

Buckinghamshire & Milton Keynes Fire Authority



Internal Audit Service Annual Report of the Chief Internal Auditor 2016/17

Contents

1 Background	page 3
2 Responsibilities	page 3
3 Audit Opinion	page 3
4 Anti-Fraud	page 4
5 Basis of Audit Opinion	page 4
6 Audit Team	page 5
 Summary of Audit Opinions 2016/17 and Audit Methodology	 page 6

1 Background

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

2 Responsibilities

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

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

In my opinion the system of internal control provides **reasonable** assurance regarding the effective, efficient and economic exercise of the Authority's functions. During 2016/17 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.

- 3.1 The audit activity in 2016/17 has demonstrated that the Authority continues to improve and develop its key governance processes, and remains focussed on creating a strong system of internal control. The opinion is consistent with the outcomes of the individual audits, in which of the four audits/high level reviews completed, two were assessed as “substantial” assurance, one as “reasonable” assurance and one as “limited” assurance. 92% of previous audit actions had been fully implemented.
- 3.3 A summary of our assignment outcomes and work completed during the year is shown in Appendix I.

4 Anti-Fraud

- 4.1 We continue to work closely with the Director of Finance and Assets on fraud awareness, and our work on the core financial systems includes a review of the key anti-fraud controls. There have been no suspected frauds or financial irregularity brought to the attention of the Chief Internal Auditor during 2016/17.

5 Basis of Audit Opinion

- 5.1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAs). The Audit Strategy complies with the PSIAs and is summarised within the Service Level Agreement. This requires Internal Audit to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 5.2 The Internal Audit Plan was developed in consultation with the Director of Finance and Assets to focus specifically on financial management, corporate processes and key risk areas. There were no constraints placed on the scope of audit work in the year and there were sufficient resources to provide an adequate and effective audit coverage. The Internal Audit Plan was approved by the Overview and Audit Committee.
- 5.3 The strategy for delivery of the Internal Audit Service is reviewed annually and subject to the approval of the Overview and Audit Committee. Internal Audit is required to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 5.4 A summary of the work undertaken during the year forming the basis of the audit opinion on the internal control environment is shown in the table on page 6. Agreed management actions arising from audit recommendations are monitored and status of implementation reported regularly to the Overview and Audit Committee.

5.5 In addition, in arriving at our opinion, we have taken into account:

- The results of all audits undertaken as part of the 2016/17 Audit Plan.
- The results of follow-up action taken in respect of audits from previous years.
- Whether or not any 'high' recommendations have not been accepted by management and the consequent risks.
- The effects of any material changes in the Authority's objectives or activities.
- Whether or not any limitations have been placed on the scope of internal audit.
- Findings of work performed by other assurance providers (e.g. the External Auditors who we have liaised with throughout the year in order to share information and reduce any duplication of audit activity).
- The scope of the internal control environment - which comprises the whole framework of systems and controls established to manage BMKFRS to ensure that its objectives are met.

5.5 In giving our audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Accountable Officers is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

6. The Audit Team

6.1 The Internal Audit Service is provided by the Business Assurance Team at Buckinghamshire County Council. All staff are qualified or part-qualified with either ACCA, IIA, QICA or AAT qualifications, and all audit work is subject to a rigorous quality assurance process.

**Maggie Gibb
Chief Internal Auditor
June 2017**

SUMMARY OF AUDIT OPINIONS FOR 2016/17 AND AUDIT METHODOLOGY

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.				
	Days	Adequacy of risk management	Adequacy of control framework	Adequacy of compliance	Overall opinion
Core Financial Controls	40	Substantial	Substantial	Reasonable	Substantial
Project Management	15	Reasonable	Reasonable	Reasonable	Reasonable
Financial Planning	10	Substantial	Substantial	Reasonable	Substantial
Business Continuity Planning	15				Final outcomes to be agreed with client
Follow Ups	10	Ongoing throughout year			
Audit Management	10	Ongoing throughout year			
Total	100				

Audit Management covers supervision and quality assurance on audit assignments, reporting and adhoc advice. The time spent by management has included attendance at meetings, responding to queries and requests for advice and the drafting of annual plans and reports for the Senior Management Board and Overview and Audit Committee.

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

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

An audit plan for 2016/17 was approved by the Overview and Audit Committee in March 2016. No changes were made to the agreed plan during the year.