

Report of the Head of Internal Audit Shared Service

Internal Audit Progress Report 2020/21

Purpose of report

1. To provide Committee with an update in regards to the delivery of the Internal Audit plan 2020/21.
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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 2020/21 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 2020/21, 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 22nd January 2020 for consideration. The audit programme provided a total audit provision of 111 audit days; 88 operational and 23 management days.

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).

2020/2021 Audit Position

8. The 2020/21 Internal Audit Plan was agreed at the 22nd January 2020 Committee for commencement from April 2020. It is our intention to continue to use the agreed plan as a benchmark to which to work during 2020/21. No formal adjustments have been made to date.
9. Due to the COVID-19 response the plan has been slow to start due to the restrictions of access to systems as there is no remote access available to WIASS. There is a need to flex the plan as the year continues depending on available resource and events to maximise coverage. Priorities in regard to audit delivery have been discussed with the Treasurer to ensure that the key risk areas are being considered. The core financial areas will feature in any work undertaken but there is an expectation that there will be a need to roll forward to 2021/22 those reviews not completed during this financial year using a risk base approach.
10. The Key Performance Indicators review was scheduled for completion during Q2 and reporting before Committee. This has not been possible as the review

was postponed on the request of the Group Commander, Performance and Information. This request was made in response to a large number of requests from the HMICFRS in preparation for an inspection planned for October relating to the Service's response to Covid 19. Due to the need to re-direct the priorities of the department to focus on HMICFRS work there was not the available capacity to dedicate time to the Key Performance Indicators review as well. This has now been rescheduled to be revisited Q3 onwards.

11. As a result there are no summary results of audits to report before Committee at this time.
12. The core financial audits are planned to be undertaken in Q3 commencing in November. Planning for several of these reviews has already commenced.
13. 'Follow up' has taken place 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. In regard to the two audits that have been revisited recently all of the reported recommendations have been satisfied and the outcomes are contained in Appendix 4. Any material exceptions arising from audit 'follow up' will be brought to the attention of the Audit Committee. There are no material exceptions to report at this time.

Conclusion/Summary

14. Progress on the Internal Audit Plan for 2020/21 has been very limited so far with the postponed review. Planning for the core financial audits due to take place in Q3 has commenced. Follow up in regard to two audit reviews continued and has shown the recommendations to be satisfied.
15. The Internal Audit Plan for 2020/21 will continue on a priority basis agreed by the Treasurer but will not be completed in full and there will be a requirement to roll over certain reviews to next financial year on a risk basis.

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 – 2020/21 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 DRAFT INTERNAL AUDIT PLAN FOR 2020/21

Audit Area	Source	Planned days 2020/21		Service	Comment/Outline Scoping	Strategy link	Indicative Delivery date
Accountancy & Finance Systems							
Main Ledger (inc Budgetary Control & Bank Rec)	Fundamental to HWFRS CRMP delivery	10		Finance	Increase in days for a full system audit returning to light touch 2021/22	Resourcing for the Future	Q3
Creditors (a/c's payable)	Fundamental to HWFRS CRMP delivery	9		Finance	Increase in days for a full system audit returning to light touch 2021/22	Resourcing for the Future	Q3
Debtors (a/c's receivable)	Fundamental to HWFRS CRMP delivery	6		Finance	Increase in days for a full system audit returning to light touch 2021/22	Resourcing for the Future	Q3
Payroll & Pensions inc GARTAN	Fundamental to HWFRS CRMP delivery	20		Service Support	Full Payroll audit. ToR: to ensure everything has embedded and all scenarios have been encountered depending on Payroll procurement outcome. Pensions to include governance due to changes. (See 'Asset Management Registers' below re. potential budget reallocation).	Resourcing for the Future	Q3
Capital Budgeting	Fundamental to HWFRS CRMP delivery	10		Finance	Full system audit. Required per prudential code. ToR: process -v- reality.	Resourcing for the Future	Q4
SUB TOTAL		55					

Audit Area	Source	Planned days 2020/21		Service	Comment/Outline Scoping	Strategy link	Indicative Delivery date
Corporate Governance							
Key Performance Indicators	Fundamental to HWFRS CRMP delivery	7		Service Support	Critical friend review to consider why the KPI's are useful, process of capture, interpretation, consistency, and the strategic alliance reporting and outcomes. Underpins everything HWFRS report on and are changing.	Fire & Rescue Authority	Q2
SUB TOTAL		7					
System / Management Arrangements							
Young Fire Fighters & Volunteering	Identified risk and priority area	10		All	Potential for reputational risk, cost and value added requirements. Focus will be Droitwich as Redditch has closed. ToR: to be agreed at commencement of review.	Fire & Rescue Authority	Q4
Safeguarding	Priority area	10		All	Continuing risk associated with this area of the business. Last looked at 2016/17. ToR: Corporate ownership and embedded responsibilities.	Fire & Rescue Authority	Q4
Charge cards	Potential for emerging risk	6		Finance	Cards limited to certain requirements but looking to extend the number of card holders which has the potential to increase the risk. ToR: good governance re. process and practice.	Resourcing for the Future & Services	Q4
1st Reserve Audit: Asset Management Registers	Fundamental to HWFRS CRMP delivery	0		Service Support	1st reserve audit. ToR: consistency with finance asset list and whether the same information is reported. Potential budget to come from unused Payroll (i.e. contingency depending on payroll procurement outcome 2020/21).	Fire & Rescue Authority	To be confirmed
SUB TOTAL		26					

Audit Area	Source	Planned days 2020/21		Service	Comment/Outline Scoping	Strategy link	Indicative Delivery date
Follow up Reviews	Good Governance	7		All	Good governance and best practice	N/a	Q1 – Q4 inclusive
Advice, Guidance, Consultation, Investigations	N/a	5		N/a	Contingency and pull down	N/a	Q1 – Q4 inclusive
Audit Cttee support, reports and meetings	N/a	11		N/a	Delivery Support requirement	N/a	Q1 – Q4 inclusive
SUB TOTAL		23					
TOTAL CHARGEABLE		111					

High Priority Recommendations Reported for Finalised Reviews.

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

Appendix 3

(These definitions can also be applied to Appendix 4)

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>

Worcestershire Internal Audit Shared Service



GDPR 2018/19 Follow up – August 2020

Distribution:

To: Information Governance Officer
Committee & Members Services Manager

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Section A - Justification of Audit Follow-up Approach

The date of the final audit Report was 17/10/2018 and is being followed up because:

- 2 medium priority recommendations were made: and
- At least six months have passed since the previous follow-up.

The following audit approach has therefore been applied:

- The 2 medium priority recommendations have been updated with the current position. (Please see Section C)
- Where required recommendations against weaknesses in key controls have been tested substantively/ evidenced.

Section B - Conclusion - Current Position statement

The original audit report gave Significant Assurance over the control environment and this was the 1st follow-up.

The follow up has found that of the 2 medium priority recommendations reported both have been implemented. From the explanations received and the evidence provided Internal Audit are satisfied that all of the recommendations have been satisfactorily implemented and no further follow-up will be required.

This follow up was undertaken during the month of August 2020.

Section C – Current Position –

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up</u> <u>Position as at August 2020</u>
1 Medium	<p><u>Information Audit</u></p> <p>Update the Master Information Asset Register with the current information from any returned Information Asset Lists. Where partial returns are submitted liaise with individual Department Heads in order to ensure that all of the necessary information is submitted.</p>	<p>Responsible Manager:</p> <p>GC / Committee & Members Services Manager</p> <p>Implementation Date:</p> <p>New formatted register available October 2018.</p> <p>It should be noted that the Service has an existing Information Asset register that is reviewed by departmental managers on a quarterly basis. The new register aligns to a template issued by the ICO, and will be issued back to departmental managers for final checking w/c 24/9/18.</p>	<p>Implemented</p> <p>All Information Asset Owners have had GDPR training (30.9.2019) and one-to-one sessions with the Information Governance Officer (completed 9.9.2019).</p> <p>An improved Information Asset Register is now in place to drive privacy notices, retention schedules, data handling processes and information sharing agreements.</p> <p>All Information Asset Owners are required to complete registers on a quarterly basis. A GDPR update was taken to Senior Management Board on 7.04.2020, where updates to the GDPR Compliance Tracker and Information Asset Register were acknowledged.</p> <p>An awareness campaign across the organisation re: data protection and good practice information governance is ongoing.</p> <p>A full review of the organisations Service Policy Instructions with regards to Data Protection and Information Governance is underway to improve understanding, process and practice across the organisation.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up</u> <u>Position as at August 2020</u>
			An independent GDPR compliance audit has been scheduled for 30 Sept 2020
2 Medium	<u>Awareness</u> Ensure that there is a record kept of GDPR information/training that Fire Authority Members receive so that in the event of a GDPR/Data Protection related challenge the Service can confirm that Members have received the appropriate training and point to a record of when it took place and exactly what it entailed to ensure that it was suitable for the purposes of the Authority.	Responsible Manager: Committee & Members Services Manager Implementation Date: April 2019 A record to be retained of GDPR information/training provided by constituent authorities to Fire Authority Members	Implemented Members have received training prior to the meeting of the Policy & Resources Committee on Thursday, 19 th September 2019. A record of GDPR/data protection training has been provided by constituent authorities.

Worcestershire Internal Audit Shared Service



Equality & Diversity 2019/20

Follow-up Report - July 2020

Distribution:

To: Head of HR & Development
Development Manager

Cc: Director of Finance & Section 151 Officer

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Section A - Justification of Audit Follow-up Approach

The date of the final Audit Report was 17/09/2019 and is being followed up because:

- 1 medium priority recommendation was made: and
- At least six months have passed.

The following audit approach has therefore been applied:

- The single medium priority recommendation has been updated with the current position. (Please see Section C)
- Where required recommendations against weaknesses in key controls have been tested substantively/ evidenced.

Section B - Conclusion - Current Position statement

The original audit report gave **Significant Assurance** over the control environment and this was the first follow-up.

The follow up has found that the 1 'medium' priority recommendation made during the audit has been satisfactorily implemented.

The Service has updated its Equality & Diversity training package and is actively seeking feedback from users; and also is currently awaiting finalisation of the Equality, Diversity and Inclusion Plan and supporting delivery framework.

This follow up was undertaken during the month of July 2020.

Section C – Current Position

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up</u> <u>Position as at 16 July 2020</u>
1 Medium	<u>Training</u> <p>The Service would benefit from a varied learning approach to equality and diversity with additional training methods being adopted. Results need to be monitored to assess the impact that training is having. This can be achieved through a robust feedback and results analysis process.</p>	<p>Responsible Manager:</p> <p>Head of HR & Development</p> <p>The findings from the audit are encouraging as they reinforced our own self-assessment.</p> <p>Actions:</p> <ul style="list-style-type: none"> • Review current training offer and research complimentary sustainable , blended training options e.g. workshops, presentations, online learning package for implementation from April 2020 onwards • Launch Equality, Diversity and Inclusion Strategy and supporting action plan - April 2020 • Implement and monitor feedback – from April 2020 	<p>Implemented.</p> <ul style="list-style-type: none"> • The Service has updated the online Equality & Diversity training package and question bank. They are analysing the current workforce profile and progress against the equality objectives to identify trends/themes to inform the training on offer going forward. • The Equality, Diversity and Inclusion plan and supporting delivery framework has been finalised and is awaiting FRA approval towards the end of July 2020. • Feedback has been requested on the refreshed baseline package from users as part of its launch. The Service would request feedback on any future training options to analyse effectiveness.