BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Annual internal audit report 2020/21

Final

July 2021

THE POWER OF BEING UNDERSTOOD
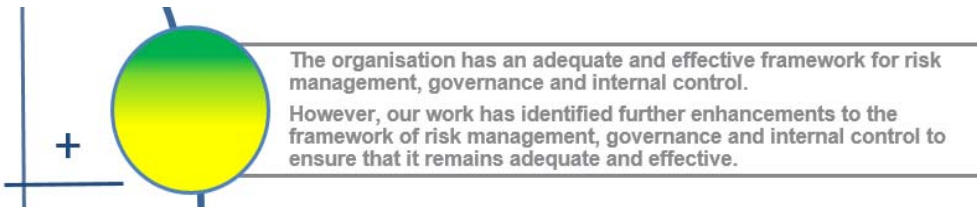AUDIT | TAX | CONSULTING

RSM

THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance reporting.

The opinion

For the 12 months ended 31 March 2021, the head of internal audit opinion for Bedfordshire Fire & Rescue Authority is as follows:

> The organisation has an adequate and effective framework for risk management, governance and internal control.
>
> However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Overview and Scrutiny Committee, our opinion is subject to inherent limitations, as detailed below:

- internal audit has not reviewed all risks and assurances relating to the organisation;

- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led risk register. The risk register is one component that the accountable officer takes into account in making its annual governance statement (AGS);

- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management;

- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;

- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention; and

- our internal audit work for 2020/21 has been undertaken through the substantial operational disruptions caused by the Covid-19 pandemic. In undertaking our audit work, we recognise that there has been a significant impact on both the operations of the organisation and its risk profile, and our annual opinion should be read in this context.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

We issued five reports where we concluded that the Authority could take either substantial or reasonable assurance which have contributed to our **Internal Control opinion.** This included the Risk Management and Service Governance reviews which contributed significantly to our **Governance opinion** and **Risk Management opinion**. The key findings were as follows:

Use of Risk Information – Reasonable Assurance

Overall, we found a well-designed and applied control framework in place for the collection, management and reporting of site-specific risk information. We did identify instances where risk information documentation was due for review and reporting and monitoring requirements had not been fully complied with.

Risk Management – Reasonable Assurance

We found that there had been significant improvement to the risk management processes since our last review of this area in January 2019. The organisation were on the journey to get Risk Management embedded across the organisation. The Service had redesigned its risk register to improve the management of its risks, including the introduction of a three lines of defence model to routinely document controls and assurances.

This review identified some further areas for improvement in the control framework, including review of the accuracy of policy and procedure documentation, risks being clearly aligned to organisational objectives and greater consistency in the evidence held to demonstrate the review and reporting of risks. These areas were required to be reviewed to strengthen the control framework and to help ensure that the organisation's risks were effectively managed.

Human Resources – Support Staff Recruitment – Reasonable Assurance

Our testing identified that the Service's draft Recruitment and Selection Policy had adequate coverage of the recruitment process and that plans for the approval and ongoing review of the Policy were in place. Through sample testing of replacement hire recruitment, we confirmed that the Service had adequate controls, which were complied with, for the approval of authority to recruit, advertisements, interviews and written offers of employment. We noted that the Service had made adaptations to the recruitment process as a result of COVID-19, including the use of virtual interviews. We did not identified any issues in relation to the timeliness of the recruitment process.

However, we identified a weakness in compliance with, and the evidencing of, the approval process for new posts which increased base establishment. We also identified scope for improving efficiency and quality in relation to the full and accurate completion of termination forms and HR checklists and the level of panel member training.

Key Financial Controls – Substantial Assurance

Our review identified that there was a robust and well-designed control framework in place, and these were complied with for the majority of our sample testing. We agreed one medium priority action.

Service Governance – Reasonable Assurance

Our review confirmed that controls were generally well designed and complied with in relation to the Service's governance. We found that out of a sample of five meeting groups: four had a terms of reference; all were quorate or, where not quorate, no decisions were made; a sample of three responsibilities outlined in each of our sample of five groups' terms of reference were being met; and, actions were being routinely reviewed and added to a log. We also found that the Service Pandemic Planning Group had a terms of reference in place and they were meeting a sample of their responsibilities, and that the Fire and Rescue Authority and its committees had terms of reference in place with key information such as responsibilities, meeting frequencies and reporting arrangements.

However, we did find issues in relation to: the lack of a formal governance structure chart; three groups' terms of reference not including clear reporting and accountability lines and two not being regularly reviewed; meeting papers for the CMT not clearly indicating whether each item was for information only or required a decision; and conflicts of interest and quoracy were not being checked for all groups.

We issued the following report where we concluded that the Authority could only take **partial assurance**:

Procurement – Proactive Processes and Remedial Action: Partial Assurance

Our review found that the service was aware, prior to our audit, of the need to improve compliance in the Procurement function and to ensure that robust planning measures were in place. As a result, the organisation had developed plans for remedial action and, whilst these were not fully complete at the time of our review, the service aimed for all remedial planning work to be completed by September 2020. This demonstrated that the service had made a clear effort to improve procurement compliance and ensure that appropriate processes were in place going forward.

We however noted areas where improvements were still required, including the documenting of responsibilities and key processes in policy documentation, the completion of remedial plans and subsequent approval and monitoring, and a formal mechanism being required for the communication of new requirements from the Programme Management Office to Procurement, to allow for effective planning. We also found that procurement training had not been delivered and there was no reporting taking place on the effectiveness of the organisation's procurement. In forming our opinion, we recognise there had been positive investments in practice by the procurement team which, once supported by the completion of remedial plans and overarching governance arrangements, should improve the control framework. However, at the time of our audit, the control framework still had some significant weaknesses which require completion and improvement.

We also undertook two advisory reviews as detailed below:

Cyber Essentials: Advisory

The Service completed a self-assessment questionnaire on 28 May 2020. Based upon the evidence available at the time of our fieldwork, we found that 15 of the 34 requirements from the five Cyber Essentials control themes had evidence to support the self-assessment that controls are established.

Of the remaining 19 requirements, four were self-assessed as implemented but not tested (this was due to required information not being provided at the time of the audit, despite request) and issues were identified in the remaining 15, some of which had been identified by the Service. These issues were identified across the Boundary Firewalls and Internet Gateways, Secure Configuration, Malware Protection and Patch Management control themes.

Since the completion of our work, the Service has gained Cyber Essentials Plus in June 2020.

Human Resources – Wellbeing: Advisory

Through completion of the audit, we identified that well-designed controls for supporting the wellbeing of staff and officers have been implemented, including the adoption of the TRiM Model, the publication of the Our People Strategy and TRiM Policy, regular and ad-hoc wellbeing publications and sessions, the provision of mental health first aid training, and the conduct of three-yearly employee wellbeing survey which had helped inform the development of the Action Plan.

However, we noted whilst the Service had a Wellbeing Policy in place, it had not been reviewed in line with defined timescales. We also noted that whilst the Service had developed an Action Plan to address the employee survey results and Strategy objectives, it had not been appropriately monitored or updated. We further noted that there were no means by which the Service could be assured that all potentially affected staff and officers had been contacted by a TRiM Practitioner. In addition, we noted that a Terms of Reference (ToR) had not been developed for the newly established Mental Health and Wellbeing Steering Group.

Topics judged relevant for consideration as part of the annual governance statement

Based on the work we have undertaken on the Authority's system on internal control, we consider that the issues identified above within partial assurance review (Procurement – Proactive Processes) and advisory review of Cyber Security should be areas that are considered by the Authority to be flagged as significant control issues when drafting the Annual Governance Statement (AGS).

In addition, the current COVID19 pandemic and its impact on the operations of the Authority will obviously need reflecting in the annual governance statement.

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2020/21.

Implementation of internal audit management actions

Taking account of the issues identified through our work, in our opinion Bedfordshire Fire & Rescue Authority has demonstrated **reasonable progress** in implementing agreed management actions.

Of the 19 actions followed up, 14 had been implemented, one had been superseded, three were in the process of being implemented, and one had not yet been implemented. Those in progress related to: implementing a consistent stock check process, documenting approval of the Procurement Activity Plan and Contracts Commissioning Review, and periodic reporting of progress on the Procurement Activity Plan and Contract Commissioning Review. The remaining action not yet implemented related to tracking stock movements which was delayed due to the ongoing system transfer to BlueLight.

Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE
Wider value adding delivery

Area of work	How has this added value?
Issue of Emergency Services Briefings	The sector briefings provide both Management and Authority Members with an insight of key risks, issues and an update of any changes in sector requirements.
Webinar invitations	Various invitations have been sent to management to attend webinars to inform of any sector and wider sector updates. Examples include VAT, Employment Tax and Change Management.
Off-payroll working / IR35	We have provided Emergency Services clients with updates in relation to the Off-payroll working / IR35 rules, following the launch of the Government review into the implementation of the changes to the off payroll working rules that will aim to determine if any further steps can be taken to ensure the 'smooth and successful implementation' of the reforms.
Managing Risks in a Changing Environment - Analysis of fire and rescue service risk registers	Analysis of the risk facing the fire and rescue services across the country to enable the organisation to compare and benchmark your risks and identify any potential gaps in risk identification.
Emergency Services - benchmarking of internal audit findings 2019/20	We provided management with our annual Emergency Services - benchmarking of internal audit findings 2019/20, which compares the numbers of actions agreed and the assurance opinions provided across the sector in our client base.
Coronavirus: Various briefings and webinars	RSM have delivered a number of webinars and client briefings in relation to Coronavirus (ranging from Government financial support for employers, fraud briefings, HR and Legal Support etc).

Conflicts of interest

RSM has not undertaken any work or activity during 2020/21 that would lead us to declare any conflict of interest.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that 'there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.' RSM was found to have an excellent level of conformance with the IIA's professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.
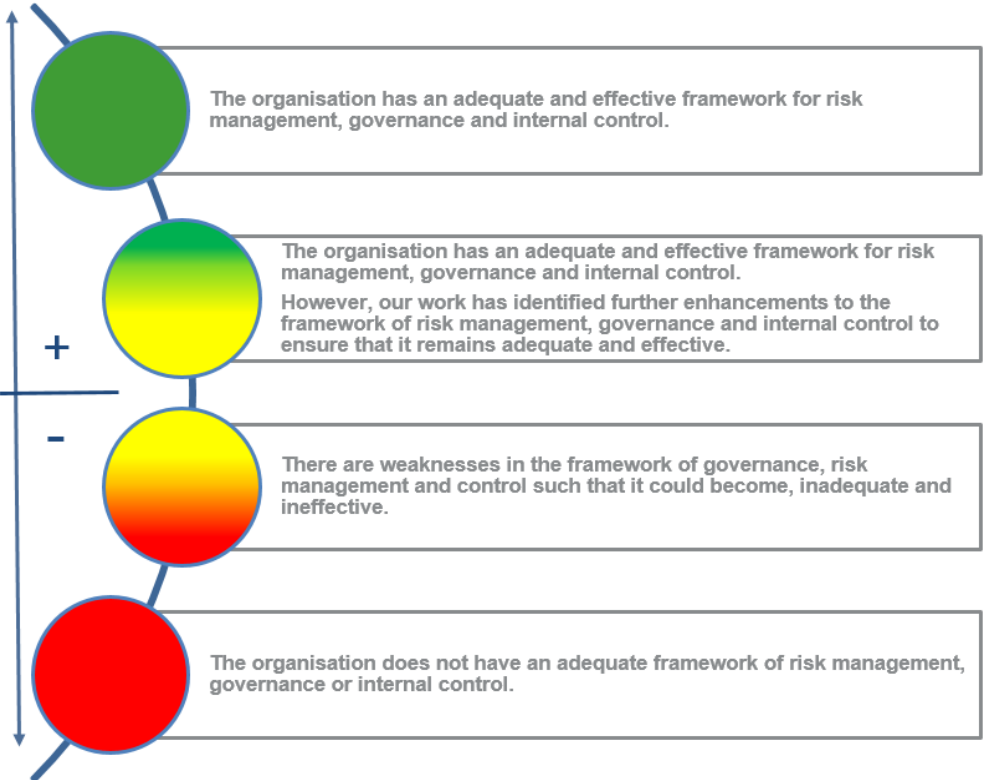
Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
The organisation has an adequate and effective framework for risk management, governance and internal control. The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective. There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective. The organisation does not have an adequate framework of risk management, governance or internal control.	The factors which are considered when influencing our opinion are: • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2020/21

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Assurance level	Actions agreed		
		L	M	H
Use of Risk Information (1.20/21)	Reasonable Assurance [●]	3	1	0
Risk Management (2.20/21)	Reasonable Assurance [●]	2	4	0
Procurement - Proactive Processes and Remedial Action (3.20/21)	Partial Assurance [●]	1	5	0
Cyber Essentials (4.20/21)	Advisory [●]	5	6	0
Human Resources – Support Staff Recruitment (5.20/21)	Reasonable Assurance [●]	3	1	0
Key Financial Controls (6.20/21)	Substantial Assurance [●]	1	1	0
Human Resources – Wellbeing (7.20/21)	Advisory [●]	1	4	0
Service Governance (8.20/21)	Reasonable Assurance [●]	6	3	0
Follow Up (9.20/21)	Reasonable Assurance [●]	2	2	0

APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the authority can take:
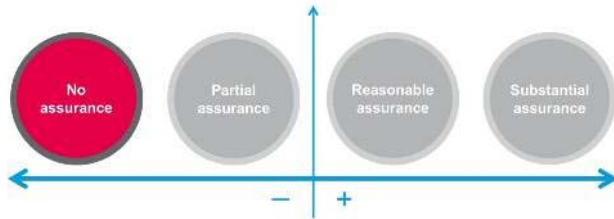
	Taking account of the issues identified, the authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).
	Taking account of the issues identified, the authority can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action is needed to strengthen the control framework to manage the identified risk(s).
	Taking account of the issues identified, the authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).
	Taking account of the issues identified, the authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.
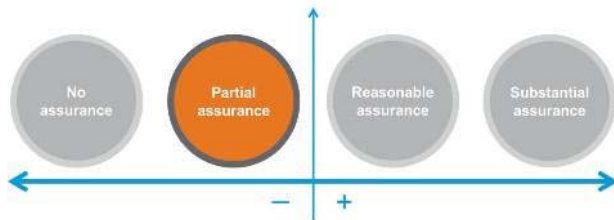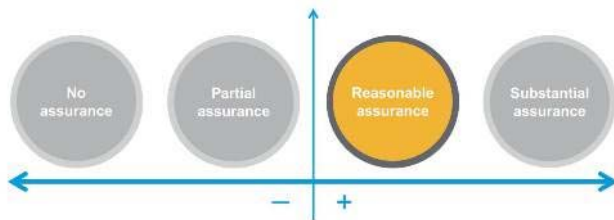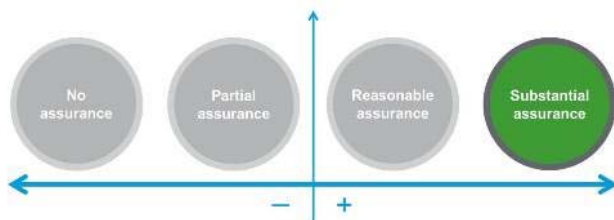
YOUR INTERNAL AUDIT TEAM

Name: Dan Harris, Head of Internal Audit

Email address: daniel.harris@rsmuk.com

Telephone number: 07792 948767

Name: Suzanne Rowlett, Senior Manager

Email address: suzanne.rowlett@rsmuk.com

Telephone number: 07720 508148

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