

Report of the Head of Internal Audit Shared Service

Internal Audit Progress Report 2021/22

Purpose of report

1. To provide Committee with an update in regards to the delivery of the Internal Audit plan 2021/22.
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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 2018. 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 systems function correctly.

Objectives of Internal Audit

3. The Public Sector Internal Audit Standards (as amended) 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 (as amended).

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 will work with external audit to try and avoid duplication of effort, provide adequate coverage for the 2021/22 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. The audit plan is made available to the external auditors for information.

Audit Planning

6. To provide audit coverage for 2021/22, an audit operational programme delivered by WIASS was discussed and agreed with the Authority's Section 151 Officer and Treasurer and was brought before Committee on 28th July 2021 for consideration. The audit programme provides a total audit provision of 111 audit days; including support days and draw down budgets which may not be used in full during the year.

Audit Delivery

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).

Assurance Sources

8. We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Authority's operations. Where possible we seek to place reliance on such work thus reducing the internal audit coverage as required.

Independence and Safeguards

9. WIASS internal audit activity is organisationally independent. Internal Audit reports to the Treasurer but has a direct and unrestricted access to the senior management board and the Audit Committee Chair. Where WIASS provide assistance with the preparation of areas of work there are clear safeguards in place to ensure independence is not compromised. Safeguards include review within the audit service by an independent person to those who have completed the work as well as independent scrutiny by the Treasurer of the authority. Audit Committee can also challenge the reported findings and the minutes would record this.

Risk Management

10. Risk Management is a high profile activity due to the nature of the Authority. Regular updates are brought before Committee and a robust and embedded risk management process exists within the Fire Authority. Regular review of the risk profile takes place with appropriate mitigation agreed and reported.

2021/2022 Audit Position

11. There have been two reviews finalised regarding the 2021/22 plan since the last progress report:
 - Young Fire Fighters
 - Safeguarding
12. A review that was at draft report stage as at the 30th November 2021 and awaiting management feedback and sign off included:
 - Payroll
13. Reviews progressing for Q3 through testing stages included:
 - Main ledger
 - Debtors (a/c's receivable)
 - Creditors (a/c's payable)
14. Reviews scheduled for Q4 include:
 - Review of Financial processes Tech 1
 - Procurement and contracts
 - COVID-19 lessons learnt, business resilience planning and implementation.
15. The outcome to the reviews listed in paragraphs 12 and 13 above will be reported to Committee in summary form as soon as they are finalised.
16. If there is a need to revise the plan during the year to maximise coverage based on available resource and any emerging events, this will be agreed with the Treasurer and reported to Committee.

2020/21 Audit Reviews:

Safeguarding

17. This review was undertaken to provide assurance that Hereford & Worcester Fire and Rescue Service has suitable controls in place over Safeguarding and processes that are working at an operational level to ensure a robust and vigilant approach to Safeguarding.
18. The review found the following areas of the system were working well:
 - Policies and guidance documents are in place and are regularly updated.
 - Service staff are given training around Safeguarding which includes refresher courses on a regular basis.

- Safeguarding arrangements are subject to review and self-assessment where appropriate.

19. The review found the following areas of the system where controls could be strengthened:

- Staff Disclosure and Barring Service (DBS) Checks
- DBS checks and Recruitment
- Adult Safeguarding Policy
- Safeguarding Roles

One high and three medium priority recommendations were reported.

Final report was issued: 30th September 2021

Assurance: Moderate

Young Fire Fighters and Volunteering

20. This review was undertaken to provide assurance that:

- Hereford & Worcester Fire and Rescue Service has measures in place to ensure the safety and welfare of young firefighters and volunteers.
- Objectives laid down in the Young Firefighters Constitution are still relevant and being achieved. Also, there are arrangements in place to ensure that a continuous Young Fire Fighter Association (YFA) scheme can be provided now and, in the future, and that Young Fire Fighter Association (YFA) member take-up and volunteer take-up and allocation is monitored.

21. The review found the following areas of the system were working well:

- Policy documentation is in place, up to date and is accessible to staff.
- Arrangements are underway for the reopening of the Droitwich-based YFA unit following the COVID-19 pandemic and subsequent lockdowns.
- YFA membership/take up remains consistent and no issues have been identified to date.
- The Service has in place sufficient arrangements to provide support to young people where necessary.
- Information relating to both young people and volunteers is securely held within the Service systems.

22. The review found the following areas of the system where controls could be strengthened:

- Online Information for the H&WFRS Young Fire Fighter Association
- Volunteer Records

Two medium priority recommendations were reported.

Final report was issued: 30th September 2021

Assurance: Moderate

Follow Up Reviews

23. Follow up takes place regarding previously completed audits to provide assurance that recommendations have been implemented and any risk mitigated. Where there is a programmed annual visit to an area the 'follow up' is included as part of the audit review e.g. financials. Any material exceptions arising from audit 'follow up' will be brought to the attention of the Audit Committee. A key performance indicator and computer follow up review are in the process of being arranged and will be reported before Committee on completion. For the follow ups undertaken to date there are no material exceptions to report.

Conclusion/Summary

24. The Internal Audit Plan for 2021/22 will continue on a risk basis agreed by the Treasurer. The reviews will continue to be at various stages of completion throughout the remainder of the year and will be reported to Committee on completion.

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 Impact Assessment been completed? If not, why not?)	N/A

Supporting Information

Appendix 1 – 2021/22 Audit Plan summary.

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

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

Appendix 4 – ‘Follow Up’ reporting

Audit Area	Source	Planned days 2021/22		Service	Comment/Outline Scoping	Strategy link	Indicative Timing of Review	Latest Position
Corporate Governance								
Procurement and Contracts		14		Service Support	Area identified as part of 2020/21 discussions for 2021/22. ToR to include quality of specifications, matrix formulation, embedded training from 2020/21.	Fire & Rescue Authority	Q4	Awaiting commencement
COVID-19 lessons learnt business resilience planning and implementation.		8		All	Risk associated with this area across the business to provide assurance that lesson learnt have been implemented. ToR to be Corporately identified lessons learnt implementation plan, ownership and overall progress.	Fire & Rescue Authority	Q4	Awaiting commencement
SUB TOTAL		22						
System / Management Arrangements								
Young Fire Fighters & Volunteering		10		All	Roll forward from 2020/21. Links to reputational risk, cost and value added requirements. Focus will be Droitwich as Redditch has closed. ToR to be agreed.	Fire & Rescue Authority	Q1	Final Report Issued 30 th September 2021. Moderate Assurance

Audit Area	Source	Planned days 2021/22	Service	Comment/Outline Scoping	Strategy link	Indicative Timing of Review	Latest Position
Safeguarding		10	All	Roll forward from 2020/21. Risk associated with this area of the business. Last looked at 2016/17. ToR to be Corporate ownership and responsibility?	Fire & Rescue Authority	Q1	Final Report Issued 30 th September 2021. Moderate Assurance
SUB TOTAL		20					
Follow up Reviews	Good governance	7					Fleet completed with no exceptions to report. ICT and KPI's being arranged.
Advice, Guidance, Consultation, Investigations	Support	8		Draw Down Budget			N/a
Audit Cttee support, reports and meetings	Support	11		Draw Down Budget			N/a
SUB TOTAL		26					
TOTAL CHARGEABLE		111					

‘High’ Priority Recommendations Reported for 2021/22 Finalised Reviews.

Safeguarding Review:

1	H	<p><u>Staff DBS Checks</u></p> <p>Testing found Service staff and volunteers working in Community Safety who do not currently have satisfactory Disclosure and Barring Service (DBS) checks. The roles of these staff require them to work with vulnerable adults, children, and the elderly and staff either do not have an up to date DBS certificate or in some cases do not have one at all.</p>	<p>Potential risk of a Safeguarding incident occurring and the individual not having the appropriate DBS certification leading to significant reputational damage for the Service and loss of public trust.</p>	<p>Ensure that DBS checks are undertaken for all staff and volunteers within the relevant roles at the earliest opportunity. Where new starters are concerned, ensure that the DBS check is complete and recorded before commencing any duties that require the staff member to work unsupervised.</p> <p>Maintain an ongoing register for DBS checks that can be monitored to ensure that Service staff (including volunteers) remain up to date.</p>	<p><u>Management Response</u></p> <p>A review of the Prevention roles that require a Disclosure and Barring Service (DBS) check has been carried out.</p> <p>The level of checks for roles within Prevention are as follows:</p> <ul style="list-style-type: none"> • Prevention Technicians – Basic Check • Senior Prevention Technicians – Basic Check • Volunteers – Basic Check • YFA Instructors – Enhanced Check with a children’s barred list check. <p>The Criminal Records Check policy states that ‘The Service may repeat DBS checks once completed, every three years unless there is a break in service or volunteering activity of more than three months or the Service has justifiable concerns about an individual’s suitability to work with children and/or adults’.</p> <p>The Prevention Managers will now review the level of checks</p>
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				<p>staff within these roles currently have, identify any checks that are required to be undertaken or renewed and when repeat checks will be required.</p> <p>Where there are persons identified as requiring a renewal or initial check, a risk assessment of their activities will be undertaken and a limit on their duties may be implemented until the relevant level of check is obtained.</p> <p>Prevention Managers will liaise with HR to ensure a robust system is in place to identify when staff and volunteers require a repeat check or if their role has changed and an initial check is required.</p> <p>Prevention Managers will liaise with HR to assess the eligibility for a DBS Check for new starters and ensure that the DBS check is complete and recorded before commencing any duties that require the staff member to work unsupervised.</p> <p><u>Responsible Persons</u></p> <p>Prevention Manager Prevention SC Recruitment Manager</p> <p><u>Implementation Date</u> 8th October 2021</p>
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(Where recommendations are reported these definitions can also be applied to Appendix 4 where applicable)

Definition of Priority of Recommendations

Priority	Definition
High	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.
Medium	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.
Low	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.

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 its 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>

Follow Up Reviews

There are no exceptions to report before Committee for 'follow up' reviews that have been completed.