

**BUCKINGHAMSHIRE COUNTY COUNCIL
INTERNAL AUDIT AND RISK MANAGEMENT**

FINAL INTERNAL AUDIT REPORT

BMKFA Corporate Governance 2017/18

Date Issued: June 2018



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Report Distribution:		
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Management Summary

Introduction

This audit of Corporate Governance was undertaken as part of the 2017/18 Internal Audit plan, approved by the Overview and Audit Committee. The audit was undertaken during the third and fourth quarters of 2017/18.

Audit Objective

Internal Audit's objectives for this audit are to provide an evaluation of, and an opinion on, the adequacy and effectiveness of the system of internal controls that are in place to manage and mitigate financial and non-financial risks of the system of Corporate Governance. This will serve as a contribution towards the overall opinion on the system of internal control that the Chief Internal Auditor is required to provide annually to the Overview and Audit Committee. It also provides assurance to the Section 112 Officer that financial affairs are being properly administered.

Scope of work

As a Public Sector organisation the Fire Authority is expected to demonstrate good governance. The scope of this audit will include compliance with the seven key principles of Corporate Governance, as identified by the CIPFA SOLACE framework (2016) for delivering good governance in the Public Sector as listed below:

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

The Fire Authority is accountable for how much it spends and how resources are used. It also has a responsibility to serve the public interest by adhering to legislation and government policies and to demonstrate and encourage ethical values.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

The Fire Authority should ensure openness in its activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, including individuals, service users and institutional stakeholders.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits.

Outcomes should be planned defined to ensure that they are sustainable. Decisions made should contribute to intended benefits and outcomes and should be prioritised to ensure that they remain within the limits of authority and finite resources available.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

The Public Sector achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions, the right mix of these courses of action is critical to ensure intended outcomes are achieved. Robust decision-making mechanisms need to be in place to ensure that defined outcomes can be achieved while providing the best use of resources.

Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

Appropriate structures and leadership should be in place, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively are needed to achieve intended outcomes. There is a continuous need to develop its capacity as well as the skills and experience of individual staff members.

Principle F: Managing risks and performance through robust internal control and strong public financial management.

An effective performance management system should be in place that facilitates an effective and efficient delivery of planned services. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Authority should ensure that those charged with making decisions and delivering services are accountable for them. Effective accountability includes reporting on actions completed in a transparent manner to ensure that stakeholders are able to understand and respond. Both external and internal audit contribute to effective accountability.

The audit considered the controls in place at the time of the audit only. Where appropriate, testing was undertaken using samples of transactions that occurred within the last 12 months.

Table 1 Overall Conclusion

Overall conclusion on the system of internal control being maintained	Substantial
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RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	Reasonable	0	2
B. Ensuring openness and comprehensive stakeholder engagement.	Substantial	0	0
C. Defining outcomes in terms of sustainable economic, social and environmental benefits.	Substantial	0	0
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.	Substantial	0	0
E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it.	Substantial	0	0
F. Managing risks and performance through robust internal control and strong public financial management.	Reasonable	0	1
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.	Substantial	0	0
		0	3

Appendix 1 provides a definition of the grading for each of the conclusions given.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

The Fire Authority has an induction process in place that ensures that both Members and Officers are aware of codes of conduct and expected behaviours of those representing the Fire Authority. Standing Orders detail the requirements for Fire Authority Committee meetings to ensure that these are conducted in an open manner, within the law, interests are declared and decisions made are transparent.

However some weaknesses were identified by Audit. Guidance notes for the Officer's induction process and the Equality and Diversity Policy have not been reviewed by the agreed date, however it was noted that a decision had been taken to defer the reviews.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

To ensure openness and stakeholder engagement the Fire Authority has a Corporate Plan in place which is published on the website. The plan sets out the Authority's aims and objectives for the period 2015 to 2020 and was produced following a public consultation undertaken in November and December 2013. The plan was reviewed and updated in 2017 to include a review of performance against the plan.

The Authority has good communication processes in place to keep the public up to date with ongoing incidents including the use of social media such as Twitter and Facebook. Advice is published on the website where there are known issues, such as cooking with hot oil, to reduce the risk to the public.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits.

The Fire Authority defines outcomes by producing the Corporate Plan which link to the Public Safety Plan, this is a requirement for Fire and Rescue Services and is the overarching document detailing visions and objectives and how these will be achieved. The Corporate Plan was updated in 2017 and this includes the use of the Fire and Rescue Equality Framework to address the Authority's requirements in relation to equality, diversity and inclusion for the workforce and the communities that the Authority serves and further pursue its equality objectives

It can be evidenced by information prepared for Members that risks and longer term implications are taken into account when making decisions. These are included in the template for reports to go to Committees; these have to be completed for all reports. An example of a decision with a longer term impact can be seen in the decision made regarding the USAR (Urban Search and Rescue) canine options, financial impact, risks and benefits are shown in the report to Members.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

Decision making protocols are in place, including agreed Standing Orders which set out how meetings should be run to ensure that the decision making process is robust. There are agreed terms of reference in place for all Fire Authority Boards which include the decisions that the board is responsible for such as approving the MTFP.

There is a report template in place that is used for all decisions that are put to committees for agreement; this ensures that information is provided to Members, including legal requirements, to enable them to make decisions that provide the required outcome. Options appraisals are undertaken where necessary to further inform decision making. Performance of all areas including service delivery and finance is monitored and reported to Fire Authority Boards on a regular basis to ensure that any necessary actions are undertaken to improve performance.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

To ensure ongoing capacity of both leadership and other staff members there is an agreed workforce reform programme in place. The Fire Authority carried out an age profile analysis of operational staff in 2016/17, this was to show retirement dates and where there will be gaps in experience in future years. A decision was taken to approve an ongoing apprenticeship scheme to train firefighters to fill these gaps in operational staff and to introduce more flexible roles for firefighters. Apprentice firefighters have now been taken on and full training is being given. There is a career development procedure in place for operational staff; various assessments are carried out where staff have to demonstrate skills such as incident command skills and leadership. Non-operational staff are also given the chance to develop their capabilities by attending the Aspiring Leaders Pathway. Additionally in line with the agreed Prevention Strategy the Fire Authority work in partnership with other local organisations to increase their capacity to contribute to community well-being and promote better levels of safety.

Principle F: Managing risks and performance through robust internal control and strong public financial management.

Both risks and performance are monitored on a regular basis by various Boards of the Fire Authority. There is a good system of internal control in place including agreed and up to date financial regulations and robust financial reporting procedures. An Annual Governance Statement is prepared and actions identified to improve control. There is a process in place to escalate risks to the Corporate Risk Register, this ensures that they are monitored and discussed by Members and Senior Management. The template used for decision making includes the requirement to identify associated risks.

However some weaknesses were identified by Audit: From a review of risk registers it can be seen that although risks are discussed at management level some risks are not scored and the consequence if untreated or the current treatment is not included. Additionally risk owners are not identified. Issues identified with the Finance and Assets Risk register have been addressed in the Core Financial Controls Audit Report.

It was found that the Anti-Money Laundering policy is dated September 2015 and due to be reviewed September 2018. However Money Laundering Regulations were updated and came into force 26 June 2017 and the policy has not been updated to reflect the changes in legislation. However, the impact of the changes in legislation has been considered and assessed, the Deputy Director of Finance and Monitoring Officer decided that due to the low level of risk exposure, and the timing of the release of the new legislation, that it would be prudent to delay the update. It is acknowledged by Audit that the Fire Authority receive little income apart from grants.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.

To ensure transparency and accountability, various reports and information are published on the Fire Authority's website, these include an annual report and detailed audited accounts. Additionally spend over £500 and purchasing card transactions are published on the website in accordance with Government transparency requirements.

Internal Audit recommendations are monitored and actions taken are reported on.

An Annual Governance Statement is produced and published on the Authority's website 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.

However Audit identified that assurances regarding services delivered by third parties, including partnerships were not included in the Annual Governance Statement.

Table 2 Detailed Audit Findings and Action Plan

Management actions have been agreed to address control weakness identified during the closing meeting and agreement of the draft Internal Audit report. All management actions will be followed up and progress in implementing these actions will be tracked and reported to the Overview & Audit Committee.

We categorise our management actions according to their level of priority:

Priority High (H)	Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.
Priority Medium (M)	Significant issue that requires prompt action and improvement by the local manager.
Priority Low (L)	Minor issues requiring action to improve performance or overall system of control.

	Audit Finding, risk exposure and potential impact	Priority	Management Action
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.			
1.	<p>Member’s declarations of interests were reviewed by Audit to ensure that they had been completed for all Members and were published on the Fire Authority website.</p> <p>It was found that two out of the 14 Member declarations on the Fire Authority website had no information in them and appeared not to be completed.</p> <p>If Member declarations are not fully completed there is a risk that the declaration is unclear to members of the public leading to a perception that decision making is not transparent and this could have a reputational impact.</p>	M	<p>Action</p> <p>Where members have nothing to declare it will be ensured that the form notes a nil return</p> <p>Officer responsible:</p> <p>Director of legal and Governance</p> <p>Date to be implemented by:</p> <p>30 June 2018</p>

	Audit Finding, risk exposure and potential impact	Priority	Management Action
2.	<p>The staff appointments policy and processes were reviewed by Audit to confirm that they ensure fairness and equality in the recruitment process.</p> <p>It was found that there is an Equality and Diversity Policy in place which includes the requirement for equality in the recruitment process. However, the policy is dated April 2014 with a review date of April 2017. There is no evidence that it was reviewed at this date.</p> <p>If policies are not reviewed at the agreed date there is a risk that they do not reflect current practices or legal requirements leading to a possible breach.</p>	M	<p>Action</p> <p>The Equality and Diversity Policy review date was deferred until April 2018 to await the revised FRS Equalities Framework, to accommodate strategies from the national Inclusive Group and include any strategic outcomes from the Gender Pay reporting programme.</p> <p>Action is underway to adapt the process to ensure management decisions to change review dates are logged and revised review dates recorded.</p> <p>Officer responsible:</p> <p>Employee Relations and Engagement Manager</p> <p>Date to be implemented by:</p> <p>30 September 2018</p> <p>Action</p> <p>Policy and Procedural process review to include automatic review reminders, decision logging and facility to update review dates with formal approval</p> <p>Officer responsible:</p> <p>Head of Human Resources</p> <p>Date to be implemented by:</p> <p>31 July 2018</p>

Audit Finding, risk exposure and potential impact	Priority	Management Action
Principle F: Managing risks and performance through robust internal control and strong public financial management.		
<p>3. A sample of three Directorate risk registers was reviewed by Audit to confirm that risks are monitored and updated as necessary and reported on to senior management on a regular basis in accordance with the Risk Management Strategy.</p> <p>It was found that:</p> <ul style="list-style-type: none"> • Although People and Organisational Development risks are discussed at SMT meetings some risks are not scored and/or the consequence if untreated or current treatment is not included. Additionally risk owners are not identified. • Service Delivery risks are scored; consequences and current treatment are included however risk owners are not identified. <p>If action owners, risk scores and current treatment are not identified risks may not be effectively managed and mitigated leading to the possibility that the risk may materialise.</p>	<p>M</p>	<p>Action</p> <p>When a new potentially emerging People and OD related risk is highlighted, it is logged and not scored at that point. Analysis and research is undertaken and scored at this future point.</p> <p>Risk owners are identified within People and OD and names have been added to the register</p> <p>The Service Delivery Risk Register has been amended to include risk owners.</p> <p>The risk registers are 'live' documents that are subject to regular updating. Therefore, at any point in time some risks will have been identified but not yet subjected to full evaluation. The process encourages risks to be recorded as soon as they emerge i.e. in most cases the risks in question are likely to be new ones. A separate tab for new and emerging risks will be added for these to be recorded unscored in the first instance but transferred to the main body of the registers once they have been evaluated and scored.</p> <p>Officer responsible:</p> <p>Corporate Planning Manager</p> <p>Date to be implemented by:</p> <p>30 June 2018</p>

Table 3 Low Priority Issues

Minor issues to be noted or requiring action to improve performance or overall system of control, which do not present a material risk to the system of control.

	Audit Finding, risk exposure and potential impact	Management Action
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.		
4.	<p>The induction process for Officers and Members was reviewed to confirm that it includes codes of conduct and expected behaviours.</p> <p>It was found that the Officer’s induction guidance notes are dated March 2015 with a review date of March 2017; there is no evidence that it was reviewed at this date.</p> <p>If guidance is not reviewed on a regular basis there is a risk that they do not reflect the current expected behaviours or processes leading to staff being unaware of any new or updated requirements.</p>	<p>Action</p> <p>It was agreed to defer the review of the induction procedure until the self service requirements of the new HR and Payroll systems were in place and the e Recruitment module pilot completed. Both impact on induction material. The self service requirements are defined and being implemented and the e Recruitment pilot at the review and refinement stage.</p> <p>The Induction procedure review commences in Q1 2018 19</p> <p>NB please refer to action relating to the Equality and Diversity Policy regarding logging decisions when review dates change.</p> <p>Officer responsible: HR Services and Development Manager</p> <p>Date to be implemented by: 31 August 2018</p>

Principle F: Managing risks and performance through robust internal control and strong public financial management.

5.	<p>The Anti- Money Laundering Policy was reviewed by Audit to confirm that it is reviewed on a regular basis and amended as necessary.</p> <p>It was found that the Anti-Money Laundering policy is dated September 2015 to be reviewed September 2018. However Money Laundering Regulations were updated and came into force 26 June 2017. The Deputy Director of Finance and Assets and the Monitoring Officer had determined that due to the timing of the regulations, lack of available guidance at the time, and the low level of risk exposure experienced by the Authority it would be prudent to delay the update. It is acknowledged by Audit that the Fire Authority receive little income apart from grants.</p> <p>If the Anti-Money Laundering Policy is not updated to reflect current regulations there is a risk that Fire Authority staff will be unaware of the changes leading to non-compliance with any new requirements.</p>	<p>Action</p> <p>The Anti-Money Laundering policy will be updated</p> <p>Officer responsible:</p> <p>Deputy Director of Finance and Assets</p> <p>Date to be implemented by:</p> <p>31 July 2018</p>
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Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

6.	<p>The Annual Governance Statement for 2016/17 was reviewed by Audit to confirm that risks associated with delivering services through third parties, including partnerships, and assurances gained were included.</p> <p>It was found that assurances regarding services delivered by third parties were not included in the Annual Governance Statement.</p> <p>If assurances relating to the delivery of services through third parties are not obtained and evidenced in the Annual Governance Statement there is a risk that stakeholders cannot gain assurance that third party working is effective leading to a lack of confidence in the delivery of those services.</p>	<p>Action</p> <p>Assurances regarding services delivered by third parties will be included in the Annual Governance Statement</p> <p>Officer responsible:</p> <p>Deputy Director of Finance and Assets</p> <p>Date to be implemented by:</p> <p>31 July 2018</p>
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Appendix 1 Definition of Conclusions

Grading:	Substantial	Reasonable	Limited
Overall conclusion on the system of internal control being maintained	There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.	There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls.	The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.

Appendix 2 Officers Interviewed

The following staff contributed to the outcome of the audit:

- Mark Hemming, Deputy Director of Finance and Assets
- Graham Britten, Director of Legal and Governance
- Lynne Swift, Director of People and Organisational Development
- Kerry McCafferty, Head of Human Resources and Organisational Development
- Anna Collett, Organisational Development Manager
- Richard Priest, Group Commander Community and Business Safety Policy
- Stuart Gowanlock, Corporate Planning Manager
- Fraser Pearson, Communication Manager
- Gerry Barry, Information Governance and Compliance Manager
- Katie Nellist, Democratic Services Officer

The Closing Meeting was attended by:

- Mark Hemming, Deputy Director of Finance and Assets
- Graham Britten, Director of Legal and Governance

The auditors are grateful for the cooperation and assistance provided from all the management and staff who were involved in the audit. We would like to take this opportunity to thank them for their participation.

Disclaimer

Any matters arising as a result of the audit are only those, which have been identified during the course of the work undertaken and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that could be made.

It is emphasised that the responsibility for the maintenance of a sound system of management control rests with management and that the work performed by Internal Audit Services on the internal control system should not be relied upon to identify all system weaknesses that may exist. However, audit procedures are designed so that any material weaknesses in management control have a reasonable chance of discovery. Effective implementation of management actions is important for the maintenance of a reliable management control system.

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