Hereford & Worcester Fire Authority
Audit and Standards Committee
18 January 2023

Report of the Head of Internal Audit Shared Service

Internal Audit Progress Report

Purpose of report

1. To provide an update in regard to the delivery of the Internal Audit plan 2022/23.

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 2022/23 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 2022/23, an audit operational programme delivered by WIASS was discussed and agreed with the Authority's Senior Management Board and the Section 151 Officer and Treasurer. It was brought before Committee on 19th January 2022 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.

2022/2023 Audit Position

11.   Audit areas completed regarding the 2022/23 audit plan include:
- Training Centre Droitwich – Training Records for Front Line Officers

12.   Several reviews are currently in progress including:
- OPCC estates
- Debtors
- Creditors
- Main ledger
- Transfer of Tech One System

13.   These are progressing through the testing and clearance stages and will be reported on completion.

14.   The outcome to the reviews listed in paragraph 11 above is reported in summary below.

Training Centre Droitwich – Front Line Officer Training Records

15.   The review found the following areas of the system were working well:
- Training Centre are updating the records where they have been advised that the training has taken place.
- Looking at ways to improve the timing of the training to ensure the training doesn't become out of date and that the training remains effective.
- Controls in place to minimise/mitigate the risk of front-line officers attending an incident without the relevant training.
- Central inbox within the administration team to receive and allocate work.

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

- Accuracy of the Record Keeping on the Course Management System (CMS)
- Operational Assurance Report (OpA)
- Internal Trainers - assessment

There were three medium priority recommendations reported.

Final report was issued: 14th September 2022
Assurance: Moderate

Follow Up Reviews

17.   Follow up takes place regarding previously completed audits e.g. Safeguarding, Young Fire Fighter Association, Covid19 lessons learnt, 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. The Key Performance Indicator follow up found a positive direction of travel with all reported points either implemented or in progress of implementation. The Computer follow up review is 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

18.   The Internal Audit Plan for 2022/23 continues to see progress. For the 2022/23 finalised report there were no high priority recommendations to report, and, robust management actions plans have been agreed and are in place to address the findings from the review. Follow ups completed to date have not identified any material exceptions to report before Committee. All finalised reviews 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 – 2022/23 Audit Plan summary.

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

Appendix 3 – 'Assurance' and 'priority' definitions.

Appendix 4 – 'Follow Up' reporting

DRAFT INTERNAL AUDIT PLAN FOR 2022/23

Audit Area	Source	Planned days 2022/23		Service	Comment/ Potential Outline Scoping	Strategy link	Indicative Quarter & Progress
Accountancy & Finance Systems							
Main Ledger (inc Budgetary Control & Bank Rec)	Fundamental to HWFRS CRMP delivery	**6**		Finance	Reduction in days for a light touch system audit. Standard scoping for core financial.	Resourcing for the Future	Q3 Clearance
Creditors (a/c's payable)	Fundamental to HWFRS CRMP delivery	**7**		Finance	Reduction in days for a light touch system audit. Standard scoping for core financial.	Resourcing for the Future	Q3 Clearance
Debtors (a/c's receivable)	Fundamental to HWFRS CRMP delivery	**5**		Finance	Reduction in days for a light touch system audit. Standard scoping for core financial.	Resourcing for the Future	Q3 Clearance
Payroll & Pensions inc GARTAN	Fundamental to HWFRS CRMP delivery	**11**		Service Support	Reduction in days for a light touch system audit. Standard scoping for core financial.	Resourcing for the Future	Q3
SUB TOTAL		**29**					

Corporate Governance

Training Centre Droitwich	Fundamental to HWFRS CRMP delivery	**10**		Finance	Management of content and system changes are working.	Fire & Rescue Authority	Q1 Finalised September 2022
OPCC Estates	Fundamental to HWFRS CRMP delivery	**12**		Service Support	Arrangements in place working, processes, reactive & planned maintenance acceptable.	Fire & Rescue Authority	Q1 Testing continuing
ICT	Fundamental to HWFRS CRMP delivery	**15**		Service Support	Cyber security, business continuity and back ups	Fire & Rescue Authority	Q4
SUB TOTAL		**37**					

System / Management Arrangements

Stores & Equipment	Fundamental to HWFRS CRMP delivery	**12**		Service Support	Effective management, accountability of stock, systems are competent, equipment replenishment/ maintenance	Fire & Rescue Authority	Q3 / 4
Fleet	Fundamental to HWFRS CRMP delivery	**10**		Service Delivery	Links to 2021-2025 CRMP promises and deliverables.	Fire & Rescue Authority	Q3 / 4
SUB TOTAL		**22**					

Follow up Reviews	Good governance	**7**				
Advice, Guidance, Consultation, Investigations	Support	**5**				
Audit Cttee support, reports and meetings	Support	**11**				
SUB TOTAL		**23**				
TOTAL CHARGEABLE		**111**				

'High' Priority Recommendations Reported for 2022/23 Finalised Reviews.

There have been no 'high' priority recommendations reported to date within finalised reviews.

(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	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 its 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.

Follow Up Reviews

There are no exceptions to report before Committee for 'follow up' reviews that have been completed. Direction of travel is positive with all the findings either implemented or in progress and working towards implementation.