

Hereford & Worcester Fire Authority

Audit and Standards Committee

25th April 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.

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 12th 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 12th 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.
9. Main Ledger.

As assurance has been gained over the system from previous year's full system reviews (2016/17 giving full assurance) and no major changes have occurred in the officers undertaking the process or in the system being used to record the transactions. This review was undertaken on a random testing only basis to ensure that controls are still being implemented in line with policies and procedures agreed.

As testing has not highlighted any areas of concern that need reporting assurance can be gained that in the areas covered controls are being operated as required in order to minimise the risk to the Service.

There were no recommendations reported based on random testing.

Audit Type: Limited Scope
Follow Up Report Date: 16th January 2018

10. Creditors.

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

- Goods and services are correctly authorised and there is appropriate segregation of duties between the requisition and authorisation of good and services
- Authorisation levels and appropriate separation of duties exist and are being adhered to
- Invoices are recorded correctly and accurately in the main ledger
- There is regular monitoring of invoices which ensures that late payments are kept to a minimum
- There are effective controls and a clear segregation of duties for BACS payments

There were no recommendations reported.

Audit Type: Full System Audit
Follow Up Report Date: 16th January 2018
Assurance: Full

11. Debtors

As assurance has been gained over the system from previous year's full system reviews (2016/17 giving full assurance) and no major changes have occurred in the officers undertaking the process or in the system being used to record the transactions this review was undertaken on a random testing only basis to ensure that controls are still being implemented in line with policies and procedures agreed.

As testing has not highlighted any areas of concern that need reporting assurance can be gained that in the areas covered controls are being operated as required in order to minimise the risk to the Service.

There were no recommendations reported based on random testing.

Audit Type: Limited Scope
Follow Up Report Date: 16th January 2018

12. Capital Programme - Fleet

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

- The fleet strategy capital replacement programme has been recently reviewed and updated, identifying the requirements of the service over a number of years.
- The ongoing management and maintenance of exiting vehicles.
- Arrangements for purchasing and disposing of vehicles in order to achieve best value.
- Site security arrangements at the depot sites, which have recently been reviewed in accordance with Home Office requirements for emergency services.

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

- The maintenance of vehicle records on the electronic TranMan system.
- Maintaining inspection records of national resilience vehicles that are maintained through a national framework by another authority.
- Maintaining a suitable retention schedule for all types of records, to ensure information is not held longer than it should be.
- The Fleet Service Policy Instruction requires updating to ensure relevance with current working arrangements, including changes with acquisition & disposal practices.

There were four 'medium' priority recommendations reported.

Audit Type:	Full System Audit
Follow Up Report Date:	16 th January 2018
Assurance:	Moderate

13. Procurement

The review found the following areas working well:

- Senior Management support and commitment to the Governance and policies/procedures being operated in relation to Procurement.
- Transparency
- Contracts register available to view by the public
- Procurement rational available to view by the public for items where there is likely to be internal or external challenge e.g. High Value items and by officers internally on the sharepoint.
- Advertising of contracts - Contracts Finder and Bluelight
- Etendering via the Bluelight system
- Clearly documented processes

- Tracking and monitoring of the stages of the procurement exercises being undertaken
- Supporting documentation held in a centralised area
- Use of National Frameworks and collaborative working
- Initial awareness training for officers involved in the Procurement Process

There are still areas to be addressed that the Service is aware of:

- Review of the overarching policies e.g. standing orders
- Specific training in relation to procurement e.g. writing of specifications and scoring matrices
- Induction training for officers new to the service
- Embedding of policies and procedures
- Capturing information in relation to savings made
- Contracting of lower value items where the contract has expired
- Forward scanning of the Procurement landscape especially in relation to technology

There are areas of the system where controls could be strengthened:

- Resilience
- Documented action plan

There were two medium priority recommendations reported.

Audit Type:	Full System Audit
Follow Up Report Date:	28 th February 2018
Assurance:	Moderate

14. Reviews currently at draft report or clearance stage include:
 - Partnership Working - at draft report stage
 - Payroll - at draft report stage
15. Other reviews progressing through the fieldwork stage at the time of reporting included:
 - ICT

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

16. 'Follow up' is continuing in regard to previously completed audits to provide assurance that recommendations have been implemented and any risk mitigated e.g. fees and charges, Care Scheme 2015. Where there is a programmed annual visit to an area the 'follow up' is included as part of the audit review e.g.

financials. Both of the reviews indicated above have had the recommendations fully implemented and no further follow up is required. There are no exceptions to report in regards to 'follow up' findings.

Conclusion/Summary

17. The Internal Audit Plan for 2017/18 is almost completed with two reviews remaining at draft report and one at fieldwork stage. Recommendations that have been made are being addressed through robust management action plans.

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)	N/A

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Supporting Information

Appendix 1 – 2017/18 Audit Plan summary.

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

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

Contact Officer

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APPENDIX 1

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

Audit Area	Proposed Review	Planned days 2017/18	Provisional Audit Quarter / Progress
Accountancy & Finance Systems			
Main Ledger (incl. Budgetary Control & Bank Rec)	Limited Scope	5	Completed 16/01/2018
Creditors	Full	8	Completed 16/01/2018
Debtors	Limited Scope	4	Completed 16/01/2018
Payroll & Pensions (incl. GARTAN)	Full	13	Draft Report Stage
Capital Programme (Fleet)	Full	8	Completed 16/01/2018
SUB TOTAL		38	
Corporate Governance (incl Health & Safety arrangements)			
Corporate Governance (Business continuity, resilience & emergency planning)	Full	9	Completed 16/08/2017
ICT Audit	Full	8	Ongoing
Risk Management	Limited Scope	5	Completed 14/06/2017
System / Management Arrangements			
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	Completed 28/02/2018
SUB TOTAL		53	
General			
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
SUB TOTAL		20	
TOTAL CHARGEABLE		111	

Appendix 2

'High' Priority Recommendations reported (2017/18 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 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>