

Report of the Interim Audit Team Leader – WIASS

Internal Audit Progress and Audit Plan Revision Report

Purpose of report

1. To provide the Committee with an update regarding the delivery of the Internal Audit plan 2023/24.
 2. To provide the Committee with the 2023/24 Audit Plan Revision.
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Recommendations

The Treasurer recommends that:

- (i) The report is noted; and***
- (ii) The 2023/24 Internal Audit Plan Revision is noted.***

Introduction and Background

3. 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.
4. Normally the Head of WIASS, as Chief Internal Auditor, would attend this meeting to present this report. Unfortunately, WIASS lost both the Head and deputy Head at around the same time (*both moving to Worcestershire CC Internal Audit*), and the service has been operating with an interim Audit Lead until the new Head starts in late January. The interim Audit Lead is unable to attend this meeting in person and we do not have capability to provide a hybrid meeting arrangement. The Treasurer will be able to answer Members general queries, but if there are any specific questions for the interim Audit Lead they may have to be provided after the meeting.

Objectives of Internal Audit

5. 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

6. 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.
 - Advise upon the control and risk implications of new systems or other organisational changes.
7. Internal audit will work with external audit to try and avoid duplication of effort, provide adequate coverage for the 2023/24 financial year so that an internal audit opinion can be reached and support External Audit by carrying out reviews in support of the account’s opinion work. The audit plan is made available to the external auditors for information.

Audit Planning

8. To provide audit coverage for 2023/24, 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 18 January 2023 for consideration. The audit programme provided 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

9. 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

10. 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

11. 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 provides 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

12. 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.

2023/24 Audit Progress

13. The following reviews have been finalised:
 - Procurement (Reasonable Assurance)
 - Business Continuity (Reasonable Assurance)
14. Several reviews are currently in progress including:
 - Main Ledger (inc. Budgetary Control & Bank Reconciliation)
 - Payroll & Pensions (inc. GARTAN)
15. These are progressing through the planning stages and will be reported on completion.

2023/24 Audit Plan Revision

16. The Internal Audit Plan for 2023/24 approved by this Committee was based upon a resource allocation of 111 productive days, as agreed with the Section 151 officer. Since this time, several pressures have been placed upon the service that have affected and will affect its ability to complete the annual audit plan. These include the loss of key personnel (Head of Service and Audit Team Leader) and vacancies within the team. As a result, productive days have been reduced by 32 from 111 to 79 days.
17. The Interim Audit Team Leader and S151 Officer have reviewed the current status of the plan and considered whether the number of planned audits can be reduced, or specific audits deferred, if it is prudent to do so from a risk assurance perspective.
18. As a result of this exercised it is proposed to remove the following audits:
 - **His Majesty Inspectorate – Action Plan (11 days)**
Rationale: 3rd HMI inspection undertaken so deemed low risk. Remove from 2023/24 Audit Plan.
 - **Declaration of Interest and Hospitality (3 days)**
Rationale: Deemed low risk. Remove from 23/24 Plan. Remove from 2023/24 Audit Plan.
 - **Main Ledger (inc. Budgetary Control & Bank Reconciliation) (From 7 to 6 days)**
Rationale: Control environment historically robust. Undertake light touch approach or consider reduction in scope. Planned days reduced. May reduce further subject to light touch approach and that assurance coverage is sufficient.
 - **Creditors (Accounts payable) (From 8 to 6 days)**
Rationale: Control environment historically robust. Undertake light touch approach or consider reduction in scope. Planned days reduced. May reduce further subject to light touch approach and that assurance coverage is sufficient.
 - **Debtors (Accounts receivable) (From 5 to 4 days)**
Rationale: Control environment historically robust. Undertake light touch approach or consider reduction in scope. Planned days reduced. May reduce further subject to light touch approach and that assurance coverage is sufficient.
 - **Payroll & Pensions inc. GARTAN (From 12 to 9 days)**
Rationale: Control environment historically robust. Undertake light touch approach or consider reduction in scope. Planned days reduced. May reduce further subject to light touch approach and that assurance coverage is sufficient.
 - **Culture Whistleblowing & Ethics (12 days)**
Rationale: Defer to 2024/25.

19. The Business Continuity Plans audit budget has been increased by 1 day.

Follow Up Reviews

20. Follow up takes place regarding previously completed audits e.g. Safeguarding, Fire Cadets, Covid 19 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. For the follow ups undertaken to date there are no material exceptions to report.

Conclusion/Summary

21. The Internal Audit Plan for 2023/24 continues to see progress. However, revisions have been made to the plan due to resourcing issues. There has been no significant reduction in risk assurance and coverage. For the 2023/24 finalised reports issued to date there are no high priority recommendations to report, and, robust management action plans have been agreed and are in place to address the findings from the review. 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 & Core Code of Ethics (Identify how proposals link with current priorities & policy framework and align to the Core Code of Ethics)	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

Data Protection Impact Assessment (where personal data is processed a DPIA must be completed to ensure compliant handling)	N/A
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Supporting Information

Appendix 1 – 2023/24 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 2023/ 2024		Service	Comment/ Outline Scoping	Strategy link	Indicative Quarter	Current Position
Accountancy & Finance Systems								
Main Ledger (inc. Budgetary Control & Bank Rec)	Fundamental to HWFRS CRMP delivery	6		Finance	Full Audit	Resourcing for the Future	Q3	To commence in Q3
Creditors (a/c's payable)	Fundamental to HWFRS CRMP delivery	6		Finance	Full Audit	Resourcing for the Future	Q3	To commence in Q3
Debtors (a/c's receivable)	Fundamental to HWFRS CRMP delivery	4		Finance	Full Audit	Resourcing for the Future	Q3	To commence in Q3
Payroll & Pensions inc. GARTAN	Fundamental to HWFRS CRMP delivery	9		Service Support	Full Audit	Resourcing for the Future	Q3	To commence in Q3
SUB TOTAL		25						

Audit Area	Source	Planned days 2023/24	Service	Comment/Outline Scoping	Strategy link	Indicative Quarter	Current Position
Corporate Governance							
Culture, Whistleblowing & Ethics	Fundamental to HWFRS CRMP delivery	-	Service Support	Implementation of recommendations of the 2022/23 audit -hybrid review	Fire & Rescue Authority	Q4	Removed
Business Continuity Plans	Fundamental to HWFRS CRMP delivery	12	Service Support	Linked to those relevant areas of the risk register (including emerging industrial action)	Fire & Rescue Authority	Q2	Testing in progress
His Majesty Inspectorate – Action Plan	Fundamental to HWFRS CRMP delivery	-	Protection	Areas of improvement	Fire & Rescue Authority	Transferred from Q1 to Q3	Removed
SUB TOTAL		12					
System / Management Arrangements							
Declaration of Interests & Hospitality	Good governance	-	Service Support	Process and registration transparency	Fire & Rescue Authority	Q3	Removed

Audit Area	Source	Planned days	Service	Comment/Outline Scoping	Strategy link	Indicative Quarter	Current Position
		2023/24					
Procurement	Fundamental to HWFRS CRMP delivery	9	Service Support	Contract Management to ensure value for Money	Fire & Rescue Authority	Q1 / 2	Completed
Follow up Reviews	Good Governance	7				Q1 to Q4	Ongoing
SUB TOTAL		16					
Advice, Guidance, Consultation, Investigations	Support	5				Q1 to Q4	Ongoing
Audit Cttee support, reports and meetings	Support	11				Q1 to Q4	Ongoing
Contingency		10					
SUB TOTAL		26					
TOTAL CHARGEABLE		79					

Appendix 2

'High' Priority Recommendations Reported for 2023/24 Finalised Reviews.

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

Appendix 3

(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 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>

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.