

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

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

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To: The Members of the Overview and Audit Committee

24 November 2014

Dear Councillor

Your attendance is requested at a meeting of the **OVERVIEW AND AUDIT COMMITTEE** of the **BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY** to be held in Meeting Room 1, Fire and Rescue Headquarters, Stocklake, Aylesbury on **WEDNESDAY 3 December 2014 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, Chilver, Exon, Glover, Huxley, Mallen, Vigor-Hedderly, and Wilson

# OVERVIEW AND AUDIT COMMITTEE

## TERMS OF REFERENCE

### Overview

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

### Audit

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



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## **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.

**(i)**

**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 24 September 2014. **(Pages 7 - 12)**

**3. Disclosure of Interest**

Members are 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 - 24)**

**6. Internal Audit Reports**

**(a) Internal Audit Report; Update of progress of the Annual Audit Plan (Pages 25 - 28)**

To consider Item 6(a)

**(b) Internal Audit Report (Pages 29 - 40)**

To consider Item 6(b)

**(c) Internal Audit Report: Update of progress of Audit Recommendations (Pages 41 - 44)**

To consider Item 6(c)

**7. Annual Audit Letter**

To consider Item 7 **(Pages 45 - 58)**

**8. Date of Next Meeting**

To note that the next meeting of the Committee will be held on Wednesday 11 March 2014 at 10.00am.

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

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Minutes of the meeting of the OVERVIEW AND AUDIT COMMITTEE of the BUCKINGHAMSHIRE AND MILTON KEYNES FIRE AUTHORITY held on WEDNESDAY 24 SEPTEMBER 2014 at 10.00 am

**Present:** Councillors Bendyshe-Brown, Chilver, Glover, Huxley, Mallen and Watson (Chairman)

**Officers:** J Thelwell (Chief Operating Officer), D Skinner (Director of Finance and Assets), G Britten (Director of Legal and Governance), M Hemming (Technical Accountant), M West (External Auditor), I Dyson (Internal Auditor), M Gibb (Internal Audit Manager), J Parsons (Head of Service Delivery), K McCafferty (Head of Human Resources), S Gowanlock (Corporate Planning Manager), G Barry (Information Governance and Compliance Manager), D Tate (Knowledge and Information Services Manager), and K Nellist (Democratic Services Officer)

**Apologies:** Councillors Exon, Vigor-Hedderly and Wilson

**0A07 MINUTES**

RESOLVED –

That the Minutes of the meeting of the Overview and Audit Committee held on 16 July 2014, be approved and signed by the Chairman as a correct record.

**0A08 CORPORATE RISK MANAGEMENT**

The Committee noted that the risk register was last reviewed by the Overview & Audit Committee on 16 July 2014. There were no elevated new risks and the register was reviewed regularly and action taken if necessary. The staff availability risk score had been changed due to the current risk of industrial action from 4 to 5, extremely likely.

The Chief Operating Officer advised that the Fire Brigades Union (FBU) had put back any announcements of strike action as the Government had put back the laying of any pension regulations until October. Industrial action looked less likely at the moment, but that could change.

The only other risk of note was cyber terrorism. Although only a small Service, it was part of regional and national resilience and had a liaison officer based at the counter terrorist office of Thames Valley Police.

A Member thanked the Corporate Planning Manager for the written update on information regarding the cctv system and the virus attack following the last meeting.

RESOLVED –

That the status report on identified corporate risk at Annex C, having been reviewed, be noted.

**OA09 REVIEW OF COMPLIMENTS AND COMPLAINTS 2011/14**

The Director of Legal and Governance advised Members that this was an annual report to make them aware of the processes in place to address areas of feedback, particularly areas of negative feedback.

The Information Governance and Compliance Manager advised Members that written compliments continued to fall but that the Authority continued to use the 'after the incident' survey where people had truly experienced an incident in the home to monitor performance.

The Authority had not had any complaints escalated to the Local Government Ombudsman and no complaints had been received by the Information Commissioner.

RESOLVED –

That the report be noted.

**OA10 ANNUAL GOVERNANCE STATEMENT 2013/14**

The report presented the 2013/14 Annual Governance Statement and also contained the progress on the implementation of the recommendations of the 2012/13 Annual Governance Statement and highlighted the recommendations for 2014/15.

The Director of Legal and Governance highlighted to Members one area of the report which was the panel of 'Independent Persons'. This was a reminder of the role of the independent persons that are retained by the Authority which were a creation of the dissolution of the old Standards regime and the role of the former Standards Committee which was now a function of the Overview and Audit Committee. The ten Independent Persons are shared amongst five other Authorities for the purpose of assisting both an individual member and an Authority itself in the event of an allegation being made that a Member had breached the Authority's Code of Conduct. The ten Independent Person's contact details were listed in the Members' library. To date the Authority has not had to call upon their services.

A Member asked why the current Public Safety Plan which runs to 2017 was already being replaced with a new one 2015/20. The Chief Operating Officer advised Members that the Authority had completed all the changes ahead of schedule in the current one, and a new Public Safety Plan would allow the Authority to be more flexible over the next five years.

RESOLVED –

1. That the Annual Governance Statement be approved.



2. That the progress on the implementation of recommendations of the previous Annual Governance Statement be acknowledged.
3. That the priorities of the 2014/15 Statement be agreed.

**OA11                    AUDIT PLAN 2013/14**

The External Auditor apologised as this report should have been presented to the Committee earlier in the year. The Audit Plan sets out the work that had already been completed and summarises the assessment of the key risks and outlined the planned audit strategy in response to those risks.

RESOLVED –

That the content of the report be noted.

**OA12                    INTERNAL AUDIT REPORT: FINAL AUDIT REPORT**

The Internal Audit Manager advised Members that one internal audit report had been finalised since the last meeting of the Committee in July, the ICT Strategy 2013/14. Two reports had been issued in draft, Corporate Governance and Risk Management (2014/15) and would be finalised before the next meeting.

The ICT Strategy 2013/14 was given a 'reasonable' level of assurance that relevant risks had been effectively identified, managed and controlled. The last three audits had been given a 'limited' level of assurance, so good progress had been made.

8 recommendations had been raised in this report, 4 high priority, 3 medium priority and 1 low priority.

The Knowledge and Information Services Manager gave Members a brief update on the recommendations that had already been actioned. The Chairman asked that in future reports an up to date summary was provided showing the latest position of actions taken against recommendations.

Members would like future reports to show the recommendations listed by priority with high priority first.

RESOLVED –

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

**OA13                    AUDIT RESULTS REPORT**

**In accordance with Section 100B(4)(b) of the Local Government Act 1972 the Chairman ruled that the**

**Committee should consider the Audit Results Report as an urgent item in order to allow the Committee to approve the accounts prior to 30 September 2014.**

The External Auditor advised Members that the report set out the conclusion of the 2013/14 audit, which is substantially complete. It concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The External Auditor apologised to the Committee for their resourcing problems which caused avoidable delays and pressure on finance staff, which was regrettable.

The audit plan touched on opinion risk with only the risk of management override identified. This was common in all audit plans, but there were no issues arising from that risk and there were no other risks identified.

With regard to errors and amendments there were no errors that the Authority was mindful to correct. There were however some noteworthy amendments.

One was on the valuation of fixed assets. The Authority had its land and buildings valued at 31 March 2014 and used these valuations as at 1 April 2013. It depreciated these higher opening valuations. This overstated the depreciation and impairment in the year and understated the 31 March 2014 net book value of land and buildings. Amendments had been made to bring the two into line. This did not affect the bottom line in the accounts or useable funds.

The localisation of business rates had introduced new accounting requirements to reflect the Fire Authority's share of business rates income from its five billing authorities. The Fire Authority reported the cash received from the billing authorities as business rates income. The Fire Authority was required to account for its share of actual business rates income and should include in its accounts its share of ratepayers' debts and prepayments and the provision for unsettled valuation appeals. An adjustment was required to match the impact on council taxpayers to statutory precepts received.

Injury awards payable to Firefighters attributable to a qualifying injury are not part of the Firefighters Pension Scheme and must be paid from the Fire Authority's operating account, not from the pensions fund. The Fire Authority had complied with these requirements for injury awards since the rules were introduced in 2006 but had been charging the continuing payments for injury awards that started before 2006 to the pension fund. This had resulted in over claimed reimbursements from DCLG of £1.4m. The Fire Authority found the error after it prepared its financial

statements in June 2014 and had amended the accounts to disclose the impact on prior years and to reflect the liability.

The issue for the External Auditor is that the Authority may have to put a large item of expenditure in the operating account to catch up with this £1.4m.

The Chief Fire Officer had commissioned an independent investigation into how this has happened and a report would come forward to the Authority for Members to scrutinise.

Members requested a briefing of the investigation at the next meeting on 3 December 2014. The Director of Legal and Governance explained that depending on the findings of the investigation, it would be available for all Members at the Fire Authority meeting on 17 December.

RESOLVED –

That the content of the report be noted.

**OA14**

#### **LETTER OF MANAGEMENT REPRESENTATION**

**In accordance with Section 100B(4)(b) of the Local Government Act 1972 the Chairman ruled that the Committee should consider the Letter of Management Representation as an urgent item in order to allow the Committee to approve the accounts prior to 30 September 2014.**

The Committee considered the letter of Management Representation to Ernst & Young LLP, prior to its signing by the Chief Finance Officer and Chairman. The Committee noted that submission of the letter would allow the audit opinion and certificate to be issued to the Authority.

The Committee noted that before signing, the following wording would be added to Item C 'with the exception of the issue relating to injury compensation payments'.

RESOLVED –

That subject to the following wording being inserted into paragraph C1 'with the exception of the issue relating to injury compensation payments', the Letter of Representation for the Authority be approved for signature by the Chief Finance Officer and the Chairman of the Committee.

**OA15**

#### **ADOPTION OF THE AUDITED STATEMENT OF ACCOUNTS**

**In accordance with Section 100B(4)(b) of the Local Government Act 1972 the Chairman ruled that the**

**Committee should consider the Adoption of the Audited Statement of Accounts as an urgent item in order to allow the Committee to approve the accounts prior to 30 September 2014.**

The Director of Finance and Assets explained to Members that the accounts would need to be adjusted so that provision could be made for the amendments and it was probable, but not certain, that the Authority would have to repay the Firefighters pension scheme.

Members requested sight of the adjustment before the accounts were signed off. It was agreed that a report showing the changes would be sent to Members after the meeting and they would feedback any comments to the Chairman by 5.30pm the following day. The Statements of Accounts needed to be signed off by 30 September 2014.

The External Auditor explained that if the adjustments were put through the accounts and reflected as provision and the entries are taken out of the pension fund, he would be able to issue an unqualified opinion on the accounts. The External Auditor would not issue the conclusion certificate of the audit until the pension issue was resolved.

It being moved by Councillor Chilver and seconded by Councillor Glover it was unanimously:

RESOLVED -

That the Statement of Accounts for the financial year ending 31 March 2014, as amended in line with the verbal update provided by the Chief Finance Officer, be signed by the Chairman of this Committee.

**OA16**

**DATE OF NEXT MEETING**

The Committee noted that the next meeting of the Committee would take place on Wednesday 3 December 2014 at 10.00am.

THE CHAIRMAN CLOSED THE MEETING AT 11.35 AM



# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	3 December 2014
<b>OFFICER</b>	Mick Osborne, Head of Service Transformation
<b>LEAD MEMBER</b>	Councillor David Schofield
<b>SUBJECT OF THE REPORT</b>	<b>Corporate Risk Management</b>
<b>EXECUTIVE SUMMARY</b>	<p>This report provides an update on the current status of identified corporate risks. Risk registers are maintained at project, departmental and directorate levels. Corporate risks are those that have been escalated from these levels for scrutiny by the Strategic Management Board (SMB), because of their magnitude, proximity or because the treatments and controls require significant development.</p> <p>The Corporate Risk Register was last reviewed by the Overview and Audit Committee at its 24 September 2014 meeting. Since then it has been regularly reviewed by the Performance Management (PMB) and Strategic Management Boards (SMB), most recently at the 9 October 2014 PMB and 12 November 2014 SMB.</p> <p>At the 12 November meeting, SMB made the following determinations in relation to the risk register:-</p> <ul style="list-style-type: none"> <li>• The addition of an emerging risk to our Control Room continuity of service following the delay to the Thames Valley Control implementation. This risk is still under evaluation and pending scoring so has not been added to the risk map at Annex A. However an initial specification of the risk is shown at page 5 of Annex C.</li> <li>• CRR 017 Fit for purpose restructure/organisational change programme to be removed and monitored at Directorate Level within the POD Risk Register.</li> <li>• The scoring in relation to CRR 014.4 Staff Availability was also reviewed but left at a probability of 5 and impact of 3 in light of the ongoing industrial action by the FBU in relation to the pensions trade dispute.</li> </ul> <p>SMB also noted the impact of the recent cyber-attack on Shropshire and Wrekin's Fire Authority's website which</p>

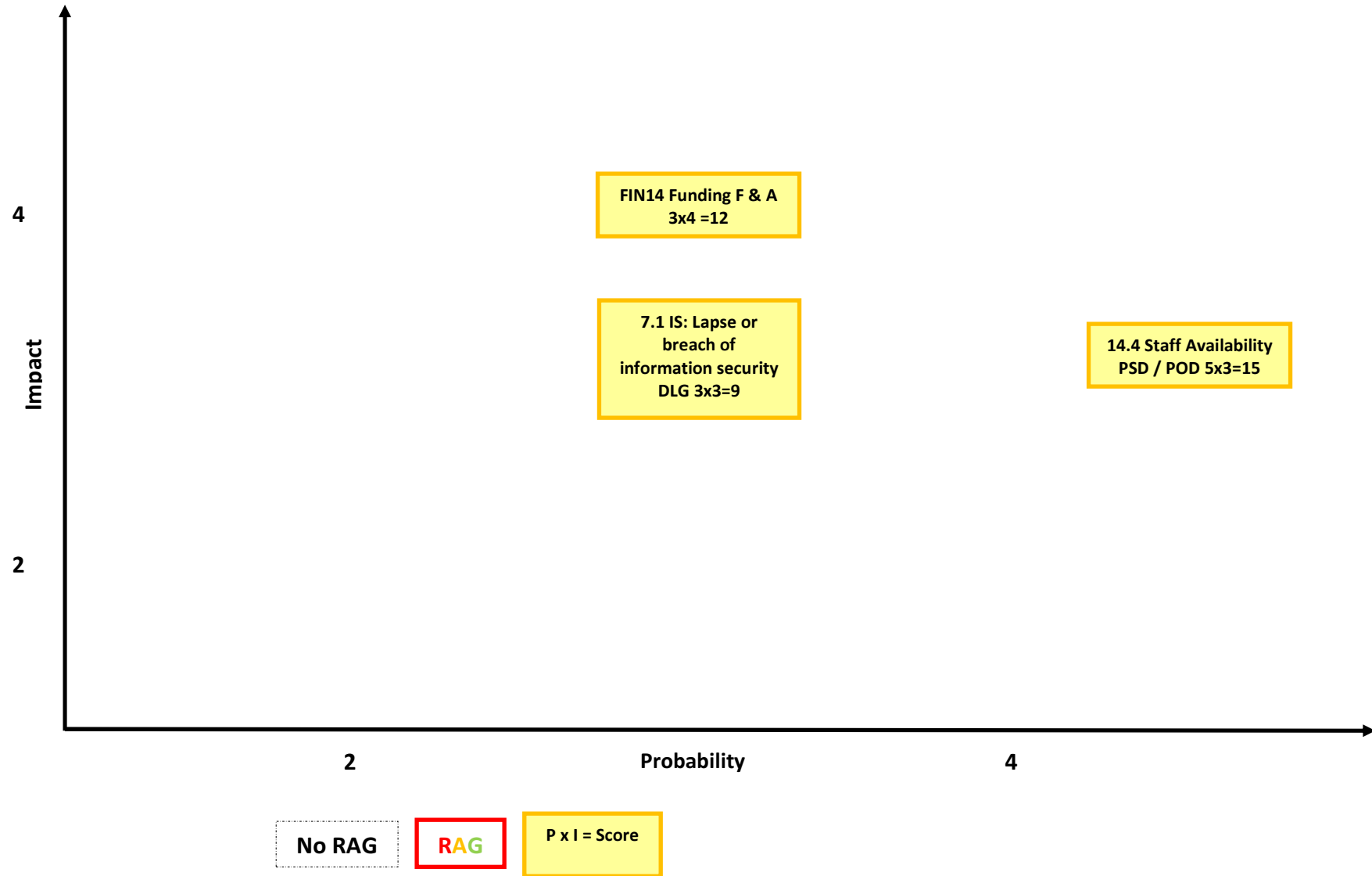
	<p>was taken over by a group of reputedly pro-Palestinian hackers, based in Morocco, calling themselves "AnonGhost" (see page 2 of Annex C).</p> <p>The current distribution of corporate risks relative to probability and potential impact is shown at Annex A.</p> <p>Changes to the corporate risk ratings over the last 12 month period are shown in graphical form at Annex B.</p> <p>Detailed assessments of identified corporate risks are shown in the Corporate Risk Register Report at Annex C.</p>
<b>ACTION</b>	Review
<b>RECOMMENDATIONS</b>	<p>It is recommended that committee members:</p> <ol style="list-style-type: none"> <li>1. Review the status report on identified corporate risks at Annex C, and,</li> <li>2. Feedback comments to officers for consideration and attention in future updates/reports.</li> </ol>
<b>RISK MANAGEMENT</b>	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.
<b>FINANCIAL IMPLICATIONS</b>	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.
<b>LEGAL IMPLICATIONS</b>	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.
<b>HEALTH AND SAFETY</b>	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.
<b>EQUALITY &amp; DIVERSITY</b>	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.

<p><b>USE OF RESOURCES</b></p>	<p><b>Communication with Stakeholders</b></p> <p>Senior managers and principal officers are key stakeholders in the development of the corporate risk management framework and have an active role in its development at every stage. The lead Member will also be involved in the development of the framework with 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><b>System of internal control</b></p> <p>The development of the risk management framework complements the governance framework and business processes as a critical cog in the system of internal control and makes better use of our people resources by giving them clearly defined areas of responsibility.</p> <p>Risk registers are maintained at Project, Directorate and Corporate levels. Directorate risks are regularly reviewed within Directorates and formally at their management team meetings. An escalation process is in place to enable risks to be elevated to Corporate level. Corporate risks are monitored by the Performance Management Board and the Strategic Management Board with CFA Member scrutiny exercised via the quarterly Overview and Audit Committee meetings.</p> <p><b>The Medium Term Financial Strategy</b></p> <p>Financial risks are captured at Directorate and Corporate levels. Any implications for medium term financial planning are included in the individual risk assessments.</p> <p><b>The balance between spending and resources</b></p> <p>The corporate risk management process is funded from within agreed budgetary resources. Any budgetary impacts associated with risk recorded in the risk registers are identified in the individual risk assessments and dealt with via the budget management and planning processes.</p> <p><b>The management of the asset base</b></p> <p>The asset management implications of recorded corporate and directorate risks are captured in the individual risk assessments together with details of the controls and mitigating actions.</p> <p><b>Environmental</b></p> <p>Any environmental impacts associated with risks captured in the corporate and directorate risk registers are identified in the individual risks assessment together with</p>
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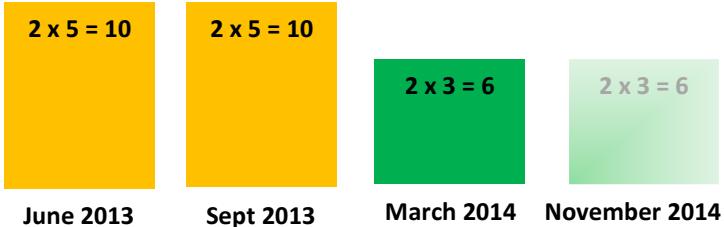
	details of the controls and mitigating actions.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	<p>A formal policy for the management of corporate risk was approved by the Authority in August 2006 and implemented with effect from 31 January 2007 (OC57: Corporate Risk Management Policy).</p> <p>Further development of this policy and framework was reported to members at the 15 September 2010 Fire Authority meeting (Item 8 and Annex A)</p> <p><a href="http://bucksfire.gov.uk/files/8114/0681/3588/150910.PDF">http://bucksfire.gov.uk/files/8114/0681/3588/150910.PDF</a></p> <p>Fire Authority Members were last updated on the status of the Authority's Corporate Risks at the 24 September 2014 Overview &amp; Audit Committee:</p> <p><a href="http://bucksfire.gov.uk/files/8514/1079/7985/OA_agenda_240914.pdf">http://bucksfire.gov.uk/files/8514/1079/7985/OA_agenda_240914.pdf</a></p>
<b>APPENDICES</b>	<p>Annex A: Distribution of Corporate Risks at 12 November 2014 SMB.</p> <p>Annex B: 12 Month View of Changes to Corporate Risks</p> <p>Annex C: Corporate Risk Register Report</p>
<b>REPORT ORIGINATOR AND CONTACT</b>	<p>Stuart Gowanlock, Corporate Planning Manager</p> <p><a href="mailto:sgowanlock@bucksfire.gov.uk">sgowanlock@bucksfire.gov.uk</a></p> <p>01296 744435</p>



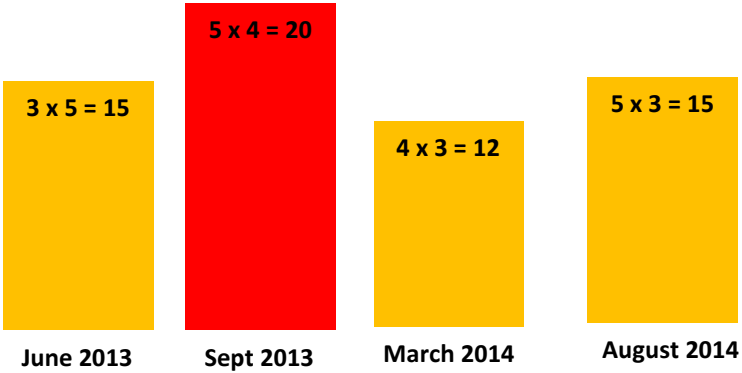
# Annex A: Corporate Risk Map – 12 November SMB Review



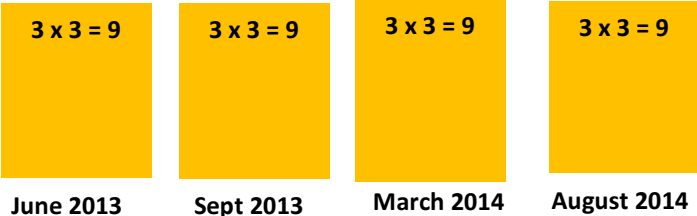
Restructure



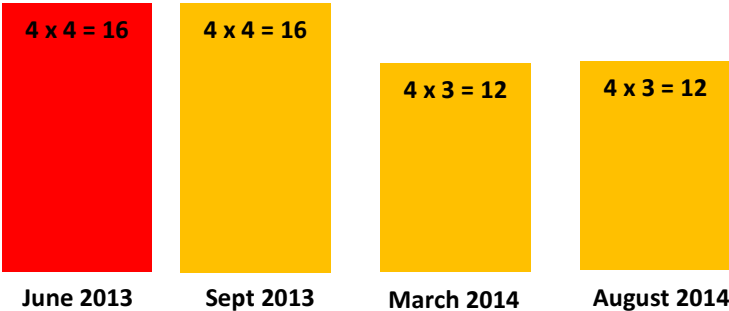
Staff Availability



Lapse or Breach of Information Security



Risk to Funding



Corporate Risk Register – as at 12 November 2014 SMB Review

Corporate Risks

Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level H/M/L	Current Treatment	RAG	Comments / Further Treatment Proposed
			P	I	Σ				
<b>CRR 007 Lapse or breach of Information Security</b>	Dir. Legal & Gov.	1. Fine of up to £500,000 per breach from the Information Commissioner’s Office (ICO) 2.Reputational damage 3. Reduced opportunities for joint working	3	3	9	M	Various, see sample below: •Specialist information roles •Information Governance Strategy •Training package for information security/data protection •Retention & Disposal Schedules •External archive for physical assets •ICT Strategy •EDMS for Policies and procedures. • Reminders to staff not to open suspicious e-mail attachments.	<b>A</b>	<ul style="list-style-type: none"> <li>There are a wide range of information security issues and treatments to reduce the likelihood of lapses and breaches. These are identified in a separate information risk register and risk owners identified so that treatments are managed at directorate level.</li> </ul> <p><b><u>2 September 14 SMB</u></b></p> <ul style="list-style-type: none"> <li>The recent increase in the threat of international terrorism, from substantial to severe, means that there is a stronger likelihood of cyber terrorist attacks. Even though the Authority’s anti-virus system helps to prevent malicious activity on its computer network and staff are periodically reminded not to open suspicious email (to help prevent the organisation becoming a victim of cyber espionage or cyber exploitation) 'lone actors' continue to pose a threat to UK organisations (a lone actor is someone who has not received training from terrorist organisations but is inspired and motivated by extremist ideological materials available online and has developed the capability to carry out attacks and select targets completely independently of established terrorist groups). Therefore the risk should remain at 3 x 3.</li> </ul>

**Corporate Risk Register – as at 12 November 2014 SMB Review**

Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level H/M/L	Current Treatment	R A G	Comments / Further Treatment Proposed
			P	I	Σ				
CRR 007 Lapse or breach of Information Security (continued...)								<p><b>12 November SMB</b></p> <p>Further to September’s update, regarding the increased threat of cyber terrorist attacks: In a recent spate of attacks Shropshire and Wrekin’s Fire Authority’s website was taken over by a group of reputedly pro-Palestinian hackers, based in Morocco, calling themselves “AnonGhost”. The BMKFA website is hosted externally and, although the providers are confident their systems would repel such an attack, an internet security expert at Nottingham Trent University has advised that hacking a site is fairly straightforward. Although in the event of our website being hacked we could block access to it, until the external provider is able to resolve the issue, denial of service attacks such as this are both disruptive and may cause concern to our service users whose data we may hold.</p>	

**Corporate Risk Register – as at 12 November 2014 SMB Review**

Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level	Current Treatment	RAG	Comments / Further Treatment Proposed
			P	I	Σ	HML			
<b>CRR 014.4 Staff Availability</b> <b>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.</b>	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"> <li>• Full business continuity plan in place</li> <li>• Peer review of the business continuity arrangements</li> <li>• Bank System</li> <li>• Flexi-Duty System Pilot</li> <li>• Staff Transfer Procedure</li> </ul>	A	<p><b>18 February 14 SMB</b> SMB approved the changes to the risk rating recommended by PMB and also agreed a change to the RAG status from red to amber to reflect the effectiveness of the risk controls.</p> <p><b>27 May 14 SMB</b> The impact of future strike action was discussed and it was agreed that this would continue to be monitored. SMB agreed to leave risk CRR 014.4 Staff Availability as amber.</p> <p><b>17 July 14 PMB</b> Risk to contingency resourcing in the event of further industrial action during the August holiday period due to leave arrangements. Review of risk score and mitigation recommended at 29 July 14 SMB in light of any further developments between the Government and FBU and any indications of further industrial action.</p> <p><b>2 September 14 SMB</b> Probability score for further industrial action raised to 5 (Extremely Likely).</p>
		Failure to discharge statutory duties.	(4)	(5)	(20)	(H)			
		Loss of critical knowledge / skills / capacity.	(3)	(5)	(15)	(H)			
			(4)	(5)	(20)	(H)			
			(5)	(4)	(20)	(H)			
			(4)	(3)	(12)	(M)			
	5	3	15	H					
<b>CRR 017 Fit for purpose restructure / organisational change programme</b>	POD Dir.	Change programme impacting on our ability to maintain day to day service. The possibility of employee relations issues arising from the organisation restructure, and the potential performance management difficulties. Other consequences potentially include legal challenge, loss of experience/resilience/ corporate knowledge, reputation etc.	(5)	(5)	(25)	(H)	<ul style="list-style-type: none"> <li>• SMT owned &amp; reviewed change programme in place</li> <li>• Communication &amp; consultation plans in place supported by management training</li> <li>• Phased delivery of change prog.</li> <li>• Pre- and post-change EIA</li> <li>• Leadership and first-line management training</li> <li>• Processes and procedures well documented</li> <li>• HR, Finance, ICT resources</li> <li>• External communications / PR Scenario planning</li> </ul>	G	<p>Each element of the organisational change programme includes a people impact risk assessment and learns from initial programmes are built into current procedures.</p> <p>Some aspects of the change programme will have significantly lower risk scores and levels.</p> <p><b>18 February 14 SMB</b> SMB agreed a reduction to the impact score associated with this risk from 5 to 3, and RAG status to green, to reflect improvements to the controls associated with this risk arising from the experience of implementing significant organisational changes / re-structures.</p> <p><b>21 October 14 SMB:</b> Risk to revert to POD Directorate risk register given green status.</p>
			(2)	(5)	(10)	M			
			2	3	6	L			

**Corporate Risk Register – as at 12 November 2014 SMB Review**

Risk Description	Resp.	Consequences if Untreated Risk Occurs	Risk Score (Former) / New			Risk Level	Current Treatment	RAG	Comments / Further Treatment Proposed
			P	I	Σ				
							• BCP & negotiation strategy in place.		
<b>Fin 14 – Funding</b>	Director Finance & Assets	<ul style="list-style-type: none"> <li>If funding settlements for 2015/16+ follow the two-year trend and not the four-year trend, we would need to find an additional £2million worth of savings over and above the current MTFP between 2015/16-2017/18</li> </ul>	(4) 3	(4) 4	(16) 12	H M	<ul style="list-style-type: none"> <li>A funding pressures reserve (approx. £2million by 31.03.2013) has been created, but this would be quickly exhausted without a dramatic altering of service provision and/or an increase in alternative funding to offset the reduction in Government funding</li> </ul>	<p><b>A</b></p> <p><b>30 July 13 SMT:</b> Reduce RAG rating to amber following announcement of government funding settlement.</p> <p><b>6 February 14 PMB:</b> Reduction in risk score to 12 recommended in light of:</p> <ul style="list-style-type: none"> <li>robust MTFP process and CFA in a position to approve a balanced budget at the 19 February meeting;</li> <li>Initiation of reviews and planning activities to address savings requirements in future years.</li> </ul> <p><b>18 February 14 SMB:</b> SMB approved the reduction to the probability score associated with this risk from 4 to 3 as recommended by PMB.</p> <p><b>21 October 14 SMB:</b> Agreed that wording should be amended as current explanation not broad enough. Wording to be amended from ‘Council Tax’ to an increase in ‘alternative funding’.</p>	

**Corporate Risk Register – as at 12 November 2014 SMB Review**

**Emerging 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				
<b>Control Room continuity of service following delay to Thames Valley Control implementation</b>	COO / Head Service Dev.	<ul style="list-style-type: none"> <li>Potential for delay in receiving and handling of calls locally, therefore affecting response times of appliances</li> </ul>			TBC	HML		<ul style="list-style-type: none"> <li>Risk under evaluation – score to be determined.</li> <li>All options being explored with existing staff and other FRS's is underway and on-going with options being considered.</li> </ul>	

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# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	3 December 2014
<b>OFFICER</b>	Maggie Gibb, Internal Audit Manager David Skinner, Director of Finance and Assets
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Internal Audit Report: Update of progress of the Annual Audit Plan</b>
<b>EXECUTIVE SUMMARY</b>	<p>The purpose of this paper is to update members of the Overview and Audit Committee on the progress of the annual Internal Audit Plan since the last meeting.</p> <p>Work is progressing on the 2014/15 Plan with one audit at a final report stage and one at a draft report stage. Follow ups have also been completed and these will be reported separately.</p> <p>Work has started on the remaining Q3 audits, which in agreement with the Senior Management Team will commence in December 2014. Planning is also underway for the Core Financials audit and ICT Strategy audit which will start in January.</p> <p>As requested by the Committee at a previous meeting, the status of implementation of recommendations is now detailed in a separate report.</p>
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	That members note the progress on the Annual Internal Audit Plan.
<b>RISK MANAGEMENT</b>	There are no risk implications arising from this report.
<b>FINANCIAL IMPLICATIONS</b>	The audit work is contained within the 2014-15 budget.
<b>LEGAL IMPLICATIONS</b>	There are no legal implications arising from this report.
<b>HEALTH AND SAFETY</b>	There are no health and safety implications arising from this report.
<b>EQUALITY AND DIVERSITY</b>	There are no equality and diversity implications arising from this report.

<p><b>USE OF RESOURCES</b></p>	<p><b>Communication and progress monitoring</b> All audits, follow up reports and further updates will be submitted to this committee.</p>
<p><b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b></p>	<p>Internal Audit Plan 2014/15. Internal Audit reports taken to Overview and Audit Committee.</p>
<p><b>APPENDICES</b></p>	<p>Annex A: Progress against the 2014/15 Annual Audit Plan, including timings of the planned work.</p>
<p><b>TIME REQUIRED</b></p>	<p>5 minutes.</p>
<p><b>REPORT ORIGINATOR AND CONTACT</b></p>	<p>Maggie Gibb, Risk and Insurance Manager <a href="mailto:mgibb@buckscc.gov.uk">mgibb@buckscc.gov.uk</a></p>

**ANNEX A:****Progress against the annual Audit Plan with a schedule of proposed work still to be undertaken**

<b>Auditable Area</b>	<b>Key Audit Objectives</b>	<b>Day Budget (Timing)</b>	<b>Status</b>	<b>O&amp;A Report Date</b>
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"> <li>○ Budget Setting/Monitoring</li> <li>○ Procure to Pay</li> <li>○ Payroll &amp; Pensions</li> <li>○ Debtors</li> <li>○ Capital</li> <li>○ Financial Regulations</li> <li>○ General Ledger</li> <li>○ Reconciliations</li> <li>○ Treasury Management</li> <li>○ Asset Management</li> </ul> This review will include a follow up of the 2014/15 audit report.	30 days (Q4)	Planning (start date 12/1/15)	March/ June 2015
Risk Management	To ensure that the Fire Authority has in place a robust risk management system and that the approach to corporate risk management is co-ordinated to enable effective identification, mitigation and monitoring of key risks.	5 days (Q1)	Draft Report  Overall opinion: <b>REASONABLE</b>	December 2014
Control Centre	This audit will review the project for the Control Centre operation, in partnership with Thames Valley. The audit will be conducted throughout the year, giving assurance at various stages as the project progresses.	5 days (Q3)	Planning (delayed to Q4)	June 2015
ICT Strategy	Internal Audit will continue to review the implementation of the ICT Strategy to provide independent assurance over the controls put in place by Senior Management. This audit will cover Data Quality and Information Governance. This will include a follow up of the 2013/14 audit.	10 days (Q2)	Planning (delayed to Q4 and scope changed to provide assurance on ICT project) Follow Up completed	March 2015
Corporate Governance	To provide assurance over the Authority's governance framework and to ensure that controls are operating effectively in practice and in accordance with the CIPFA SOLACE guide. This audit will include a brief review of the revised Partnership Framework.	10 days (Q1)	Final Report  Overall opinion: <b>SUBSTANTIAL</b>	March 2015
HR People Management	This audit will focus on the systems of control in place within the HR service over managing staff. This will include an analysis of costs and employee numbers to identify efficiencies.	5 days (Q2)	Planning (start date 8/12/14)	March 2015

Internal Audit Report: Update of progress of the Annual Audit Plan

Accommodation and Housing Allowances	This audit will focus on the controls in place for the payment and allocation of housing and accommodation allowances.	5 days (Q3)	Planning (start date 8/12/14)	March
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.  5 days of contingency allocated to Corporate Governance audit to cover wider scope.	10 days		
<b>Follow Up</b>				
Follow Up - general	To ensure all 2012/13 and 2013/14 medium and high recommendations of significant nature are implemented, in addition to recommendations still outstanding from previous years.	10 days	Follow Up	Various
<b>Audit Management</b>				
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
<b>Total</b>		<b>100 days</b>		



# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	3 December 2014
<b>OFFICER</b>	Maggie Gibb, Internal Audit Manager
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Internal Audit Report: Risk Management 2014/15</b>
<b>EXECUTIVE SUMMARY</b>	The purpose of this report is to update members of the Overview and Audit Committee on the Internal Audit of Risk Management 2014/15.
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	That members note the recommendations raised within the report.
<b>RISK MANAGEMENT</b>	There are no risk implications arising from this report.
<b>FINANCIAL IMPLICATIONS</b>	The audit work is contained within the 2014/15 budget.
<b>LEGAL IMPLICATIONS</b>	There are no legal implications arising from this report.
<b>HEALTH AND SAFETY</b>	There are no health and safety implications arising from this report.
<b>EQUALITY AND DIVERSITY</b>	There are no equality and diversity implications arising from this report.
<b>USE OF RESOURCES</b>	<u>Communication and progress monitoring</u> All audits, follow up reports and further updates will be submitted to the Overview & Audit Committee (via SMB).
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	Draft Internal Audit Strategy and Annual Plan 2014/15 <a href="http://bucksfire.gov.uk/files/9914/0620/7325/ITEM8cDraftInternalAuditStrategyandAnnualPlan201415.pdf">http://bucksfire.gov.uk/files/9914/0620/7325/ITEM8cDraftInternalAuditStrategyandAnnualPlan201415.pdf</a>
<b>APPENDICES</b>	Appendix A: Internal Audit Report, Risk Management 2014/15
<b>TIME REQUIRED</b>	10 minutes.

<b>REPORT ORIGINATOR AND CONTACT</b>	Dave Skinner, Director of Finance and Assets <a href="mailto:dskinner@bucksfire.gov.uk">dskinner@bucksfire.gov.uk</a> 01296 744671
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# AUDIT AND RISK MANAGEMENT

## INTERNAL AUDIT REPORT

### **BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY**

### **RISK MANAGEMENT 2014/15**

October 2014





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### Audit Control:

<b>Closing meeting:</b>	1 October 2014
<b>Draft report:</b>	9 October 2014
<b>Management responses:</b>	15 October 2014
<b>Final report:</b>	21 October 2014

<b>Auditors:</b>	Maggie Gibb – Audit Manager Mary-Anne Stanford – Senior Auditor
<b>Report Distribution:</b>	
Draft Report	Corporate Planning Manager Head of Service Transformation Director of Legal and Governance 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 **substantial** assurance can be provided that relevant risks are effectively identified, managed and controlled.

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

- a) Our assurance on the adequacy of the risk management techniques employed within the auditable area is 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 substantial.
- c) Our assurance on the adequacy of compliance with the existing control framework is substantial.

### 1.3 The Buckinghamshire and Milton Keynes Fire Authority (BMKFA) has a robust Risk Management process in place, with risks being recorded, analysed, mitigated and monitored at a service, directorate and corporate level. Members and senior officers have good visibility of key risks and these are monitored on a regular basis. There is a Risk Management Policy in existence, however this is out of date and does not reflect the current process operating within the Authority. The revised policy/strategy should be approved in accordance with the Financial Regulations. The roles of Committees, Senior Management Teams and officers are defined in existing documents but will require review. All directorates have a risk register in place which are subject to regular review and update, with the exception of Service Development which has not been updated since July 2014.

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

- There is an established process for escalating high risks from the Directorate Risk registers to the Corporate Risk Register.
- The Corporate Risk Register is presented to the Senior Management Board and Overview and Audit Committee on a regular basis for review and challenge.

### 1.5 Some areas for improvement were identified and are detailed in Section 3. There are no High priority recommendations.



## Buckinghamshire and Milton Keynes Fire Authority Risk Management 2014/15 – Internal Audit Report

### 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 Risk Management.

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

Business Objective	Risk	Recommendations		
		High	Medium	Low
Risk Management Strategy/Framework and system	There is no effective risk management system in place that could result in risks being over or under managed, which could lead to a significant financial loss or reputational damage.		1	
Identification and management of risks	Risks are not identified and managed in accordance with the corporate Risk Management Strategy that may result in the Authority being exposed to a significant financial loss, but also to reputational damage or negative press.		2	
Management reporting of risks	Senior Management not kept informed of high level risks that may result in the risk being realised. If the risk becomes realised there's the potential for the Council to make both a financial loss and a reputational loss.			
<b>TOTAL</b>			<b>3</b>	

The detailed findings are summarised in Section 3 of this report. All findings have been discussed with the Corporate Planning Manager and the Head of Service Transformation who have agreed all the recommendations and produced an action plan to implement them.

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



## **2. Background**

- 2.1 The audit review of Risk Management formed part of the agreed audit programme for 2014/15. The review was carried out during August and September 2014.
- 2.2 The Risk Management area was categorised as high risk as part of the audit needs assessment exercise based on its relative importance to the achievement of the Authority's corporate objectives. The Authority's objective for the area is to provide assurance that the Fire Authority has in place a robust risk management system and that the approach to corporate risk management is co-ordinated to enable effective identification, mitigation and monitoring of key risks. 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. There has not been a previous Risk Management audit.
- 2.3 The area of Risk Management has previously been included within the scope of the Corporate Governance audits, and previous recommendations have been followed up.



### 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
	<b>Key Area</b>	<b>Risk Management Strategy/Framework</b>			
1	There is an approved and up to date Risk Management Strategy in place which is available to all staff and members of the Authority.	<p>Financial Regulations section C states that the Executive Committee is responsible for approving a Corporate Risk Management Policy after considering recommendations from Overview and Audit Committee.</p> <p>There is a Draft Corporate Risk Management Policy that went to the Authority meeting on 15/09/10 item 8. There is a second draft Risk Management Policy that went to the Authority meeting on 15/12/10 Item 9.</p>	Medium	<p><i>The Risk Management Policy will be reviewed, updated and formally approved by Executive. Once approved the document will be brought to the attention of relevant staff and made available on the I-Drive.</i></p> <p><i>Roles and responsibilities of members and officers will be considered as part of this review, and if necessary the relevant Terms of Reference documents will be amended.</i></p>	<p>Who to be actioned by: Corporate Planning Manager</p> <p>When to be actioned by: 31 March 2015</p>



**Buckinghamshire and Milton Keynes Fire Authority  
Risk Management 2014/15 – Internal Audit Report**

	<b>Control description</b>	<b>Issues &amp; Consequences</b>	<b>Priority H/M/L</b>	<b>Management Action Plan</b>	<b>Task owner and target date for implementation</b>
		<p>There is no evidence that either Policy has been formally approved.</p> <p>Neither of the draft Risk Management Policies are available for staff on the Intranet (I-Drive)</p> <p>There is a risk that staff are not working to the correct document that may result in an ineffective risk management process.</p>		<i>When the Risk Management Policy has been approved it will be made available for staff on the I-Drive.</i>	
2	Risk Registers are in place for each Directorate, where high level risks are escalated to the Corporate Risk Register.	<p>The risk registers for each directorate were requested to establish that they were in place and monitored on a regular basis. It was found that the last review of the risk register for Service Development Directorate was July 2014.</p> <p>If a directorate does not have a risk register there is a possibility that risks have not been identified and considered and therefore appropriate mitigating actions not put in place to reduce</p>	Medium	<i>The Service Development risk register will be reviewed on a regular basis by the Service Development Senior Management Team.</i>	<p>Who to be actioned by: <i>Head of Service Development</i></p> <p>When to be actioned by: <i>30 November 2014</i></p>



**Buckinghamshire and Milton Keynes Fire Authority  
Risk Management 2014/15 – Internal Audit Report**

	<b>Control description</b>	<b>Issues &amp; Consequences</b>	<b>Priority H/M/L</b>	<b>Management Action Plan</b>	<b>Task owner and target date for implementation</b>
		the risk.			
3	Each risk has an assigned owner who is responsible for ensuring that their risk information is up to date, risks are re-evaluated and that their risk controls are being implemented and monitored.	<p>All risk registers were reviewed for completion and quality of data. It was found that the Information Management risk register does not record an owner for two of the risks identified.</p> <p>If risks do not have an owner there is a possibility risks are not effectively managed and monitored.</p>	Medium	<p><i>Owners will be assigned to the two risks on the Information Management risk register that do not currently have owners.</i></p> <p><i>Managers will be reminded of the requirement to record an owner for each risk identified to enable effective monitoring.</i></p>	<p>Who to be actioned by: <i>Information Governance &amp; Compliance Manager</i></p> <p>When to be actioned by: <i>30 November 2014</i></p>

## **Appendix A**

### **AUDIT SCOPE AND FRAMEWORK**

#### **4. Specific Audit Scope**

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

- There is no effective risk management system in place that could result in risks being over or under managed, which could lead to a significant financial loss or reputational damage.
- Risks are not identified and managed in accordance with the corporate Risk Management Strategy that may result in the Authority being exposed to a significant financial loss, but also to reputational damage or negative press.
- Senior Management not kept informed of high level risks that may result in the risk being realised. If the risk becomes realised there's the potential for the Council to make both a financial loss and a reputational loss.

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**

- Stuart Gowanlock, Corporate Planning Manager
- Lynne Swift, Director of People and Organisational Development
- Gerry Barry, Information Governance & Compliance Manager

**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:

<b>ASSURANCE</b>	<b>SUBSTANTIAL</b>	<b>REASONABLE</b>	<b>LIMITED</b>
<b>Adequacy of risk management techniques employed within the area.</b>	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.
<b>Adequacy of the existing control framework to reduce identified risks to an acceptable level.</b>	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.
<b>Adequacy of compliance with the existing control framework.</b>	The control framework is generally complied with. Emerging risks are identified and addressed in a timely manner.	Compliance with the control framework mitigates risk to acceptable levels, except for the risks noted.	Compliance is poor so risks are not being mitigated to acceptable levels and it is probable that some objectives will not be, OR are not being achieved.

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





# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	3 December 2014
<b>OFFICER</b>	Maggie Gibb, Internal Audit Manager David Skinner, Director of Finance & Assets
<b>LEAD MEMBER</b>	Councillor David Watson
<b>SUBJECT OF THE REPORT</b>	<b>Internal Audit Report: Update of progress of Audit Recommendations</b>
<b>EXECUTIVE SUMMARY</b>	<p>The purpose of this paper is to update Members of the Overview and Audit Committee on the progress of the implementation of audit recommendations made as at 17 November 2014.</p> <p>In total there are 26 recommendations to report on the status of which are classified as follows:</p> <p>Green (Implemented) 21/26 (81%) Amber (on track not yet due) 5/26 (19%) Red (not implemented, due date revised) 0</p> <p>There are no outstanding recommendations to bring to the attention of the Overview and Audit Committee at this time.</p> <p>Four recommendations have had the implementation date extended as agreed with the Internal Audit Manager, and for one recommendation an appropriate compensating control has been implemented. These are detailed in the table.</p> <p>Internal Audit will continue to actively monitor implementation of all outstanding recommendations.</p>
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	That members note the progress on the implementation of recommendations.
<b>RISK MANAGEMENT</b>	There are no risk implications arising from this report.
<b>FINANCIAL IMPLICATIONS</b>	The audit work is contained within the 2014/15 budget.
<b>LEGAL IMPLICATIONS</b>	There are no legal implications arising from this report.

<b>HEALTH AND SAFETY</b>	There are no health and safety implications arising from this report.
<b>EQUALITY AND DIVERSITY</b>	There are no equality and diversity implications arising from this report.
<b>USE OF RESOURCES</b>	<p><b>Communication and progress monitoring</b></p> <p>All audits, follow up reports and further updates will be submitted to this Committee.</p>
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	<p>Internal Audit Plans 2013/14 and 2014/15.</p> <p>Internal Audit reports taken to Overview and Audit Committee.</p>
<b>APPENDICES</b>	Annex A: An update on the progress of implementation of new audit recommendations and those previously reported as not yet implemented.
<b>TIME REQUIRED</b>	5 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	<p>Maggie Gibb, Risk and Insurance Manager</p> <p><a href="mailto:mgibb@buckscc.gov.uk">mgibb@buckscc.gov.uk</a></p>

**ANNEX A:**

**Status of Internal Audit recommendations – November 2014**

Audit Assignments	Date of final audit report	Overall Assurance	No of recommendations made	No of recommendations Implemented	Implemented since last meeting	Direction of Travel (see notes)	Status of recommendations at 17 November 2014		
							Red	Amber	Green
<b>2013/14</b>									
Core Financial Controls	April 2014	Substantial	8	5	1	↑	0	3*	5
Treasury Management	April 2014	Substantial	3	2	0	↔	0	1*	2
Fleet Management	October 2013	Reasonable	4	4	4	↑	0	0	4
ICT Strategy	March 2014	Reasonable	8	8	8	↑	0	0	8**
<b>2014/15</b>									
Risk Management	November 2014	Substantial	3	2	2	↑	0	1	2
<b>Totals</b>			<b>26</b>	<b>21</b>	<b>15</b>		<b>0</b>	<b>5</b>	<b>21</b>

**Notes for Overview and Audit Committee:**

\* Implementation date extended through agreement with DoF&A and Internal Audit:

The Financial Regulations were approved by the Fire Authority at its meeting on 24 June 2014. The timeframe for the reorganisation of the Financial Instructions has been extended to incorporate a more fundamental redesign and to capture the changes required as a result of the Gartan Payroll implementation project. The revised instructions will now be updated and approved by March 2015.

\*\* Compensating control action implemented for recommendation number 3 as agreed with Head of Service Transformation and Internal Audit:

We have implemented a compensating control action for recommendation 3 rather than implementing a programme coordinator role. It was explained at the Overview & Audit Committee when the report was presented that we have approached this in a different way by changing the terms of reference of our internal meetings, in order to govern our projects and programmes through these structures and boards which will be reviewed at regular intervals.

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



**Further recommendations have been implemented in period**



**No recommendations due for implementation in period**



**Recommendations due for implementation have not been actioned**



# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Overview and Audit Committee
<b>DATE OF MEETING</b>	3 December 2014
<b>OFFICER</b>	David Skinner, Director of Finance and Assets
<b>LEAD MEMBER</b>	Councillor Andy Dransfield
<b>SUBJECT OF THE REPORT</b>	<b>Annual Audit Letter 2013/14</b>
<b>EXECUTIVE SUMMARY</b>	The purpose of the Annual Audit Letter is to communicate to the members of Buckinghamshire & Milton Keynes Fire Authority and external stakeholders, including members of the public, the key issues arising from the audit, which the auditors consider should be brought to their attention.
<b>ACTION</b>	Information.
<b>RECOMMENDATIONS</b>	That members note the Annual Audit Letter.
<b>RISK MANAGEMENT</b>	The results of the audit give reassurance regarding entries in the accounts and value for money arrangements.
<b>FINANCIAL IMPLICATIONS</b>	No direct impact.
<b>LEGAL IMPLICATIONS</b>	The audit of the financial statements is a statutory requirement.
<b>HEALTH AND SAFETY</b>	No direct impact.
<b>EQUALITY AND DIVERSITY</b>	No direct impact.
<b>USE OF RESOURCES</b>	The Annual Audit Letter concludes that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	Audit Results Report – ISA (UK & Ireland) 260, 22 October 2014 <a href="http://bucksfire.gov.uk/files/2214/1320/6231/ITEM_1_1a_2014_BMKFA_Annual_Results_Report_Oct14final.pdf">http://bucksfire.gov.uk/files/2214/1320/6231/ITEM_1_1a_2014_BMKFA_Annual_Results_Report_Oct14final.pdf</a>
<b>APPENDICES</b>	Annex A: Annual Audit Letter.

<b>TIME REQUIRED</b>	10 minutes.
<b>REPORT ORIGINATOR AND CONTACT</b>	Mark Hemming <a href="mailto:mhemming@bucksfire.gov.uk">mhemming@bucksfire.gov.uk</a> 01296 744687

# Annual Audit Letter

Buckinghamshire & Milton Keynes Fire Authority

28 October 2014



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The Members  
Buckinghamshire & Milton Keynes Fire Authority  
Brigade HQ  
Stocklake  
Aylesbury  
Buckinghamshire HP20 1BD

28 October 2014

Dear Members,

## **Annual Audit Letter**


The purpose of this Annual Audit Letter is to communicate to the Members of Buckinghamshire & Milton Keynes Fire Authority and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance (the Overview and Audit Committee) in our 24 September 2014 Audit Results Report and to the Fire Authority in our 22 October 2014 Audit Results Report.

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Buckinghamshire & Milton Keynes Fire Authority for their assistance during the course of our work.

Yours faithfully



Mick West  
Director  
For and behalf of Ernst & Young LLP  
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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.

## Executive summary

Our 2013-14 audit work has been undertaken in accordance with our 2013-14 Audit Plan and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we 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
- ▶ Undertaking any other work specified by the Audit Commission

Summarised below are the conclusions from all elements of our work:

<p>Audit the financial statements of Buckinghamshire &amp; Milton Keynes Fire Authority and the Firefighters' Pension Fund for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK &amp; Ireland)</p>	<p>On 22 October 2014 we issued an unqualified audit opinion in respect of the Authority accounts and the Firefighters' Pension Fund. This was after the deadline of 30 September 2014 for the publication of audited accounts.</p>
<p>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</p>	<p>On 22 October 2014 we issued an unqualified value for money conclusion.</p>
<p>Issue a report to those charged with governance (the Overview and Audit Committee) communicating significant findings resulting from our audit.</p>	<p>On 24 September 2014 we issued our initial Audit Results Report to the Committee. We issued a second Report that was considered at the 22 October 2014 meeting of the Fire Authority.</p>
<p>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.</p>	<p>We reported our findings to the National Audit Office on 2 October 2014.</p>
<p>Consider the completeness of disclosures in 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</p>	<p>No issues to report.</p>

complies with CIPFA / SOLACE guidance.

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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.

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Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.

No issues to report

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Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

The audit completion certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year.  
We have not issued the audit completion certificate pending the results of the Authority's investigation regarding injury pensions

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# Key findings

## Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. On 22 October 2014 we issued an unqualified auditor's report on the Authority's accounts and the Firefighters' Pension Fund. This was after the deadline of 30 September for the publication of audited accounts.

The factors contributing to the delay included the following

- We were raising audit queries and identifying errors late in September.
- Our audit work was still in progress when we issued the initial Annual Results Report and when the Overview and Audit Committee considered the report on 24 September 2014.
- The 24 September 2014 Committee agreed to changes in the accounts for injury pensions. At this point the Committee approved the letter of representation as presented and delegated authority to the Chairman of the Committee and the Director of Finance and Assets to approve the accounts once amended for agreed changes in injury pensions
- There was a misunderstanding over the agreed response to an error identified in the Annual Results Report which prevented the accounts from being amended. The Committee had not delegated authority to amend the accounts for this error and the Committee had not been asked to include any representation explaining why the error was not being amended in the approved letter of representation.

The main issues identified in our financial statements audit are set out below.

### Risks in our Audit Plan

We identified one significant risk when planning our audit strategy

#### Significant risk : Risk of misstatement due to fraud and error as a result of management override

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This is a general risk we consider for the public sector bodies we audit. We obtained assurance that the risk of material misstatement due to fraud and error had been mitigated

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### Firefighter injury pensions

Injury awards payable to a firefighter attributable to a qualifying injury are not part of the Firefighters' Pension Scheme. Injury awards are outside the Firefighters' Pension Scheme and must be paid from the Authority's operating account, not from the Firefighters' Pensions Fund. The Authority has complied with these requirements for injury awards since the rules were introduced in 2006 but has been charging to the Pension Fund the continuing payments for injury awards that started before 2006. The Authority is investigating how this happened. It is seeking legal advice to understand more fully the regulations governing the expenditure on pre-2006 awards and to ensure that any reimbursement expenditure would not be unlawful.

The Authority identified this issue after it prepared its financial statements in June 2014 and amended the financial statements to disclose the impact. The revised and approved financial statements recognise through a provision the probability of having to reimburse CLG £1.4m for the cumulative relevant expenditure charged to the Pension Fund since April 2006.

However the outcome is subject to the results of the investigation the Authority has commissioned and to the legal advice the Authority it is seeking. Given the sum involved

and the uncertainty we have not issued the audit completion certificate. This allows us to consider the action proposes to take after receiving the results of the investigation and legal advice.

### **Business rates and council tax income**

Billing authorities collect business rates and council tax for their own purposes and for preceptors and CLG. These transactions are accounted for on an agency basis. This means that the billing authority and preceptors must include in their accounts their share of ratepayers' and council taxpayers' transactions.

For business rates the Authority reported only precept receipts. The accounts were amended to show its share of actual rate income and its share of ratepayers' debts and prepayments; bad debt provisions and provisions for unsettled valuation appeals.

In the notes supporting balance sheet creditors and debtors the Authority misclassified council taxpayers' prepayments and debts as "Other Local Authorities" transactions when they should have been reported as "Other Entities and Individuals" balances.

### **Value for money conclusion**

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013-14 our conclusion was based on two criteria:

- ▶ 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

We issued an unqualified value for money conclusion on 22 October 2014. Our audit did not identify any significant matters.

### **Whole of Government Accounts**

We reported to the National Audit office on 2 October 2014 the results of our work performed in relation to confirming the consistency of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts, with its financial statements. We did not identify any areas of concern.

### **Annual Governance Statement**

We are required to consider the completeness of disclosures in 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. The Annual Governance Statement was not prepared until September 2014. The Authority should produce its Annual Governance Statement alongside the Statement of Accounts by the 30 June. We did not identify any other areas of concern.

## **Audit fee**

As the audit has not been completed we have not finalised the audit fee for 2013-14. The scale fee set by the Audit Commission was £41,839. We expect to request an additional fee for the work on injury pensions and the additional audit work post 30 September 2014.



## Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we were required to communicate to those charged with governance (the Overview and Audit Committee) any significant deficiencies in internal control.

We found no deficiencies during the audit that were of sufficient importance to merit being reported.

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