



# ROYAL BERKSHIRE FIRE & RESCUE SERVICE

## Governance and Risk Management

Internal audit report 7.22/23

Final

9 June 2023

This report is solely for the use of the persons to whom it is addressed. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

# 1. EXECUTIVE SUMMARY

## Why we completed this audit

We undertook a review of Governance and Risk Management as part of the agreed internal audit plan for 2022/23 at Royal Berkshire Fire and Rescue Service (RBFRS). The objective of this review was to allow the Service to take assurance regarding the adequacy and appropriateness of its governance arrangements and to ensure that the risk management framework and associated processes were embedded within operations.

The governance structure within the organisation consists of the Fire Authority and two standing committees, the Audit and Governance Committee and Management Committee. Ordinary meeting dates are agreed as part of the municipal calendar at the beginning of the year, with forums expected to undertake duties as outlined within the respective terms of reference. Overall responsibility for governance and risk management lies with the Director of Support Services within the organisation.

The Corporate Plan defines the strategic objectives for the period 2019-2023 and the Performance Management Framework (PMF) outlines how performance is monitored. An Annual Plan is also prepared to set out the actions and targets for the year to assist in the achievement of strategic objectives.

Current, inherent, and treated risk scores are identified based on the matrix outlined within the organisation's Organisational Risk Management Policy. Scores of six and below are rated low, between seven and 16 are medium, whilst 17 and above are high rated.

The Corporate Risk Register (CRR) comprises of strategic risks as well as those risks with current and treated scores equal to or greater than 17. The Senior Leadership Team (SLT) discusses the CRR monthly as a standing agenda item, while highlights from the CRR are also included within the performance reports reviewed by the Audit and Governance Committee and Strategic Performance Board (SPB).

## Conclusion

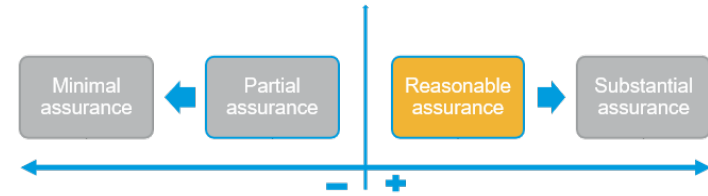
Overall, our review found that there were well-designed and consistently applied governance and risk management arrangements at the Service. Strategic plans and objectives are clearly set in the approved Corporate Plan and Annual Plan, and there was a well-documented and applied governance structure in place to monitor performance against these objectives. The Organisational Risk Management Policy outlines the Service's risk management approach and has been communicated to staff. The CRR was consistently reviewed and actioned by the SLT, with highlights of the CRR shared with the Audit and Governance Committee and SPB.

We have, however identified areas of weakness in relation to the lack of a formal risk appetite statement, and documented processes for the de-escalation of risks. We also noted weaknesses in the monitoring of risk management training completion by staff.

**Internal audit opinion:**

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 area(s).



**Key findings**

**We identified the following weaknesses which resulted in the agreement of two medium priority management actions:**



**Risk Management Policy/De-escalation of Risks**

Through review of the Risk Management Policy, we noted there was no risk appetite statement included in the policy. While we noted there are elements of implied risk appetite within the scoring matrix, where risk appetite has not been agreed at an appropriate level of the organisation, there is a risk that although it is being considered with individual risks, there may be a lack of clarity and the organisations overall risk tolerance levels may not be considered.

In addition, we noted there was no guidance for the de-escalation of risks and if prior approval is needed before removal of risks. Without guidance for de-escalation, risks may be inappropriately managed or removed from a risk register. **(Medium)**



**Risk Training**

Through review of the training completion report for the middle-level managers and (above which was generated in February 2023), we noted that 80 middle-level managers and 25 staff had completed the training. It was highlighted that 53 staff had not started the training and two staff members were stated as n/a. We confirmed through review that reminder emails were sent to remind staff of the completion timeframe however we did not receive evidence to demonstrate that non-compliance was reviewed or chased on a regular basis.

Without the completion of training by middle-managers there is a risk that staff may not be able to identify and manage risks appropriately therefore increasing the likelihood of risks materialising. **(Medium)**

## We found the following controls to be adequately designed and operating effectively:



### Corporate Plan

We confirmed through review that the Corporate Plan which covers the period for 2019-2023 has been made available to staff and members of the public via the Service's website. Through review of the Corporate Plan, we noted that the Service strategic commitments have been outlined. Furthermore, we noted there was additional sections such as a vision statement, resource map for RBFRS, integrated risk management plan and mention of how to monitor performance. We confirmed through review of the meeting minutes that the Corporate Plan 2019-2023 was reviewed and approved by the Fire Authority in April 2022.



### Annual Plan

We confirmed through review that the Annual Plan for 2022/23 has been made available on the Service's website. Through review of the Annual Plan, we noted specific areas of focus which are aligned to the six strategic commitments and set out in the Corporate Plan and IRMP for 2019-2023 along with how to focus and deliver on the actions. We confirmed through review of the meeting minutes that the Annual Plan for 2022/23 was reviewed and approved by the Fire Authority in July 2018.



### Performance Management

We reviewed the Performance Management Framework, effective October 2019 and last reviewed in March 2022. We confirmed that the Framework has been made available to staff via Siren (staff intranet). We noted the performance framework is well structured and defines the key areas of performance and sets out the purpose of providing structure and governance that will enable the Service to measure, monitor and manage outputs and outcomes in a timely manner.

We reviewed a sample of five KPIs taken from the Q2 2022/23 performance report and confirmed accuracy with source data in all cases.



### Terms of Reference

We reviewed the Terms of Reference for the following:

- Fire Authority;
- Management Committee; and
- Audit and Governance Committee.

We confirmed that the Terms of Reference for all Committees were reviewed and approved by the Fire Authority in December 2022. However, the SLT Terms of Reference was noted as V1.2 and approved on the 17 November 2021 by SLT. We confirmed each ToR contained consistent content throughout including the quorum of meetings, appointment of chair, meeting frequency, functions of committees, review of terms of reference and key responsibilities.

We reviewed the Standing Orders which we confirmed were approved by the Fire Authority in October 2022. We noted through review that the Standing Orders stated Fire Authority meetings are to be conducted at least once per quarter and the Fire Authority will hold an annual meeting in addition. We confirmed all Terms of Reference for each committee were made available online and were up to date.



### **Committee Reporting**

We noted all minutes for Fire Authority, Management Committee and Audit and Governance Committee were made available publicly through the RBFRS website. We reviewed meeting minutes as follows:

- Fire Authority (February, June and October 2022);
- Management Committee (April, June and October 2022); and
- Audit and Governance Committee (March, July and October 2022)

In all instances we confirmed documentation of thorough challenge and scrutiny noted in the minutes, in particular relating to performance reporting. We confirmed actions from previous meetings were followed up at the beginning of each meeting and signed off accordingly.



### **Member Development Strategy**

We reviewed the Member Development Strategy, effective October 2019 as approved by the Fire Authority. We confirmed through review of the meeting minutes from the Audit and Governance Committee from March 2022 that the draft Strategy is due to be reviewed in April 2023 which had not yet occurred at the time of our review. We were provided with a copy of the draft Strategy and confirmed it was in progress at the time of our review.



### **Member Skills and Training**

We reviewed the Member Development Action Plan for 2020-23 as presented to the Audit and Governance Committee in July 2020. Through discussion with the Democratic Support Lead responsible for the Member Development we were informed that the training offered to members is not compulsory and it was noted that returning members have previously been on training courses.

## **Risk Management**



### **Risk Management Strategy**

We obtained the current Organisational Risk Management Policy and confirmed the latest issue of the document is March 2022 and to be reviewed 1 year from this date. Due to only minor changes, specifically the terminology changes from IRMP (Integrated Risk Management Plan) to CRMP (Community Risk Management Plan), it has been stated that no formal consultation is required and the SLT member has approved the policy as of March 2022. We confirmed the policy is up-to-date and obtained a screenshot of the document being made available on the RBFRS website.

Treatment for new and emerging risks are detailed in stages 1, 2 and 3 which give specific guidance as to how to record a new risk, the use of template to describe the risk event, cause, and effect and how to score the risk against likelihood and impact to generate an inherent score. In addition to this there are supporting appendices such as scoring matrix, and examples of internal and external factors that provide context that can be used as an aid with the assessment of a risk.



### **CRR – Maintenance and Monitoring**

Through review of the Organisational Risk Management Policy, we noted that it included the roles and responsibilities for maintaining the risk registers. We noted that it was stipulated that the Senior Leadership Team (SLT) will own Strategic Risks and will report details of risk to Fire Authority Members. It was documented that Service Plan, Project and Programme Risk Registers will be owned at the lowest reasonable level of management i.e. Heads of Service or Project Manager.

We noted through review that risks are separated between current score and treated score. Current or treated scores equal to or more than 17 are on the CRR and are subject to challenge and scrutiny by the SLT.



### **CRR – Risk Ownership**

We confirmed for a sample of ten risks, all had appointed a risk owner and treatment owner. We verified the roles of the risk owners and treatment owners and confirmed each owner was appropriate for the risk and were at director level or were a member of SLT as appropriate for all strategic risks and risks scored as greater than 17.

We sought to conduct interviews with a sample of five risk owners to discuss their approach for managing risk. Three interviews were conducted via telephone, and one was via email correspondence with the interviewee answering questions via email as their preferred method of communication. We were unable to undertake an interview with one risk owner due to them being unavailable during the review. We confirmed in all instances the responses were similar for each individual and they have applied the knowledge of the process and policy. This is reflected in Appendix B.



### **CRR – Risk Cause and Effect**

Through review of a sample of ten risks from the CRR, we noted that all risks included a current score and an inherent risk score. We noted for all ten risks that a template statement used for risk identification and risk description was utilised to highlight the likelihood, cause, consequences, and objectives. We noted that risk owners are required to insert the relevant information to note a clear cause and effect with added reference to the impact on the organisational objectives in an understandable manner. We noted that the risk register included treatments taken (mitigating controls) and progress updates given for all ten risks reviewed.



### **CRR – Assurance and Action Plans**

We reviewed the CRR treatments and action plans for a sample of ten risks. We noted in eight instances both treatments and action plans had detailed notes that aligned with the SMART goal setting strategy. We confirmed that each risk on the register has multiple treatments and more than one treatment owner. We noted evidence of specific actions that were measurable, achievable, and realistic with time-based goals where applicable.

We confirmed for all ten risks reviewed that there were regular updates noted for each treatment with a documented review date from Q3 2022/23 as appropriate. We noted that the risk register included two columns that gives the assurance level for each individual treatment and an overall assurance score for the risk itself. In addition to this, we confirmed through review that the levels of assurance were defined in the Organisational Risk Management Policy. We were informed that assurance levels are reviewed as part of the risk register reviews undertaken during SLT meetings.



### **Risk Reporting – SLT and Audit and Governance Committee**

We noted through discussion that SLT meetings are not minuted, however we noted that a rolling Actions and Decisions log is retained to document actions agreed during the meeting which we confirmed through review of the document. We noted through review of the standing agenda for SLT meetings that the CRR was included as the first item of discussion.

We confirmed through review of the minutes from the Audit and Governance Committee meetings held in in March, July and October 2022, that the risk register was presented and discussed, and we verified that it was included in the quarterly performance report.

## 2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Risk Management Strategy				
<b>Control</b>	<p>The Service has an Organisational Risk Management Policy which outlines the approach to risk management, the key responsibilities for staff, the risk scoring matrix, and the risk ownership hierarchy.</p> <p>This policy is subject to review on an annual basis, with minor changes undergoing an informal update whilst significant changes requiring consultation and formal approval by SLT.</p> <p>The policy is accessible via the staff intranet.</p>	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	<p>We noted through review of the Organisational Risk Management Policy, effective March 2022 that there was no risk appetite statement included in the policy although noted there were elements of implied risk appetite within the scoring matrix. However, where risk appetite has not been formalised and agreed at an appropriate level of the organisation, there is a risk that although it is being considered with individual risks, there may be a lack of clarity and it may not take into consideration the organisations overall risk tolerance.</p> <p>In addition, we noted there was no guidance for the de-escalation of risks and if prior approval is needed before removal of risks. Without guidance for the de-escalation of risks there may be a risk that risks may be inappropriately managed.</p>			
<b>Management Action 1</b>	<p>We will update the Policy to include a formal risk appetite statement which will be developed to clearly articulate the level of risk that the Service is willing to accept.</p> <p>We will also establish a process for de-escalating risks including a guideline to outline when prior approval is needed before risks can be removed.</p>	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
		Paul Bremble, Area Manager Head of Corporate Services	31 October 2023	Medium



## Risk Training

<p><b>Control</b></p>	<p>Risk Management training was developed by the Data and Performance Team for middle-level managers and above. The training is mandatory for these individuals as they are the most likely to be risk or risk treatment owners.</p> <p>Whilst risk management is mandatory for middle-management managers and above, the training is accessible to all staff that wish to undertake this via the Learning Management system (LMS).</p> <p>Risk owners and SLT members are also provided with individual ad hoc training, based on experience and knowledge with regards to risk management.</p>	<p><b>Assessment:</b></p> <p><b>Design</b> ✓</p> <p><b>Compliance</b> ×</p>
<p><b>Findings / Implications</b></p>	<p>Through review of the training completion report for the middle-level managers and above which was generated in February 2023, we noted that 80 middle-level managers and 25 staff had completed the training. We confirmed that 53 staff had not started the training and two staff members were stated as n/a.</p> <p>We confirmed through review that reminder emails were sent to remind staff of the completion timeframe however we did not receive evidence to demonstrate that non-compliance was reviewed or chased on a regular basis. Without the completion of training by middle-managers there is a risk that staff may not be able to identify and manage risks appropriately therefore increasing the likelihood of risks materialising.</p>	
<p><b>Management Action 2</b></p>	<p>We will ensure the risk management training is completed at all required levels.</p> <p>A method to monitor compliance regarding training completion will be introduced.</p>	<p><b>Responsible Owner:</b> Paul Bremble, Area Manager Head of Corporate Services</p> <p><b>Date:</b> 31 October 2023</p> <p><b>Priority:</b> Medium</p>

## Terms of Reference

<b>Control</b>	The service has terms of references for the Fire Authority, Management Committee, Audit & Governance Committee, and the SLT documenting the membership, quorum, functions of each committee, how often they are reviewed and key responsibilities.	<b>Assessment:</b> <b>Design</b> ✓ <b>Compliance</b> ×			
<b>Findings / Implications</b>	<p>Through review of the ToR we confirmed it contained consistent content throughout including the quorum of meetings, appointment of chair, meeting frequency, functions of committees, review of terms of reference and key responsibilities. However, we noted the SLT ToR states it is V1.2 of the document and had been last reviewed and approved in November 2021 by the SLT.</p> <p>Without the annual review and approval of the TOR the committee may continue to operate based on outdated goals and objectives. This can result in the committee not effectively addressing current issues or achieving the desired outcomes.</p>				
<b>Management Action 3</b>	There will be an annual review of the SLT Terms of Reference ensuring it is kept up to date.	<table border="0"> <tr> <td data-bbox="1232 662 1590 841"><b>Responsible Owner:</b> Paul Bremble, Area Manager Head of Corporate Services</td> <td data-bbox="1590 662 1814 841"><b>Date:</b> 30 November 2023</td> <td data-bbox="1814 662 1998 841"><b>Priority:</b> Low</td> </tr> </table>	<b>Responsible Owner:</b> Paul Bremble, Area Manager Head of Corporate Services	<b>Date:</b> 30 November 2023	<b>Priority:</b> Low
<b>Responsible Owner:</b> Paul Bremble, Area Manager Head of Corporate Services	<b>Date:</b> 30 November 2023	<b>Priority:</b> Low			

## Member Training

<b>Control</b>	The Fire Service has a Member Development Strategy and Action Plan, which outlines the way that it intends to improve the skills of the Councillors who serve on the Fire Authority.	<b>Assessment:</b>	
	The strategy is agreed initially by the Fire Authority, then subject to review by the Audit & Governance Committee on an annual basis.	<b>Design</b>	✓
		<b>Compliance</b>	×

**Findings / Implications** We were informed by the Democratic Support Lead and through review of the Member Development action plan that there were additions to include an 'Update the skill-based questionnaire for compulsory completion by members annually' action. We obtained the latest skills questionnaire and confirmed it showed a good response with the detailing of experience and qualifications with an added column noted as 'areas you need more understanding' which then is used to recommend actions to up-skill the member.

We noted through discussion there are optional ad hoc training sessions members are encouraged to attend. However, we found that only seven out of the 11 members had completed the skills questionnaire.

Without complete member development questionnaires there is a risk that group leaders may not be able to identify skills and interests ahead of Fire Authority annual meetings and may be unable to signpost members for training organised by the Democratic Support Lead.

<b>Management Action 4</b>	We will ensure the skill-based questionnaires are completed for all members to ensure the right training can be signposted for members.	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
		Paul Bremble, Area Manager Head of Corporate Services	30 September 2023	Low

## APPENDIX A: CATEGORISATION OF FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
<b>Governance and Risk Management:</b> To ensure adequate and appropriate governance and risk management arrangements are in place for the organisation to achieve its objectives.	0	(12)	4	(12)	2	2	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area

## APPENDIX B: INTERVIEWS

We conducted an interview with four risk owners to discuss their approach to the management of risks. The table shows the questions we had asked, and a summary of the answers given by each risk owner.

Summary of responses from risk owners	
<b>How do you assign treatment owners?</b>	Discussion would take place to assign a suitable risk owner dependant on the treatment of the risk, activities related to the risk, and the type of risk and then a treatment owner is suitable assigned. Consideration of the suitable treatment owner based on their area and level of responsibility.
<b>How do you receive updates from treatment owners?</b>	Treatment owners are required to update the risk database based on updates that have come from changes of risks. Updates of risk are conducted during one-to-ones with senior managers, monthly governance and corporate meetings, once they have been subject to challenge and scrutiny.
<b>How does the risk register get updated?</b>	They are updated on an ad hoc basis when a risk is required to be updated or when the review date is due. Updates are input directly into the system by treatment owners or the senior leadership team for any risk above 17 which is intended for the CRR.
<b>How do you score a risk?</b>	Within the policy there is a risk scoring matrix which is used as a guide to understand risks, risk treatments and how to effectively score a risk. Scores are given for inherent, current scores and treated score; these are updated based on the comments from the treatment owner. For any scores above 17, these are discussed during SLT meetings.
<b>What is the process for escalating/de-escalating risks?</b>	Risk owners discuss the escalation and de-escalation of risk with treatment owners, line managers and SLT meetings, depending on the level of the risks. Risk scored greater than 17 will be escalated to the relevant Director for consideration. De-escalation of risks would be discussed during SLT meetings even if the current score is below 17 and is carried out by the risk owner.
<b>How is the assurance level of risk determined?</b>	There are three levels of assurance. Level 1 is the highest level of assurance which suggests treatment will prevent the risk from occurring to the lowest level, level 3 where treatment is unproven or new. Level 2 suggests treatments are reactive or provides mitigation should the risk occur or relate to an established policy which is regularly audited. The levels are subject to challenges at the SLT level and as well as risk owners with the treatment owners.

## APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

### Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the area under review	Risks relevant to the scope of the review	Risk source
Risk management framework and accompanying processes are up to date and firmly embedded within the Authority's operations.  Adequate and appropriate governance arrangements are in place for the organisation to achieve its objectives.	Management of operational risk	Corporate risk register

### When planning the audit the following areas for consideration and limitations were agreed:

#### Governance:

We will consider whether a robust governance framework has been established and embedded throughout the organisation and whether this is in line with best practice. This review will consider whether:

- Strategic plans and objectives have been set and approved by the Authority and responsibilities for monitoring and reporting have been delegated to subcommittees and management forums, as appropriate. We will also confirm this has been reflected within their terms of reference and minutes.
- Metrics have been developed to enable monitoring of performance against delivery and assurance on performance against strategies, plans and objectives are reported up to the Authority including what action and challenge is being taken where there is underperformance.
- There is evidence in papers and minutes that timely and adequate information within reports is supplied to enable decision making at committee level including challenge, agreement of decisions or any further actions which is followed up.
- There is a process for monitoring the effectiveness of members in discharging their duties and identifying subsequent training needs.
- Terms of reference are in place for each committee with clearly set out the remit of each committee including under which circumstances decisions can be made and where decisions must be escalated in accordance with the Authority's documented governance structure.

## Risk Management:

We will consider whether a robust risk management framework has been established and embedded throughout the Authority. This review will consider whether:

- There is an agreed Risk Management Strategy in place, which is available to all relevant staff and includes clear risk assessment criteria and escalation procedures for identifying new and emerging risks.
- Responsibility to review and maintain the Corporate Risk Register has been formally delegated to appropriate groups and/or persons, with training provided where necessary.
- Responsibility for each risk has been assigned to an accountable person with the appropriate delegated authority to manage the risk. As part of the review, we will seek to discuss with a sample of risk owners their approach to managing and monitoring progress on their risks.
- The cause and effect of each risk is evident. Each risk has a pre- and post- mitigating control risk score. Risk scoring considers the characteristics of the risk.
- Controls and assurances have been identified for each risk, updated regularly and reviewed by the appropriate body. Gaps in controls (treatments) and assurances have been identified and are supported by appropriate SMART action plans.
- Regular review and challenge is conducted by the appropriate groups within the Authority and is clearly evidenced within the minutes and papers of these groups.
- Assurances are obtained and reported upon by the Authority to confirm the controls are working and the appropriate management of risks and progress against action plans.
- Relevant staff have been provided with risk management training.

**The following limitations apply to the scope of our work:**

- We will not confirm whether the correct decisions have been made by the Fire Authority or its committees
- We will not confirm that the delegations to make decisions are appropriate.
- This review will not comment on whether individual risks are appropriately managed, or whether the Authority has identified all risks and opportunities that it faces;
- We will not comment on the appropriateness of the risk scores given;
- We will not confirm that the actions taken, and controls implemented will mitigate the risks from being realised;
- The results of our work are reliant on the quality and completeness of the information provided to us.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.



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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.

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