# Report of the Head of Internal Audit Shared Service

# Internal Audit Progress Report 2019/20

## Introduction and Summary

This is the regular report providing Committee with an update of progress in regards to the 2019/20 internal audit plan. Good progress continued to be made to deliver the plan with the majority of the work completed. Due to the COVID-19 outbreak we will need to finalise two reviews that are currently at clearance or draft stage when resource allows. The Business Continuity review has been suspended due to the Emergency Planning Officer being required to respond firstly to the floods and immediately after the COVID-19 outbreak. Overall there were no exceptions or high risk areas to report to Committee for the finalised reviews. Summary overviews of the finalised reports are contained in the report for information. The report would have been for noting

## 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 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

2. 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**

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 2019/20 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 2019/20, 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 24th April 2019 for consideration. The audit programme provided a total audit provision of 111 audit days; 88 operational and 23 management days.

**Audit Delivery**

6.    2019/20 audits commenced after the Committee had agreed the 2019/20 plan at the 24th April 2019 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).

**2019/20 Audits**

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

9.   Reviews in regard to the 2019/20 plan finalised since the last committee meeting and reported in summary form include:

## Payroll

10.   The review found the following areas of the system were working well:
- Starters and leavers are only actioned upon correct authorisation.
- Expenses are correctly authorised before being processed.
- Statutory deductions.
- Processes for SSP/SMP and Paternity Pay.

11.   The review found the following areas where issues were identified but have been resolved, are in the process of being resolved or not related fully to the scope of this audit.
- Testing highlighted one area where an old version of the expense form was still being used. The Payroll Officer immediately resolved this area to remove old versions of the form from use.
- All leavers were removed from the Payroll System upon correct authorisation. However the Human Resources list did not include an Officer as a leaver. This is not a control issue for this review but it might be wise to review the reports produced from the HR Connect system to ascertain their reliability.
- There were some issues with the costing files provided to finance in relation to coding of National Insurance. After speaking to Finance and Payroll the two Services have identified the problem and are now working together to find a solution.

12.   The review found the following area of the system where controls could be strengthened:
- Manual calculation of sick days for retained duty.

13.   There was one 'low' priority recommendation reported.

Type of Review: Full System
Final Report Issued: 28th February 2020
Assurance:  Significant

## Human Resources: Agency Recruitment and Transparency of the Promotion Process

14.   The review found the following areas of the system were working well:
- Agency staff recruitment processes are well embedded.
- Transparency has increased with the implementations following the recommendations from the HMICFRS report.
- Scrutiny arrangements have been embedded into the promotion process through the Independent Scrutiny Panel (ISP).

15.   The review found the following areas of the system where controls and processes could be reviewed to streamline the process and resources required:

- Independent Scrutiny Panel Involvement.
- Shortlisting Processes.
- Feedback.

16. There were three 'low' priority recommendations reported.

Type of Review: Limited Scope
Final Report Issued: 10th March 2020
Assurance:  Significant

17. Reviews progressing through clearance and draft report stages at time of reporting included:
- Communication and Engagement.
- Computer Audit.

18. The Business Continuity review has been suspended due to the key Emergency Planning Officer being involved in the flood and COVID-19 response.

19. The outcome to the reviews listed in paragraph 17 above will be reported to Committee in summary form as soon as they are finalised and this we will complete the 2019/20 plan with the exception of Business Continuity.  There are no indications at this time of any high priority recommendations to be reported with those reviews nearing completion.

20. '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.

21. There are no exceptions to report in regards to 'follow up' findings.

**Conclusion/Summary**

22. The Internal Audit Plan for 2019/20 progressed steadily throughout the financial year. It is anticipated that any recommendations made in regards to the reports produced throughout the year will be addressed through robust management action plans and in a timely manner.

**Supporting Information**

Appendix 1 – 2019/20 Audit Plan summary.
Appendix 2 – 'High' priority recommendations for completed audits.
Appendix 3 – 'Assurance' and 'priority' definitions.

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 | Finalised 29th November 2019 |
| Creditors | 6 | Light touch | Finalised 29th November 2019 |
| Debtors | 4 | Light touch | Finalised 29th November 2019 |
| Payroll and Pensions incl. GARTAN | 10 | Full | Finalised 28th February 2020 |
| **SUB TOTAL** | **25** | | |
| | | | |
| **Corporate** | | | |
| Embedding of National Operational Guidance | 10 | Full | Finalised 15th November 2019 |
| Business Continuity | 10 | Full | Brief Agreed but review suspended March 2020 |
| **SUB TOTAL** | **20** | | |
| | | | |
| **System/Management Arrangements** | | | |
| Equality and Diversity | 12 | AC Chair request. Full | Finalised 17th September 2019 |
| Computer Audit | 14 | Full | Awaiting Clearance March 2020 |
| Human Resources | 9 | Full | Final Report 10th March 2020 |
| Communication and Engagement Strategy | 8 | Full | Draft Report 6th January 2020 |
| **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 | | |

**'High' Priority Recommendations reported (2019/20 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.

## <u>Definition of Priority of Recommendations</u>

| 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.<br><br>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.<br><br>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.<br><br>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** | The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.<br><br>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system. |
| **Significant Assurance** | 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.<br><br>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. |
| **Moderate Assurance** | 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.<br><br>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. |
| **Limited Assurance** | 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.<br><br>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. |
| **No Assurance** | 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.<br><br>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. |