



# ROYAL BERKSHIRE FIRE AND RESCUE AUTHORITY

## **Annual Internal Audit Report 2018/2019**

**Audit & Governance Committee of 17 September  
2019**

This report is solely for the use of the persons to whom it is addressed.  
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 Royal Berkshire 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 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 assurance framework. As such, the assurance framework is one component that the board 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 and the lead individual;
- 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

### Risk Management and Governance:

In 2018/19, we completed a review of the Authority's Risk Management and Governance process. The review consisted of a deep dive of a sample of corporate and a small sample of operation risks alongside a review of the governance arrangement to ensure strategic plans and objectives had been set, with periodic review and scrutiny.

Our review concluded that the Authority could take substantial assurance, with no management actions agreed.

### Internal Controls:

In addition to the review noted above, at the time of writing RSM has also undertaken an additional six assurance and one follow up review. The authority could take substantial assurance for five reviews (Capital Investment Strategy, Vehicle Disposal Methods, HR Recruitment, Fire Fighter Pension Administration, and Key Financial Controls), reasonable assurance for one (Facilities Management), and the follow up report concluded that good progress had been made to implement previously agreed actions (Payroll Provider Follow up).

The plan for 2018/19 also includes two advisory reviews (GDPR and PAYE & VAT), where no formal assurance opinion is issued. However, these reviews have contributed to our overall control opinion and resulted in seven advisory actions (GDPR) and one medium and two low priority actions (PAYE & VAT).

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

## 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

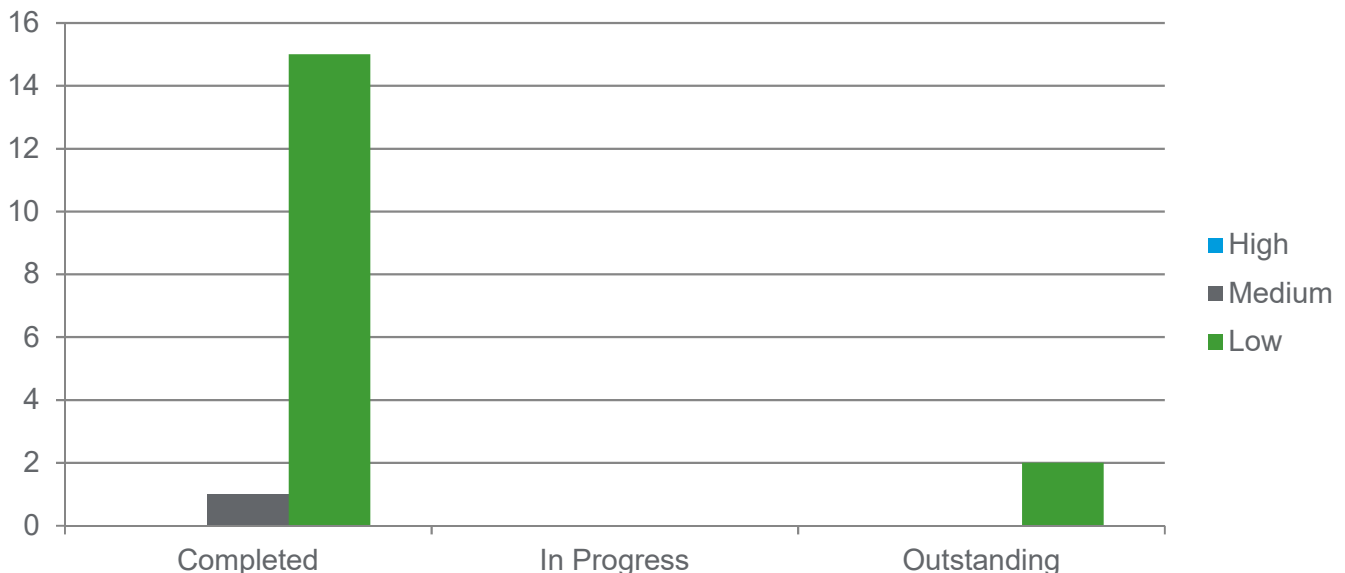
Management have agreed actions to address all of the findings reported by the internal audit service during 2018/2019. One review is still in progress.

### 2.2 Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress has been reported to the Audit and Governance committee, with the validation of the action status confirmed by internal audit through a review of actions where we have undertaken the same review in 2018/19, these reviews related to:

- Key Financial Controls 2018/19
- Risk Management and Governance 2018/19
- Payroll Provider 2018/19

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made **good progress** in implementing the agreed 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 Conflicts of interest

RSM has not undertaken any work or activity during 2018/2019 that would lead us to declare any conflict of interest.

### 3.2 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.

### 3.3 Quality assurance and continual improvement

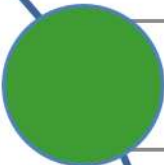
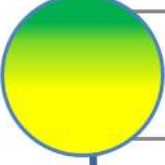
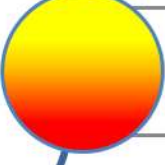
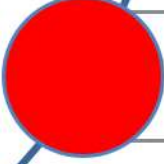
To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any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

At the time of writing, we have not received any responses to the surveys issued to the Authority as part of our feedback process.

# 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> <li>the level of risk exposure; and</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 response to management actions raised and timeliness of actions taken.</li> </ul>

# APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2018/2019

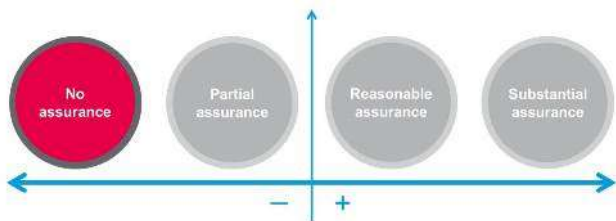
Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Facilities Management 1. 18/19	Deputy Chief Fire Officer		0	0	5
Capital Investment Strategy 2. 18/19	Assistant Chief Fire Officer		0	0	0
Risk Management & Governance 3. 18/19	Head of Corporate Services		0	0	0
Vehicle Disposals (4. 18/19)	Deputy Chief Fire Officer		0	0	0
HR – Recruitment (5. 18/19)	Head of Human Resources and Learning & Development		0	0	2
General Data Protection Regulation (6. 18/19)	Director of Support Services	Advisory	7 advisory		
Follow up of Review of Payroll Provider (7. 18/19)	Head of Human Resources and Learning & Development	Good progress	n/a	n/a	n/a
Firefighter Pension Administration (8. 18/19)	Head of Human Resources and Learning & Development		0	0	1
Key Financial Controls (9. 18/19)	Head of Finance and Procurement		0	1	1



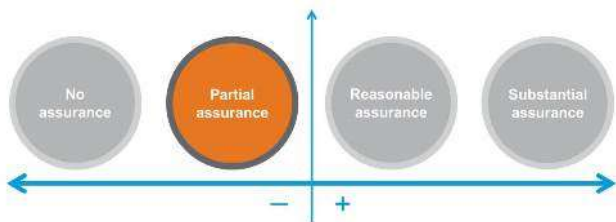
Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Tax Process Review (VAT and PAYE) (10. 18/19)	Head of Finance and Procurement	Advisory	0	1	2

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.

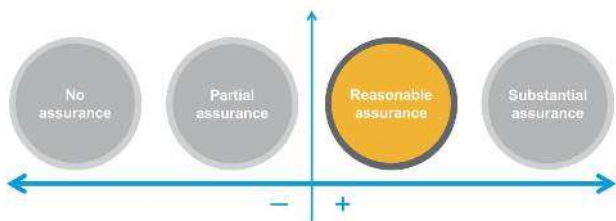
We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:



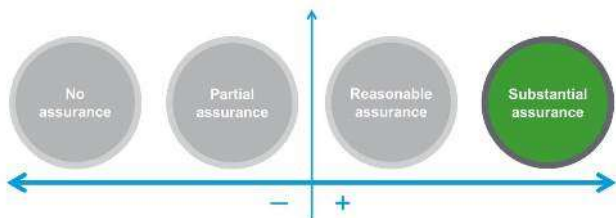
Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board 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).



Taking account of the issues identified, the board 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).



Taking account of the issues identified, the board 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.

## 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 Royal Berkshire 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.

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

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