

Report of the Internal Auditor

8. Internal Audit Monitoring Report 2013/14

Purpose of report

1. To provide the Committee with a progress update on the 2013/14 plan delivery.
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Recommendation

The Treasurer recommends that the Committee note the completion of the 2013/14 audit plan with no issues arising.

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 (WAISS). 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 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”. WAISS is committed to conforming to the requirements of the Public Sector Internal Audit Standards.

Aims of Internal Audit

4. The objectives of WAISS 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 2013/14 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 2013/14, 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 26 September 2013 meeting. The audit programme provides a total audit provision of 111 audit days; 100 operational and 11 management days.

Audit Delivery

7. All but two audits have been finalised for the 2013/14 Audit Plan.
8. 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.

2013/14 Audits:

Payroll and Pensions including GARTAN System (Final Report Stage)

9. The review was a full system audit concentrating on areas of the Payroll system seeking assurance with regard to only current bona fide employees of HWFRS are paid through the payroll system. Also included were amendments to payroll data, (including sickness records, new employees, leavers movers and additional payments/deductions including personal mileage declarations and overtime claims) to confirm that they were actioned only on evidence of adequate, timely and authorised information. Further areas of assurance were considered with regard to controls over the GARTAN system for example all payments are appropriately authorised, processed correctly and there is a clear audit trail, all records and documents are protected against loss or unauthorised

access, and, plans are in place to address the tendering of the Payroll Service. The audit included the documents/information from the point that it is received by the Payroll Section up to and including the transfer of data to the Fire Service's financial ledger. The audit did not cover controls over the calculation of pension payments carried out by Worcestershire County Council as the County are to provide a letter of conformity including access controls operated by a third party or any Service Level Agreement between the Fire Service and a third party.

10. The review found there is a sound system of control in place but some of the expected controls are not in place or are not operating effectively therefore assurance can only be given over the effectiveness of controls within some areas of the system. The audit found that starters and leavers are only actioned upon proper authorisation, and lump sum pension payments had been paid correctly in line with notification from Worcestershire County Council. In relation to the tendering of the Payroll system to be implemented by 1st April 2015 there is a project plan in place including timeframes and required officers. However, there are still two recommendations outstanding from the 2011/12 audit in relation to the reconciliation of the Human Resources database to the Payroll Database and procedures for the obtaining an assurance in relation to the accuracy of pension calculations which are currently undertaken by Worcestershire County Council. Internal Audit understands that the current project set up to tender the provision of Payroll Services from 1st April 2015 will include checking the accuracy of the databases. In addition testing of the GARTAN log sheets held at the Fire Stations to printouts from the GARTAN system identified that the log sheets were not always fully completed. There were no high priority recommendations reported.

Final Report issued: 2nd April 2014

Assurance: Moderate

Corporate Governance (Final Report Stage)

11. The review was a limited scope audit concentrating on the External Audit recommendations made in 2011/12 regarding identified weaknesses in the Governance arrangements within the organisation with regard to a Monitoring Officer role. The audit was seeking assurance that all recommendations made by External Audit in their Governance Report 2011/12 have been suitable addressed, the role of the Service Monitoring Officer is in accordance with legislative requirements and embedded well within the organisation and has delivered, progressed and proved itself since inception. The audit did not cover the Annual Governance Assurance Statement process or the integrity of the information used to compile this statement. The review found the Monitoring Officer has contributed to significant improvements in governance arrangements within the organisation including a full review of the Constitution and committee structures. Committee terms of reference have been redefined and the Monitoring Officer now attends all committee meetings to provide advice and guidance on due process. In addition he attends and plays an active role at Senior Management Board and other group meetings. Various policies have since been reviewed such as the authority's "Whistle blowing" policy and "Pecuniary Interests" policy/register. A Members' Development

Strategy 2013 -2016 is now in place and a full training plan administered for all new and current members. Contract documentation has been reviewed and the authority now has a secure deeds room based on site to ensure all important documentation is kept centrally, secure and available for reference when required.

12. In summary Internal Audit concluded, from the work it has undertaken, that the Monitoring Officer in accordance with legislation plays an active scrutiny role within the organisation and encourages a supportive and open culture of challenge and improvement. He is involved and monitors key decision making and actively encourages an “open door” policy as he is on site which has greatly improved the process. Officers are encouraged to seek advice when needed.

Final Report issued: 1st May 2014
Assurance: N/a ~ Critical Review

Urban Search and Rescue (USAR) (Draft Report Stage)

13. The review was a full system audit concentrating on areas in USAR to ensure a robust process is in place so that the Service responds to the findings of the National Resilience Assurance audit report in a timely and effective manner, budgets are profiled correctly and effective budgetary control arrangements are in place and all expenditure is appropriate, relevant and authorised by the relevant budget holder or designated officer. The review did not include an inventory check of the donated assets belonging to HWFRS USAR service.
14. The review found there is a sound system of control however some of the expected controls are not in place or not working effectively. There is effective budget monitoring in place however some issues have been identified regarding coding of expenditure and budget profiling against nominal codes. However this was already a concern with the current budget holder, North District Commander, who is already looking at addressing these.
15. A review has also been undertaken by Internal Audit of actions taken to date in response to the National Resilience Assurance Team audit report which measured the authorities USAR service against national standards. As a whole the audit report gave assurance for USAR capability reporting only two non- conformities and some suggestions for ‘Opportunities for Improvement’. The main non conformity was lack of “Line Access and Casualty Extrication (LACE)” trained personnel in comparison to national standards. Following the recent merger of USAR and the Droitwich Fire Station, a new structure has been put in place which will provide additional resilience and a training programme is well underway which will result in the sufficient “LACE” trained personnel. There were no high priority recommendations reported.

Draft Report issued: 19th May 2014
Draft Assurance: Significant

ICT (Final Report Stage)

16. The review was a full system audit concentrating on areas of the ICT system including controls around network security, network user accounts, including

authorisation for starters, leavers and generic access, electronic back-ups, and, corporate and departmental business continuity plans. The audit did not major on the corporate disaster recovery plan apart from requirements related to the control areas.

17. The review found there is a sound system of control in place for the management of data back-ups and management of network security. Some issues were found in other control areas including arrangements for ICT business continuity within the organisation and the monitoring of redundant network accounts. Further action also needs to be taken so that the Information Security Policy, which identifies the necessary practices and responsibilities for ensuring the integrity of the H&WFRS network and systems, is reviewed and approved for use in a regular and timely manner in order to maintain the applicability of the document in the current work environment.
18. The organisation does not currently have a connection to the Public Services Network, which is used by public sector organisations for the secure transmission of confidential information. However, all work now undertaken by the ICT service is done in compliance with these requirements to enable future connectivity to this service with minimal changes to the network once a formal decision to do so is agreed by the senior management team. This also relates to the development of new software applications and reviewing the use of employee owned equipment, such as smart phones and personal computers, to ensure that any issues which may affect compliance have been fully identified and addressed.

Final Report issued: 19th March 2014
Assurance: Moderate

Capital Project (Draft Report Stage)

19. The review was a full system audit concentrating on the control objectives of the Capital Programme system. The review did not include a review of the Authorities Asset Register as this was covered in a separate audit earlier in this financial year.
20. The review assessed whether the Authorities Capital Programme and Asset Management Plan had formerly been approved and both demonstrated the long term strategic aims of the business and whether all major and minor capital project/spend is procured in accordance with the Authorities Standing Orders relating to contracts taking into consideration EU Directives where appropriate. The review also included whether relevant approval has been granted upon awarding the contract/works prior to commencement of works, major and minor capital projects work/build is monitored throughout the terms of each contract and all work is signed off where necessary before expenditure is appropriately authorised, procedures for recording decisions and actions taken in relation to major and minor capital projects are clearly recorded in order to provide a clear audit trail, any lessons learnt are clearly documented and utilised moving forward and there are proper monitoring and reporting processes in place to ensure consistency and transparency along with effective budgetary control.

21. The audit found there is effective budgetary control monitoring of the Capital Programme in place and that the authority has identified, via the Asset Management Strategy, the longer term requirement/needs of the organisation in relation to property/accommodation. All minor and major property related projects examined had been procured in accordance with the authority's Contract Standing Orders with quotations and tenders obtained where necessary. However, it was found that there are control weaknesses in relation to the tender opening procedures. All major and minor works are monitored throughout the term of the project but some minor project files were lacking evidence of quality assurance checks on work undertaken; this is not to say though the work had not been inspected at the time and completed to a satisfactory standard. Improvements are required in relation to record keeping, however, it is recognised that a pragmatic approach will be required with available resource.

Draft Report issued: 7th April 2014
Draft Assurance: Moderate

22. Summaries of the finalised audits relating to 2013/14 are listed below:

Audit	Assurance Level
2013/2014	
Payroll and Pensions	Moderate
Corporate Governance	N/a ~ Critical Review
Urban Search and Rescue (USAR)	Significant (D)
ICT	Moderate
Capital Project	Moderate (D)

23. All of the audits indicated above are currently at final or draft report stage awaiting management response.
24. As the audits are finalised update reports will be brought before 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.
25. Appendix 1 provides the Committee with a breakdown of 2013/14 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 2013/14 has been steady and culminated in the completion of the plan in full with all audits undertaken.

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 – 2013/14 Internal Audit Plan delivery summary

Appendix 2 – ‘High’ priority recommendations for completed audits including definitions

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FIRE AND RESCUE SERVICE

Audit Plan for 2013/14

Service Area	System	Anticipated Days	Preferred Timing and Current Position	Days Delivered Against Plan
Main Systems				
Accountancy and Finance Systems	Payroll & Pensions incl. GARTAN system	13	(Final Report issued)	13
	Creditors	8	(Final Report issued)	8
	Debtors	5	(Final Report issued)	5
	Main Ledger & Budgetary Control	8	(Final Report issued)	8
	Capital Programme	9	(Draft Report issued)	8
Corporate Governance	IT Audit	10	(Final Report issued)	10
	Risk Management (Health Check)	3	(Final Report issued)	3
	Corporate Governance	8	(Final Report issued)	8
System/ Management Arrangements	Community Safety	8	(Final Report issued)	8
	Urban Search & Rescue (USAR)	8	(Draft Report issued)	8
	Operational Logistics	12	(Final Report Issued)	12

Service Area	System	Anticipated Days	Preferred Timing and Current Position	Days Delivered Against Plan
General	Follow Ups	7	Delivered	7
	Advice & Guidance	1	Delivered	1
	Audit Committee & Management Reporting	11	Delivered	11
Total Contracted Days		111		110

Note:

GAD has not been included ~ conformity to be provided by Worcestershire County Council.

Asset Management 2012/2013 was undertaken in September 2013 per agreement with Treasurer and s151 Officer, (days owing from 2012-13 Audit Plan used; Final Report issued).

Audit Reports 2013/14

Definition of Audit Opinion Levels of Assurance (for information)

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>

Definition of Priority of Recommendations

Priority	Definition
H	<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>
M	<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>
L	<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>

‘High’ Priority Recommendations reported

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit Area: ICT					
Final Report issued: 20th May 2014					
1	High	<p>There has been no ICT capital expenditure budget for Business Continuity during the past two financial periods, i.e. since 2011/12.</p> <p>The back-up infrastructure at the Droitwich Fire Station fall-back site has not been updated in line with upgrades to the main server site at Fire Service HQ in Worcester, leading to a disparity in the overall server specifications.</p>	<p>A lack of capital expenditure for business continuity purposes potentially leading to reduced network functionality in a wide scale event, resulting in reputational damage and a delay in returning business critical functions.</p>	<p>There should be consideration for reviewing the server room facilities and the network capacity at the Droitwich Fire Station back-up site to identify and understand the possible implications of any potential risks to service provision.</p>	<p>The issue is not only funding but resourcing. Too many corporate projects absorbing ICT staffing. Funding/Priorities need to be defined by Senior Management Board.</p> <p>Responsible Manager:</p> <p>Head of Asset Management/ Director of Finance</p>

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit Area: ICT					
Final Report issued: 20th May 2014					
		<p>The Droitwich site has very little capacity to expand and enhance the back-up functionality. There is a single air conditioning unit within this room, with no back-up unit available should this malfunction.</p> <p>The back-up server room was secure at the time of the audit, however the room key held at the station was not stored in a location which would limit access to</p>		<p>Potential capacity issues for service critical functions should be identified using a controlled test to ensure continuity of service.</p> <p>Security and facility arrangements for the server room at the back-up site should be</p>	<p>Implementation date: 2014/15 budget</p> <p>Minimal expenditure has been allocated to Droitwich infrastructure due to medium/long term uncertainty of site future.</p> <p>Responsible Manager: Head of Asset Management/ Director of Finance</p> <p>Key at Droitwich is now held by reception and managed.</p> <p>A request to property has</p>

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit Area: ICT					
Final Report issued: 20th May 2014					
		<p>essential staff only.</p> <p>There have been no business continuity exercises during the financial period to formally test the capacity of the back-up servers in a controlled manner.</p>	Lack of security controls over the back-up site may result in theft or loss of critical data, resulting in reputational and financial loss to the Service.	reviewed to ensure access is limited to essential and authorised staff only and should there be a failure to key equipment e.g. air conditioning unit, a clear action plan exists.	<p>been made for Droitwich server room door to be changed from a standard lock to a swipe card system with the same access as the server rooms at SHQ.</p> <p>Responsible Manager:</p> <p>Head of ICT/ Head of Asset Management</p> <p>Implementation date:</p> <p>April 2014</p> <p>Testing of Business Continuity can only be done where impact on normal business can be minimised and the resources are available to safely test. Additional resources will be required to achieve both.</p> <p>Restoration of backups</p>

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit Area: ICT					
Final Report issued: 20th May 2014					
					was tested second week in March when files were restored to Fire Control EISEC service (Enhanced Information Service for Emergency Calls).
end					