

Report of the Head of Internal Audit Shared Service

Internal Audit Progress Report 2021/22

Purpose of report

1. To provide the 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 that the system is functioning 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 undertaken regarding the 2021/22 plan. They are currently at draft report stage.
12. The reviews that were at draft report stage as at the 31st August 2021 and awaiting management feedback and sign off included:
 - Young Fire Fighters
 - Safeguarding
13. Reviews planned for Q3 that are starting to progress through planning stages included:
 - Main ledger
 - Debtors
 - Creditors
 - Payroll
14. 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.
15. 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.

Residual 2020/21 Audit Reviews:

Payroll

16. The Payroll review was undertaken to provide assurance that:
 - Only bona fide employees are being paid correctly and in a timely manner.
 - The contract with Warwickshire County Council is being monitored including the monitoring of Performance Measurers and access rights.
 - That there is a robust process for dealing with coding errors including the identification of the source of the error, how these are corrected and that measures are taken to prevent their recurrence
17. This review did not cover pensions advice and guidance as this constitutes a specialist area of knowledge, except in so far as it relates to the objectives above.
18. The review found the following areas of the system were working well:
 - Starters and leavers are only actioned upon correct authorisation
 - Statutory deductions

- Monitoring of contract with Warwickshire County Council
 - Only Bona Fide employees are paid through the system
19. The new Payroll Assistant also works within the HR Section. Before appointment the risk of a lack of separation of duties was discussed and it was agreed that the Payroll Assistant would be excluded from entering starters and leavers onto the payroll system.
20. The review found the following areas of the system where controls could be strengthened:
- Mileage claims
 - Identification of coding errors
 - Actions as a result of contract meetings
21. The report made reference to self help and electronic processing of mileage claims, closer working to identify anomalies and alignment of codings within HR and Payroll systems, and, contract meeting actions to be given a timeframe and monitored at quarterly meetings.

Two medium and one low priority recommendations were reported.

Final report was issued: 11th May 2021
Assurance: Significant.

Charge Cards

22. The Charge Card review was undertaken to provide assurance around the implementation, distribution and management of charge cards and their use within the authority.
23. The review found the following areas of the system were working well:
24. Awareness of cards and their use throughout the authority
- Control of cards and the cards abilities
 - Monitoring of card transactions
 - Reconciliation of card expenditure

25. The audit identified two areas that were operating effectively in regards to the current use of charge cards within the authority; however these areas may require consideration if the scheme was to be extended and the use/number of charge cards increased. Firstly, if card usage increases, thought would need to be given to developing a process involving human resources notification of leavers and movers so cards can be removed if required. Secondly, a document outlining the card holders' responsibilities that is signed on receipt of the card may be useful to ensure officers are well aware of the correct use and expectations.

No recommendations were reported.

Final report was issued: 26th April 2021
Assurance: Significant. Full

Capital Budgets

26. The Capital Budget review was undertaken to provide assurance on the processes surrounding the capital budgeting process, capital projects, reporting processes and outcomes/lessons learned.
27. The review found the following areas of the system were working well:
- The development and approval of a Capital Programme on an annual basis
 - Processes to monitor capital projects and to provide information to budget holders and Members in an appropriate way
 - Accounting of spend in relation to capital projects
 - Communication of position of the capital programme to Senior Management and Members

No recommendations were reported.

Final report was issued: 20th May 2021
Assurance: Significant. Full

Asset Management Registers

28. The Asset Management Register review was undertaken to provide assurance that the asset register used for reporting and recording of assets is complete and accurate and records all assets in a consistent manner.
29. The review found the following areas of the system were working well:
- There is an Asset Management strategy supported by a number of supporting strategies
 - The Financial Regulations detail the responsibilities in relation to Asset Management and discuss disposal of assets

- The Capital Asset Register is reviewed and updated at least annually with information from subsidiary asset recording systems e.g. Red Kite and Tranman

No recommendations were reported.

Final report was issued: 26th April 2021

Assurance: Significant. Full

Follow Up Reviews

30. A 'follow up' review regarding Fleet took place during Q1 – 2. There were no exceptions to report. A computer audit follow up was planned during Q2. 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. For the follow ups undertaken there are no material exceptions to report.

Conclusion/Summary

31. The Internal Audit Plan for 2021/22 will continue on a risk basis agreed by the Treasurer. The reviews will be in various stages of completion throughout 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

APPENDIX 1

**FIRE & RESCUE SERVICE
INTERNAL AUDIT PLAN FOR 2021/22**

Audit Area	Source	Planned days 2021/22	Service	Comment/Outline Scoping	Strategy link	Indicative Timing of Review	Latest Position
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.	Resourcing for the Future	Q3 & 4	Awaiting commencement
Creditors (a/c's payable)	Fundamental to HWFRS CRMP delivery	7	Finance	Reduction in days for a light touch system audit.	Resourcing for the Future	Q3 & 4	Awaiting commencement
Debtors (a/c's receivable)	Fundamental to HWFRS CRMP delivery	5	Finance	Reduction in days for a light touch system audit.	Resourcing for the Future	Q3 & 4	Awaiting commencement
Payroll & Pensions inc GARTAN	Fundamental to HWFRS CRMP delivery	11	Service Support	Reduction in days for a light touch system audit.	Resourcing for the Future	Q3 & 4	Awaiting commencement

Audit Area	Source	Planned days 2021/22	Service	Comment/Outline Scoping	Strategy link	Indicative Timing of Review	Latest Position
Review of Financial Processes Tech1	Fundamental to HWFRS CRMP delivery	14	Finance	Moving to web based so security checks to be undertaken	Resourcing for the Future	Q4	Awaiting commencement
SUB TOTAL		43					
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					

Audit Area	Source	Planned days 2021/22		Service	Comment/Outline Scoping	Strategy link	Indicative Timing of Review	Latest Position
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	Draft Report issued 31 st August 2021
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	Draft Report issued 31 st August 2021
SUB TOTAL		20						
Follow up Reviews	Good governance	7						Fleet completed with no exceptions to report. ICT planned for Q2, and, KPI's planned for Q3

Audit Area	Source	Planned days 2021/22	Service	Comment/Outline Scoping	Strategy link	Indicative Timing of Review	Latest Position
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					

Appendix 2

'High' Priority Recommendations Reported for 2021/22 Finalised Reviews.

Awaiting management responses before the two reviews are finalised and reported.

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	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
Medium	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>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.</p>
Low	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

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.