



# BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

**Annual internal audit report 2018/2019**

**April 2019**

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To the fullest extent permitted by law, RSM Risk Assurance Services LLP  
will accept no responsibility or liability in respect of this report to any other party.





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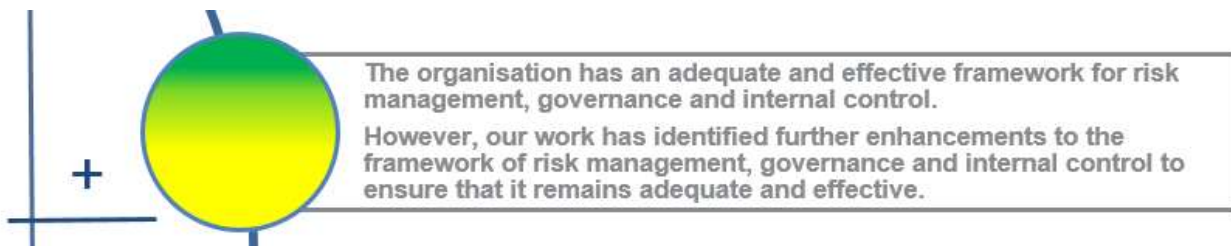
# 1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual 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 statement.

## 1.1 The opinion

For the 12 months ended 31 March 2019, the head of internal audit opinion for Bedfordshire Fire and Rescue Authority is as follows:

### Head of internal audit opinion 2018/19



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

## 1.2 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 audit and standards committee, our opinion is subject to inherent limitations, as detailed below:

- the opinion does not imply that internal audit has 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 management framework. As such, the risk management framework is one component that the Authority 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;
- the opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- 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 attention; and
- 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 seen as a substitute for management responsibility around the design and effective operation of these systems.

### 1.3 Factors and findings which have informed our opinion

Factors and findings which have informed our opinion:

The Internal Audit work undertaken in 2018/19 has identified that an adequate control framework had been established across the majority of areas we tested within the organisation, with both strategic and operational audits identifying a clear control framework. The organisation can take substantial assurance for two reviews (Use of Risk Information and Key Financial Controls) and partial assurance for one review (Stock Control) where issues had also been identified by management prior to the start of the audit. In addition, as part of our follow up of previous actions we found that reasonable progress had been made in implementing the actions.

The key issue identified within our Stock Control audit were a number of discrepancies in the counting of stock, attributable to the incorrect use of the Microsoft Dynamics GP stock management system. As a result, we were unable to locate a number of items which were held as stock on the system with our testing of a sample of 20 stock lines noting a potential incorrect stock value of £57.5k of a total sample stock value of £82k (70 per cent error rate).

The Authority can take reasonable assurance from our Risk Management review which covered the arrangements in place for risk management, reviewed risk registers and compliance with the established control framework. We did identify some areas for improvement in relation to the ongoing monitoring and escalation of risks overdue for review. Overall, we noted that there had been improvement in the management of this area since our last review in April 2018.

As part of our Governance review, coverage included the transparency and the clarity of decision making within the senior decision making groups and identified no significant areas of concerns. We agreed one medium priority action and four low priority actions in order to enhance processes. We therefore concluded that the organisation could take reasonable assurance from this review.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

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

Based on the work we have undertaken on the system on internal control, we do not consider that within these areas there are any issues that need to be flagged as significant control issues within the AGS. However, we would expect the Authority to consider in the formulation of the AGS, the internal control weaknesses identified within our partial assurance opinion summarised above, along with the actions taken to address the issues identified.

## 2 THE BASIS OF OUR INTERNAL AUDIT OPINION

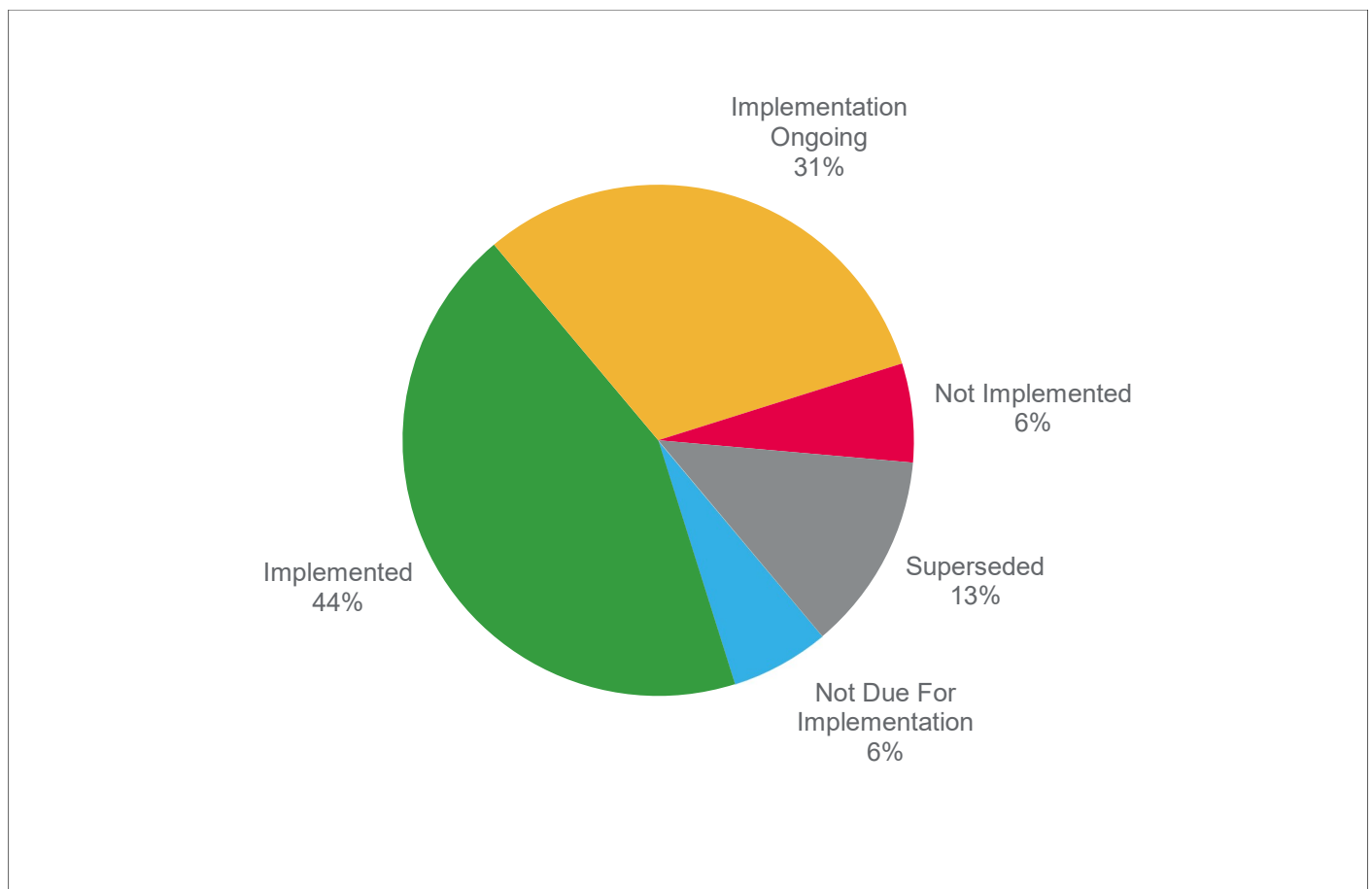
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

### 2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2018/19. Please note two reports remain in draft at the time of writing this report.

### 2.2 Implementation of internal audit management actions

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made reasonable progress in implementing the agreed management actions:



### 2.3 Working with other assurance providers

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

## 3 OUR PERFORMANCE

### 3.1 Wider value adding delivery

As part of our client service commitment, during 2018/19 we have issued three emergency services sector briefings which were presented to the Audit and Standards Committee. We will continue to share our briefings with you during 2019/20.

As part of our Governance audit, we have completed benchmarking using data available in the public domain for 14 Fire Authorities for the following areas:

- Number of members and meetings of the Fire Authority;
- Number of Committees of the Fire Authority;
- Number of members and meetings for the Committees of the Fire Authority; and
- Fire Authority members remuneration.

This findings of this benchmarking exercise can be used by Bedfordshire Fire and Rescue Authority to help inform and support any changes which the FRA intend to make

We have also provided benchmarking within our reports where possible on the number and category of actions and assurance opinions across organisations similar to yourself.

We have made suggestions throughout our audit reports based on our knowledge and experience in the public sector to provide areas for consideration.

We have met regularly with management to discuss best practice and potential joint reviews across our wider Fire Authority / Service client base.

### 3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2018/19 that would lead us to declare any conflict of interest.

### 3.3 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.

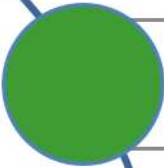
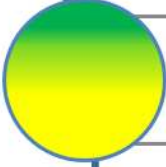
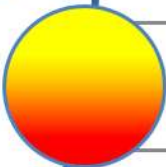
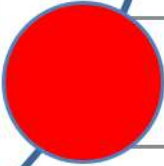
### **3.4 Quality assurance and continual improvement**

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
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> <li>• inherent risk in the area being audited;</li> </ul>
<p>+</p>  <p>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.</p>	<ul style="list-style-type: none"> <li>• limitations in the individual audit assignments;</li> <li>• the adequacy and effectiveness of the risk management and / or governance control framework;</li> </ul>
<p>-</p>  <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	<ul style="list-style-type: none"> <li>• the impact of weakness identified;</li> </ul>
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<ul style="list-style-type: none"> <li>• the level of risk exposure; and</li> <li>• the response to management actions raised and timeliness of actions taken.</li> </ul>



## APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2018/19

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Governance	Paul Fuller, Chief Fire Officer	Reasonable Assurance	0	1	4
Use of Risk Information	Gary Jeffery - Service Operational Commander	Substantial Assurance	0	1	2
Key Financial Controls	Gavin Chambers - Head of Finance	Substantial Assurance	0	0	1
Risk Management	Andy Peckham - Head of Service Development and Organisational Assurance	Reasonable Assurance	0	3	7
Stock Control	Gavin Chambers - Head of Finance	Partial Assurance	0	4	0
Follow Up	Karen Daniels - Service Assurance Manager	Reasonable Progress	0	2	5

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.

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance, the authority can take:

	<p>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).</p>
	<p>Taking account of the issues identified, the authority can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the authority can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. 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).</p>
	<p>Taking account of the issues identified, the authority can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

## FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Bedfordshire Fire and Rescue Authority, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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