

Report of the Head of Internal Audit Shared Service

Internal Audit Progress Report 2018/19

Purpose of report

To provide the Committee with a progress update on the 2018/19 audit plan delivery.

Recommendation

The Treasurer recommends that the report is noted.

Introduction and Background

1. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under the Accounts and Audit (England) Regulations 2015. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer and Internal Audit is provided by Worcestershire Internal Audit Shared Service (WIASS). Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly.

Objectives of Internal Audit

2. The Public Sector Internal Audit Standards 2013 defines internal audit as: “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. WIASS is committed to conforming to the requirements of the Public Sector Internal Audit Standards.

Aims of Internal Audit

3. The objectives of WIASS are to:
 - Examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Fire Service and recommend arrangements to address weaknesses as appropriate;
 - Examine, evaluate and report on arrangements to ensure compliance with legislation and the Fire Service’s objectives, policies and procedures;

- Examine, evaluate and report on procedures that the Fire Service's assets and interests are adequately protected and effectively managed;
 - Undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service's policies and procedures and relevant legislation; and
 - Advise upon the control and risk implications of new systems or other organisational changes.
4. Internal audit has worked with external audit to try and avoid duplication of effort, provide adequate coverage for the 2018/19 financial year so that an internal audit opinion can be reached and support External Audit by carrying out reviews in support of the accounts opinion work.

Audit Planning

5. To provide audit coverage for 2018/19, an audit operational programme to be delivered by WIASS was discussed and agreed with the Authority's Section 151 Officer and Treasurer as well as Senior Management Board and was brought before Committee on 25th April 2018 for consideration. The audit programme provides a total audit provision of 111 audit days; 95 operational and 16 management days.

Audit Delivery

6. 2018/19 audits commenced after the Committee had agreed the 2018/19 plan at the 25th April 2018 Committee (Appendix 1).
7. To assist the Committee to consider assurance on the areas of work undertaken, an overall assurance level is given, when appropriate, to each audit area based on a predetermined scale (Appendix 3). Also, the findings are prioritised into 'high', 'medium' and 'low' within audit reports with all 'high' priority recommendations being reported before committee (Appendix 2 and 3).

2018/19 Audits:

8. The summary results of these audits are included below. Where recommendations have been made, these are being addressed through management actions.

GDPR

9. The review found the following areas of the system were working well:
- The use of a General Data Protection Regulations Gap Analysis as the action plan to drive the process and inform on progress.
 - The implementation of the process of compliance with the General Data Protection Regulations is being closely monitored.
 - Information and advice is readily available to management and staff regarding the General Data Protection Regulations.
 - Service staff have received training and there are arrangements for on-going training to take place.
10. The review found that the following areas were not yet demonstrating compliance but that progress is being monitored in order to mitigate the risks until compliance is achieved:
- Training – Members have not received training from the Authority, therefore there is increased reliance on the training they may have received elsewhere. Refresher training for all other staff is scheduled to begin in Quarter 1 2019.
 - Data Protection Officer – There has been a recent change following the departure of the previous holder of this position - with the Data Protection Officer role currently being undertaken by the Head of Legal Services. The Information Governance role now sits within Legal Services.
11. However, further training will be delivered where it is needed and the overall direction of progress is positive, with progress made in all areas covered by the scope of this audit.
12. There were two 'medium' priority recommendations reported.

Audit Type:	System Audit
Report Date:	17 th October 2018
Assurance:	Significant

13. Reviews currently at draft report stage but with no material challenges expected from management during the review process include:

Debtors

14. The review found the following areas of the system were working well:
- Debts raised were supported by relevant documentation
 - Debts where applicable were raised in line with the approved fees and charges
 - Credit notes had been used correctly
 - Debts are actively chased
 - Authorisation of Write offs
15. There were no recommendations reported.

Audit Type: Limited Scope System Audit
Draft Report Date: 12th December 2018
Assurance: Full

Creditors

16. The review found the following areas of the system were working well:
- System segregation of duties for the raising an order, authorising and receipting of goods
 - Access rights for direct input in to the system are appropriate
 - Payments are made within 30 days of receipt of the invoice
 - BACS payments are authorised in line with current levels of authorisation
 - Disputed invoices are tracked and action taken logged
17. There were no recommendations reported.

Audit Type: Limited Scope System Audit
Draft Report Date: 12th December 2018
Assurance: Full

Main Ledger

18. The review found the following areas of the system were working well:
- Reconciliations are undertaken on a regular basis
 - System controls ensure that Journals are not raised and posted by the same officer
 - Although there were balances on the suspense accounts at the time of the audit these could be identified and justified.
 - Budget Monitoring identifies significant variances and these are reported to Members on a quarterly basis
19. There were no recommendations reported.

Audit Type: Limited Scope System Audit
Draft Report Date: 12th December 2018
Assurance: Full

20. Reviews currently at draft report or clearance stage include:
- Payroll - Transfer of System - at draft report stage
21. Other reviews progressing through the fieldwork stage at the time of reporting included:
- Payroll
 - Pensions

The outcome to the reviews listed above will be reported to Committee in summary form as soon as they are completed.

22. 'Follow up' is continuing in regard to previously completed audits to provide assurance that recommendations have been implemented and any risk mitigated e.g. procurement and business continuity. Where there is a programmed annual visit to an area the 'follow up' is included as part of the audit review e.g. financials.
23. Procurement 'follow up' identified that all of the recommendations had been implemented and no further follow up was required.
24. Business continuity 'follow up' identified that work had been undertaken to satisfy the recommendation but is continuing. From the explanations received and the evidence provided/sought Internal Audit considers that satisfactory progress has been made in the implementation of the recommendation and a further follow up will be undertaken in six months time.
25. There are no exceptions to report in regards to 'follow up' findings.

Conclusion/Summary

26. The Internal Audit Plan for 2018/19 is progressing steadily with 64% of the reviews either nearing completion or completed with the remaining timetabled for quarter 4 delivery. Recommendations that have been made are being addressed through robust management action plans.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	There are no financial issues that require consideration.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	Selected audits are risk based and linked to the delivery of priorities and policy framework.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
Consultation (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
Equalities (has an Equalities	N/A

Impact Assessment been completed? If not, why not?)	
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Supporting Information

Appendix 1 – 2018/19 Audit Plan summary.

Appendix 2 – ‘High’ priority recommendations for completed audits.

Appendix 3 – ‘Assurance’ and ‘priority’ definitions.

Contact Officer

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Appendix 1

Detailed Provisional Programme of Work for 2018/19

Audit Area	Planned days 2018/19	Proposed Re view	Priority Audit/Quarter and Progress
Accountancy & Finance Systems			
Main Ledger (inc Budgetary Control & Bank Rec)	5	Limited	Medium / Q3 Draft Report
Creditors	6	Limited	Medium / Q3 Draft Report
Debtors	4	Limited	Medium / Q3 Draft Report
Payroll x2	18	Full	High /Q2 & Q3 Draft Report & in progress
& Pensions incl. GARTAN	5	Full	& in progress
SUB TOTAL	38		
Corporate (incl. Health & Safety arrangements)			
Key Performance Indicators	9	Full	High / Q4
Retained Duty System	10	Full	Medium / Q4
System / Management Arrangements			
Fleet Maintenance	10	Full	Medium / Q4
GDPR Application	9	Full	High / Q1 Final Report 17 th October 2018
USAR and Technical Rescue	12	Full	Medium / Q4
SUB TOTAL	50		
General			
Follow up Reviews	7		
Advice, Guidance, Consultation, Investigations	5	Pull down budget	
Audit Cttee Support	5		
Reports & Meetings	6		
SUB TOTAL	23		
TOTAL CHARGEABLE	111		

Appendix 2

'High' Priority Recommendations reported (2018/19 Reviews)

There were no 'high' priority recommendations to report from those reviews completed since the last Committee that could potentially lead to increased risk for the Fire and Rescue Service.

Appendix 3

Definition of Priority of Recommendations

Priority	Definition
High	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
Medium	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
Low	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>