Hereford & Worcester Fire and Rescue Authority

Audit and Standards Committee

15th April2015

Report of the Internal Auditor

6. Internal Audit Monitoring Report 2014/15

Purpose of report

1.   To provide the Committee with a progress update on the 2014/15 plan delivery.

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Recommendation

The Treasurer recommends that the report is noted.

Introduction and Background

2.   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 2011.   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

3.   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

4.   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.

5.   Internal audit has worked with external audit to try and avoid duplication of effort, provide adequate coverage for the 2014/15 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

6.   To provide audit coverage for 2014/15, an audit operational programme to be delivered by WIASS was discussed and agreed with the Authority's Section 151 Officer and Treasurer, Chief Accountant as well as External Audit and this was approved at the 30th June 2014 meeting. The audit programme provides a total audit provision of 111 audit days; 100 operational and 11 management days.

7.   A small amendment to the draft plan was requested by the Chief Fire Officer during Committee. Subsequently, the plan has been amended to include an 'Operations' audit. This has been achieved by reducing the 'Equality and Diversity' audit budget from 9 to 5, reducing the 'follow up' budget from 7 to 5 and deferring a low risk 'Communications and Media' audit to next year. These actions provide a budget of 15 days, contained within the existing plan, to deliver an audit with regard to 'Operations' without compromising the overall audit coverage.

8.   Additional assistance has also been requested as part of the payroll transfer to Warwickshire County Council. This extra work has been agreed with The Treasurer and is continuing.

Audit Delivery

9.   Two audits that have been finalised since the 21st January Committee for the 2014/15 Audit Plan are reported below.

10.   To assist the Committee to consider assurance on the areas of work undertaken, an overall assurance level is given to each audit area based on a predetermined scale. Also, the findings are prioritised into 'high', 'medium' and 'low' within audit reports.

2014/15 Audits:

Documentation Services and Data Security

11.   The review was a "critical friend" exercise which complemented a recent Public Services Network (PSN) audit that was undertaken. As a result of the PSN audit the authority is currently working towards the development of a proposed improvement plan. In addition the authority was already aware of some of the weaknesses identified prior to the PSN audit and will be working towards improving these as part of the overall improvement plan. Therefore a "critical friend" approach was more suited for this particular piece of internal audit work so that progress could be identified.

12.   The audit did not include electronic access to data as controlled by the ICT department.

13.   Development areas where further work will enhance the overall security includes the update of service policy instructions, procedures and related documents, the provision of training and promotion of data security to give a consistent approach across the organisation, the provision of clear data retention schedules, and, a nominated Information Risk Officer. The Head of Corporate Services has taken responsibility for the development areas and the plan that the Fire and Rescue Service is working to.

Current Position: Final Report issued17thFebruary 2015

Assurance: N/A as critical friend audit.

Building Maintenance

14. The review was a full system audit. The audit found there was generally a sound system of internal control in place. Testing identified that where relevant the authority's contract standing orders were followed and that there was a clear process in place to identify any necessary maintenance needs. Maintenance needs are prioritised based on health and safety as well as risk implications.

15. All works were authorised prior to being undertaken. Planned maintenance needs have not been built into the budget setting process during 2014/15 or 2015/16 and the planned maintenance programme has not been completed in full due to resource commitments during 2014/15 for other service units including the Joint Property Vehicle (JPV).However, this is being considered for the future and work continues to be prioritised on a risk/urgency basis. There were no 'high' priority recommendations.

    Current Position: Final Report issued 27th February 2015

    Assurance: Significant

16. Summary table of the 2014/15 finalised audits and assurance levels.

Audit	Assurance Level
2014/2015	
Documentary Services and data Security	N/A ~ critical friend
Building Maintenance	Significant

2014/15 Audits:

17. Audits that have been completed but not finalised since the 21st January Committee for the 2014/15 Audit Plan are reported below.

ICT

18. The review is a critical-friend review concentrating on areas which include appropriate retention of information on the ICT network, database management processes have been defined, ICT Business Continuity arrangements are fit for purpose, there is a clear defined programme of work for the ICT team over the financial period, and, staff training needs are continually monitored.

Transformational Planning

19.   The review is a critical friend review concentrating on the areas in relation to process and procedures undertaken with regard to recent collaborative working projects and will document and critically assess and evaluate the procedures in place for Transformational Planning (collaborative working projects).

Operational Assurance

20.   The review is a full system audit concentrating on Operational Assurance in regard to the key six safety critical areas which are:

- Training
- Intel
- Policies
- Active Incident Monitoring
- Thematic Reviews
- External Factors

and whether there is a robust system in place to monitor Operational Assurance performance.

21.   As the audits are finalised, update reports will be brought before the Committee along with an extract of any 'high' priority recommendations. Finalised reports will be provided in their entirety to the Chairperson of the Committee for perusal on request.

22.   A follow up in regard to Operational Logistics ~ Vehicle Maintenance was undertaken in January 2015 the outcome of which was that of the two high priority recommendations previously reported both had been implemented and satisfied. Work in regard to a medium priority recommendation for procedures remains ongoing due to a restructuring. In addition to the procedures, talks with the suppliers of Tranman are to be undertaken regarding enhancements to the system, this will also take into account the potential for redesigning of the forms used for recording costs against the jobs to enable more efficient working practices. A further internal audit review is planned once there is a full structure in place.

23.   Capital Programme Follow Up

A follow up in regard to the capital programme was undertaken in January 2015 the outcome of which was 1 high priority and 2 medium priority recommendations have been satisfied in regard to a central tender register, security of data and the closing down of finance codes for completed projects. 3 further medium priority recommendations are in progress along with 1 which is to be actioned in regard to procurement and project management. There is currently an exercise looking at procurement and the requirements of the Fire Authority.

24.   Stock Follow Up

A follow up in regard to stock was undertaken in January 2015 the outcome of which was progress has been made to resolve the issues with the current stock recording system. A meeting has taken place between the Finance Dept. the providers of the finance system and the officers undertaking the day to day duties in relation to stock and an action plan has been put together. Once these improvements have been implemented then the system will be able to provide more reliable management information.

25.   Appendix 1 provides the Committee with a breakdown of 2014/15 internal audit plan delivery to date.

26.   Appendix 2 provides the Committee with a breakdown of the 'high' priority recommendations that have been reported in respect of audits where the audit has been completed and final report issued. Also included are the definitions used to decide audit recommendation priority and overall assurance.

Conclusion/Summary

27.   Operational progress against the Internal Audit Plan for 2014/15 remained steady with a clear plan of delivery to the end of March 2015. The revised plan has been delivered in its entirety with the bulk of the audit work completed. The remaining audits that are currently progressing through their final stages will be reported to the next Committee.

28.   The H&WFRS and WIASS are continuing to work together to achieve internal audit partnership status for the H&WFRS. It is planned that the outline plan for 2015/16 will be brought before the next Committee for consideration along with the annual report.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	There are financial issues that require consideration as there is a contract in place but not fully detailed in this report.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None There are legal issues e.g. contractual and procurement that require consideration but are not fully detailed in this report as they are contained within the contract.
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 Impact Assessment been completed? If not, why not?)	N/A

Supporting Information

Appendix 1 – 2014/15 Internal Audit Plan delivery summary

Appendix 2 – 'High' priority recommendations for completed audits including definitions

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Appendix 1

FIRE AUTHORITY

Audit Plan for 2014/15

Service Area	System	Anticipated Days	Preferred Timing
Main Systems			
Accountancy and Finance Systems	Payroll & Pensions incl. GARTAN system	13	Final Report issued 17/12/14
	Creditors	8	Final Report issued 4/12/14
	Debtors	5	Final Report issued 4/12/14
	Main Ledger & Budgetary Control (and Training Budget)	8	Final Report issued 4/12/14
Corporate Governance	IT Audit	10	Draft Report
	Risk Management (Health Check)	5	Final Report issued 31/10/14
	Corporate Governance (Document Retention Services)	8	Final Report issued 17/02/15
System / Management Arrangements	Transformational Planning	10	Draft Report
	Building Maintenance	7	Final Report issued 27/02/15
	Communications and Media (Deferred to 2015/16 as replaced by Operations audit which was included part way through year)	0	n/a
	Equality and Diversity	5	Final Report issued 3/10/14
	Operations	15	Draft Report
General	Follow Ups	5	2014/15
	Advice & Guidance	1	2014/15
	Audit Committee & Management Reporting	11	2014/15
Total Contracted Days		111	

Audit Reports 2014/15

Definition of Audit Opinion Levels of Assurance (for information)

Opinion	Definition
Full Assurance	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.
	No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.
Significant Assurance	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.
	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.
Moderate Assurance	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.
	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.
Limited Assurance	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.
	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.
No Assurance	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.
	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.

Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. 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.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

'High' Priority Recommendations reported

With the audits that have been finalised since the last Committee (21st January 2015) there have been no 'high' priority recommendations reported.