

Report of the Head of Internal Audit - WIASS

Internal Audit Progress Report

Purpose of report

1. To provide the Committee with an update regarding the delivery of the Internal Audit plan for 2023/24.
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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 its activities 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 the 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 those 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).

Aim 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, providing adequate coverage for each financial year so that an internal audit opinion can be reached. Internal Audit will also support External Audit by carrying out reviews of the financial systems which underpin the accounts. The Internal Audit plan is made available to the external auditors for information.

Audit Planning

6. 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 18th 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

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. Internal Audit recognises that there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Authority's operations. Where possible Internal Audit seeks to place reliance on such work, which potentially reduces the level of coverage 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 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

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.

2023/24 Audit Progress

11. The following reviews have been finalised:
 - Procurement (Reasonable Assurance)
 - Business Continuity (Reasonable Assurance)
12. Several reviews are currently in progress including:
 - Main Ledger (inc Budgetary Control & Bank Rec) - this is at clearance stage.
 - Payroll & Pensions inc GARTAN
 - Creditors
 - Debtors
13. These are progressing and the results will be reported on completion.
14. The original 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 in January 2024, this was reduced to 79 days. As of 22nd March 2024, 85 days had been delivered. The final outturn is likely to be in the region of 90 days. It is estimated that around 12 days of fieldwork will be required in April 2024 to finish off the 2023/24 plan.
15. The Head of Internal Audit is confident that the Annual Internal Audit Report and Opinion will be provided on time at the next Committee meeting. At this stage, there are no emerging risks or issues which would indicate that a less than Reasonable level of assurance will be provided for 2023/24.

Update on Resources

16. The structure of the WIASS has been reviewed; the previous Team Leader post and one Auditor post have been removed. Two Senior Auditor positions have been created and these positions are currently advertised. There has already been a good level of interest in these positions. To ensure that there are sufficient resources to deliver the client Internal Audit Plans whilst recruitment is ongoing, one Interim Auditor post has been extended until the end of June 2024, and a further Interim Auditor has been appointed from 8th April 2024, for

a period of 3 months. Both the Interim Auditors are highly experienced. These changes are being managed within the existing budget for the Service.

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. For the follow ups undertaken to date there are no material exceptions to report.

Conclusion/Summary

18. The Internal Audit Plan for 2023/24 continues to see progress. For the 2023/24 finalised reports issued to date there are no high priority recommendations to report, and, robust management actions plans have been agreed and are in place to address the findings from the reviews. All finalised reviews will be reported to Committee on completion.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	None
Strategic Policy Links & Core Code of Ethics (Identify how proposals link with current priorities & policy framework and align to the Core Code of Ethics)	None
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

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

Appendix 1

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	Q4	Report in clearance
Creditors (a/c's payable)	Fundamental to HWFRS CRMP delivery	6	Finance	Full Audit	Resourcing for the Future	Q4	In progress
Debtors (a/c's receivable)	Fundamental to HWFRS CRMP delivery	4	Finance	Full Audit	Resourcing for the Future	Q4	In progress
Payroll & Pensions inc. GARTAN	Fundamental to HWFRS CRMP delivery	9	Service Support	Full Audit	Resourcing for the Future	Q4	In progress
SUB TOTAL		25					

Audit Area	Source	Planned days 2023/ 2024	Service	Comment/Outline Scoping	Strategy link	Indicative Quarter	Current Position
Corporate Governance							
Business Continuity Plans	Fundamental to HWFRS CRMP delivery	12	Service Support	Linked to relevant areas of the risk register (including emerging industrial action)	Fire & Rescue Authority	Q2	Completed – Reasonable Assurance
SUB TOTAL		12					
System / Mgmt Arrangements							
Procurement	Fundamental to HWFRS CRMP delivery	9	Service Support	Contract Management to ensure VFM	Fire & Rescue Authority	Q1 / 2	Completed – Reasonable Assurance
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.

(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.

Appendix A - Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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.