

Hereford & Worcester Fire Authority

Audit and Standards Committee

24<sup>th</sup> January 2018

## **Report of the Head of Internal Audit Shared Service**

### **Internal Audit Monitoring Report 2017/18**

#### **Purpose of report**

To provide the Committee with a progress update on the 2017/18 audit plan delivery.

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#### **Recommendation**

*The Treasurer recommends that the report is noted.*

#### **Introduction and Background**

1. 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 (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**

2. The Public Sector Internal Audit Standards 2013 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.

#### **Aims of Internal Audit**

3. 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.
4. Internal audit has worked with external audit to try and avoid duplication of effort, provide adequate coverage for the 2017/18 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**

5. To provide audit coverage for 2017/18, an audit operational programme to be 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 12<sup>th</sup> April 2017 for consideration. The audit programme provides a total audit provision of 111 audit days; 95 operational and 16 management days.

### **Audit Delivery**

6. 2017/18 audits commenced after the Committee had agreed the 2017/18 plan at the 12<sup>th</sup> April 2017 Committee (Appendix 1).
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).

### **2017/18 Audits:**

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

### Corporate Governance (Business Continuity)

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

- All plans were held electronically and hard copy in appropriate places being accessible to staff;
- All strategic plans have dates set to be reviewed and department's plans are due to be transferred to a new format;
- Good communication to staff of Business Continuity and any roles they are responsible for;
- Critical resources and timescales had been considered within plans;
- Critical service of Fire Control was clearly well prepared and fall-back was part of their working day;
- A strong working relationship with the Local Resilience Forum; and,
- Plans in place to fall in line with Local Resilience Forum.

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

- Testing and updating of plans

There was one 'medium' priority recommendation reported.

Audit Type:	Full System Audit
Follow Up Report Date:	16 <sup>th</sup> August 2017
Original Assurance:	Significant

### Training and Development (baseline and core skill delivery)

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

- Draft People Strategy linked to business strategies;
- Baseline training requirements for uniformed staff have been identified and included within the Competency Training Record system;
- The Skills for Justice guidance: competencies set has been adopted by the Service;
- Arrangements are in place for the training of drivers under blue lights; and,
- Training statistics are reported to Senior Management Board regularly.

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

- Monitoring and provision of required core competency refresher training;
- Data variances between the Competency Training Record system and the Gartan system;
- Escalation of non response to training refresher course reminders to enrol; and,
- Recording and monitoring of promoted staff on development.

There were four 'medium' priority recommendations reported.

Audit Type: Full System Audit  
Follow Up Report Date: 2<sup>nd</sup> November 2017  
Original Assurance: Moderate

#### Transformational Planning (Critical Review) 20:20 Board

This critical review found the 2020 Programme Board to be an effective form of challenge for the strategic projects being undertaken by the Hereford and Worcester Fire and Rescue Service, with regular engagement with responsible officers, and evidence of actions being taken from the challenge process.

Areas of the process that could be improved, particularly in relation to the information provided to the 2020 Programme Board, included quantifying the desirable project targets and objectives and monitoring in accordance with these. This process would be improved with the formal implementation of key stages, including a formal Project Initiation Document or Business Case which clearly sets out what the Board aims to achieve, so that it can measure respective successes and failures. It would also enhance a more focused management challenge during the course of the project by clarifying issues being encountered, assessing them against the original project targets and associated tolerances for change, and quantifying the changes and variations that should be escalated.

The direction of travel is regarded as being positive, in that actions have already been taken to address some of the issues raised in the review, including the preparation of Project Initiation Documents for more recent projects and the formal review of the Evesham Fire Station project, albeit the process would benefit from having this activity formally embedded within all project work.

Three challenges were reported.

Audit Type: Critical Friend  
Follow Up Report Date: 22<sup>nd</sup> September 2017  
Original Assurance: N/a

9. Reviews currently at draft report or clearance stage include:
  - Partnership Working - at draft report stage
  - Capital Programme - at clearance stage
10. Other reviews progressing through the fieldwork stage at the time of reporting included:

- Main Ledger - (including budgetary control & Bank Rec) (limited Scope)
- Creditors
- Debtors (limited Scope)

The outcome to the reviews listed above will be reported to Committee in summary form as soon as they are completed.

11. The following 2016/17 review was also finalized since the last Committee is reported in summary form:

#### ICT

This critical friend review found a number of issues that are to be addressed by management in the implementation of the new strategy for the ICT service. Work on this continues to progress at a steady rate, based on the agreed timeframe for assessing the working arrangements and developing this new ICT strategy, with the overall implementation of project dates being monitored at a senior level. This progressive forward direction of travel must be maintained based on the agreed project target dates in order to achieve corporate objectives.

There is a need to determine the relative suitability of each of the project works identified, including the identification of all associated risks and mitigating controls and actions. The audit work identified the need to consider alternative arrangements, or contingency arrangements should the projects fail or be delayed, albeit this is likely to be identified in the planned risk identification stage.

There is a need to determine whether current working arrangements still suit the requirements of the new developing ICT Strategy, or whether internal management arrangements should be amended to fit the overall purpose going forwards.

12. 'Follow up' is continuing in regard to previously completed audits to provide assurance that recommendations have been implemented and any risk mitigated e.g. safeguarding. Where there is a programmed annual visit to an area the 'follow up' is included as part of the audit review e.g. financials. There are no exceptions to report in regards to 'follow up' findings.

## Conclusion/Summary

13. The Internal Audit Plan for 2017/18 will continue to progress steadily throughout the forthcoming quarter. Recommendations that have been made are being addressed through robust management action plans.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	There are no financial issues that require consideration.
<b>Strategic Policy Links</b> (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.
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

## **Supporting Information**

Appendix 1 – 2017/18 Audit Plan summary.

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

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

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**APPENDIX 1**

**INTERNAL AUDIT PLAN FOR THE FIRE & RESCUE SERVICE 2017/18  
WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE**

<b>Audit Area</b>	<b>Proposed Review</b>	<b>Planned days 2017/18</b>	<b>Provisional Audit Quarter / Progress</b>
<b>Accountancy &amp; Finance Systems</b>			
Main Ledger (incl. Budgetary Control & Bank Rec)	Limited Scope	5	Fieldwork Stage
Creditors	Full	8	Fieldwork Stage
Debtors	Limited Scope	4	Fieldwork Stage
Payroll & Pensions (incl. GARTAN)	Full	13	Fieldwork Stage
Capital Programme (Fleet)	Full	8	Clearance Stage
<b>SUB TOTAL</b>		<b>38</b>	
<b>Corporate Governance (incl Health &amp; Safety arrangements)</b>			
Corporate Governance (Business continuity, resilience & emergency planning)	Full	9	Completed 16/08/2017
ICT Audit	Full	8	Q4
Risk Management	Limited Scope	5	Completed 14/06/2017
<b>System / Management Arrangements</b>			
Partnership Working (Governance Arrangements)	Full	6	Draft Report Stage
Training (Baseline & Core skill delivery)	Full	8	Completed 02/11/2017
Transformational Planning	Critical Friend	9	Completed 22/09/2017
Procurement /Contracts	Full	8	Q4
<b>SUB TOTAL</b>		<b>53</b>	
<b>General</b>			
Follow up Reviews		7	Q1 to Q4 inclusive
Advice, Guidance, Consultation, Investigations		3	Q1 to Q4 inclusive
Audit Cttee Support		5	Q1 to Q4 inclusive
Reports & Meetings		5	Q1 to Q4 inclusive
<b>SUB TOTAL</b>		<b>20</b>	
<b>TOTAL CHARGEABLE</b>		<b>111</b>	

**'High' Priority Recommendations reported (2017/18 Reviews)**

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

**Definition of Priority of Recommendations**

<b>Priority</b>	<b>Definition</b>
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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
<p style="text-align: center;"><b>Full Assurance</b></p>	<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>
<p style="text-align: center;"><b>Significant Assurance</b></p>	<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>
<p style="text-align: center;"><b>Moderate Assurance</b></p>	<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>
<p style="text-align: center;"><b>Limited Assurance</b></p>	<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>
<p style="text-align: center;"><b>No Assurance</b></p>	<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>