

Hereford & Worcester Fire Authority

Audit and Standards Committee

27<sup>th</sup> September 2016

## **Report of the Head of Internal Audit Shared Service**

### **6. Internal Audit Monitoring Report 2016/17**

#### **Purpose of report**

To provide the Committee with a progress update on the 2016/17 plan delivery and summary updates in regard to the residual 2015/16 audits.

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#### **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 2016/17 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 2016/17, 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 4<sup>th</sup> July 2016 for consideration. The audit programme provides a total audit provision of 111 audit days; 95 operational and 16 management days.

### **Audit Delivery**

6. 2016/17 audits commenced after the Committee had agreed the 2016/17 plan at the 4<sup>th</sup> July 2016 Committee.
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. Also, the findings are prioritised into 'high', 'medium' and 'low' within audit reports with all 'high' priority recommendations being reported before committee.

### **2015/16 Audits:**

8. During quarter one the five remaining audits for 2015/16 were finalised. The audits included Risk Management, ICT, Stores/Operational Logistics, Human Resources and Corporate Governance.
9. The summary results of these audits are included below, however, it can be reported there were no 'high' priority recommendations resulting from the work. Where recommendations have been made, these are being addressed through appropriate management actions.

### **Risk Management**

10. The outcome of the review concluded moderate assurance in this area because there is a generally sound system of internal control in place but testing identified some of the expected controls are not in place and are not operating effectively therefore assurance can only be given over the effectiveness of

controls within some areas of the system. The results of this review were incorporated into the Risk Management report that was presented to the July Committee.

11. The review found the following areas of the system were working well:
  - There is a comprehensive Risk Management Strategy in place within the Fire Rescue Service.
  - Regular Monitoring of the Strategic Risk Register by the Audit & Standards Committee.
12. The review found the following areas of the system where controls could be strengthened:
  - Risk Registers are not always being populated at Directorate and Departmental level as comprehensively as they could be.
  - There was insufficient supporting documentation to provide a full audit trail for the Directorate and Departmental Risk Registers.
  - There was a need for regular training on risk management to be given to new Departmental risk officers.

Final Report issued: 30th June 2016

Assurance: Moderate

Recommendations: No 'high' and 4 'medium'.

#### ICT – Work Programmes

13. The outcome of the review concluded moderate assurance in this area because there is generally a sound system of internal control in place, including the ongoing monitoring and resources management of large work programmes. Testing identified some weaknesses in the system of control, such as with the effective monitoring of change management activities which are not covered in larger project works.
14. The review found the following areas of the system were working well:
  - The management of resources when addressing all scales of work items;
  - The process of formal review for effective and timely completion of the departmental work programme;
  - The monitoring and provision of training requirements for staff.
15. The review found the following areas of the system where controls could be strengthened:
  - The formal documentation of change request items to ensure effective monitoring and review, including assessments of potential problems and the mitigating activities undertaken;
  - The need to develop and maintain corporate ICT strategies;

Final Report issued: 1<sup>st</sup> July 2016

Assurance: Moderate

Recommendations: No 'high' and 3 'medium'.

#### Stores/Operational Logistics – Stock System

16. The outcome of the review concluded significant assurance in this area because there is generally a sound system of internal control in place and there has been a significant improvement since the 2012/13 audit. However, testing identified isolated weaknesses in the design of controls in a small number of areas.
17. The review found the following areas of the system were working well:
  - A full audit trail that can be tracked using one unique reference number
  - Replenishment of stock controlled in line with the Services Creditors' procedures
  - An understanding of the system and why things do not always work in the way expected
  - Team working to improve the system
18. The review found the following areas of the system where controls could be strengthened:
  - Formalisation of the authorisation of stock issues
  - Better tools for stock taking

Final Report issued: 1<sup>st</sup> July 2016

Assurance: Significant

Recommendations: No 'high' and 1 'medium'.

#### Human Resources - Development

19. This review was carried out as a critical friend. No assurance level was given as the individual procedures themselves have not been audited but the review looked at the current process and what needs to be considered in order for the Service to decide what its future requirements in relation to 'Development' are.
20. This report will assist officers in developing future policies that will be brought to Members for approval as necessary.

Final Report issued: 1<sup>st</sup> July 2016

Assurance: N/a

Recommendations: N/a

#### Corporate Governance – Fire and Rescue National Framework for England 2015-16

21. This review was carried out as a critical friend. No assurance level was given as the individual procedures have not been audited. The review was based on the requirements of the Fire and Rescue National Framework for England which sets out high level expectations. It does not prescribe operational matters.
22. The review looked at matching the Community Risk Management Plan (CRMP) 2014/2020, Fire Authority Annual Plans 2015/16 and 2016/17 and other relevant policies together with information included on the Hereford and Worcester Fire

and Rescue Service's website to the requirements of the National Framework. Where it was unclear how Hereford and Worcester Fire and Rescue Service had addressed the National Framework requirements Internal Audit challenged the responsible Officers to provide the evidence to prove that the point had been adequately covered.

23. The critical friend review found that Hereford and Worcester Fire and Rescue Service have addressed the requirements of the Fire and Rescue National Framework

Final Report issued: 19<sup>th</sup> July 2016

Assurance: N/a

Recommendations: N/a

## **2016/17 Audits**

### Corporate Governance – Annual Governance Statement

24. The review is a full system audit concentrating on the corporate governance process leading to the production of the Annual Governance Statement as operated by Hereford and Worcester Fire and Rescue Service at the time of the audit.

### CARE System -Pensions

25. The review is a limited scope audit concentrating on the base line accuracy and quality of data which is fundamental to the integrity of the ongoing system output in regard to the CARE system.

## **Conclusion/Summary**

26. The Internal Audit Plan for 2015/16 has been completed with all reports finalized. There were no high priority recommendations arising and no issues of concern that need to be reported to the Committee. Such recommendations that were made are being addressed through normal management actions.
27. The 2016/17 is progressing with outcomes and assurance being reported to the next available Committee.

## **Corporate Considerations**

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	There are no financial issues that require consideration.
<b>Strategic Policy Links</b> (identify how proposals	Selected audits are risk based and linked to the delivery of priorities and policy framework.

link in with current priorities and policy framework and if they do not, identify any potential implications).	
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

### Supporting Information

Appendix 1 - 2016/17 Audit Plan progress.

Appendix 2 - 'High' priority recommendations for completed audits.

### Contact Officer

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# APPENDIX 1

## FIRE & RESCUE SERVICE

### WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE

#### INTERNAL AUDIT PLAN FOR THE FIRE & RESCUE SERVICE 2016/17

Audit Area	Source (max risk score 45)	Planned Days 2016/17	Preferred Audit Quarter
<b>Accountancy &amp; Finance Systems</b>			
Main Ledger (incl. Budgetary Control & Bank Rec)	Risk Score 28	8	Q3
Creditors	Risk Score 28	8	Q3
Debtors	Risk Score 25	5	Q3
Payroll & Pensions (incl. GARTAN)	Risk Score 35	13	Q3
VAT	Risk Score 27	3	Q4
<b>SUB TOTAL</b>		<b>37</b>	
<b>Corporate Governance (incl Health &amp; Safety arrangements)</b>			
Corporate Governance (AGS)	Risk Score 25	10	Commenced 21/07/2016
ICT Audit	Risk Score 36	10	Q4
<b>System / Management Arrangements</b>			
Safeguarding	Risk Score 30	8	Was Q2 ~ request to defer to October 2016
Training Centre	Risk Score 33	8	Q4
Property & Asset Mngt(Client Side)	Risk Score 31	9	Was Q2 – request to defer to December 2016
Fees and Charges (Value for Money)	Risk Score 25	5	Q4
Technical Fire Safety (Commercial)	Risk Score 24	8	Q4
<b>SUB TOTAL</b>		<b>58</b>	
<b>General</b>			
Follow up 2014/15 & 2015/16 Reviews	Routine & s151	5	Q1 to Q4 inclusive
Advice, Guidance, Consultation, Investigations	n/a	2	Q1 to Q4 inclusive
Audit Cttee Support	n/a	5	Q1 to Q4 inclusive
Reports & Meetings	n/a	4	Q1 to Q4 inclusive
<b>SUB TOTAL</b>		<b>16</b>	
<b>TOTAL CHARGEABLE</b>		<b>111</b>	

Note: GAD has been not included ~ conformity to be provided by Worcestershire County Council.  
In addition to the plan above there will be an additional review in regard to the Pensions to ensure the CARE system is operating satisfactorily. (Commenced July 2016 with main testing to take place in October 2016).

**'High' Priority Recommendations reported**

**Audit work is finalised in regard to the 2015/16 audit programme and there are no 'high' priority recommendations to report.**

**Work continues in regard to the 2016/17 audit plan.**