

Report of the Chief Internal Auditor

Internal Audit Progress Report 2018/19 & 2019/20

Purpose of report

1. To provide the Committee with a progress update on the residual 2018/19 audit plan delivery and progress to date on 2019/20.
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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 2015. 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 (WAISS). 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”. WAISS is committed to conforming to the requirements of the Public Sector Internal Audit Standards (as amended).

Aims of Internal Audit

4. The objectives of WAISS 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 has worked with external audit to try and avoid duplication of effort, provide adequate coverage for the 2018/19 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.

Audit Planning

6. To provide audit coverage for 2018/19, an audit operational programme delivered by WIASS was discussed and agreed with the Authority's Section 151 Officer and Treasurer as well as Senior Management Board and was brought before Committee on 25th April 2018 for consideration. The audit programme provided a total audit provision of 111 audit days; 95 operational and 16 management days.

Audit Delivery

7. 2018/19 audits commenced after the Committee had agreed the 2018/19 plan at the 25th April 2018 Committee (Appendix 1).
8. 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).

2018/19 Audits:

9. The summary results of these audits are included below. Where recommendations have been made, these are being addressed through management actions.

10. Fleet Maintenance

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

- The identification and compliance with legal requirements
- Budget Monitoring
- Health and Safety
- Defect Reporting
- IT System Access.

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

- Finance Method and Replacement Details
- Document Retention
- Defect Recording
- Supporting Documentation
- Service Dates
- Adopting Service Plans
- Disposed Vehicle

13. There were 6 'medium' and 1 'low' priority recommendations reported.

Audit Type: Full System Audit

Report Date: 15th April 2019

Assurance: Significant

14. Performance Indicators

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

- Information that is collected and processed follows consistent data streams and information management processes
- Transparency is achieved through the regular publication of information and the updated data request format
- Reporting of information is clear at all levels from Senior Management to the public
- Areas of concern are identified and actions are put in place to mitigate any emerging risks
- Performance data is monitored against other Authorities through the Family Group 4 reporting process

16. There were no recommendations reported.

Audit Type: Full System Audit

Report Date: 7th June 2019

Assurance: Full

17. 2018/19 reviews currently at draft report stage include:

18. Urban Search and Rescue (USAR)
19. The review found the following areas of the system were working well:
- Management of budgets and expenditure
 - Monitoring of training needs
20. The review found the following areas of the system where controls could be strengthened:
- National Resilience Review Action Plan
21. There was 1 'medium' priority recommendation reported.
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|--------------------|-----------------------------|
| Audit Type: | Full System Audit |
| Draft Report Date: | 26 th April 2019 |
| Assurance: | Significant (draft) |
22. Retained Duty System
23. The review found the following areas of the system were working well:
- Procedures and processes for managing duty systems.
 - Monitoring of firefighter and appliance availability, and corresponding impacts on service provision.
24. The review found the following areas of the system where controls could be strengthened:
- Staff Training on Duty Systems
25. There was 1 'medium' priority recommendation reported.
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|--------------------|---------------------|
| Audit Type: | Full System Audit |
| Draft Report Date: | 1st May 2019 |
| Assurance: | Significant (draft) |
26. Reviews in regard to the 2019/20 audit plan are progressing through the planning stage and at the time of reporting included:
- Embedding of the National Operational Guidance
 - Human Resources Recruitment Process
27. The outcome to the reviews listed in paragraph 25 above will be reported to Committee in summary form as soon as they are completed.
28. 'Follow up' is continuing in regard to 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.
29. There are no exceptions to report in regards to 'follow up' findings.

Conclusion/Summary

30. The Internal Audit Plan for 2018/19 progressed steadily throughout the year culminating with all of the reviews either at draft report stage or completed. Recommendations that have been made in regards to the reports produced throughout the year are being addressed through robust management action plans and in a timely manner.

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 – 2018/19 Audit Plan summary.

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

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

Contact Officer

Andy Bromage, Head of Internal Audit Shared Service - Worcestershire Internal Audit Shared Service

(01905 722051)

Email: andy.bromage@worcester.gov.uk

APPENDIX 1

Detailed Programme of Work for 2018/19

Audit Area	Planned days 2018/19	Proposed Re view	Priority Audit/Quarter and Progress
Accountancy & Finance Systems			
Main Ledger (inc Budgetary Control & Bank Rec)	5	Light Touch	Final Report 18/12/18
Creditors	6	Light Touch	Final Report 18/12/19
Debtors	4	Light Touch	Final Report 18/12/19
Payroll x2	18	Full & Critical Friend	Final Report 19/12/18 & Final Report 08/03/19
& Pensions incl. GARTAN	5	Full	& Final Report 08/1/19
SUB TOTAL	38		
Corporate (incl. Health & Safety arrangements)			
Key Performance Indicators	5	Full	Final Report 07/06/19
Retained Duty System	10	Full	Draft Report 01/05/19
System / Management Arrangements			
Fleet Maintenance	10	Full	Final Report 15/04/19
GDPR Application	9	Full	Final Report 17/10/18
USAR and Technical Rescue	12	Full	Draft Report 26/04/19
SUB TOTAL	46		
General			
Follow up Reviews	7	Pull down budget	
Advice, Guidance, Consultation, Investigations	5	Pull down budget	
Audit Cttee Support	5	Pull down budget	
Reports & Meetings	6	Pull down budget	
SUB TOTAL	23		
TOTAL CHARGEABLE	107		

Detailed Programme of Work for 2019/20

Audit Area	Planned days 2019/20	Proposed Review	Priority and indicative delivery date
Accountancy & Finance Systems			
Main Ledger (inc Budgetary Control & Bank Rec)	5	Light touch	Medium / Q1 - Q3
Creditors	6	Light touch	Medium / Q1 - Q3
Debtors	4	Light touch	Medium / Q1 - Q3
Payroll and Pensions incl. GARTAN	10	Full	High / Q1 – Q4
SUB TOTAL	25		
Corporate			
Embedding of National Operational Guidance	10	Full	Medium Commenced Q1
Business Continuity	10	Full	Medium Q4
SUB TOTAL	20		
System / Management Arrangements			
Equality and Diversity	12	AC Chair request. Full	Medium Q2
Computer Audit	14	Full	Medium Q4
Human Resources	9	Full	Medium Commenced Q1
Communication and Engagement Strategy	8	Full	Medium Q2
SUB TOTAL	43		
General			
Follow up Reviews	7	Pull Down Budget	Q1 – Q4
Advice, Guidance, Consultation, Investigations	5	Pull Down Budget	Q1 – Q4
Audit Committee Support	5	Pull Down Budget	Q1 – Q4
Reports & Meetings	6	Pull Down Budget	Q1 – Q4
SUB TOTAL	23		
PLAN TOTAL	111		

Appendix 2

'High' Priority Recommendations reported (2018/19 Reviews)

There were no 'high' priority recommendations to report from those reviews completed since the last Committee that could potentially lead to increased risk for the Fire and Rescue Service.

Appendix 3

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 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>