



Buckinghamshire & Milton Keynes Fire Authority

Meeting and date: Overview and Audit Committee, 13 March 2024

Report title: Internal Audit Report – Final Audit Reports

Lead Member: Councillor David Carroll

Report sponsor: Mark Hemming – Director of Finance and Assets

Author and contact: Maggie Gibb – Chief Internal Auditor,
Maggie.Gibb@buckinghamshire.gov.uk, 01296 387327

Action: Noting

Recommendations: That Members note the final audit reports for FY 2023/24

Executive summary: The purpose of this paper is to update Members on the findings of the finalised Internal Audit reports issued since the last Overview and Audit Committee meeting.

The MTFP Assurance Review has been finalised and based on the work undertaken the Internal Audit Team identified a number of improvement opportunities that have been recommended to Senior Management.

The Core Financial Controls audit has been finalised and the overall opinion for this audit is Substantial as we observed a sound system of internal control with controls being consistently applied.

The Contract and Critical Supplier Management audit has been finalised and the overall opinion for this audit is Reasonable; with one high, four medium and one low priority findings raised.

Financial implications: The audit work is contained within the 2023/24 budget.

Risk management: There are no risk implications arising from this report.

Legal implications: There are no legal implications arising from this report.

Privacy and security implications: There are no privacy and security implications arising from this report.

Duty to collaborate: Not applicable.

Health and safety implications: There are no health and safety implications arising from this report.

Environmental implications: There are no environmental implications arising from this report.

Equality, diversity, and inclusion implications: There are no equality and diversity implications arising from this report.

Consultation and communication: Not applicable.

Background papers:

Appendix	Title	Protective Marking
A	MTFP Assurance Review	Not applicable
B	Core Financial Controls Audit (Substantial)	Not applicable
C	The Contract and Critical Supplier Management (Reasonable)	Not applicable



Medium Term Financial Plan Assurance Review

December 2023



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Section 1: Background and Scope of Work



Background and Scope of Work

Buckinghamshire Fire & Rescue Service undergoes an annual process to establish financial budgets for the following year. The aim of this assurance review was to look at the entire process for establishing budgets and costs to identify key challenges and to highlight areas of improvement. We agreed with key stakeholders that our focus should be on the following areas:

- Process mapping of key steps carried out to pull together the medium-term financial plan, highlighting any process inefficiencies or barriers
- Provide assurance on whether the Fire & Rescue Service has the appropriate governance arrangements and processes in place in respect of producing its medium-term financial plan
- Review of the respective governance and team structures, staff coordination, governance controls, approval processes, and any standardised templates and documentation (or the lack thereof), to ensure that the required process steps are adequately documented and carried out
- Analyse financial budgets of the past three years to analyse trends in budgets approved by Authority members, funding provided to the Service and funds spent within the financial year in comparison to the budget

By conducting a series of workshops with key stakeholders, we were able to gauge a rounded understanding of the processes, people and overall culture involved in the existing arrangements. Subsequent analysis of the details gathered in these workshops and Authority documentation, coupled with analysis of the last three years of the Fire & Rescue Service's financials, helped us to pinpoint areas of improvement and make recommendations accordingly.

Together with our previous engagement with the Service, namely the Improvement Plans Assurance Review conducted earlier this year, we hope that our observations and our corresponding advice will be of use when it comes to improving efficiency and efficacy of the integral processes within the Service.

We highly appreciate the valuable contributions of the stakeholders who took part in our workshops, as well as the cooperation of the individuals we liaised with throughout the process, and so we would like to take this opportunity to sincerely thank them all. Please find a full list of those interviewed as part of the review on slide 27.

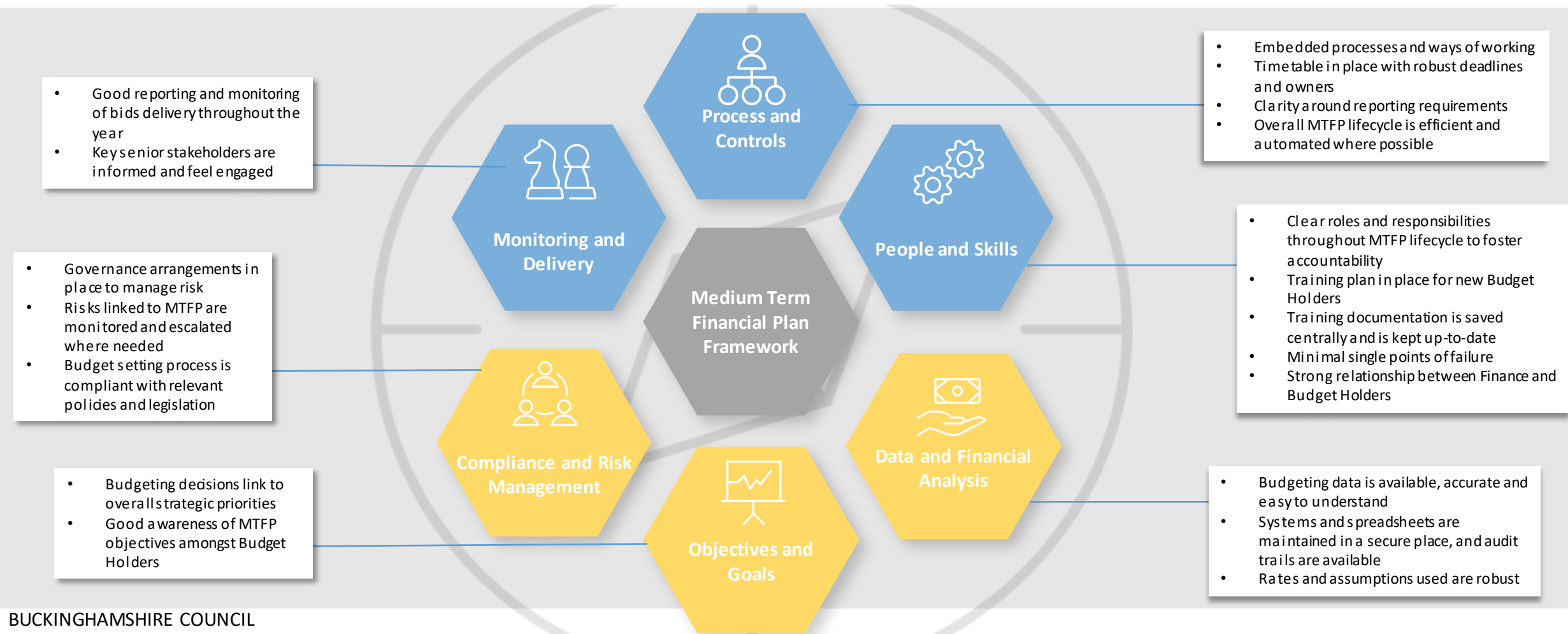


Section 2: Executive Summary



Medium Term Financial Plan Assurance Review Framework

The following framework was used to undertake a robust review of Buckinghamshire’s Fire and Rescue Service annual financial planning and budget setting approach. As part of our review, we have considered the following core areas, and have compared the Service’s performance against what is considered as best-practice. This report summarises the results of our review and documents any areas of challenge, alongside improvement opportunities for the Service’s consideration.



Medium Term Financial Plan Assurance Review

Executive Summary

KEY:

- High priority
- Medium priority
- Low priority/Best Practice

A high-level, thematic overview of our observations and their corresponding recommendations, which we will outline in greater detail throughout the review.

Process & Controls

- ✓ The MTFP process within the Service runs well, with Budget Holders and the relevant assessing bodies keeping to a clear timetable outlining what is expected of each party in each stage.
- ✓ Individuals generally know their roles and responsibilities in the process, though not all bid templates are filled out consistently.
- ✓ Bids are evaluated via a two-phased challenge process and pass through multiple channels of approval, providing opportunity for any issues to be detected and remedied before the budget is finalised.
- An area for improvement is in the realm of bid dependency. Whilst we note that there is a section called 'Stakeholder Engagement' in the bid template, more could be done to clarify what is expected of Budget Holders in order to manage dependencies and enhance lessons learnt around rejected bids. The recent change to the format of the 1st Officer and Member challenge is a positive development.



People & Skills

- ✓ The relationship between Budget Holders and Finance is viewed as highly positive.
- ✓ Finance has been described as "approachable and collaborative" in comparison to previous years. This has improved the nature of partnerships between Finance and Budget Holders, which is conducive to harmony in the budget setting process. Budget Holders are mandated to complete training before undertaking their role.
- Because of its size, there is not a focus on specialism within Finance, rather, most members of the team are generalists. This means that there is a good breadth of knowledge of processes/systems in the team and there are limited single points of failure if someone is absent. However, compared to benchmarking, the overall Service spends £445 less on training per year than other UK employers.



Data & Financial Analysis

- ✓ The Service has good structure in place regarding its data filing. A limited number of staff have access to Finance folders. If documents move to SharePoint, additional controls need to be considered i.e. passwords.
- There is room for improvement when it comes to the 'backstory' behind data, including logging the way in which figures have been arrived at; what assumptions have been made and the reasons for these; and how comments and questions are addressed in next iterations.
- Whilst there are currently only 2-3 individuals making use of the budget building spreadsheet, clearer documentation of changes and evidence can support in addressing potential questions from Members.
- From a formatting perspective, irregularities such as the inconsistent colour code used across sheets, could cause confusion for individuals joining the Finance Team. Adding clear keys would make the document easier to follow.



Objectives & Goals

- There is a relatively large emphasis on growth bids vis-à-vis savings bids and operational investment vis-à-vis back office/support investment. We have noted the likely rationale for these trends such as degree of visibility and accountability, respectively.
- We have also noted that the 5-year plan that certain teams have is a great way to promote efficiency of the MTFP process, as it offers the senior management predictability. We recommend that the Service considers encouraging such an approach across teams.
- The Service has been diligent in outlining its goals in its Corporate Plan and has emphasised the importance it places on strategic linkage of bids by dedicating a segment of submission forms to this very matter. However, our sample analysis shows that Budget Holders do not always link their proposal to Service-wide agenda adequately and/or clearly enough.



Compliance & Risk Management

- ✓ Overall, at a project, departmental, directorate and corporate level, we understand that the logging of risk is present. The Service has a Corporate Risk Register which outlines significant risks that need consistent monitoring.
- ✓ There is also the Corporate Risk Map and a Risk Register Changes file.
- There is limited oversight of risks referenced in approved bids, and how they are carried over to directorate risk monitoring for non-financial risks. Financial risks are monitored in monthly meetings.
- A gap is apparent on the risk ownership and follow-up side, which should sit with Budget Holders. Subsequent steps upon identification of a risk should be better evidenced.
- The lengthy nature of the risk escalation protocol, though beneficial from the angle of thoroughness, may be inadvertently deterring risk flagging as staff may be discouraged by the tedious process.



Monitoring & Delivery

- ✓ The Service exhibits best practice in the regular liaison between its Budget Holders and its Finance Team.
- ✓ Monthly monitoring reports are populated by Budget Holders, keeping the Finance Team in the loop about key variances such as any overspends, increased costs etc. These reports are unpacked in monthly monitoring meetings where any major notifications that affect the budget are discussed and worked through jointly.
- We note, however, that although the Service reports an underspend year-on-year, and this monitored throughout the year, this could be more effectively communicated to Budget Holders.
- We have suggested that an evaluation of the root causes of these underspends could be carried out, and shared with Budget Holders, so that they can be guarded against in advance, hence facilitating the optimal utilisation of funding.





Section 3: Financial Analysis of Last 3 Years

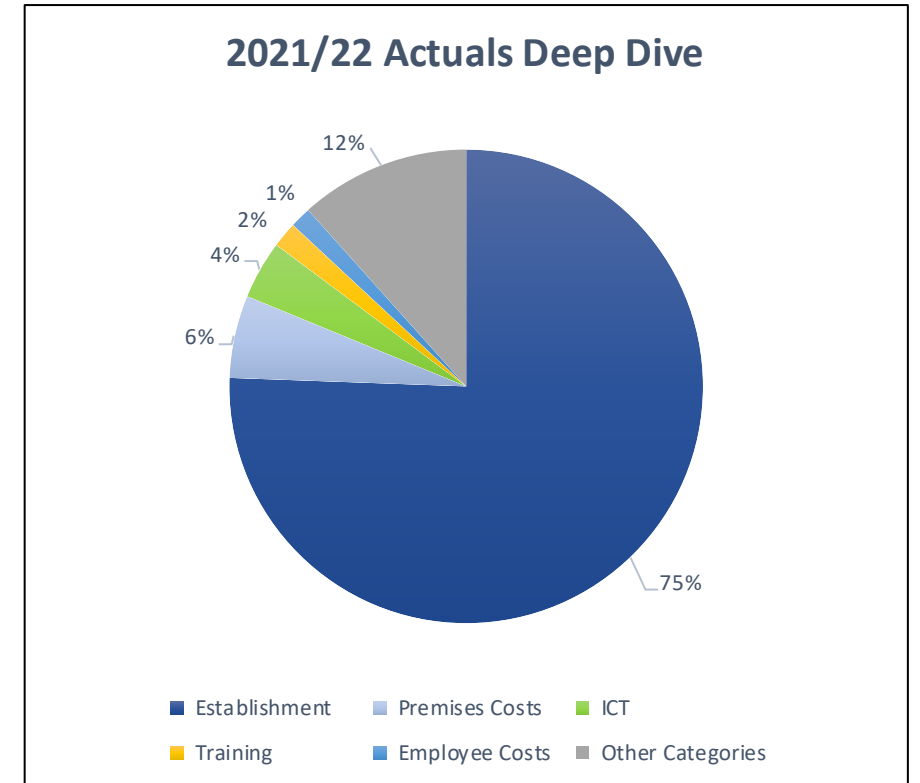
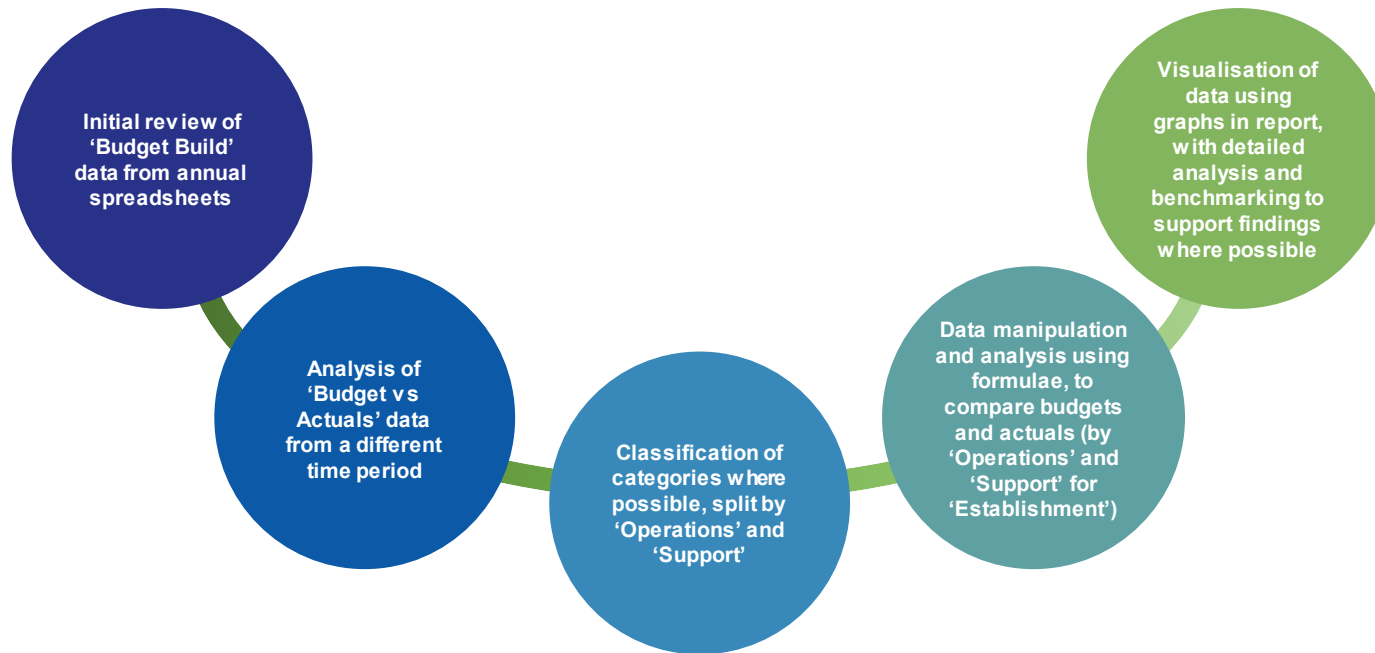


Data Analysis To Assess Historic Investment in Operations and Support Functions To Determine Trends

Methodology and Data Selection

We have reviewed seven spreadsheets in total (see Appendix) from different sources, comparing budgets with actuals, resolving initial difficulties with data from different time periods. The lack of consistency in documentation to compare budget and actuals across the same time period is considered an area for improvement (further detail can be found on slide 20). The following analysis was carried out, making up 88% of total actuals (as shown in the pie chart), highlighted to be most useful to the Finance Team:

- Classified specifics in the Establishment category into 'Operations' and 'Support' (3/4 of total spend) analysing how spending has been prioritised in the three-year period against budget
- Analysed Training and ICT, budgets and actuals in conjunction with available benchmarking figures
- Employee Costs and Premises Costs analysis can be found in the Appendix, for which benchmarking data was unavailable



Data Analysis

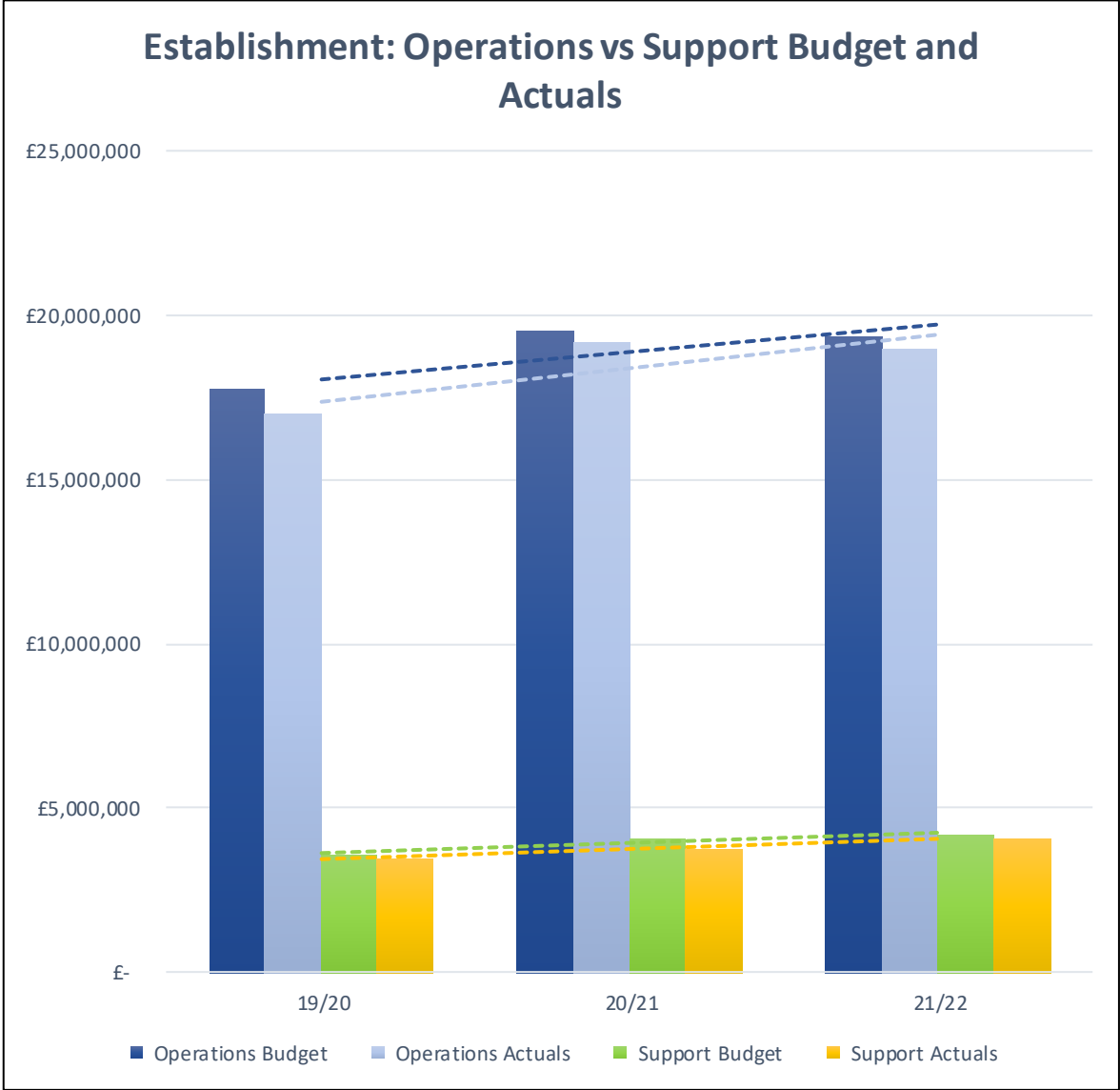
Establishment Budgets and Actuals

This slide summarises budget and actuals for 'Operations' and 'Support'* sub-categories under 'Establishment' for the past three years. Findings align with anecdotal evidence shared during workshops. As noted in the 'Observations' section of this report, consideration should be given to the impact of the gap between budgeted funds for Operations versus Support. Underinvestment in Support functions can lead to decreased efficiency, bottlenecks, decrease in employee morale or lack of informed strategic decision making.

Within Establishment, the budget signed off for Operations is higher than for Support, representing an average of 83% of total Establishment budget, as opposed to 17% for Support, in the past three years.

In terms of actuals, Support expenditure has remained fairly constant at an average of £3.76m on average in the past three years, against an average budget of £3.96m. For Operational expenditure, actuals were below budget in FY 19/20, and nearly on budget in FY 20/21 and FY 21/22. We note that the 2021/2022 HMICFRS report highlights efforts made by the Service to increase capacity of its operational response team to address cause of concerns. This could explain the continued increase in Operations Actuals relative to the budget.

Notably, actuals for Operations have increased just over 12% over the last three years (from £17.7m to £19.54m), whereas spend on Support has increased by 18%, (from £3.47m to £4.09m).



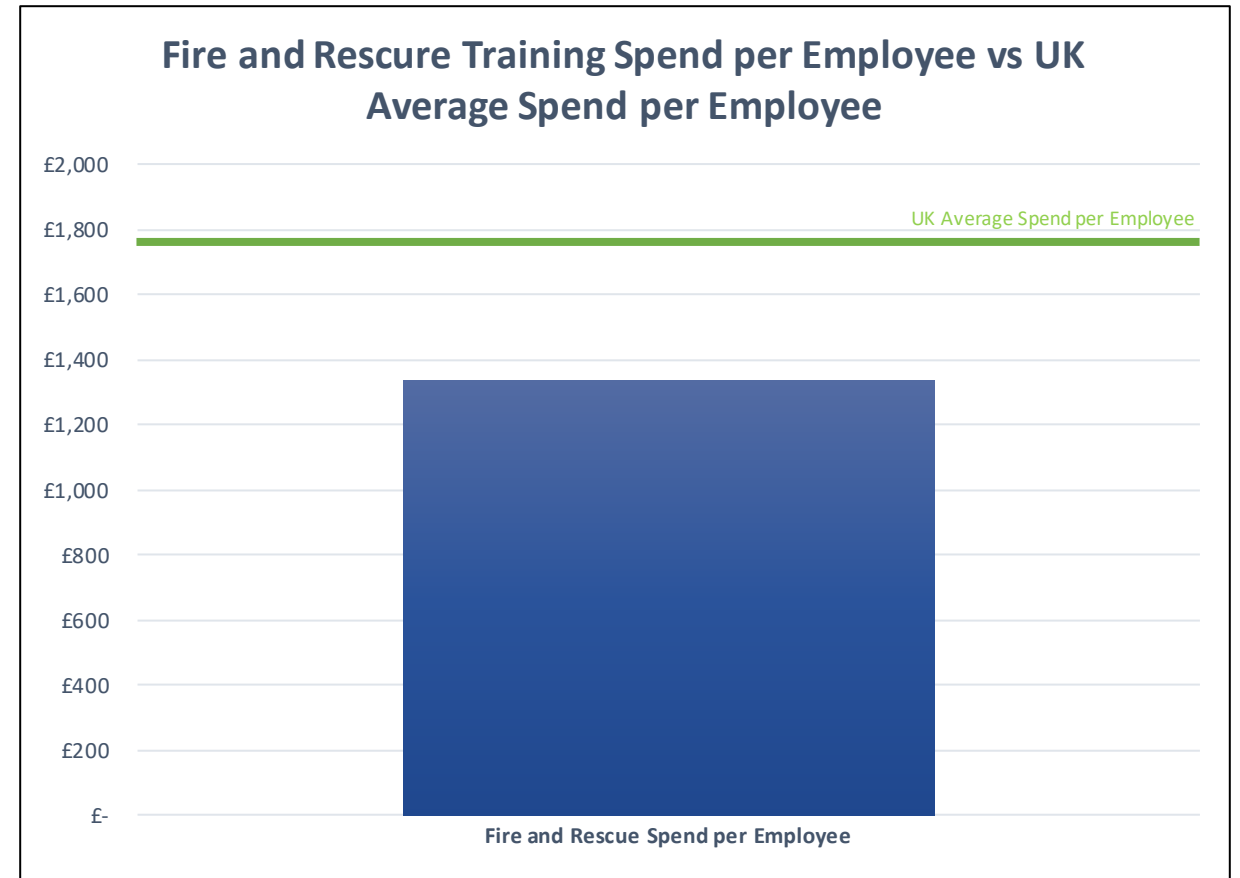
*Please note that some categories within the Establishment budget were a mix of Operations and Support. We have sub-categorised these budget areas as 'Mostly Operations' or 'Mostly Support', apportioning them on a 75%/25% basis (see Appendix).

Training

In the previous three years, the training budget approved was greater than actual expenditure, at an average of 7% (please note that core firefighter training is included in the establishment budget). This may be attributed anecdotally to impacts of the pandemic and the time needed to recruit new employees, resulting in training budgets not being used up. Benchmarking data shows that the average spend on training per full-time employee is approximately £1,780 in 2022, whereas this figure is £1,335 in actuals for the Buckinghamshire Fire and Rescue Service in 2021/22. This is based on an employee base of 406 people (498 total minus 92 classified as 'On-Call'), based on the Service's latest Gender Pay Gap Report (2022). Whilst this figure will inevitably vary by industry, at an aggregated level, this figure represents a £445 difference for the Fire and Rescue Service.



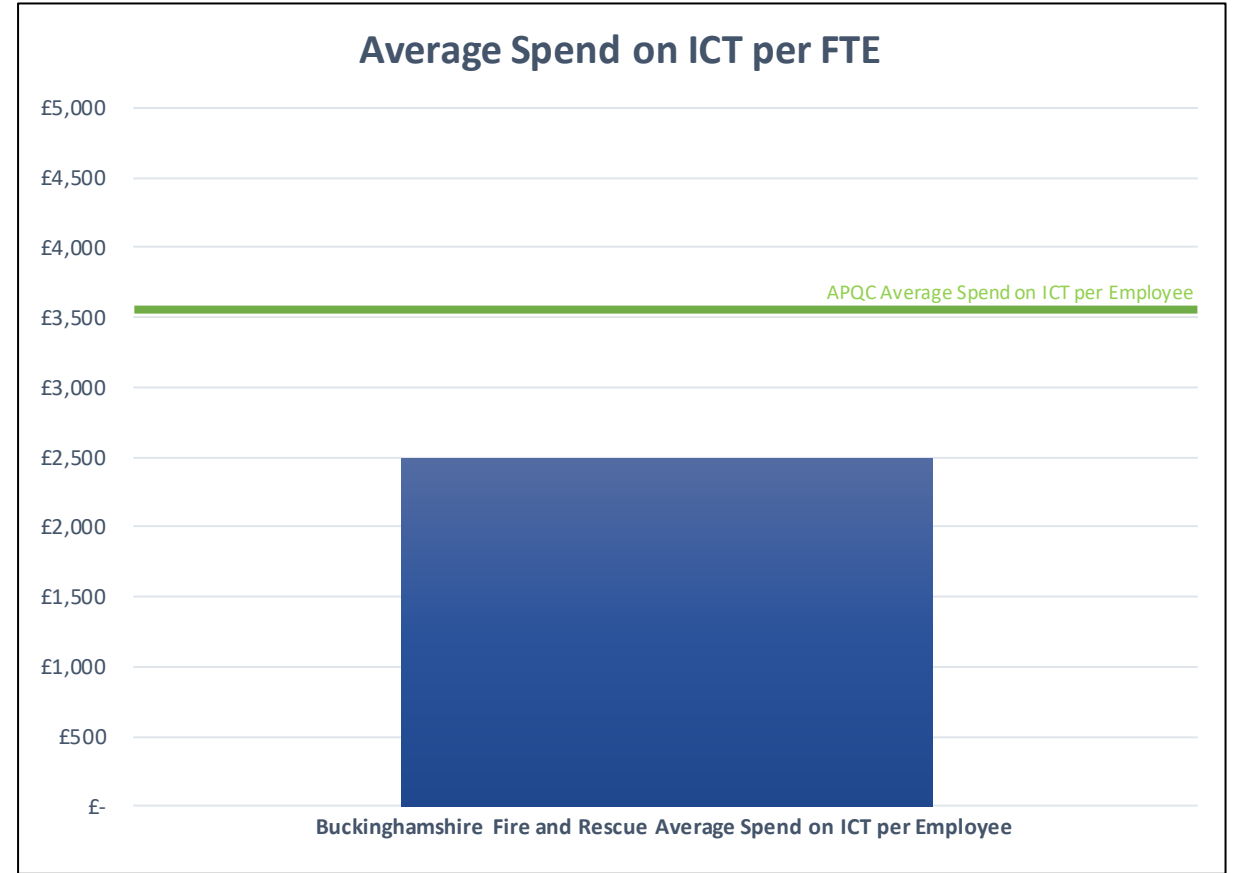
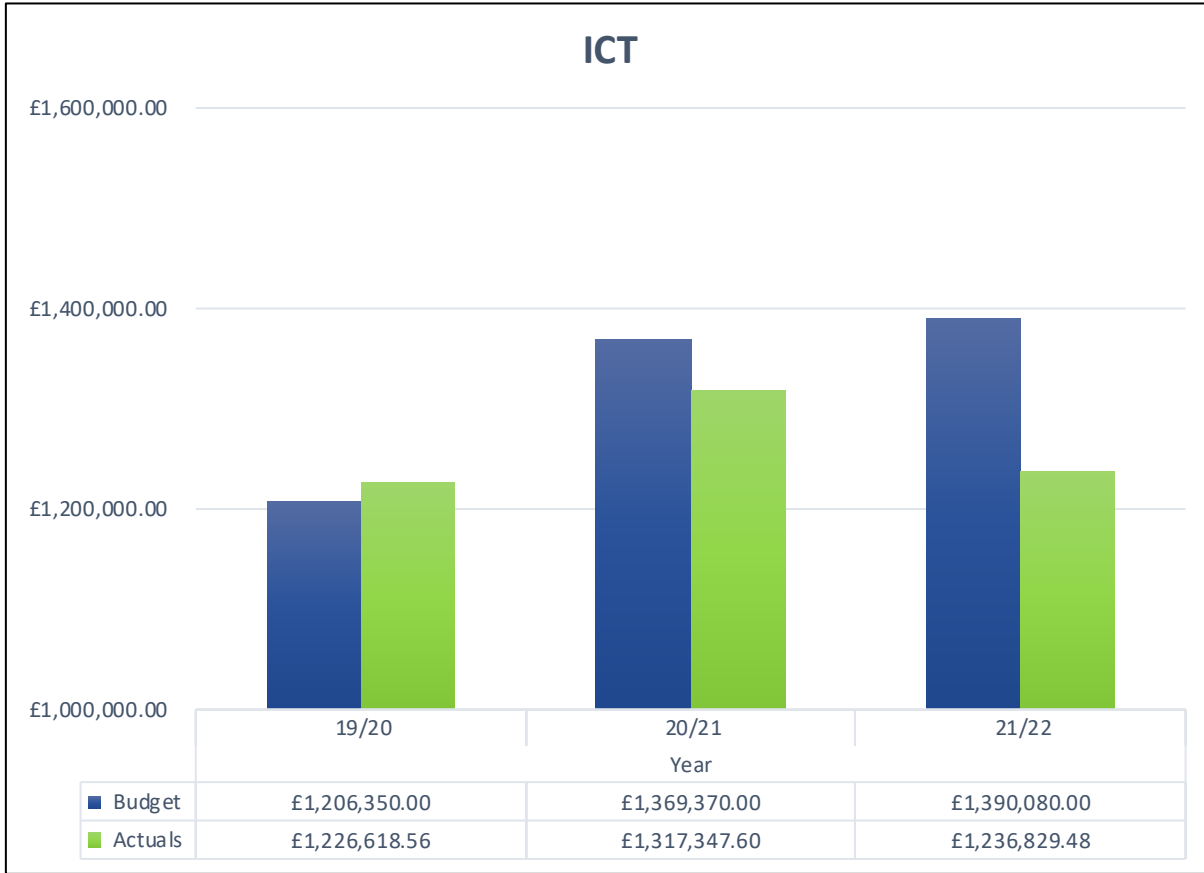
Source: Buckinghamshire Fire & Rescue Service



Source: Department of Education Employer Skills Survey UK 2022

ICT

In the financial year 2019/20, the budget for ICT was less than actual spend, whereas in the following two years, there was significant budget remaining (particularly in 2021/22, where 11% of the budget was unused). This category holds a mixture of support and operations spend. Benchmarking data specific to the government industry shows that the average spend on ICT per full-time employee is approximately £4,185, whereas this figure is £2,484 in actuals for the Buckinghamshire Fire and Rescue Service in 2021/22, representing a £1,701 difference. This is based on an employee base of 498 people, based on the Service's latest Gender Pay Gap Report (2022).



Source: APQC










Section 4: Documentation Review



Review of Sample Bids

We conducted a review of five completed bid submissions – two being Capital Expenditure bids, and three being Revenue bids – all submitted in 2022. We evaluated answers of each section for level of detail, relevance and completeness, and have spotlighted the main points here to highlight some focal areas. *We note that the bid template has been changed by the Service in 2023, removing the word count limit for the executive summary.*

Further work is needed to ensure bid submission sections are completed exhaustively, within the word count and to a consistent standard.

Bids Samples Reviewed	Executive Summary	Options Analysis (Options Available & Appraisal)	Capital Works Plan & Stakeholder Engagement	Strategic Requirements		
				Linkage to <i>Corporate Priorities</i> clearly stated?	Linkage to <i>Directorate</i> clearly stated?	Linkage to <i>Public Safety Plan</i> clearly stated?
Property July 2022 	Detailed and relevant, but significantly exceeds word limit	Good level of detail and consideration	Incomplete: Timeframe column left blank	✗	✗	✓
Workshop Van Oct 2022 	Relevant and within the word limit	Good level of detail and consideration	Incomplete: Timeframe column left blank	✗	✗	✓
Microsoft Licensing & Data Storage July 2022 	Detailed and relevant, but noticeably exceeds word limit	Good level of detail and consideration	All details stated	✗	✓	✗
Community Safety Charges July 2022 	Relevant but slightly exceeds the word limit	In-year costs for alternative option states '0', but should say 'TBC'	Limited: Timeframe column left blank, due to this being a multi-year bid	✓	✓	✓
Employee Engagement Dec 2022 	Detailed but significantly exceeds word limit and arguably contains details that are not strictly necessary	Good level of detail and consideration	N/A	✓	✓	N/A*



Section 5: Observations & Improvement Opportunities



Process & Controls (1/3)

To improve in consistency and engagement, clear expectations and support from scenario planning should be considered as well as re-evaluating processes toward managing dependencies between bids.

KEY:

- High priority
- Medium priority
- Low priority/Best Practice

Theme	Observations/ Insights	RAG	Improvement Opportunities
Bid dependency management	<ul style="list-style-type: none"> We note that there is a section in the bid template where Budget Holders are required to explain the linkage of their bid to different departments, and expectations from stakeholders outside their team or department, where needed, called "Stakeholder Engagement". However, there is currently a lack of oversight between teams to understand who is filing a growth bid, and for what, leading to potential missed opportunities for synergy and transparency. Additionally, for individuals in similar roles, such as station commanders, they may benefit from gaining awareness of growth bids filed within their area to consider similar investments next year. Equally, they may benefit from a 'lessons learnt' report or one-off newsletter which describes the growth bids that were rejected, and the reasons why. 	●	<ul style="list-style-type: none"> Having a SharePoint which is accessible to allow those within the Service to see, at a high-level, which bids are being submitted. To protect the confidentiality of certain bids, Budget Holders could consider just sharing the subject title of their bid. Having an internal communications process in place to share stories on successful bids, and how investment was used, to enhance transparency and encourage individuals to consider filing bids next year if they have not done so historically. This will help encourage an innovation mindset within the Service and will allow the Finance Team and Senior Management Team to review a wide array of ideas.
Inconsistent Bid Submission Inputs	<ul style="list-style-type: none"> From our documentation review, we have deduced that there are varying interpretations of, and therefore approaches to, some sections of bid submissions. For example, Executive Summaries have ranged from a description of the proposal in brief, to multiple paragraphs detailing extensive background information on the underlying issue the proposal sets out to address. In 4 of the 5 sample cases, the 100-word count for the Executive Summary has been exceeded – 2 of which were by over 500 words. The differing conceptions of what the Executive Summary ought to contain may be a partial explanation as to why this is the case. The other likely explanation is that the 100-word limit is simply too restrictive to enable the Budget Holder to exhaustively outline their proposal, even just as a snapshot. In 4 of the 5 sample cases, Section 7 ('Capital Works Plan and Stakeholder Engagement') was incomplete or unclear. In 3 of these cases, the timeframe column was left blank, whilst in the remaining case, the stakeholder column was left blank. <i>We note that the bid template has been changed by the Service in 2023, removing the word count limit for the executive summary.</i> 	●	<ul style="list-style-type: none"> Including a brief synopsis under section headings of what an ideal answer should contain, to provide clarification as to what is expected would be beneficial. This in turn would likely reduce the number of bids that are sent back to be amended due to lack of clarity, hence promoting efficiency. Expansion of word limit could be considered, to allow Budget Holders to provide level of detail needed to build their case. Consideration as to whether these omitted details can feasibly be anticipated by Budget Holders in every case, or whether these can only be predicted. If the latter case holds, perhaps change column wording to 'expected' timeframe and 'expected' stakeholder(s).

To improve in consistency and engagement, clear expectations and support from scenario planning should be considered as well as re-evaluating processes toward managing dependencies between bids.





Theme	Observations/ Insights	RAG	Improvement Opportunities
Managing uncertainties during process	<ul style="list-style-type: none"> The overall bid process, and medium-term financial plan budget build, takes place between the end of June and February (<i>Please refer to Process Map</i>). Whilst the process starts in the summer, announcements around precept flexibilities and funding are not announced until December and end of January respectively, meaning the Service needs to show high levels of agility and flexibility in order to respond to changes required in its budget. From anecdotal evidence, we understand that the Finance Team is well equipped in making last minute changes and meeting the appropriate deadlines throughout the process. Historically, there have been no delays in getting the right level of information across to the SMT and Members during the MTFP lifecycle. We do note that if precept flexibilities and funding turn out higher than expected, there may be “uncaptured” potential at the time of bid submissions as Budget Holders operate under a state of uncertainty. 	●	<ul style="list-style-type: none"> Continue to encourage Budget Holders to put forward several options in bid templates, accounting for different scenarios such as potentially higher and lower figures of precept flexibility/funding than normal, in case another option becomes preferred after government announcements.
Bids timetable	<ul style="list-style-type: none"> The Service has a robust budget timetable in place which is shared with Budget Holders before the process kicks off. This includes key milestones in the budget setting process, such as the First and Second Officer Challenges. From anecdotal evidence, it appears that deadlines are met throughout the process by both the Finance Team and Budget Holders, and the Finance Team makes a conscious effort to guide Budget Holders through the process and remain in constant communication to offer support, and track progress. From the timetable, we see that the Finance Team provides an update on the guidance on budget setting in June, and on how to complete templates. 	●	<ul style="list-style-type: none"> This is regarded as best practice. If not already implemented, we recommend that the June session is held in-person, preferably offering multiple options to Budget Holders, to encourage idea-sharing, manage dependencies and share learnings.
Change in Challenge format	<ul style="list-style-type: none"> As of this year (2023), the format of the First Officer and Members Challenges changed from presentation-style sessions to collaborative workshops, which allowed Budget Holders to provide more context and background to their bid request, providing the Senior Management Team (SMT) with a stronger understanding of its contents. 	●	<ul style="list-style-type: none"> This is regarded as best practice. Look to continue this process to provide Budget Holders with more opportunity to address any challenges and to provide further context for their bids. This will also help identify cross-departmental dependencies.

(Please see Steps 1.5, 1.6 and 1.8 of Process Map)





To improve in consistency and engagement, clear expectations and support from scenario planning should be considered as well as re-evaluating processes toward managing dependencies between bids.

Theme	Observations/ Insights	RAG	Improvement Opportunities
<p>Two-phased Challenge process</p> <p><i>(Please see Steps 1.3-1.13 of Process Map)</i></p>	<ul style="list-style-type: none"> All submitted bids are checked for detail by Finance Team, and scrutinised by the Business Transformation Board, SMT and Members. Any bids sent back to their originating Budget Holders as a result then undergo a second round of scrutiny. From an anecdotal commentary, we gather that this iterative process is generally well-received. There is a possibility that the multi-phased nature of the challenge process inadvertently incentivises Budget Holders to complete their bids exhaustively from the outset, so as to minimise the degree of amendment needed later on. Whilst this two-phased process could, in some ways, take more time and extend the overall lifecycle of the MTFP, it also allows for rigorous levels of scrutiny and opportunity for Budget Holders to resubmit their bids after making requested amendments within the same year, instead of having to wait another year in case of rejection. 	<p>●</p>	<ul style="list-style-type: none"> Following positive anecdotal feedback from stakeholders, and noting that deadlines are met by both the Finance Team and Budget Holders throughout the process, this is regarded as best practice. Consider undertaking a backward-looking review to understand the percentage of bids that are sent back for amendments after the first Officer and Member challenges. If this number is low, the Service could consider a one-phased approach where there is only one opportunity to submit bids, in the interest of efficiency and resource spend. For example, Northumberland County Council uses such an approach, where each bid is still reviewed rigorously by going through different levels of escalation, but is only ever scrutinised by a given team once.



With a supportive and knowledgeable Finance Team to hand, more work is needed to document finance processes for ease of referral and to provide opportunities to share financial planning knowledge to department leads to encourage further engagement.

Theme	Observations/ Insights	RAG	Improvement Opportunities
Relatively small Finance Team	<ul style="list-style-type: none"> We understand that most individuals within the Finance Team are generalists, which means that most, if not all staff members, have a wide understanding of the processes and actions that need to be completed within the function, and are usually able to cover for others if they are on annual leave or away from the office for other reasons, resulting in minimal single points of failure. However, the majority of staff in the Finance Team have been in the function for a long time, and thus may have knowledge stored “in their heads” rather than documented on paper (i.e. how to complete the MTFP budget build or how to carry out scenario planning specific to inflation). The team is relatively thinly spread, which could mean there is limited time for training or additional strategic value add activity. This links in with the lower levels of investment in support function in the Service compared to operations (<i>Please see Objectives and Goals</i>). 		<ul style="list-style-type: none"> Having the knowledge of specific processes within the Finance Team documented and stored on a secure system can allow for continuance of information, should the composition of the Finance Team change, or should someone leave.
Roles & responsibilities Budget Holders & Finance Team	<ul style="list-style-type: none"> Roles and responsibilities in preparing, reviewing and approving the medium-term financial plan and the annual budget are clearly defined, understood and documented. Staff and Members are aware of their responsibilities in the budget setting process. 		<ul style="list-style-type: none"> This is regarded as best practice.
Perception of Finance Team	<ul style="list-style-type: none"> Anecdotal commentary from both Budget Holders and Finance Team members support that there has been a notable positive culture shift in recent years. Budget Holders, and staff members more widely, describe the Finance Team as “approachable”, “collaborative” and “open to conversation”. They note that there has also been a movement away from transactional conversations to a more collaborative approach. This culture widely benefits the MTFP process, as Budget Holders feel comfortable reaching out to the Finance Team for support, in turn leading to quality bids. 		<ul style="list-style-type: none"> This progress in having an approachable Finance Team for staff members to lean on for support should continue. Consider whether this pocket of good practice can, or should, be replicated between other teams in the Service (i.e. IT, HR, Communications) and utilise this example as a success story.
Budget Holder training	<ul style="list-style-type: none"> Prior to anyone becoming a Budget Holder, the Finance Team provides them with training. Budget Holders feedback that they receive high levels of support from the Finance Team throughout the budget setting process, as well outside of the MTFP. They meet on a monthly basis to monitor expenditure and escalate risks where appropriate. (<i>Please see Monitoring & Delivery and Step 1.19 of Process Map</i>). New Budget Holders rely on the collaborative and supportive nature of the Finance Team to support them in financial queries. Not all Budget Holders have the skill or experience to aid them in the process of placing bids or establishing their monthly financial figures, especially if they have not done so before. 		<ul style="list-style-type: none"> This is regarded as best practice. We suggest that training materials are reviewed on an annual basis to ensure they are still timely, engaging and inclusive. Consider hosting ad-hoc skills training sessions or drop-ins by Finance to build confidence in Budget Holders with their skills, knowledge and understanding. This increase in confidence may encourage Budget Holders to take more responsibility and explore financial opportunities further.

Currently there is strong data management in place. Providing a ‘backstory’ of data will add context to the data outlined within the Budget Build Spreadsheet and the manual inputting of data should be reduced as much as possible to decrease chances of error.

Theme	Observations/ Insights	RAG	Improvement Opportunities
Data Categorisation, including ‘Budget vs Actuals’	<ul style="list-style-type: none"> We understand that budgets are calculated using the actuals of previous years. Documentation exists which provides budgets at a category level e.g. establishment, and actuals at a granular level, e.g. employment agency payments for specific cost centres. We also note that there are numerous spreadsheets and documents that are used to manage and update changes to the Establishment budget (75% of the total budget), inflation, supplies and services. These sit separate from the Budget Build spreadsheet. Therefore, whilst we note that these changes are pulled into the Budget Build by the Finance Team, this process is reliant on tacit knowledge. Changes are captured in spreadsheets outside of the Budget Build which could make the “background” behind some figures unclear. 		<ul style="list-style-type: none"> Create a high-level view of a actuals for comparison with the budget by adding up granular actuals (by cost centre name). Agreeing on common categories across reports will aid this process. Clarify location or filepath of separate spreadsheets or sources used to inform the Budget Build. More explicitly link previous actuals to forecast estimates to better explain decision making.
Automated Data	<ul style="list-style-type: none"> Within the budget excel documentation, most of the data is manually input, rather than automatically pulled from spreadsheets/ systems. The reason for this is that some figures need adjusting up until the last minute, for example, as business rates are set in January and the budget is finalised in February. However, for some categories this approach is not required, and can increase the chances of error without clarity on where data is retrieved from. 		<ul style="list-style-type: none"> A more consistent approach to pulling in data should be implemented, using manually input values only as the exception where necessary, such as for RCCO.
Clarity in Changes	<ul style="list-style-type: none"> Although there is version control amongst the budget Excel documentation, it is unclear what changes have been made and by who. This lack of clarity could lead to errors in the document with not all figures being updated where needed. There is also no consistency in colour coding across sheets, which makes legibility difficult. From reviewing the “Budget Build 2023-24 v14.1” it is the case that currently, the Finance Team leaves comments and questions in spreadsheet tabs related to the relevant area, to be discussed with the Director of Finance & Assets. Whilst there are only two to three people that utilise this spreadsheet, and the only tab that is published externally is the “Overall Brigade Position”, it can be difficult to keep track of discussion points and their evolution. There is some complacency, in that in a small team, it is assumed that everyone knows about comments and changes 		<ul style="list-style-type: none"> A clear key on each page would be beneficial, in explaining who is responsible for updating data, at what frequency, and what colour coding represents. If Subjective Area report breakdowns are only intended for internal use, they should not be included on the “Overall Brigade Position” sheet. Consider creating an additional tab with a RAID (risks, actions, issues, decisions) log to keep track of ongoing queries and issues throughout the budgeting process. This will help improve oversight of the evolving nature of the spreadsheet for the Director of Finance & Assets.
System	<ul style="list-style-type: none"> In 2017, the system was changed from SAP to Integra. The upgrade has been successful, with risks mitigated by a comprehensive change management process. From stakeholder discussions, Integra is effective at pulling reports and works well with set financial controls. Audits have been carried out on system in place multiple times, all ‘glowing’ reviews. 		<ul style="list-style-type: none"> Ensure that new joiners continue to be sufficiently trained in using Integra.

Currently there is strong data management in place. Providing a ‘backstory’ of data will add context to the data outlined within the Budget Build Spreadsheet and the manual inputting of data should be reduced as much as possible to decrease chances or error.

Theme	Observations/ Insights	RAG	Improvement Opportunities
GDPR	<ul style="list-style-type: none"> In terms of privacy controls, personal information is not included in documentation where it is not necessary. The Finance Team has exclusive access to certain files on the network, which helps ensure personal data is not lost or spread. We understand that the Council is encouraging Services to use SharePoint. If the Service moves its documents onto SharePoint, consider adding password protection to documents to ensure further compliance with the integrity and confidentiality (security) principle. 		<ul style="list-style-type: none"> Add password protection to documents for added security if documents are moved onto SharePoint. Continue to monitor GDPR policies to ensure compliance.
Inflation	<ul style="list-style-type: none"> In each of the three years of budgeting data in the spreadsheets, there is an 'Inflation and Other Changes' tab, where inflation assumptions vary from 2% to 10%+. Given the current volatility of inflation, such varying figures are likely justified. Written indication of the rationale behind the figures used can be found in a different spreadsheet, alongside scenario planning. 		<ul style="list-style-type: none"> Maintain the inflation and scenario planning spreadsheet and include a link on the 'Budget Build' as to where the document can be found.

Objectives & Goals (1/2)

Process & Controls

People & Skills

Data & Financial Analysis

Objectives & Goals

Compliance & Risk Management

Monitoring & Delivery

Corporate priorities are well documented but strategic priorities are not clearly linked. Work is needed to reduce disparity in types of investment and bids, and more support is needed to encourage innovative ideas.

Theme	Observations/ Insights	RAG	Improvement Opportunities
Operational Investment	<ul style="list-style-type: none"> From our conversations with stakeholders and reviewing the budget build spreadsheets from the past three years, it is evident that historically, there is more investment in the operational area of the Service (e.g. number of smoke alarms, increasing establishment) compared to back office/support functions and/or tools. We know that Members have historically put emphasis on growth bids that focus on operational investment. One explanation is that return on investment in these areas can be more visible and so tend to capture more public recognition and support. This can, however, create a skewed approach where certain bids are more likely to be approved by Members and may discourage certain Budget Holders to file bids that focus on back office/support functions and/or tools. In turn, if back office/support functions are not funded appropriately, this may negatively impact staff retention, Service progression and innovation, and process efficiencies. 	●	<ul style="list-style-type: none"> A benefits realisation workshop into the back-office functions together with Members may provide more exploration to the necessities and benefits that investing in back-office functions can provide to the Service. This can aid in Member understanding and provide a clear narrative for public perception into why investment into these areas could be beneficial for the efficiency of the Service and the way it services communities. Carry out a retrospective review of Culture Survey results across the Service with a focus on support function staff to assess any trends in staff morale and satisfaction.
Savings Targets	<ul style="list-style-type: none"> A greater share of submitted bids are growth bids rather than savings bids. This may be partially explained by the fact that it is relatively difficult to anticipate the level of savings an action will reap. Furthermore, it is more likely that teams would be held to a degree of accountability if they were to state a certain savings figure and fail to meet it. However, we also note that Members are interested in understanding how the Service proposes to drive costs down alongside how it plans to grow. The Service currently does not set savings targets for Directorates. The Finance Team does have an Efficiency & Productivity Plan in place as mandated by the Fire and Rescue National Framework which focuses on the Service's priorities and initiatives to deliver further efficiencies and savings which was last updated for 2023-24. At this point in time, we have found that there is a trend of underspend rather than overspend within the Service and it has strong reserves. As of the 2023/24 budget, reserves stand at £8,040,000 and this is projected to increase to just over £10,000,000 by 2027. <i>We understand that on some occasions savings are not possible within a certain team or department dependent on the nature of their work, longstanding contracts etc. We also note that the majority of the budget is made up out of Establishment, for which savings suggestions may not be appropriate.</i> 	●	<ul style="list-style-type: none"> As Directorates may be held accountable to specific monetary savings targets proposed and, therefore, feel discouraged to put these forward – it may be appropriate to focus savings bids on efficiency, rather than cost savings to provide Directorates the confidence in their attempts to reduce costs and ultimately ensure more efficiency within the Service.
Attitudes Innovation	<ul style="list-style-type: none"> It has been raised that a better “innovation mindset” could be of benefit to the Service to tackle ongoing challenges such as filling fire fighter resourcing gaps, approaching on-call availability differently, etc. Some Budget Holders may feel pressure to get initiatives and growth bids “right” the first time. We also note that the idea of purchasing property for fire fighters that are required to live in a certain radius of a station was raised with the SMT, but not progressed. As the Service has historically seen levels of underspend and sometimes opens up an in-year bid process, there may be room to explore the Service's levels of risk appetite and foster ways to encourage new ideas, particularly to address limited talent pool. 	●	<ul style="list-style-type: none"> Host a joint brainstorming session to assess the most pressing issues facing the Service, and open up the room to ideas. Consider inviting a wide array of levels and grades within the Service to gather a diverse collection of views. Assign ideas to separate Budget Holders to build out alongside junior staff member(s) for consideration in the next budget build.

Objectives & Goals (2/2)

Process & Controls

People & Skills

Data & Financial Analysis

Objectives & Goals




Compliance & Risk Management

Monitoring & Delivery



Corporate priorities are well documented but strategic priorities are not clearly linked. Work is needed to explain disparity in types of investment and bids, and more support is needed to encourage innovative ideas.

Theme	Observations/ Insights	RAG	Improvement Opportunities
Strategic linkage	<ul style="list-style-type: none"> From the sample of bids we reviewed, we note that in the bid submission form, Budget Holders are required to describe how their bid relates to their “corporate priorities”, prompting Budget Holders from the onset to ensure their proposition is relevant to, and progressive towards the Service’s wider strategic objectives. However, the bid form also contains an arguably restrictive 100-word limit on the Executive Summary section, which may mean individuals are unable to exhaustively build their case without referring to external documentation. If such external references are made, there can be a degree of time waste involved when the Finance Team/BTB/SMT then need to seek out said documentation. From this same review, we found that in most cases, in Section 8 (‘Strategic requirements’) the linkages to corporate priorities are alluded to, but not explicitly stated. At times, linkage on directorate level is made, however a clear outline of the way(s) in which the Budget Holder’s proposed idea would contribute to the alleviation of Service-wide issues listed in the 2020-2025 Corporate Plan is often lacking. <i>We note that the bid template has been changed by the Service in 2023, removing the word count limit for the executive summary.</i> 	●	<ul style="list-style-type: none"> This is regarded as best-practice, though we recommend considering whether the “corporate priorities” can be further detailed to link directly to the CRMP. Ensure external documentation is linked and provided when the bids go to SMT. Including a prompt under the section heading either reminding Budget Holders of corporate priorities, or suggesting they quote clauses from relevant documentation to draw direct links would help prevent against any sidestepping of corporate linkage.
Strategic linkage 5-year plan	<ul style="list-style-type: none"> Some teams, such as the Property Team, have a 5-year strategy in place for which sign-off by the Fire Authority has been obtained. On an annual basis, this team uses their strategy as a golden thread to benchmark bids against before they are filed, to ensure they match the corporate priorities that have been set previously. This means that during the First and Second Officer Challenge, the Senior Management Team will already have some awareness and buy-in of the team’s ambitions, which could lead to quicker sign-off of their bids. 	●	<ul style="list-style-type: none"> This is regarded as best-practice, and we suggest making other teams aware of the efficacy of this process in case they can repurpose this approach.

Although risks are documented clearly, more work is needed in establishing clear ownership and actions required. The escalation process needs streamlining to ensure necessary risks are addressed efficiently.

Theme	Observations/ Insights	RAG	Improvement Opportunities
Risk ownership	<ul style="list-style-type: none"> There is limited oversight of risks referenced in approved bids, and how they are carried over to directorate risk monitoring. Whilst we note that financial risks are appropriately monitored in monthly budget monitoring meetings, it is unclear who owns the monitoring and mitigation of non-financial risks moving forward. Subsequent steps upon identification of a risk should be better evidenced. 		<ul style="list-style-type: none"> Budget Holders to establish clear actions needing to be taken against the non-financial risks outlined, with clear individuals responsible for each actions and a review date to ensure all risks are appropriately mitigated for.
Ease of Risk Escalation	<ul style="list-style-type: none"> Anecdotal commentary suggests that the escalation of risks/issues can be time-consuming due to governance controls, such as the need for templates to be filled out. Whilst appropriate documentation of identified risks are important, the tedious process may be causing time-lags between detection and mitigation of risks. Furthermore, the logistics involved may inadvertently be deterring employees from flagging risks that they consider too minor to be worth the effort. 		<ul style="list-style-type: none"> Evaluate the current risk escalation process to understand where efficiencies can be found. Ensure there is an owner in place for the overall Corporate Risk Register to allow for urgent flagging of new risks before filling out required paperwork.
Corporate Risk Register	<ul style="list-style-type: none"> Risks are effectively maintained at a project, departmental and Directorate level. These are then pulled through to the overall Corporate Risk Register. This is an effective way of ensuring risks are captured across varying levels within the Service. However, we note that there are three separate documents forming part of the risk monitoring process: the Corporate Risk Map, Risk Register Changes (12-month view) and the Corporate Risk Register. 		<ul style="list-style-type: none"> This clarity across each level is essential to ensuring risks across all magnitudes are covered effectively. Consider transferring the three separate risk-related documents into one Excel spreadsheet to maintain a more holistic and up-to-date view of risks facing the Service. The Corporate Risk Register in Word currently does not allow for much formatting flexibility, i.e. adding columns.

Monthly monitoring meetings are classed as best practice. However, scenario planning in the case of underspend is absent, sometimes leading to underutilisation of funding.

Theme	Observations/ Insights	RAG	Improvement Opportunities
Monitoring underspend	<ul style="list-style-type: none"> As part of the monthly monitoring meetings, overspend and underspend is discussed and what can be actioned to support the department in question. In-year bid processes take place to utilise the underspend, when there is opportunity for funds to be shared with other departments. Anecdotal evidence shows that some Budget Holders are less clear on the levels of underspend within their area of the Service, and may be wary of 'losing their budget' in case underspend occurs. Whilst the Finance Team produces reports on the level of underspend logged, communications to Budget Holders could be clearer around the 'so what'. 		<ul style="list-style-type: none"> Carry out an evaluation of the root causes of these underspends to be shared with Budget Holders, as an opportunity for the Finance Team to share their insights and for Budget Holders to tweak or amend their plans as appropriate. Facilitate clearer top-down communications around underspend and provide reassurance that budgets will not be "taken away" without discussion.
Monthly monitoring meetings	<ul style="list-style-type: none"> Monthly budgeting reports are completed by Budget Holders and then shared with and discussed with the Finance Team on a monthly basis to discuss variances in overspend, inflation, increasing costs etc. <i>(Please see Step 1.19 of Process Map)</i> Lead Members receive a monthly monitoring report, the Executive Committee receives a quarterly update. Any issues or risks related to the monthly monitoring meeting are addressed through the Corporate Risk Register process. 		<ul style="list-style-type: none"> Providing this consistent approach to reviewing financial variances provides a good overview and allows for appropriate capturing of potential problems.



Appendix



Stakeholder interviews held

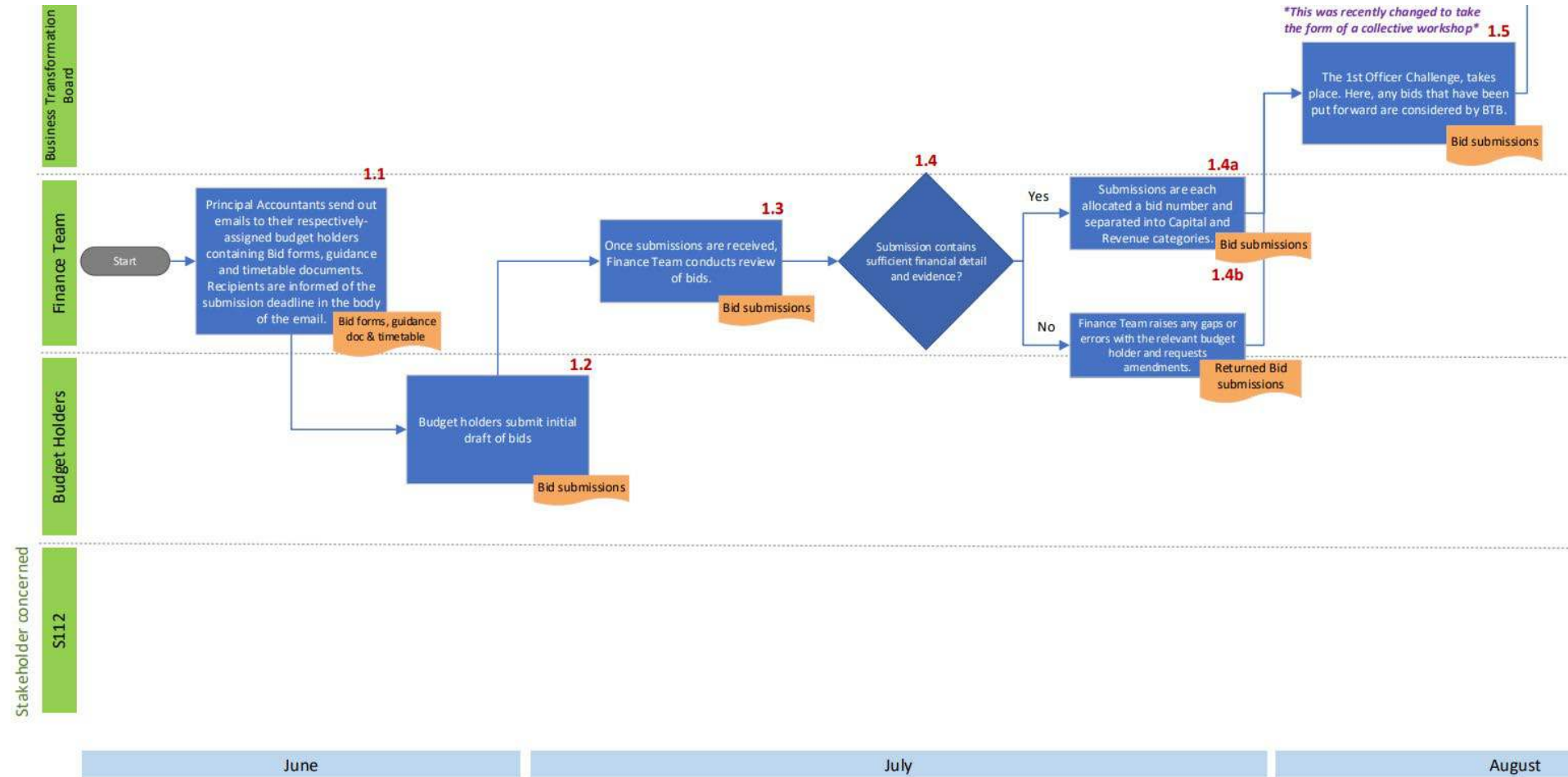
Overview

Name	Role
Asif Hussain	Deputy Director of Finance & Assets
Mark Hemming	Director of Finance & Assets
Laura Taylor	Principal Accountant
Simon Tuffley	Head of Prevention, Response & Resilience
Aaron Brinklow	Station Commander
Gordon Wylie	Property Manager

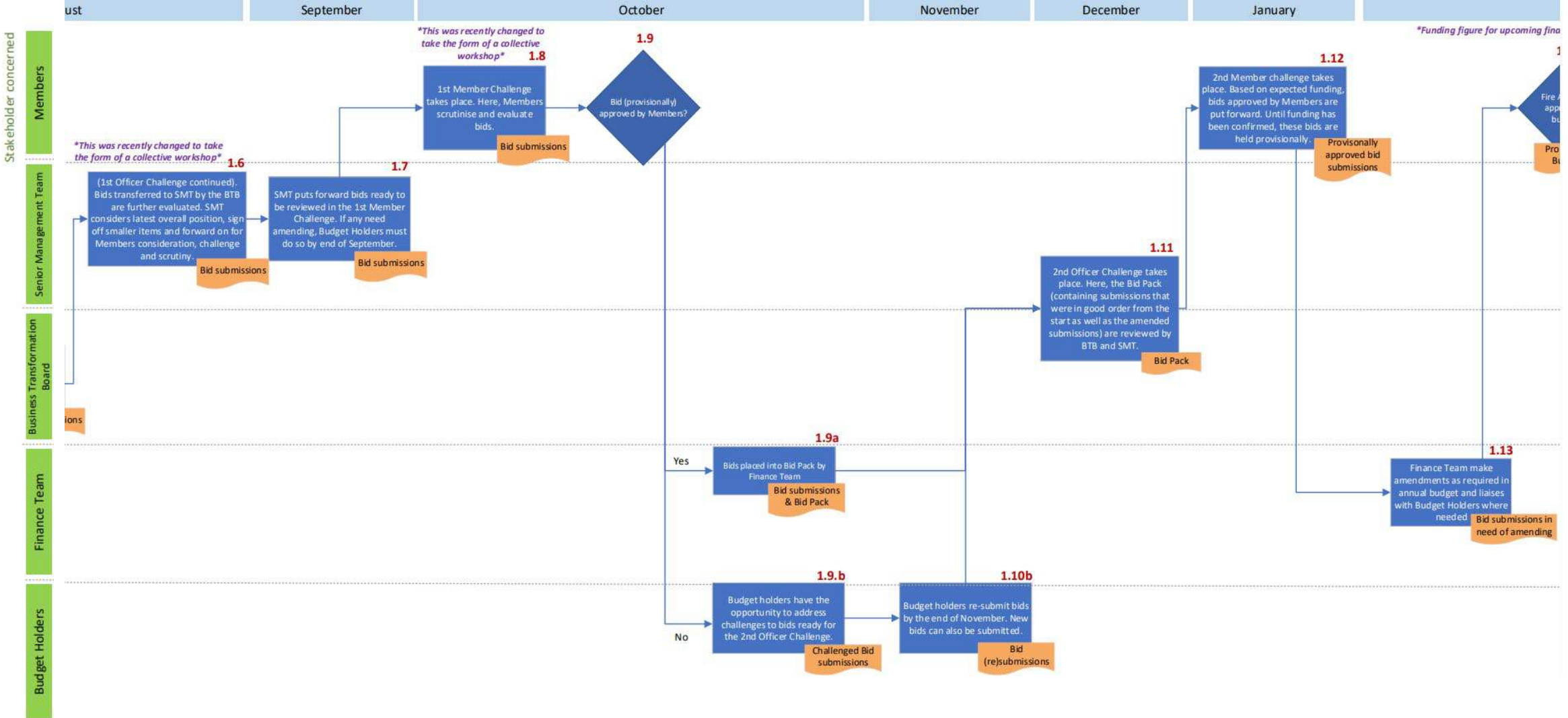
Medium Term Financial Plan

Process Map (1/3)

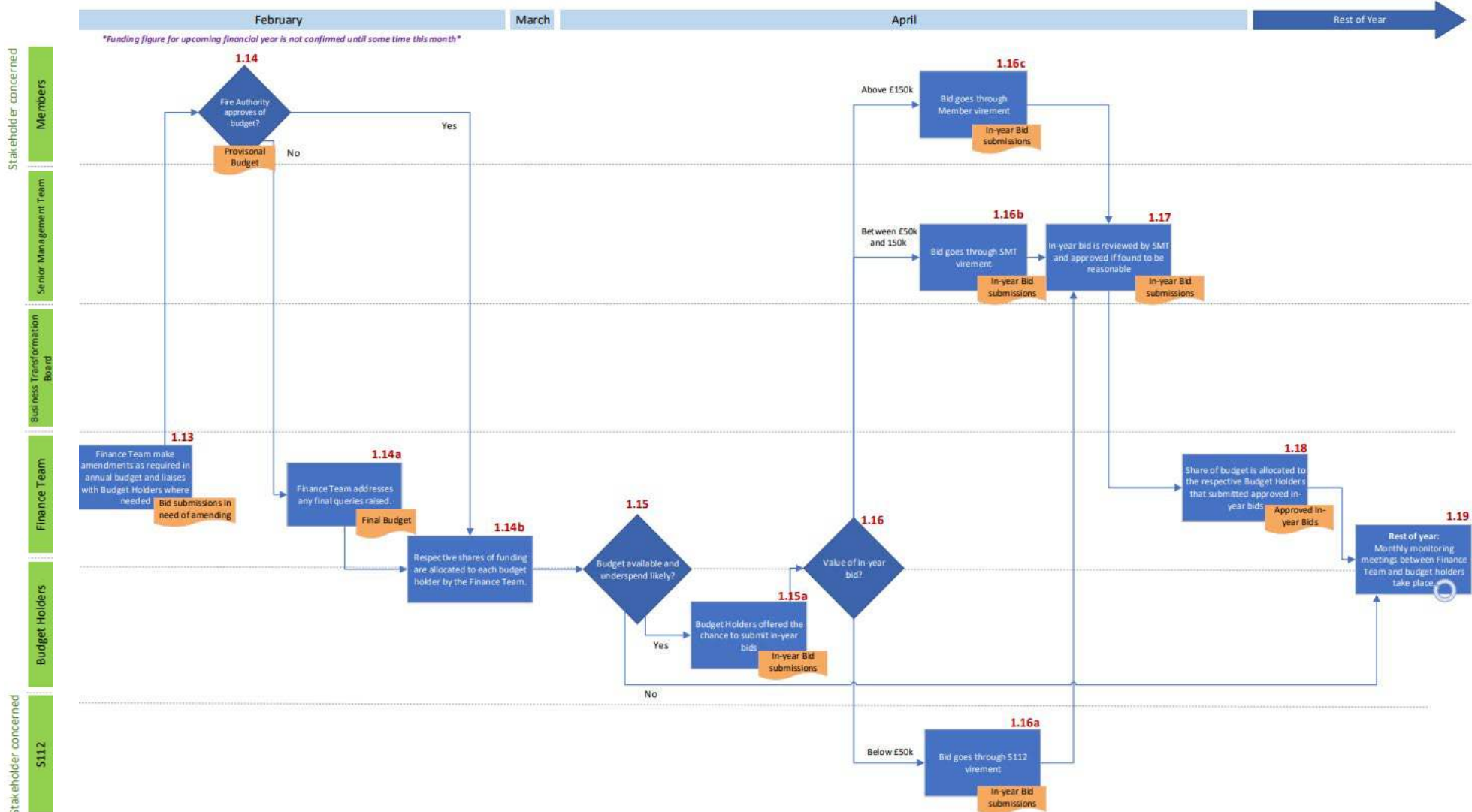
The budget setting process within the Service takes place on an annual basis between end of June until February and is structured to a budget timetable, with the first step in the process involving the creation of bids by Budget Holders with support from the Finance Team. The end-to-end process has been visualised on the next three slides, linking specific process steps to observations in Section 6 of this report, where relevant.



Medium Term Financial Plan Process Map (2/3)



Medium Term Financial Plan Process Map (3/3)



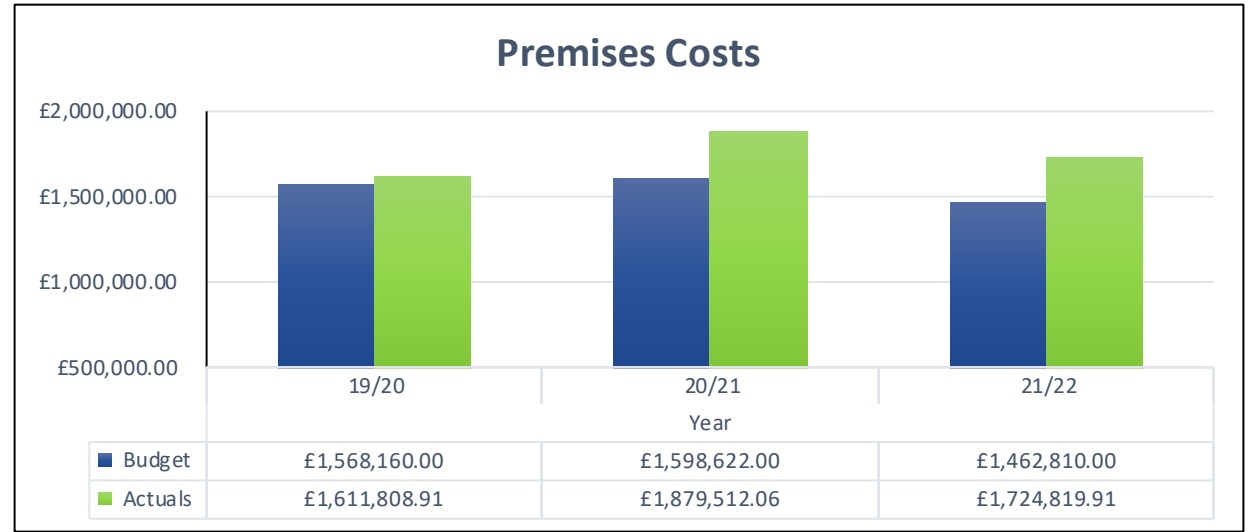
Data Analysis

Premises Costs

In all three years shown, actual spend on premises costs was higher than the budget initially approved, by an average of 13%. These amounts reflect utilities costs as well as rates and preventative maintenance, so the discrepancy between amounts is perhaps reflected by high inflation in recent years.

Due to the unique nature of a Fire and Rescue Service, obtaining benchmarking figures for premises costs was not possible.

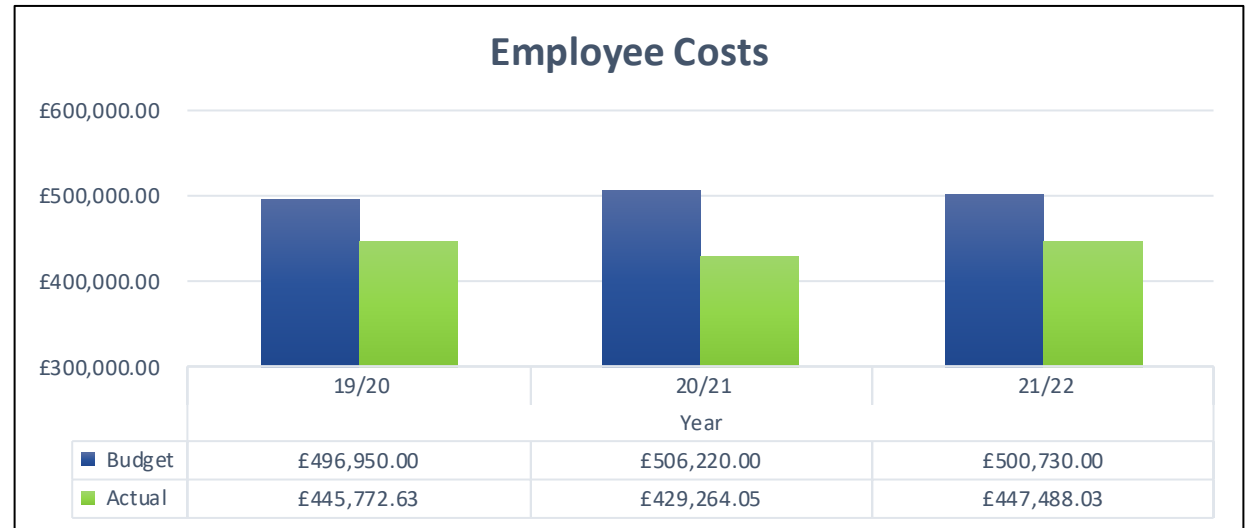
Please note, these figures have now been updated to reflect a change in budget classification, so now include 'Property Team' and 'Blue Light Hub' under 'Income Rents and Wayleaves', which was previously classified under 'Income'. Whilst the graph suggests an overspend in recent years, some of the premises costs are covered by income collected from SCAS and TVP for the Blue Light Hub Services Recharge, which is noted in the 'Budget vs Forecast Variance Column'.



Employee Costs

In all three years shown, actual spend on employee costs was lower than the approved budget, by an average of 14%. These amounts do not reflect salaries, but all other employee-related costs. The discrepancy in these figures may be as a result of the delay in recruiting new employees after the approval in growing the employee base was granted.

Due to the unique nature of a Fire and Rescue Service, obtaining benchmarking figures for employee costs was not possible.



Data Analysis

Establishment: 'Operations' vs 'Support' Sub-Category Classification*:

<u>Category:</u>	<u>Operations/Support:</u>
Employment Agency Payments	Mainly Support
Members	Members
On-Call	Operations
Sessional	Mainly Operations
Support	Mainly Support
Thames Valley Fire Control	Operations
Wholetime	Operations

**Budget areas categorised as 'Mostly Operations' or 'Mostly Support' have been apportioned on a 75%/25% basis.*

Data Analysis

Seven Spreadsheets of Data Analysed:

- Budget Build 2021-22 v16 – final budget upload v1.xlsx
- Budget Build 2022-23 v13 Funding Update.xlsx
- Budget Build 2023-24 v14.1 Budget upload.xlsx
- 22-23 Budget vs 3 year Actuals 19-20 to 21-22.xlsx
- March Summary Downloads 31.05.2020 2019-20.xlsm
- March Summary Downloads 28.05.2021 2020-21.xlsm
- March Summary Downloads 30.05.2023 2022-23.xlsm



Business Assurance and Risk Management

BMKFA Core Financial Controls Audit Report - FINAL (Ref-24/22)

Auditors

Maggie Gibb, Head of Business Assurance (and Chief Internal Auditor)

Selina Harlock, Audit, Assurance and Fraud Manager

Alex Prestridge, Audit Lead

Charlotte Winning, Auditor

Tom Crowson, Auditor

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Management Summary

Introduction

The internal audit of Core Financial Controls was undertaken as part of the 2023/24 Internal Audit plan, agreed by the Overview and Audit Committee. The audit was undertaken during quarter three of 2023/24.

The Core Financial Controls Audit reviewed the Fire Authority's key financial processes including; Financial Control Framework, Creditors, Debtors, Payroll, General Ledger, Grant Income, Banking and Reconciliation, VAT and Treasury Management processes.

Audit ObjectiveSu

Internal Audit's objectives for this audit were to provide an evaluation of, and an opinion on, the adequacy and effectiveness of the system of internal controls in place to manage and mitigate financial and non-financial risks to the system.

This serves as a contribution towards the overall opinion on the system of internal control that the Chief Internal Auditor is required to provide annually. It also provides assurance to the Section 112 Officer that financial affairs are being properly administered.

Scope of work

The audit activity focussed on the following key risk areas identified in the processes relating to Core Financial Controls:

- Financial Control Framework
- Creditors
- Debtors
- Payroll
- General Ledger
- Grant Income
- Capital
- Banking and Reconciliations
- VAT
- Treasury Management

The audit considered the controls in place at the time of the audit only. Where appropriate, testing was undertaken using samples of transactions since the beginning of the current financial year.

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	No. of Low Priority Management Actions
Financial Control Framework	Substantial	0	0	0
Creditors	Reasonable	0	0	1
Debtors	Reasonable	0	1	0
Payroll	Reasonable	0	1	0
General Ledger	Reasonable	0	0	1
Grant Income	Substantial	0	0	0
Capital	Substantial	0	0	0
Banking and Reconciliations	Substantial	0	0	0
VAT	Substantial	0	0	0
Treasury Management	Substantial	0	0	0
		0	2	2

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

Financial Control Framework

The Financial Instructions were updated and approved in November 2023 and were available to staff on the BMKFA Intranet and the Authority's external website. They included instructions for the effective operation of all financial systems within the Authority and had been reviewed and updated to reflect changes to the Finance system.

We confirmed that process notes were in place and up to date for all key financial processes. A review of system users found that access to Integra (the Finance system) and iTrent (the payroll system) was appropriately controlled. The system workflow ensures a separation of duties for transactions made within both systems.

Creditors

The Financial Instructions contain guidance on ordering, authorising, and receiving goods and services. The Financial Instructions reference the Financial Regulations and include regulations on the separation of duties, procurement, and expenditure.

Review of access levels to Integra confirmed that they are updated and amended for starters, leavers, and movers. Access to Integra is restricted to only those with a business need and for those for whom requests have been received from their line managers.

We reviewed a sample of five BACS runs taken between October 2022 and November 2023 and found that all cases were appropriately approved by a Principal Accountant. All payment runs sampled matched projections for value and number of payments. Detailed review of the sample found the following:

- In one case a one-time vendor process was used, and this was adequately checked prior to payment.
- In all cases, a duplicates test was undertaken, and no exceptions were found.
- All entries over £10,000 were subject to a rigorous review prior to payment and all were found to be appropriate.

The Financial Instructions include guidelines for the appropriate use of purchasing cards. A Purchasing Card User Guide is also in place, outlining the Purchasing Card Holder's responsibilities regarding how to use the purchasing card, reconciling the monthly statements and general usage guidelines.

We found that monthly spend limits were occasionally increased temporarily. We observed this for 14 individual card holders with a total of 23 instances whereby the spend limits were increased between the period October 2022 to November 2023. Each increase had a completed business case for it with adequate approvals.

Examination of a sample of 20 purchasing card payments made between November 2022 and September 2023, we found one case where the agreed expense limit was exceeded but the payment was still approved. This was for an evening meal where the cost was £16.90 while the limit is £15.51.

(Finding 3)

We also found one claim for rail travel which was booked through Trainline (which has additional booking fees) and there was no evidence of cost savings demonstrated for the travel expense, which is required by the expense policy for instances where a provider other than National Rail is used. Furthermore this same train ticket claim was found to be for a First-Class ticket booking, which is unlikely to have been the most cost-efficient travel option.

We reviewed a sample of 25 invoices received over the period between November 2022 and October 2023. We confirmed in all cases that:

- Invoices were input onto Integra by Finance.
 - Goods receipt was recorded before the invoice was paid.
 - Invoice details matched with values on Integra.
- In all cases a separation of duties was observed between the requester, the officer entering the invoice on the system and the individual completing the Goods Received Note (GRN).

Debtors

We examined a sample of 25 debtor invoices raised between November 2022 and October 2023. Of this sample we found:

- In all cases, supporting information was included on Integra. The invoice was raised either by Finance or the originating Department.
- In 13 cases, debtors did not pay within the 14-day term provided by the Fire Authority. Five of these debtors eventually paid over 30 days; date late ranged from 32 to 101 days with amounts outstanding ranging from £300 to £1,836. **(Finding 1)**
- In one case, a £223.27 debt was overdue by four years and while attempts are being made to chase this debt, no action is being taken through any other means to recover the funds. **(Finding 1)**

We reviewed a sample of five invoices that are at debt recovery stage. From the sample reviewed we found that only one remained unpaid. We observed that while the process is to send chaser emails on the first Monday after the invoice due date has passed, in four cases this did not happen, and instead it was sent a week later than expected. The second and third chaser letters were then sent at appropriate intervals based on the timing of the first letter.

We confirmed that aged debt reports are prepared monthly for review by the Principal Accountant. The oldest debt observed was £1,629.85, for pension contributions owed by a former employee, dating back to May 2018. We confirmed that this debt does not directly impact the Authority, as it relates to the former employee's pension contribution this owed amount will affect their pension on retirement.

The Financial Instructions outline that debts older than 90 days that have not been recovered through normal channels, or following recommendation for write-off from Legal Services, will be considered for write-off. However, no debts have been written off for the last two years.

There are Key Performance Indicators (KPIs) in place which are monitored for Debtor Management. These include:

- Debts over 60 days overdue.
- Total Debt outstanding.

- Debts over 60 days overdue as a % of total debt outstanding.
- Average time from raising invoices to receipt of income.

The Fire Authority has one large debtor, which has been escalated to the Director of Finance & Assets for chasing. This is South Central Ambulance Service (SCAS), and as of the audit the accumulated debt stood at £334,659 which represents around 91% of the total debt profile, all of which was over 90 days old . Following the audit, we received evidence from the Fire Authority’s bank account that the £334,659 debt was paid by SCAS on 22 January 2024.

Payroll

Payroll information is processed through the iTrent system. The Fire Service Rota (FSR) planning and scheduling system was fully implemented in April 2020 and is used to record all Watch-based inputs formerly recorded on FB22 forms.

Through discussion and demonstration with the Payroll and Benefits Manager, it was established that for starters, leavers and permanent changes, a checklist is completed, and this is updated by the inputting officer and then a second officer to demonstrate adequate segregation of duties. Once the file has been approved and checked, the signatures are reflected on the title of the file. Changes are also only made following notification from HR and approval from the members of staff’s line manager.

We reviewed a sample of 10 starters from July 2022 until July 2023. Of this sample we found:

- All cases had a completed starters checklist included in the personnel file.
- In all cases, the payslip matched the information on iTrent, the starter notification and the contract.
- In all cases, a signed contract was recorded on file.
- In all cases, the file demonstrated adequate segregation of duties, and this was recorded on the file name.

We reviewed a sample of 10 permanent changes from January 2022 until January 2023. Of this sample we found:

- In all cases, adequate authorisation of the change was demonstrated.
- In all cases, the payslip accurately reflected the change made.

We reviewed a sample of 25 expense and mileage claims from October 2022 until October 2023. Of this sample we found:

- In all cases, the claim had been approved by the appropriate manager.
- In all cases, the claims that required a receipt did have adequate documentation recorded and the figures on these matched the payslip.
- In all cases Payroll had validated the claim.
- In 24 of the cases the claim was made for the correct amount listed on the receipt, however in one case the claim had been put through twice for the same expense with both entries approved by the line manager. Payroll only spot check claims and therefore had not picked up this error. The duplicate went unnoticed and was added to the employee’s salary. Communications have now been made to the employee to recover the overpayment. **(Finding 2)**

We reviewed a sample of 10 leavers from October 2022 until October 2023. Of this sample we found:

- In all cases, the notification of the leavers details from HR was recorded on file.
- In all cases, the recurring payments had been deleted from iTrent and this was demonstrated on the payslips.
- In all cases, a leavers checklist had been completed.
- In all cases, the file demonstrated adequate segregation of duties, and this was recorded on the file name.

We reviewed a sample of 20 overtime claims from October 2022 until October 2023. Of this sample we found:

- In all cases, the payslip amount matched the number of hours claim and the amounts on iTrent.
- In all cases, the overtime claim was approved by the appropriate manager and validated by payroll.
- In all cases, the overtime was paid in the month of the claim.

Through discussion and demonstration with the Payroll and Benefits Manager, it was established that a report is run called ‘caution and errors,’ which flags discrepancies for Payroll to review and correct. These reconciliations are carried out every time payroll is opened and before the payroll cut-off date. It is also carried out pre- Fire Service Rota, post- Fire Service Rota and pre- close. If discrepancies are identified, a final reconciliation is carried out upon payroll closing.

General Ledger

We reviewed the access of users to Integra, and transactions within Integra and found it was restricted appropriately. We compared this to leavers for the period between November 2023 and October 2022 and found no matches.

We reviewed a sample of 20 Journals raised between November 2022 and October 2023. In all cases they were authorised by either a Principal Accountant or the Deputy Director of Finance & Assets. There was backing documentation in all cases, and a narrative included.

We reviewed a report of transactions in suspense at the time of the audit. We found three cases, with the oldest being from January 2023. The others were March and August 2023. All three cases were posted to the ledger during 2023/24 and had a combined total value of £144.76. **(Finding 4)**

Through discussion with the Principal Accountant, it was established that the suspense account is reconciled monthly, with the majority of the transactions being cleared in a timely manner. Any transactions not cleared are picked up as part of the year-end closing of accounts, in preparation for producing the financial statements.

Grant Income

We reviewed a sample of five expected grant payments for the 2023/24 financial year. Of this sample we found that:

- In all five cases, the schedule grant amount matched the amount received on the bank statements.
- In all five cases, the payments were received on the expected date.
- In all five cases, the grant had been spent in line with the grant conditions.

The grants are forecasted in the budget and reviewed as part of the budget monitoring process.

Capital

The Financial Instructions include guidance on the approval of Capital schemes.

Monthly budget monitoring reports are produced by the Principal Accountant who has quarterly meetings with budget holders (except for Property for which there are monthly meetings) to discuss overspend/any issues. Through a walkthrough, and review of their notes, we confirmed that budgets are appropriately scrutinised.

The Principal Accountant confirmed that updating the Asset Register is a yearly exercise completed following receipt of the valuation report from the Authority's valuers. The valuer was in the process of producing the 2022/23 report at the time of the audit. Following the audit we were provided with the completed valuation report and updated Asset Register as at 31 March 2023, for which we found no exceptions.

Banking and Reconciliations

The reconciliation of bank accounts is carried out monthly. Review of the reconciliations for August and September 2023 confirmed that these were carried out by the Finance Assistant and approved by the Principal Accountant.

Monthly tasks are listed on the Transactions Reconciliation spreadsheet. Within this is the bank reconciliation report which is downloaded from Integra and signed off by the Principal Accountant along with all the other tasks listed on the Transaction Reconciliation spreadsheet. The bank reconciliation report is not signed off until the Principal Accountant has checked all the tasks have been completed. We reviewed the reconciliations for August and September 2023 and can confirm that the process was followed.

VAT

We reviewed two VAT returns, May, and August 2023. In both cases, the Purchase Ledger and the Sales ledger matched the Control - and both were reviewed and submitted by the Principal Accountant. The reconciliation was prepared by a Finance Assistant with the review and submission performed by the Principal Accountant.

Treasury Management

Through review of the Treasury Management Strategy, we confirmed that the document refers to relevant legislation with the CIPFA best practices referenced. The strategy is reviewed annually and was last updated and approved by the Fire Authority on 15 February 2023.

The Treasury Management Strategy is available to both staff and the public via the Authority's website.

Discussion with the Principal Accountant and review of the contract with Link Treasury Services Limited, it was established that there is a current contract in place for consultancy services and leasing advisory services. This contract was signed in April 2019 with an initial end date of March 2022, however, there is an agreed extension held on file for further 24 months until March 2024. The consultancy service provides a monthly report of all current

investments and deals which aids the Principal Accountant in creating the quarterly report for members. These quarterly reports contain key information as to the status of the current investments and borrowing, when they are due to end and the expected return.

Examination of a sample of five investments placed between November 2022 and October 2023 found:

- All five had been invested with agreed counterparties.
- All five investments were within the agreed limits as stated in the Treasury Management Strategy.
- All five investments had been approved by an appropriate member of staff.

Table 2: Detailed Audit Findings and Management Action Plan

Finding 1: Debtors – Aged Debt and Late Payments	Risk Rating	Agreed Management Actions
<p>Debtors should be paying within the terms outlined by the Authority and late payments should be chased and the funds recovered in a timely manner.</p> <p>We sampled 25 debtors raised between November 2022 and October 2023. Of this sample we found:</p> <ul style="list-style-type: none"> • In one case a debt with value of £223.27 was overdue by four years and while attempts are being made to chase this debt, these have been unsuccessful and due to time passed it is unlikely that the funds will be recovered. • In 13 cases the debtors did not pay within the 14-day term provided by the Fire Authority. Five of these debtors eventually paid over 30 days late, one of which was 101 days late. • Approximately 91% of the Authority’s debt is held by one entity, SCAS representing an accumulated value of £334,659. This debt has been escalated to the Director of Finance & Assets and attempts at arranging recovery are underway. <p>If debtors do not pay on time, there is a risk that money owed to the Authority will not be recovered, resulting in financial loss for the Authority.</p>	M	<p>Action:</p> <p>Review existing chasing debt procedures and reminders letters to ensure they are still fit for purpose. Reinforce the process and inform all debtors of this process to make them aware there maybe interest and legal involvement if not paid.</p> <p>Officer responsible: Principal Accountant</p> <p>Date to be implemented by: 31 July 2024</p>
Finding 2: Payroll – Expense Claims	Risk Rating	Agreed Management Actions
<p>Expenses and mileage claims should be made accurately and for the amount detailed on the receipts. Claims should be checked by the appropriate line manager thoroughly prior to being processed for payment.</p> <p>We reviewed a sample of 25 expense and mileage claims from October 2022 until October 2023. Of this sample we found:</p> <ul style="list-style-type: none"> • In 24 of the cases, the claim was made for the correct amount listed on the receipt. However, in one case the claim had been submitted twice for the same expense, with both claims subsequently approved by the line manager for payment. This duplicate expense 	M	<p>Action:</p> <p>Send a notification to all expense approvers to remind them of their responsibilities when approving expense claims. In addition, Payroll Team to continue to sample review expense claims before payment is made on the Payroll BACS run, Payroll spot check will now</p>

<p>claim was not part of the payroll spot check therefore the error was not corrected resulting in the claim being paid twice via the employee’s salary. This overpayment has now been communicated to the employee and recovery action is being taken.</p> <p>If incorrect claims are approved and paid there is a risk of misallocation of funds and the inability to recover the money from the employee resulting in financial loss to the authority.</p>		<p>include a check for duplicates .</p> <p>Officer responsible: Payroll and Benefits Manager</p> <p>Date to be implemented by: 31 March 2024</p>
<p>Finding 3: Creditors – Purchase Card Transactions</p>	<p>Risk Rating</p>	<p>Agreed Management Actions</p>
<p>Purchase card transactions should be made in accordance with the Authority’s policies and procedures.</p> <p>We reviewed a sample of 20 purchase card transactions between November 2022 and September 2023. Of this sample we found:</p> <ul style="list-style-type: none"> • One case where the evening meal charge limit was exceeded. The limit of £15.51 per person is set out in the Authority’s policy however this approved payment was for £16.90. • One instance of a first class rail travel being booked through trainline (which has additional booking fees) and no evidence was retained to evidence cost savings as required by the expense policy if a provider other than National Rail is used. <p>If the Authority approves expense claims that are beyond the agreed limit, there is a risk of inappropriate use of the purchase card resulting in financial loss to the Authority.</p>	<p>L</p>	<p>Action:</p> <p>Remind all purchasing card holders of their role and responsibilities when using their purchasing card for business activity as per the Purchasing Card User Guide. When approving purchasing card expenditure within the finance system extra scrutiny will be placed on what the card has been used for, why and confirm it’s within the limits set in the Purchasing Card User Guide and other accompanying procedures.</p> <p>Officer responsible: Principal Accountant</p> <p>Date to be implemented by: 31 July 2024</p>
<p>Finding 4: General Ledger – Transactions in Suspense</p>	<p>Risk Rating</p>	<p>Agreed Management Actions</p>
<p>Suspense accounts should be reviewed and cleared on a regular basis.</p>	<p>L</p>	<p>Action:</p> <p>All transactions on the suspense account are cleared in a timely manner and</p>

We reviewed a report of transactions in suspense at the time of the audit. We found three uncleared transactions, with the oldest being from January 2023. The others were March and August 2023. The combined total value of these transactions was £144.76.

Through discussion with the Principal Accountant we found that while the suspense accounts had been checked as part of the monthly reconciliation process, the three (low value) transactions identified during the audit were not cleared. It was confirmed that the suspense account will be reviewed cleared and as part of the closing of the account procedure.

If suspense accounts are not cleared, there is a risk that these funds have not been allocated to the correct cost centre or General Ledger (GL) Code impacting the accuracy of reporting on the budget position. Additionally, if the task of clearing suspense accounts is left to year-end there is will compound the already heavy workload for year-end accounts.

ensure these are dealt with by yearend.

Officer responsible:

Principal Accountant

Date to be implemented by:

30 April 2024

Table 3: Detailed Follow-Up of 2022/23 Findings and Management Action Plan

Report Ref No. 1	Title: Creditors – Purchase Card Spending Limits	Priority of finding: L	Status: Implemented
Original Audit Finding		Management Comments & Action Plan	
<p>Purchasing card holders are assigned a monthly spending limit in line with the requirements of their role. These should be periodically reviewed to ensure that they continue to be in line with the requirements of officers' roles.</p> <p>Examination of a sample of 20 purchasing card transactions found:</p> <p>In six cases, total spend for the month of the transactions was not within the cardholder's monthly spending limit. In one of these cases, a single purchase of £2,248 exceeded the cardholder's spending limit of £1,000. Whilst a temporary increase to the cardholders' spend limit was approved by the budget holder and actioned by Finance in all six cases, and all spend was within the temporary increase to the limit, analysis of all Purchasing Card transactions found 16 instances (spread across ten cardholders) where monthly spend was higher than the designated spend limit in the period between 1 December 2021 and 30 November 2022, indicating that the officers were exceeding their limits with relative frequency.</p> <p>Discussion with the Principal Accountant agreed that Purchasing Card limits are in need of review and that the purchasing card limits by organisational role set out in the Purchasing Card User Guide should also be reviewed to take into account positions and limits not previously listed.</p> <p>If purchasing card spend limits do not reflect actual purchasing card spend, there is a risk that temporary increases to spend limits become increasingly frequent, leading to inconsistent purchasing card usage across the Fire Authority.</p>		<p>Action: A Review of the Purchasing Card User Guide to ensure the guide is still fit for purposes and purchasing card limits are sufficient and appropriate for all purchasing card holders.</p> <p>Officer responsible: Principal Accountant</p> <p>Date to be implemented by: 30 June 2023</p>	
Follow Up Evaluation		Management Comments & Action Plan	

Sample review confirmed that spend limit increases are approved and processed appropriately in line with the Purchasing Card User Guide, with robust controls in place.		N/A	
Report Ref No. 2	Title: Financial Control Framework – Financial Instructions	Priority of finding: L	Status: Implemented
Original Audit Finding		Management Comments & Action Plan	
<p>Financial Instructions should cover all financial processes, be up to date, approved and made available to staff.</p> <p>We noted that the Financial Instructions document was last updated and approved in January 2018 and has therefore not been reviewed for five years, whereas best practice suggests that financial policies and procedures are reviewed regularly as well as when known changes are implemented.</p> <p>If Financial Instructions are not kept under regular review there is a risk that they are not up to date and do not reflect the current operations and strategic objectives of the Fire Authority, as well as any changes to legislation</p>		<p>Action: A review and update of the Financial Instructions to take place to incorporate actions from the Procurement Audit.</p> <p>Officers responsible: Director of Finance and Assets</p> <p>Date to be implemented by: 31 March 2023</p>	
Follow Up Evaluation		Management Comments & Action Plan	
The Financial Instructions were updated and approved in November 2023 and are available to staff on the BMKFA Intranet. They contain instructions for the effective operation of all financial systems within the Authority and have been reviewed and updated to reflect changes to the Finance system.		N/A	

Report Ref No. 3	Title: Payroll – Second Officer Check	Priority of finding: L	Status: Implemented
Original Audit Finding		Management Comments & Action Plan	
<p>Information relating to permanent changes and leavers should be input by an HR or Payroll Officer and checked by a second Payroll Officer.</p> <p>Examination of a sample of ten permanent changes made to payroll between December 2021 and November 2022 found that in four cases, there was no evidence that inputs relating to the change were checked by a second officer.</p> <p>Examination of a sample of ten employees who left the Fire Authority’s employment between December 2021 and November 2022 found that in four cases there was no evidence on the checklist that a second check was carried out.</p> <p>If inputs into Integra are not checked by a second officer, there is a risk that permanent changes and leavers are processed incorrectly and the pay information is not accurate, leading to an overpayment or underpayment.</p>		<p>Action: As the team is now at full establishment and trained, these checks are taking place.</p> <p>Officers responsible: Payroll and Benefits Manager</p> <p>Date to be implemented by: Immediately</p>	
Follow Up Evaluation		Management Comments & Action Plan	
<p>We reviewed a sample of starters and leavers and permanent changes from November 2022 until November 2023. Of this sample we found:</p> <p>For all cases reviewed we confirmed adequate segregation of duties.</p>		N/A	

Appendix 1: Definition of Conclusions

Key for the Overall Conclusion:

Below are the definitions for the overall conclusion on the system of internal control being maintained.

	Definition	Rating Reason
Substantial	There is a sound system of internal control designed to achieve objectives and minimise risk.	<p>The controls tested are being consistently applied and risks are being effectively managed.</p> <p>Actions are of an advisory nature in context of the systems, operating controls and management of risks. Some medium priority matters may also be present.</p>
Reasonable	There is a good system of internal control in place which should ensure objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Majority of actions are of medium priority, but some high priority actions may be present.</p>
Partial	The system of internal control designed to achieve objectives is inadequate. There are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an inadequate level of internal control in place and/or controls are not being operated effectively and consistently.</p> <p>Actions may include high and medium priority matters to be addressed.</p>
Limited	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>The internal control is generally weak/does not exist. Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Actions will include high priority matters to be actions. Some medium priority matters may also be present.</p>

Management actions have been agreed to address control weakness identified during the exit meeting and agreement of the draft Internal Audit report. All management actions will be entered onto the Pentana Performance Management System and progress in implementing these actions will be tracked and reported to the Strategic Management Board and the Overview & Audit Committee.

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

Action Priority	Definition
High (H)	Action is considered essential to ensure that the organisation is not exposed to an unacceptable level of risk.
Medium (M)	Action is considered necessary to avoid exposing the organisation to significant risk.
Low (L)	Action is advised to enhance the system of control and avoid any minor risk exposure to the organisation.

Appendix 2: Officers Interviewed

The following staff contributed to the outcome of the audit:

Name:

Asif Hussain
Marcus Hussey
Laura Taylor
Jackie Vere-White

Title:

Deputy Director of Finance and Assets
Principal Accountant (Technical Accounting)
Principal Accountant (Management Accounting)
Payroll and Benefits Manager

The Exit Meeting was attended by:

Name:

Asif Hussain
Marcus Hussey
Jackie Vere-White

Title:

Deputy Director of Finance and Assets
Principal Accountant (Technical Accounting)
Payroll and Benefits Manager

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.

Appendix 3: Distribution List

Draft Report:

Mark Hemming
Asif Hussain
Marcus Hussey
Laura Taylor
Jackie Vere-White

Director of Finance and Assets
Deputy Director of Finance and Assets
Principal Accountant (Technical Accounting)
Principal Accountant (Management Accounting)
Payroll and Benefits Manager

Final Report as above plus:

Louise Harrison
Ernst and Young

Chief Fire Officer
External Audit

Audit Control:

Exit Meeting
Draft Report
Management Responses
Final Report
Audit File Ref

24 November 2023
8 January 2024
12 January 2024
29 January 2024
24-22

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.

Contact Persons

Maggie Gibb, Head of Business Assurance

Phone: 01296 387327

Email: maggie.gibb@buckinghamshire.gov.uk

Selina Harlock, Audit Manager

Phone: 01296 383717

Email: selina.harlock@buckinghamshire.gov.uk



Business Assurance and Risk Management

Contract and Critical Supplier Management - FINAL

Auditors

Maggie Gibb, Head of Business Assurance (and Chief Internal Auditor)

Selina Harlock, Audit Manager

Kirk Harrison, Audit Manager

Axolile Kopman, Assistant Manager

Harry Jay, Internal Auditor

Management Summary

Introduction

The Contract Management & Critical Supplier Management audit is part of the 2023/24 Internal Audit plan for the Buckinghamshire & Milton Keynes Fire Authority (BMKFA) ("the Authority"). The Audit Committee has commissioned this Audit in response to the significant risks associated with these areas, as identified in the Authority's Risk Register.

Contract Management is a high-value activity within the Authority, ensuring all contracts are properly managed, enforceable, and safeguarded against potential risks. The Authority spends approximately £8.7 million a year on a range of goods and services and is committed to ensuring the achievement of value for money from all supplier expenditure. This spending is a mixture of Capital and Revenue expenditure. The Authority also often works collaboratively with other Fire and Rescue Services to seek not only better pricing but also to achieve Operational alignment of Equipment and Services.

Critical Supplier Management focuses on the Authority's relationship with its key suppliers, whose disruption or failure could negatively impact the Authority's operations.

Audit Objective

The overall objective of this audit is to provide assurance over the adequacy and effectiveness of current controls over Contract Management and Critical Supplier Management and provide guidance on how to improve the current controls in the future.

This will contribute to the overall opinion on the internal control system that the Chief Internal Auditor must provide annually. It also provides assurance to the Section 112 officer that financial affairs are being properly administered.

Scope of work

The agreed scope of this audit was:

- Contract Management
- Critical Supplier Management

This audit only considered the controls in place at the time of the audit.

Table 1: Overall Conclusion

Overall conclusion on the system of internal control being maintained	Reasonable
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RISK AREAS	AREA CONCLUSION	No. of High Priority Management Actions	No. of Medium Priority Management Actions	No. of Low Priority Management Actions
Partnership Working				
Contract Management	Limited	0	4	1
Critical Supplier Management	Reasonable	1	0	0
Total	6	1	4	1

Appendix 1 defines the grading for each of the conclusions given.

Contract Management

We confirmed that a Contract Management Framework was in place, lasting from 2022 to 2026. It was submitted to and subsequently approved by the Business Transformation Board (BTB) and then the Senior Management Board (SMB). We reviewed minutes from both the BTB and the SMB to confirm that the Contract Management Framework was discussed and approved (in July & August 2022 respectively). The Framework is due for review in 2026, however, a review sooner than this may be triggered once the new Procurement Act is brought into force in October 2024. Through review of the Contract Monitoring Framework, it was noted that it does not contain any guidance related to contract management meetings with suppliers, how to monitor and report on contract expenditure, and guidance for establishing and monitoring KPIs (**Finding 2**).

The Procurement Manager advised that all contracts are held centrally on the Authority's 'N Drive' within the Finance & Procurement section. The drive has access controls so that only the Finance and Procurement Teams, as well as individual contract managers, can access the Authority's contracts. We confirmed this through observation via screen-sharing capabilities.

The Authority maintains a contracts register internally which lists each contract, the contract manager, start and end dates, contract supplier, and the contract management category (Platinum, Gold, Silver, and Bronze). Staff can access this register and easily find which staff member manages that contract, as it is stored on the staff intranet. Additionally, the contract register is also published on the authority website; without the names of contract managers. However, the

Procurement Manager advised that the Contracts Register is reviewed on a quarterly basis, but no evidence could be provided to confirm this is the case as reviews are not formally recorded; it is the responsibility of a member of the Procurement Team (**Finding 6**)

Should staff have queries regarding individual contracts, they can reach out to the contract manager directly or email a dedicated procurement inbox; procurement@bucksfire.gov.uk

We selected sample of three platinum level contracts from the Authority's Contracts Register, out of a population of 83 to undertake testing. The contracts were:

- Thames Valley Pumping Appliances: Emergency One Ltd;
- Respiratory Personal Protective Equipment (PPE): Interspiro Ltd; and
- MDT Software Maintenance: Airbus.

Through discussions with the Procurement Manager, we were informed that there is no general trend analysis for the Authority's contractual KPIs and performance is not reported upwards to senior management and there is no formal requirement for reporting. The Procurement Manager advised that the Authority has a Performance Management Board that meets monthly, and where there are significant contract issues that cannot be addressed through day-to-day operations, these will be escalated to the board for direction and action. Of the three contract samples we tested, we noted the following:

- There were no KPIs established for the MDT Software Engineering and Thames Valley Pumping Appliance contracts; and
- KPIs were agreed with the contractor for the Respiratory PPE contract in November 2023 and these are due to be tracked from January 2024. However, the contract started in December 2021, meaning more than two years have passed and contractual KPIs are still not formally in place (**Finding 4**).

The Contract Management Framework states that contract reviews, including analysis of KPIs, should be taking place quarterly for Platinum and Gold contracts. However, individual contracts may require more frequent contract management meetings. Additionally, training provided to procurement staff states that contract managers should meet regularly with suppliers. Otherwise, contract management meetings should be undertaken regularly, however, the frequency of these meetings is not formally defined; often it is left up to the contract manager, unless it is defined in the contract itself. Of the three contracts we tested, we found the following:

- Periodic contract management meetings were not going ahead for one of the three contracts (Thames Valley Pumping Appliances); and
- Regular contract management meetings were going ahead for the remaining two contracts, however, in one case (MDT Software) minutes were not taken of the fortnightly meetings, so we could not confirm if they were going ahead as scheduled (**Finding 3**).

For the Respiratory PPE contract, through review of contract management meeting minutes between the Authority and the contractor from the past six months (May to October 2023), we confirmed that meetings were going ahead. The signed contract states that monthly performance review meetings should be taking place. We confirmed that minutes are taken for each meeting and the contract manager at the Authority is in attendance, alongside the contract managers from two other authorities; as well as representatives from the contractor. In May and June, meetings took place fortnightly as the contract was still in the implementation.

The Contract Management Framework states that contract managers should maintain an 'Action log of on-going issues'. The Framework also states that all contracts, no matter what priority level, should maintain an action log to accurately record issues and follow-up to resolution. We selected three contracts to test whether actions arising from the meetings with contractors are shown to be recorded, followed-up, and resolved. We noted the following:

- Two of the three contracts (Thames Valley Pumping Appliance and MDT Software) did not contain a log of actions arising with meetings from contractors (**Finding 5**).

We were advised by the Procurement Manager that the Authority uses the Integra finance system and that all budget managers/contract managers monitor expenditure monthly via budget management forecasting. Budget holders forecast expected expenditure within the system against their budget codes, which includes contract expenditure allocated within their budget lines. We selected three contracts to test whether contract expenditure is regularly monitored by contract managers. We noted that in all three cases, contract expenditure documentation was readily available and exported from Integra. This included contract capital expenditure for the Thames Valley Pumping Appliance and Respiratory PPE contracts from April 2023 to October 2023.

We were further advised by the Procurement Manager that Integra is updated with the expenditure information via monthly forecasts completed by the budget/contract manager within the system. This is a monthly process automated by the system and managed by the budget manager/contract manager and the finance team. Integra provides built in controls that prevent any overspend of the allocated budget. We confirmed through discussions with the Procurement Manager and analysis of contract expenditure, that no overspending had occurred for the three contracts we selected.

Critical Supplier Management

BMKFA has a Contract Management Framework 2022 to 2026, which sets out the contract management process, which includes the critical supply. Per the document, the Authority prioritises its contract management activities based on:

- Risk to the organisation;
- Contract value;
- Criticality of supply; and
- Strategic significance.

BMKFA's model is designed so that contracts of a higher value and/or present the most risk to the business if not delivered, receive the upmost deliberation. Per the document, the model used a simpler presentation so that it is easier for contract managers to use. The model is based on the identification of the associated risk and impact associated with contract failure. Each contract is allocated to one of the four quadrants (platinum, gold, silver, bronze) based on the best fit to each of the four colour options. A minimum set of actions and reviews are allocated to each quadrant enabling the right level of resources to be allocated to the management of each contract. We obtained evidence that BMKFA maintains a Critical Suppliers list. Per the Contract Management Framework, contracts with a value of over £1m will always be classified as Gold or Platinum contracts. We confirmed that the three contracts above £1M were classified as a Platinum critical supplier. The following illustrates the quadrants that are used to categorise the contracts according to the risk:

- Platinum
 - Essential to delivery of the service;

- Strategic nature goods/services;
- Specialist with only a few suppliers; and
- Contracts with a value of over £1M.
- Gold
 - Commodities / Services important to delivery of projects that if not delivered could hold up the delivery of a project;
 - Suppliers may not have an agile supply option; and
 - Contracts with a value of over £1M.
- Silver
 - Specialist non-essential services/supplies; and
 - Delay to lead times manageable.
- Bronze
 - Items that are readily available from wide range of suppliers;
 - Easy to source / Call-off contract; and
 - Non-essential commodity items.

From discussions with the Procurement Manager, the risks associated with each critical supplier is assessed at the point of awarding the contract. A review of the Invitation to tender document confirmed that the BMKFA put in control measures to assess the risk. From the document, Section three sets out the financial accounts evaluation criteria with the acceptable financial ratios, (The potential service provider must score the minimum pass mark for each test in the set out table and meet the criteria to pass Procurement Dun and Bradstreet assessment; a leading and objective business risk indicator which assesses whether a business is likely to be a going concern over the next 12 months. Where a company fails any of the sub criteria or the Procurement Dun and Bradstreet assessment the Council will carry out further analysis and may request further information to assure itself that the additional risk this poses is acceptable). Section four the Council will carry out assessment using ratings models available via Procurement Dun and Bradstreet reports:

- D&B Risk Indicator
- D&B Financial Strength Indicator.

The Contract Management Framework sets out the required checks that the authority expects all its suppliers to be able to meet before they are approved. The criteria are set out in the Invitation to Tender. BMKFA also has ongoing checks to ensure the suppliers continue to remain compliant with the tendering requirement. Some are performed annually and quarterly. Also, this is also dependent on their priority classification (Platinum, Gold, Silver, or Bronze). From discussions with the Procurement Manager, BMKFA subscribes to Experian, which they use for the financial assessment of the critical suppliers. The Procurement Team is responsible for Suppliers due diligence. They carry out the checks annual via the Annual Health Check report. A review of the Annual Health Check report confirmed that BMKFA conducted Pre-contract checks for all three suppliers, including:

- Financial Checks which are performed via Experian;
- Data Protection; evidence on the Annual Health Check Spreadsheet;
- Equality, Diversity, & Inclusion; evidence on the Annual Health Check Spreadsheet;

- Insurance; evidence on the Annual Health Check Spreadsheet; and
- Relevant and adequate experience and evidence on the Annual Health Check Spreadsheet.

From discussions with the Procurement Manager, the Contract Managers are responsible for managing certain aspect of the contracts performance, while the Procurement are responsible for the other aspect of the contract performance. The performance metrics are set out in the framework document and are monitored based on their risk classification (platinum, gold, silver, and bronze). We reviewed the three samples to verify that the performance metrics are applied consistently for each sampled critical supplier, and their performance is tracked over time. The following was found:

- Business Continuity Plans: All three samples were evidenced to have a BCP in place;
- Annual contract and price review: two samples (Bryt Energy and Revolution Air Services Ltd) do not perform Annual contract and price review;
- Risk Logs/Assessments: the three samples do not have a contract risk register and on the Corporate risk register, the suppliers/contract do not appear in the register; and
- Quarterly contract reviews KPIs: the three samples do not conduct quarterly contract reviews (**Finding 1**).

Table 2: Detailed Audit Findings and Management Action Plan

Finding 1: Performance Metrics of Critical Suppliers	Risk Rating	Agreed Management Actions
<p>Performance metrics are set out in the Contract Management Framework document and are monitored based on their risk classification (platinum, gold, silver, and bronze). Per the framework, the Contract Managers are responsible for managing the following aspect of the contracts performance:</p> <ul style="list-style-type: none"> • Business continuity plans; • Annual contract and price review; • Risk logs/assessments; and • Quarterly contract reviews of KPIs. <p>We reviewed three random samples to verify that the performance metrics are applied consistently for each sampled critical supplier, and their performance is tracked over time. The following was found:</p> <ul style="list-style-type: none"> • Two of the samples (Bryt Energy and Revolution Air Services Ltd) do not perform Annual contract and price reviews; • The three samples do not have a contract risk register and on the Corporate risk register, the suppliers/contract are not listed; and • Quarterly contract reviews were confirmed not to taking place. <p>There is a risk that the BMKFA does not track the performance of its critical suppliers, resulting in non-performing suppliers not being identified and underperformance is not corrected.</p> <p>The Authority should implement a routine reporting schedule, either monthly or quarterly, to provide timely updates on contract performance. The Authority should further schedule and conduct contract monitoring meetings as per stipulated frequency, ensuring consistent engagement to facilitates proactive issues resolution and effective contract monitoring.</p>	<p>H</p>	<p>Action:</p> <p>A “Contract Management Central Log” will be set up to record that contract management is being completed by contract managers, in accordance with the Contract Management Framework.</p> <p>This will include:</p> <ul style="list-style-type: none"> • Contract Management Category • Contract reviews • Meetings & Action Log • KPI’s, if applicable • Contract budget cost centre monitoring • Contract term, extensions & exit <p>This will be monitored quarterly and reported to senior Heads of Service/Department.</p> <p>Officer responsible: Procurement Manager</p> <p>Date to be implemented by: September 2024</p>

Finding 2: Contract Management Framework	Risk Rating	Agreed Management Actions
<p>The Authority has a Contract Management Framework in place, covering the period August 2022 to August 2026 which was approved by both the BTB and SMB in July 2023 and August 2023 respectively.</p> <p>However, it was noted that through review of the Contract Monitoring Framework, it does not contain any guidance related to contract management meetings with suppliers, how to monitor and report on contract expenditure, and guidance for establishing and monitoring KPIs.</p> <p>Where key policies and procedural guidance do not fully cover a process or reflect current practice, there is a risk that staff may manage contracts incorrectly or inefficiently.</p> <p>The Authority should ensure that procedural guidance covers best practices for contract management meetings, how to monitor and report on contract expenditure, and establishing and monitoring.</p>	M	<p>Action:</p> <p>“Procurement to Contract Manager Handover” guidance document to be provided to Contract Managers.</p> <p>This guidance document will support the requirements set out in the Contract Management Framework.</p> <p>This will contain a link to the further guidance already available to all Contract Managers through the e-learning platform Contract Management training package.</p> <p>Officer responsible: Procurement Manager</p> <p>Date to be implemented by: June 2024</p>
Finding 3: Contract Management Meetings	Risk Rating	Agreed Management Actions
<p>We selected a sample of three platinum level contracts from the Authority's Contracts Register, out of a population of 83 to test whether periodic contract management meetings are taking place, to an appropriate or required frequency, appropriately documented, and are attended by the appropriate staff. We noted the following:</p> <ul style="list-style-type: none"> Thames Valley Pumping Appliance Contract: The contract manager for this contract advised that periodic contract management meetings have not been taking place with the contractor. The signed contract does not outline the frequency of contract management meetings but does state that they should be taking place regularly. The Contract Manager did advise that regular contact is made with the supplier through phone calls and emails, but formal meetings with minutes and action trackers do not take place. For this contract, there are build schedules to meet and the contract manager will attend on site to inspect the progress of orders. We reviewed an invoice 	M	<p>Action:</p> <p>This will be addressed through the introduction of the “Procurement to Contract Manager Handover” guidance document (refer to Finding 2).</p> <p>Officer responsible: Procurement Manager</p> <p>Date to be implemented by: June 2024</p>

<p>to confirm that they had booked a trip to Scotland to visit the contractor in person as the contractor is based in Scotland. The trip was scheduled for December 2023.</p> <ul style="list-style-type: none"> • MDT Software Contract: The contract manager advised that they meet with the contractor fortnightly due to the imperative nature of the contract. This is a multi-authority contract, so they meet with the contractor alongside representatives from Oxfordshire and Royal Berkshire Fire Rescue Services. However, we were advised that meetings are not minuted so no evidence could be provided to confirm meetings were going ahead as scheduled. The signed contract does not define how frequently contract monitoring meetings should be taking place. <p>Where contract managers are not meeting with the contractor periodically, there is a risk that poor performance or issues with the services provided are not identified and addressed in a timely manner. If meetings are not minuted, there is a risk that key decisions or actions cannot be referred back to due to a lack of an audit trail.</p> <p>The Authority should ensure that contract managers are reminded of the importance of periodic contract management meetings with the contractors they manage. Contract management meetings should be minuted and retained for future reference.</p> <p>Meetings should be held at the frequency defined in each individual contract; where this is not applicable, a standard frequency should be established for guidance and included within the Contract Management Framework. Frequency of meetings should be determined by contract priority.</p>		
<p>Finding 4: Contract KPIs and Performance Reporting</p>	<p>Risk Rating</p>	<p>Agreed Management Actions</p>
<p>Through discussions with the Procurement Manager, we were informed that there is no general trend analysis for the Authority's contractual KPIs and performance is not reported upwards to senior management and there is no formal requirement for reporting.</p> <p>The Procurement Manager advised that the Authority has a Performance Management Board that meets monthly, and where there are significant contract issues that cannot be addressed through day-to-day operations, these will be escalated to the board for direction and action. We selected a sample of three platinum level contracts from the Authority's Contracts Register, out of a population of 83 to test whether KPIs have been established and that they are actively analysed and discussed with contractors. We noted the following:</p>	<p>M</p>	<p>Action:</p> <p>This will be addressed by the introduction of:</p> <p>The “Procurement to Contract Manager Handover” guidance document (refer to Finding 2).</p> <p>This will be monitored and reported on by the introduction of the “Contract Management Central Log” (refer to Finding 1).</p>

<ul style="list-style-type: none"> • There were no KPIs established for the MDT Software Engineering and Thames Valley Pumping Appliance contracts. The former is over 20 years old, and they do not have a lot of choice and have to be consistent with two other authorities. The latter, they are wary of implementing KPIs and penalties due to the niche nature of the services they provide; they want to maintain a good relationship with the supplier and some of the items have a 10 year warranty which provides some assurance. However, KPIs are not just a stick to punish poor performance. • KPIs have been agreed for the Respiratory but are not officially reported on yet as the contract has been in the implementation phase for 12 months. We reviewed the draft KPIs to confirm they were in place, and they are set to come into force from January 2024. A total of seven KPIs have been established with corresponding targets, and these include measures such as: compliance with the Authority's H&S procedures and all goods should meet the agreed quality standards. <p>Where KPIs have not been established and are not reported on to senior management, there is a risk that poor performance remains unidentified and measures to improve performance are not put in place.</p> <p>The Authority should ensure that, where applicable, KPIs and corresponding performance targets are established for all contracts. Contract Managers should discuss KPI performance with their respective contractor periodically, and KPI performance across all contractors should be recorded centrally and reported to senior management.</p>		<p>Officer responsible: Procurement Manager</p> <p>Date to be implemented by: September 2024</p>
<p>Finding 5: Contract Management Action Trackers</p>	<p>Risk Rating</p>	<p>Agreed Management Actions</p>
<p>The Contract Management Framework states that contract managers should maintain an 'Action log of on-going issues'. The Framework also states that all contracts, no matter what priority level, should maintain an action log to accurately record issues and follow-up to resolution.</p> <p>We selected a sample of three platinum level contracts from the Authority's Contracts Register, out of a population of 83 total contracts to test whether actions arising from the meetings with contractors are shown to be recorded, followed-up, and resolved. We noted the following:</p> <ul style="list-style-type: none"> • MDT Software and Thames Valley Pumping Appliance: We were advised by both contract managers that meeting minutes are not taken and that action logs that include issues that should have been raised during periodic contract management meetings are not drafted. 	<p>M</p>	<p>Action: This will be monitored through the creation of the "Contract Management Central Log" (refer to Finding 1).</p> <p>Officer responsible: Procurement Manager</p> <p>Date to be implemented by: September 2024</p>

<p>Where action logs are not maintained and updated between contract management meetings, there is a risk that agreed actions are not followed up on and completed.</p> <p>The authority should ensure that key decisions and actions for completion that are raised during contract management meetings are tracked in action logs and marked as complete or updated with new deadlines.</p>		
<p>Finding 6: Contracts Register</p>	<p>Risk Rating</p>	<p>Agreed Management Actions</p>
<p>The Authority maintains a contracts register internally which lists each contract, the contract manager, start and end dates, contract supplier, and the contract management category (Platinum, Gold, Silver, and Bronze).</p> <p>The Procurement Manager advised that the Contracts Register was reviewed on a quarterly basis, however, this could not be formally evidenced as taking place. We were also advised that the review may not involve changing the name of the contract manager as contract management is awarded based on someone's role, rather than the individual. It was noted through review of the Register that the role of the contract manager is not actually listed, so if staff had query regarding a contract, the contract manager may not be easily identifiable if the previous manager has left the authority or changed roles.</p> <p>Where a contracts register is not periodically updated and reviewed for accuracy, there is a risk that staff are unable to reach the contract manager and queries or issues remain unresolved.</p> <p>The Authority should ensure that the contracts register is subject to periodic review and signed off as evidence of completion. The review should include a check to confirm that all contracts are current and have not expired, and that the contract manager information is up to date and correct.</p>	<p>L</p>	<p>Action:</p> <p>The Contract Register is a 'Live' document, reviewed and updated as part of the business-as-usual activities of the procurement team.</p> <p>An internal Contract Register with the Contract Managers' job titles will be refreshed monthly and published to the staff Intranet.</p> <p>Officer responsible: Procurement Manager</p> <p>Date to be implemented by: April 2024</p>

Appendix 1: Definition of Conclusions

Key for the Overall Conclusion:

Below are the definitions for the overall conclusion on the system of internal control being maintained.

	Definition	Rating Reason
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	<p>The controls tested are being consistently applied and risks are being effectively managed.</p> <p>Actions are of an advisory nature in context of the systems, operating controls and management of risks. Some medium priority matters may also be present.</p>
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Majority of actions are of medium priority but some high priority actions may be present.</p>
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	<p>There is an inadequate level of internal control in place and/or controls are not being operated effectively and consistently.</p> <p>Actions may include high and medium priority matters to be addressed.</p>
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	<p>The internal control is generally weak/does not exist. Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Actions will include high priority matters to be actioned. Some medium priority matters may also be present.</p>

Management actions have been agreed to address control weakness identified during the exit meeting and agreement of the Internal Audit report. All management actions will be entered onto the Pentana Performance Management System and progress in implementing these actions will be tracked and reported to the Strategic Management Board and the Overview & Audit Committee.

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

Action Priority	Definition
High (H)	Action is considered essential to ensure that the organisation is not exposed to an unacceptable level of risk.
Medium (M)	Action is considered necessary to avoid exposing the organisation to significant risk.
Low (L)	Action is advised to enhance the system of control and avoid any minor risk exposure to the organisation.

Appendix 2: Officers Interviewed

The following staff contributed to the outcome of the audit:

Name:	Title:
Ronda Smith	Procurement Manager

The Exit Meeting was attended by:

Name:	Title:
Ronda Smith	Procurement Manager

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.

Appendix 3: Distribution List

Draft Report

Name:	Title:
Mark Hemming	Director of Finance and Assets
Ronda Smith	Procurement Manager

Final Report as above plus:

Name:	Title:
Louise Harrison	Chief Fire Officer
Ernst and Young	External Audit

Audit Control:

Deliverable	Date
Closing Meeting	09/01/2024
Draft Report	07/02/2024
Management Responses	09/02/2024
Final Report	13/02/2024

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.

Contact Persons

Maggie Gibb, Head of Business Assurance

Phone: 01296 387327

Email: maggie.gibb@buckinghamshire.gov.uk

Selina Harlock, Audit Manager

Phone: 01296 383717

Email: selina.harlock@buckinghamshire.gov.uk