'golden hour') for investigation of 999 calls typically used to seek information on hoax callers.

If the changes to powers affect the policy, the changes will be made for approval by the Overview and Audit Committee

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Appendix B

1. Changes since to previous version


Issue 4.0 Changes to include an explanation of "urgency" and the roles and responsibilities of Authority employees.

All changes are underlined and highlighted in yellow.

Index

2. Introduction
3. Purpose
4. Access to communication data
5. Basic requirements
6. Types of surveillance
7. Authorisation and duration
8. Authorising Officer
9. Evidence
10. Covert human intelligence sources (CHIS)
11. CHIS authorisation
12. Management of the source
13. Record keeping
14. Safety and security
15. Annual review
16. Roles and responsibilities

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| Author: | Information Governance & Compliance Manager | IIA: | N/A |
| Issue Date: | February 2015 | Review Date: | Review annually |

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2. Introduction

- 2.1 Some Authority activities may require the use of covert surveillance as part of its enforcement functions. The Regulation of Investigatory Powers Act 2000 (RIPA) provides the statutory framework for the granting of authority to carry out surveillance.
- 2.2 The Authority is fully committed to complying with the Human Rights Act 1998 (HRA) and the Regulation of Investigatory Powers Act 2000 (RIPA). To ensure compliance, all covert surveillance and use of covert human intelligence source (CHIS), falling within the scope of the Act carried out by officers of the Authority, must be authorised by a designated 'Authorising Officer'.
- 2.3 In complying with RIPA, officers must have full regard to the Code of Practices issued by the Home Office which can be found at:
- [Code of practice for the interception of communications](#)
 - [Code of practice for investigation of protected electronic information](#)
 - [Code of practice for the acquisition and disclosure of communications data](#)
 - [Code of Practice for the Retention of Communications Data](#)
 - [Covert human intelligence sources code of practice](#)
 - [Covert Surveillance and Property Interference Code of Practice \(2014\)](#)

3. Purpose

The purpose of this document is to set out the Authority's policy on RIPA, reinforce the requirements of the Act, the Order and Codes of Practice, provide guidance to officers, protect the rights of individuals and minimise the risk of legal challenge as a result of officer actions.

4. Access to communication data

- 4.1 The Authorities investigating criminal offences have powers (by virtue of The Regulation of Investigatory Powers (Communications Data) Order 2004 ("the Order")) to gain access to information held by telecommunication or postal service providers about the use of their services by persons who are the subject of criminal investigations.

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5. Implementation

~~5.1 On approval, this policy will be published on the Authority intranet supporting procedures. will be updated and also published on the Authority intranet and other training rolled out to officers, proportionate to their role. , as required.~~

5. Basic requirements

5.1 Under RIPA, the Order and Codes of Practice, directed covert surveillance, use of CHIS and access to communications data should only be authorised if the Authorising Officer is satisfied that:

- a) The action is necessary for the prevention or detection of crime or the prevention of disorder **or in the interests of public safety.**
- b) The surveillance/access to communications data is proportionate. A measure or action is proportionate if it:
 - impairs as little as possible the rights and freedoms of the individual concerned and of innocent third parties.
 - is carefully designed to meet the objectives in question, is not arbitrary, unfair or based on irrational considerations.
- c) Three essential elements must be met:
 - the proposed covert surveillance is proportional to the mischief under investigation;
 - is proportional to the degree of anticipated intrusion on the target and others; and
 - is the only option, other overt means having been considered and discounted.

6. Types of surveillance

- 6.1 Covert surveillance is surveillance that is carried out in a manner to ensure that the persons subject to the surveillance are unaware that it is or may be taking place. Surveillance may be 'directed' or 'intrusive'.
- 6.2 The Authority is **not** authorised to conduct Intrusive Surveillance, or to interfere with the property of others whilst conducting directed surveillance.
- 6.3 Intrusive surveillance – is carried out in relation to anything taking place on any residential premises or in any private vehicle by an individual on the premises or in the vehicle or is carried out by means of a surveillance device. Although a surveillance device not on or in the premises/vehicle will only be intrusive if it consistently provides information of the same quality and detail as might be expected to be obtained for a device actually on/in the premises/vehicle.

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- 6.4 Directed surveillance – is covert, but not intrusive and is undertaken for the purposes of a specific investigation or operation and involving the observation of a person or persons in order to gather private information about them (which can include information about persons at work). Covert surveillance includes monitoring, observing or listening to persons without their knowledge.
- 6.5 Deciding when authorisation under RIPA is required involves making a judgement. Where surveillance is covert and is directed at individual(s) to obtain information about them, RIPA is likely to apply and prior authorisation obtained in accordance with this policy.
- 6.6 Directed surveillance must be authorised, in accordance with this policy, and only be used for legitimate purposes, when sufficient evidence exists and documented to warrant the exercise and when surveillance is shown to be both the least harmful means of meeting that purpose and proportionate to what it seeks to achieve.
- 6.7 It is imperative that all reasonable alternative methods to resolve a situation, such as naked-eye observation, interview or changing methods of working or levels of security should be attempted first and recorded in writing with the reason for surveillance being requested fully documented. Where the subject of covert surveillance is an employee, the Authority’s Legal Officer (the Director of Legal & Governance) must be informed.

7. Authorisation and duration

- 7.1 All requests to conduct, extend or discontinue a covert surveillance exercise must be made in writing on the appropriate forms¹ and submitted to the Authorising Officer. **Prior to seeking authorisation applicants should speak to the Co-ordinating Officer who will issue a Unique Reference Number and maintain a register of the status of the investigation.** All requests and extensions must be considered and authorised in writing, by the Authorising Officer, before any covert

¹ except that in urgent cases they may be given orally by the authorising officer. In such cases, a record that the authorising officer has expressly authorised the action should be recorded in writing by both the authorising officer and the applicant as soon as is reasonably practicable, together with the information set out at §5.9 Covert Surveillance and Property Interference Revised Code of Practice, Home Office 2014 . A case is not normally to be regarded as urgent unless the time that would elapse before the authorising officer was available to grant the authorisation would, in the judgement of the person giving the authorisation, be likely to endanger life or jeopardise the investigation or operation for which the authorisation was being given. An authorisation is not to be regarded as urgent where the need for an authorisation has been neglected or the urgency is of the authorising officer’s or applicant’s own making.

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surveillance operation can commence or continue. **The Authorising Officer will notify the Co-ordinating Officer when an application has been granted or refused.**

7.2 Authorisation can only be granted where covert surveillance is believed, by the Authorising Officer, to be necessary and proportionate. Written authorisations for direct covert surveillance will be valid for 3 months from the date of the original authorisation or extension, the Authorising Officer is responsible for ensuring that surveillance is cancelled as soon as it is no longer required.

7.3 If during the investigation it becomes clear that the activity being investigated does not amount to a criminal offence or that it would be a less serious offence that does not meet the threshold the use of directed surveillance should cease. If a directed surveillance authorisation is already in force it should be cancelled.

7.4 Applications for renewals should not be made until shortly before the original authorisation period is due to expire but the Authority must take account of factors which may delay the renewal process (e.g. intervening weekends or the availability of the relevant Authorising Officer).

~~9. Authorising Officer~~

~~The Authorising Officer will be a post holder in the role of Group Manager or above.~~

8. Evidence

8.1 During a covert operation, recorded material or information collected will be stored and transported securely. It will be reviewed regularly (at least weekly) and access to it will be restricted to the Authorising Officer and the Enforcement Officers concerned.

8.2 The Authorising Officer will decide whether to allow requests for access by third parties. Access will generally only be allowed to limited and prescribed parties including law enforcement agencies, prosecution agencies, legal representatives and the people subject to the surveillance (unless disclosure would prejudice any criminal enquiries or proceedings). Authorising Officers will maintain a record of all reviews of material recorded and collected covertly.

8.3 Once a covert operation results in an individual being under suspicion of having committed a criminal offence, he/she must be informed of this as promptly as is reasonably practicable if the fire authority is pursuing the offences. This is in order to ensure their right to a fair trial or hearing within a reasonable time in accordance with the Human Rights Act.

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8.4 In a situation where it is considered that a matter gives rise to a potential criminal prosecution, any interview with the suspect must be 'under caution' and conducted by a suitably trained officer.

9. Covert human intelligence sources

9.1 A person is a CHIS if they:

- a) establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraphs (b) or (c) below;
- b) covertly use such a relationship to obtain information or to provide access to any information to another person; or
- c) covertly disclose information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

9.2 A CHIS may be required to establish or maintain a personal or other relationship for a covert purpose, i.e. one which the person with whom the relationship is established is unaware of. A CHIS is "tasked" to obtain information, provide access to information or to otherwise act, incidentally, for the benefit of the Authority. Authorisation for the use or conduct of a CHIS is required prior to any tasking where such tasking requires the source to establish or maintain a personal or other relationship for a covert purpose.

9.3 The Code of Practice strongly recommends that the Authority consider an authorisation whenever the use or conduct of CHIS is likely to engage an individual's rights under Article 8, whether this is through obtaining information, particularly private information, or simply through the covert manipulation of a relationship. An authorisation will be required if a relationship exists between the subject and the CHIS, even if specific information has not been sought by the Authority.

9.4 However, the provisions of the 2000 Act do not apply in circumstances where members of the public volunteer information as part of their normal civic duties, or to contact numbers set up to receive information e.g. Crime stoppers or Anti-Fraud Hotline. Members of the public acting in this way would not generally be regarded as sources. A routine test purchase which does not go beyond a normal transaction is unlikely to be considered a CHIS activity.

9.5 The use of CHIS by the Authority is likely to be infrequent. A judgement must be made in determining when an individual taking part in an investigation may be acting as a CHIS and if in any doubt, should seek advice from the Authorising Officer.

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10. This authorisation

10.1 The same principles and procedures apply for the authorisation of CHIS as for directed surveillance. The Authorising Officer² may authorise the use of CHIS if they are satisfied that it is necessary and proportionate to do so, and arrangements are in place for managing a CHIS.

10.2 Applications to use, extend or discontinue the use of CHIS must be made in writing, **except in urgent cases, where they may be given orally. In such cases, a statement that the authorising officer has expressly authorised the action should be recorded in writing by the applicant (or the person with whom the authorising officer spoke) as a priority. This statement need not contain the full detail of the application, which should however subsequently be recorded in writing when reasonably practicable (generally the next working day). A case is not normally to be regarded as urgent unless the time that would elapse before the authorising officer was available to grant the authorisation would, in the judgement of the person giving the authorisation, be likely to endanger life or jeopardise the operation or investigation for which the authorisation was being given. An authorisation is not to be regarded as urgent where the need for an authorisation has been neglected or the urgency is of the applicant's or authorising officer's own making³.**

10.3 Written authorisations for CHIS will be valid for 12 months from the date of authorisation or extension. Exceptionally, an oral authorisation may be granted for the use of a CHIS in circumstances of urgency.

10.4 An oral authorisation will be valid for 72 hours but will be subject to the same requirements as that set out in part 2 relating to urgent authorisations for directed surveillance. As with directed surveillance, the Authorising Officer is responsible for ensuring that authorisation is cancelled as soon as it is no longer required, and that reviews of authorisations are carried out on at least a monthly basis.

10.5 There are additional considerations which must be taken into account before the use of a CHIS can be authorised. These relate to the security, welfare and management of the source and records relating to his/her use. Details of these issues are set out in paragraphs 14.1 – 14.3 below.

10.6 Material obtained from a CHIS may be used as evidence in criminal proceedings and the proper authorisation of a CHIS should ensure the legality of such evidence.

² The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 designates the authorising officer for each different public authority and the officers entitled to act only in urgent cases.

³ § 5.7 Code of Practice for the use of Human Intelligence Sources (2014 edition)

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10.7 Before authorising the use of a CHIS, the Authorising Officer and Enforcing Officers must ensure that, as far as is possible, measures are taken to avoid unnecessary intrusion into the lives of those not directly connected with the investigation.

10.8 An authorisation for a CHIS may be in broad terms and highlight the nature of the CHIS’s task. However, where it is intended to task a source in a new or significantly greater way, the handler or controller must refer the proposed tasking to the Authorising Officer, who should consider whether a separate authorisation is required.

11. Management of the source

11.1 The Authorising Officer must not grant an authorisation for the use or conduct of a source unless he/she has appointed a person who is responsible for having day to day contact with the source, and a person with the responsibility for the general oversight of the use of the source.

11.2 The person with day to day responsibility will be a ‘Handler’ and will deal with the CHIS on behalf of the Authority, direct the day to day activities of the CHIS, record the information supplied by him/her and monitor the security and welfare of the CHIS. Meetings with the source must be recorded, along with details of meeting between the source and the subject of the investigation. Where there are unforeseen occurrences, these should be recorded as soon as practicable after the event, and the authority checked to ensure that it covers the circumstances that have arisen.

11.3 The person with the general oversight of the CHIS will be a ‘Controller’.

12. Record keeping

12.1 The Regulation of Investigatory Powers (Source Records) Regulations 2000 provides that the following records must be kept when a CHIS is authorised:

- The identity of the source.
- The identity, where known, used by the source.
- Any relevant investigating authority, other than the Authority, maintaining the records.

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- The means by which the source is referred to within each relevant investigating authority.
- Any other significant information connected with the security and welfare of the source.
- Any confirmation made by a person granting or renewing an authorisation for the conduct or use of a source that relevant information has been considered and that any identified risks to the security and welfare of the source have where appropriate been properly explained to and understood by the source.
- The date when, and the circumstances in which, the source was recruited.
- The identifies of the persons who will act as handler, controller and person responsible for maintaining records of the use of the source.
- The periods during which those persons have discharged those responsibilities.
- The tasks given to the source and the demands made of him in relation to his activities as a source.
- All contacts or communications between the source and the authority's handler.
- The information obtained by the authority by the conduct or use of the source.
- Any dissemination by that authority of information obtained in that way.
- Any payment benefit or reward made or provided to the source (other than where the source is an authority employee acting as an undercover operative).

12.2 The Code of Practice on the use of CHIS also contains additional advice on records to be kept in relation to a source. In addition to the authorisation forms, risk assessment, and the above information, a record should be kept of the circumstances in which tasks were given to the source and the value of the source to the authority.

12.3 The records must be kept in a way that preserves the confidentiality of the source and the information provided by him/her. Records must not be made available to officers unless it is necessary for them to do so.

12.4 The Authorising Officer must not authorise the use of a CHIS until an appropriate officer has been designated as the person with responsibility for maintaining a record of the use made of the CHIS, and arrangements are in place for ensuring that the records will be kept securely.

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12.5 All records will be protectively marked, in accordance the with Authority Protective Marking Scheme, to assist in protecting their confidentiality.

13. Safety & security

13.1 Prior to the authorising of a CHIS, the Authorising Officer shall have regard to the safety and welfare of the CHIS and shall continue to have such regard, throughout the use of the CHIS. The safety and welfare of the CHIS after the authorisation has been cancelled or where the investigation has been closed must also be taken into account at the outset. Officers seeking authorisation to use a CHIS must consider the corporate risks to determine the risk to the source of any tasking and the likely consequences should the role of the source become known. The nature and magnitude of risk to the source must be identified and evaluated. Risk on a personal, operational and ethical basis must be considered.

These risk assessments must be taken into account by the Authorising Officer in deciding whether it is appropriate for authorisation to be granted for the use of the CHIS, along with the usual considerations of proportionality, necessity etc. The Authorising Officer must satisfy him/herself that any risks identified are justified in relation to the investigation, and that any identified risks have been properly explained and understood by the source. A copy of the risk assessment must be kept in accordance with the preceding paragraph.

13.2 The handler of the CHIS will be responsible for bringing any concerns about the personal circumstances of the source to the attention of the controller, in so far as they may affect the validity of the risk assessment, the conduct of the source and the safety and welfare of the source. Where appropriate such concerns should be brought to the attention of the Authorising Officer and a decision taken on whether or not to allow the authorisation to continue.

13.3 The use of vulnerable individuals or juveniles for a CHIS purpose must only be authorised by the Chief Fire Officer/ Chief Executive or the Chief Operating Officer and only in the most exceptional cases. The Authorising Officer must also abide by the Code of Practice relating to juveniles. On no account should the use or conduct of a source under 16 years of age be authorised to give information where the relationship to which the use of the source relates is between the source and his parents or any person who has parental responsibility for him. In other cases authorisation should not be granted unless the special provisions contained within the Regulation of Investigatory Powers (Juveniles) Order 2000 are satisfied. These requirements relate to the presence of an appropriate adult (e.g. a parent) at meetings with the source and consideration of risk assessments.

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Authorisation of juvenile CHIS may only be granted by the Chief Fire Officer/ Chief Executive or the Chief Operating Officer (or equivalent) and the duration of such an authorisation will be only one month, rather than twelve months.

14. Annual review

14.1 The Authority's Overview & Audit Committee should review use of RIPA and set the policy at least once a year. They should also consider internal reports on use of the 2000 Act on a regular quarterly basis to ensure that it is being used consistently with the policy and that the policy remains fit for purpose. They should not, however, be involved in making decisions on specific authorisations.

15. Roles and responsibilities

Senior Responsible Officer

The Senior Responsible Officer (SRO) should be someone, of at least the rank of authorising officer, and should be responsible for:

- the integrity of the process in place within the public authority for the management of CHIS and Directed Surveillance;
- compliance with Part 2 of the Act and with the Codes;
- engagement with the Office of Surveillance Commissioners (OSC) inspectors when they conduct their inspections, where applicable; and
- where necessary, oversight of the implementation of post-inspection action plans approved by the relevant oversight Commissioner.
- Within local authorities, the SRO should be a member of the corporate leadership team and
- should be responsible for ensuring that all authorising officers are of an appropriate standard in the light of any recommendations in OSC inspection reports. Where a report highlights concerns about the standard of authorising officers, the SRO will be responsible for ensuring the concerns are addressed.

Authorising Officer

- The Authorising Officer is responsible for ensuring that investigations are necessary and proportionate by reference to the law.

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- For ensuring that he/she has appoints a person who is responsible for having day to day contact with the CHIS, and a person with the responsibility for the general oversight of the use of the source.
- The Authorising Officer will be a post holder in the role of Group Manager or above.

Co-ordinating Officer

- To provide quarterly reports on RIPA authorisations to Members.
- To review this policy at least annually and provide a full report to Members.
- To publish this policy for use as a training guide for employees.
- To hold a copy of the procedures and guidance issued by the Chief Surveillance Commissioner.
- To support the authorisation process and maintain appropriate records and registers.
- To maintain a training plan to ensure that all Authority employees have an understanding of the legislation proportionate to their role.

16. Record history

1.0 First issue

2.0 Amended to reflect changes in legislation

3.0 Reflects changes in legislation (2012) that came into effect in December 2014

4.0 This issue.

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Buckinghamshire & Milton Keynes Fire Authority

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| MEETING | Overview and Audit Committee |
| DATE OF MEETING | 9 March 2016 |
| OFFICER | David Sutherland, Director of Finance and Assets |
| LEAD MEMBER | Councillor David Watson |
| SUBJECT OF THE REPORT | Ernst & Young Audit Plan for financial year 2015-16 |
| EXECUTIVE SUMMARY | The report at Annex A sets out the plan of activity for the Authority’s external auditors, Ernst & Young, for their work in relation to the financial year 2015-16. |
| ACTION | Information. |
| RECOMMENDATIONS | That the Committee note the plan set out in Annex A. |
| RISK MANAGEMENT | The work carried out by Ernst & Young and their opinion of the Authority’s financial integrity and ability to provide council taxpayers with value for money, is an essential part of the authority’s governance arrangements and a key element of the annual Statement of Assurance. |
| FINANCIAL IMPLICATIONS | The external audit fee is included as part of the 2016-17 budget. |
| LEGAL IMPLICATIONS | None. |
| CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION | Not applicable. |
| HEALTH AND SAFETY | Not applicable. |
| EQUALITY AND DIVERSITY | Not applicable. |
| USE OF RESOURCES | Whilst there are no directly applicable matters as part of this report, a key element of the service provided by Ernst & Young is to provide an opinion on the financial integrity of the Authority which will include such issues as the arrangements for setting, reviewing and implementing strategic and operational objectives; performance monitoring, including budget monitoring; achievement of strategic objectives and best value performance indicators. This will include associated issues such as medium term financial |

| | |
|---|--|
| | planning, management of the asset base and the arrangements to promote and ensure probity and propriety. |
| PROVENANCE SECTION & BACKGROUND PAPERS | <p>Background</p> <p>Overview and Audit Committee Meeting 23 September 2015</p> <ul style="list-style-type: none"> • Audit Results Report (Min OA18) • Letter of Management Representation (Min OA20) |
| APPENDICES | Annex A: Ernst & Young Audit Plan for financial year 2015-16 |
| TIME REQUIRED | 10 minutes. |
| REPORT ORIGINATOR AND CONTACT | <p>David Sutherland</p> <p>dsutherland@bucksfire.gov.uk</p> <p>01296 744662</p> |

Buckinghamshire and Milton Keynes Fire Authority

Year ending 31 March 2016

Audit Plan

25 February 2016

Ernst & Young LLP



Overview and Audit Committee
Buckinghamshire and Milton Keynes Fire Authority
Brigade Headquarters
Stocklake
Aylesbury
Buckinghamshire
HP20 1BD

26 February 2016

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Overview and Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Authority, and outlines our planned audit strategy in response to those risks

We welcome the opportunity to discuss this Audit Plan with you on 09 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Buckinghamshire and Milton Keynes Fire Authority give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Authority's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

We will provide an update to the Overview and Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in July 2016.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Authority identified through our knowledge of the Authority's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

| Significant risks (including fraud risks) | Our audit approach |
|---|---|
| <p>Joint Control Room</p> <p>The Joint Control Room (with Oxfordshire Fire and Rescue Service and Royal Berkshire Fire Authority) became operational in April 2015. This will be the first year that this will need to be disclosed within the financial statements and there is a risk that this will not be accounted for correctly. In particular the disclosures made and ensuring that the correct split of costs is used.</p> | <p>We will:</p> <ul style="list-style-type: none"> ▶ Review the agreements in place between the three bodies ▶ Review associated disclosures made within the financial statements to ensure compliance with the Code of Practice on Local Government Accounting, and appropriate accounting standards. ▶ Test a sample of income and expenditure related to the Joint Control Room and ensure that it has been appropriately recharged to the Authority |
| <p>Milne vs GAD</p> <p>In May 2015 the Pension Ombudsman, an independent organisation that investigates complaints about pension administration, published Mr Milne's determination for Firefighters' Pension Scheme regarding commutation factors. The Pension Ombudsman ruled that Government Actuary's Department (GAD) failed to review commutation factors within the firefighters' pension scheme.</p> <p>The Ombudsman ordered that a new commutation factor be prepared as if a factor review had been carried out in December 2004.</p> <p>The Authority has determined the additional payments required. The sum of these payments is estimated to be £484k which is material to the Pension Fund.</p> | <p>We will:</p> <ul style="list-style-type: none"> ▶ Review and test the Authority's arrangements for ensuring the accuracy and completeness of compensation. ▶ Re-perform the calculation of compensation for a sample of payments, including assessment of the accuracy of inputs ▶ Review the associated disclosures in the financial statements to ensure compliance with the Code of Practice on Local Government Accounting, and appropriate accounting standards. |
| <p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> | <p>We will:</p> <ul style="list-style-type: none"> ▶ Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ▶ Review accounting estimates for evidence of management bias, and ▶ Evaluate the business rationale for significant unusual transactions |

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. For 2015-16 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risk which we view as relevant to our value for money conclusion:

| Significant value for money risks | Our audit approach |
|---|---|
| <p>The Authority will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p> | |
| <p>The Authority continues to face financial challenges with a cumulative budget gap, on the current medium term financial plan, of £2.6 million in 2018/19.</p> <p>The medium term financial plan sets out the Authority’s strategic approach for closing the budget gap and key deliverables that are critical to the future financial sustainability of the Authority.</p> <p>Continued reductions in government grants is one of the key drivers of the need for significant savings. The Authority continues to seek alternative solutions to ensure that local services can be maintained and supported in the future, in line with local need.</p> | <p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ use of PSAA’s value for money profile tool to assess Authority’s spending against similar Fire Authorities; and ▶ review and assess the assumptions within the Authority’s 2016/17 budget and medium term financial plan. |

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Authority's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.
- 2. **Arrangements for securing economy, efficiency and effectiveness (value for money)**

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

We plan to take a substantive approach to gaining assurance over the amounts reported in the Authority's financial statements.

Analytics

We will use our computer-based analytics tools [tailor as appropriate] to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Overview and Audit Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of their work to support our understanding of the control environment and assessment of inherent risk.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

| Area | Specialists |
|------------------------------|------------------------------------|
| Asset Valuations | Bruton Knowles |
| Pension Liability Valuations | EY Pensions and Barnett Waddingham |

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Authority's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the main financial statements of the Authority is £628k based on 2% of gross revenue expenditure and for the pension fund £70k based on 1% of benefits payable.

We will communicate uncorrected audit misstatements greater than £31k for the main financial statements and £3k for the Pension Fund to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Buckinghamshire and Milton Keynes Fire Authority is £31,379.

4.6 Your audit team

The engagement team is led by Maria Grindley, who is currently on sabbatical. While she is on sabbatical she will be supported by another Executive Director from our Reading office, Paul King. Both Maria and Paul have significant experience of auditing local government and fire authority clients. Maria and Paul are supported by David Guest who is responsible for the day-to-day direction of audit work and is the key point of contact for the Finance Team.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Authority through the Overview and Audit Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Overview and Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Authority and external stakeholders, including members of the public.

| Audit phase | Timetable | Overview and Audit Committee timetable | Deliverables |
|---------------------------------------|----------------------|---|--|
| High level planning | April 2015 | July 2015 | Audit Fee Letter Progress Report |
| Risk assessment and setting of scopes | November 2015 | March 2016 | Audit Plan |
| Year-end audit | June 2016 | | |
| Completion of audit | July 2016 | July 2016 | Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return. |
| Conclusion of reporting | October 2016 | December 2016 | Annual Audit Letter |

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

| Required communications | |
|--|---|
| Planning stage | Final stage |
| <ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. | <ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues. |

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Authority.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Authority has approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, we have not provided any non-audit services, and therefore no additional safeguards required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Authority. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley and Paul King, the audit engagement Directors and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

Appendix A Fees

A breakdown of our agreed fee is shown below.

| | Planned Fee 2015/16 £ | Scale fee 2015/16 £ | Outturn fee 2014/15 £ | Explanation |
|-------------------------------------|--------------------------------|---------------------------|-----------------------------|-------------|
| Opinion Audit and VFM Conclusion | 31,379 | 31,379 | 41,838 | |

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified; and
- ▶ The Authority has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the [Audit Committee]. These are detailed here:

| Required communication | Reference |
|---|---|
| <p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p> | ▶ Audit Plan |
| <p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process | ▶ Report to those charged with governance |
| <p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant | ▶ Report to those charged with governance |
| <p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Overview and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud | ▶ Report to those charged with governance |
| <p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity | ▶ Report to those charged with governance |
| <p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures | ▶ Report to those charged with governance |
| <p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Overview and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Overview and Audit Committee may be aware of | ▶ Report to those charged with governance |

| Required communication | Reference |
|--|--|
| <p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence | <ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance |
| <p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | <ul style="list-style-type: none"> ▶ Report to those charged with governance |
| <p>Significant deficiencies in internal controls identified during the audit</p> | <ul style="list-style-type: none"> ▶ Report to those charged with governance |
| <p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit | <ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter |

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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