



**Safest People, Safest Places**

## **Audit and Risk Committee**

**25 February 2021**

### **Internal Audit Progress Report**

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

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#### **Purpose of the Report**

1. The purpose of this report is to advise Members on work undertaken by Internal Audit between 01 April 2020 and 31 March 2021. The report aims to:
  - Provide a high level of assurance, or otherwise, on internal controls operated across the Authority that have been subject to audit
  - Advise the Committee of significant issues where controls need to improve to effectively manage risks
  - Advise the Committee of any amendments to the approved Internal Audit plan
  - Advise the Committee of changes to audit processes and terminology
  - Track progress on the response to internal audit reports and the implementation of agreed internal audit recommendations
  - Provide an update on our performance indicators comparing actual performance against planned.
2. The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).

Appendix 1 Progress against the Internal Audit Plan

Appendix 2 Internal Audit Performance Indicators

Appendix 3\* Overdue Actions

#### **Progress against planned work**

3. A summary of the agreed plan (which covers the 12-month period 01 April 2020 to 31 March 2021) showing the status of each audit as at 31 December 2020 is attached at Appendix 2.

4. Delivery of the audit plan had been impacted following the onset of the coronavirus pandemic which resulted in our agreeing to a new way of working with the Fire Service through remote access and the collection and return of records, where required.
5. The Appendix shows that 14 reviews including five that were carried forward from 2019/20 are scheduled to be completed in 2020/21, of these:
  - Six assurance reviews are complete (final report);
  - Four assurance reviews are planned or in progress;
  - Three assurance reviews have not yet started;
  - The NFI review included under the Counter Fraud heading is in progress.
  - Three reviews have been cancelled and two of these reviews have been replaced with alternative assurance reviews which are scheduled to be carried out during the IA Year 2020/21
6. The assurance level, if applicable, for each piece of work where a final report has been issued is shown in Appendix 1.
7. The five assurance reviews completed in the period April to September 20 have been previously reported to Committee meetings.

### **Amendments to Annual Audit Plan**

8. During the last quarter, the following amendments were made to the plan

| <b>Audit</b>         | <b>Amendment</b>  |
|----------------------|---|
| Data Quality         | This review was cancelled further to discussion with the key contact and replaced with an assurance review of the GDPR arrangement to be carried out during the IA Year 2021/22.                                      |
| ICT Strategy         | This review was cancelled further to discussion with the key contact and replaced with an assurance review of Identity and Access Management  |
| Telephony Management | This review was cancelled further to discussion with the key contact and replaced with an assurance review of User Education and Awareness which was initially scheduled to be carried out during the IA Year 2021/22 |

### **Outstanding management response to draft reports**

9. No management responses to outstanding Draft Reports are overdue.

### **Response to Audit Recommendations**

10. To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within actions plans within individual audit reports are followed up by internal audit. In addition, listings of all recommendations outstanding at the end of each month are produced and issued to a nominated representative to assist the Service in its own internal monitoring processes.

11. To allow progress made at the operational level to be tracked and monitored, the numbers of all recommendations made arising from each audit complete, and evidenced as implemented, are shown in Appendix 1. It should be noted that Internal Audit will not follow up Best Practice matters raised.
12. A summary of outstanding audit recommendations i.e. those not implemented within original agreed or revised target dates, as evidenced through Internal Audit follow up, for quarter ended 30 December 2020 is given in the table below:

| Risk Category  | Actions Raised | Total Due | Actions Implemented | Overdue Original | Target Revised | Overdue Revised |
|----------------|----------------|-----------|---------------------|------------------|----------------|-----------------|
| <b>2018/19</b> |                |           |                     |                  |                |                 |
| High           | 7              | 7         | 7                   | 0                | 0              | 0               |
| Medium         | 25             | 25        | 23                  | 2                | 2              | 0               |
| <b>Total</b>   | <b>32</b>      | <b>32</b> | <b>30</b>           | <b>2</b>         | <b>2</b>       | <b>0</b>        |
| <b>2019/20</b> |                |           |                     |                  |                |                 |
| High           | 7              | 7         | 7                   | 0                | 0              | 0               |
| Medium         | 7              | 6         | 4                   | 2                | 2              | 0               |
| <b>Total</b>   | <b>14</b>      | <b>13</b> | <b>11</b>           | <b>2</b>         | <b>2</b>       | <b>0</b>        |
| <b>2020/21</b> |                |           |                     |                  |                |                 |
| High           | 8              | 0         | 0                   | 0                | 0              | 0               |
| Medium         | 10             | 10        | 6                   | 4                | 4              | 0               |
| <b>Total</b>   | <b>18</b>      | <b>10</b> | <b>6</b>            | <b>4</b>         | <b>4</b>       | <b>0</b>        |

13. Eight medium priority recommendations are overdue against original target implementation dates. Revised targets have been agreed in all cases with no recommendations overdue. Details of the eight recommendations are shown in Appendix 3 as a Part B Agenda Item.

### **Unplanned work carried out this quarter**

14. There was no unplanned work undertaken during the period.

### **Reports issued with a Limited Assurance Opinion**

15. No reports have been issued that resulted in a Limited Assurance Opinion.

### **Corporate Governance**

16. Further to the approval of the Annual Governance Statement, the Corporate Governance action plan was updated to reflect the significant issues contained within the Statement and actions being taken to address these. A progress update was reported to the Committee at its meeting which took place in October 2020.

### **Counter Fraud**

17. Pension, payroll and creditors data was submitted to the Cabinet Office in October 2020 as part of the latest National Fraud Initiative (NFI) with results expected to be released for review from January 2021.

### **Performance Indicators**

18. A summary of agreed target performance indicators is given in Appendix 2.

## Recommendation

19. Members are **asked to**

- **consider** the outturn position in delivering the internal audit plan for 2020/21 together with that made by managers in responding to the work of internal audit to gain assurance on the adequacy and effectiveness of the internal control environment.

Tracy Henderson, Interim Audit Manager, 03000 269668

## Appendix 1: Summary of the status of work undertaken and recommendations made and implemented

| INTERNAL AUDIT SERVICES                  |               |              |              |             |                 |                   |          |          |           |          |          |
|--|---------------|--------------|--------------|-------------|-----------------|-------------------|----------|----------|-----------|----------|----------|
|  |               |              |              |             |                 |                   | High     | Medium   |           | Best     |          |
|  |               |              |              |             |                 |                   | Practice |          |           |          |          |
| Reviews – 2020-21                        | Work Schedule | Planned Days | Revised Days | Actual Days | Status          | Assurance Opinion | M        | I        | M         | I        | M        |
| <b>Planned Work</b>                      |               |              |              |             |                 |                   |          |          |           |          |          |
| Key Financial Systems                    | Q3            | 20           | 20           | 2.5         | In Progress     |                   |          |          |           |          |          |
| Data Quality                             | Q3            | 6            | 2            | 2           | Cancelled       | N/A               |          |          |           |          |          |
| Assurance Management – AGS               | Q1-4          | 1            | 1            | 1.2         | Complete        | N/A               | 8        | 0        | 0         | 0        | 0        |
| Strategic Risk Management                | Q4            | 1            | 1            | 0           | In Progress     |                   |          |          |           |          |          |
| Ethics                                   | Q2            | 6            | 6            | 6.6         | Final Report    | Substantial       | 0        | 0        | 1         | 1        | 0        |
| Procurement and Contracts                | Q4            | 6            | 6            | 0           | Planned         |                   |          |          |           |          |          |
| ICT Procurement                          | Q3-4          | 5            | 5            | 0.4         | Not yet started |                   |          |          |           |          |          |
| ICT Strategy                             | Q3-4          | 5            | 0            | 0.4         | Cancelled       |                   |          |          |           |          |          |
| Telephony Management                     | Q3-4          | 5            | 0            | 0.4         | Cancelled       |                   |          |          |           |          |          |
| <b>Unplanned Work</b>                    |               |              |              |             |                 |                   |          |          |           |          |          |
| Identity and Access Management           | Qtr4          | 0            | 5            | 0           | Not yet started |                   |          |          |           |          |          |
| User Education and Awareness             | Qtr4          | 0            | 5            | 0           | Not yet started |                   |          |          |           |          |          |
| <b>Counter Fraud</b>                     |               |              |              |             |                 |                   |          |          |           |          |          |
| NFI 2020/21                              | Q4            | 4            | 4            | 1           | In Progress     | N/A               |          |          |           |          |          |
| <b>Audit Planning and Reporting</b>      |               |              |              |             |                 |                   |          |          |           |          |          |
| Audit Planning                           | Q1-4          | 2            | 2            | 1.2         | In Progress     | N/A               | 0        | 0        | 0         | 0        | 0        |
| Advice and Reporting                     | Q1-4          | 8            | 8            | 4.3         | In Progress     | N/A               | 0        | 0        | 0         | 0        | 0        |
| Follow Up                                | Q1-4          | 2            | 2            | 0.8         | In Progress     | N/A               | 0        | 0        | 0         | 0        | 0        |
| <b>Contingency (20/21 – 21/22)</b>       |               |              |              |             |                 |                   |          |          |           |          |          |
|  |               | 0            | 4            | 0           |                 |                   |          |          |           |          |          |
| <b>Brought Forward Reviews – 2019-20</b> |               |              |              |             |                 |                   |          |          |           |          |          |
| Vital Fire Solutions                     | Qtr3          | 5            | 5            | 4.2         | In Progress     |                   |          |          |           |          |          |
| Key Financial Systems                    | Q3            | 5            | 5            | 7.7         | Final Report    | Substantial       | 0        | 0        | 3         | 3        | 2        |
| VAT                                      | Q3            | 1            | 1            | 3           | Final Report    | Substantial       | 0        | 0        | 0         | 0        | 0        |
| Vehicle / Plant Management               | Q4            | 2            | 2            | 0.9         | Final Report    | Substantial       | 0        | 0        | 1         | 1        | 0        |
| Information Governance                   | Q4            | 1            | 1            | 2.6         | Final Report    | Moderate          | 0        | 0        | 5         | 1        | 0        |
| <b>TOTAL</b>                             |               | <b>85</b>    | <b>85</b>    | <b>39.2</b> |                 |                   | <b>8</b> | <b>0</b> | <b>10</b> | <b>6</b> | <b>2</b> |

Note: The Reports for the Assurance Reviews from 2019/20 c/f were finalised during the 2020/21 reporting period and actions are being tracked accordingly.

## Appendix 2 Performance Indicators for 2020/21

| <b>Efficiency</b>                                | <b>Objective: To provide maximum assurance to inform the annual audit opinion</b>  |  |  |
|--|--|--|--|
| <b>KPI</b>                                       | <b>Measure of Assessment</b>   | <b>Target &amp; (Frequency of Measurement)</b> | <b>Actual</b>  |
| Planned audits completed                         | % of planned assurance work from original approved plan complete to draft report stage as at 31 March 2021   | 90%<br>(Quarterly)                             | 43%<br>(6 out of 14 reviews completed)                     |
| Timeliness of Draft Reports                      | % of draft reports issued within 30 calendar days of end of fieldwork/closure interview<br>Average time taken is also reported for information       | 90%<br>(Quarterly)                             | 100%<br>(6 reports issued)<br>3 days                       |
| Timeliness of Final Reports                      | % of final reports issued within 14 calendar days of receipt of management response<br>Average time taken is also to be reported for information     | 95%<br>(Quarterly)                             | 100%<br>(6 reports issued)<br>3 days                       |
| Terms of Reference                               | % of TOR's agreed with key contact in advance of fieldwork commencing  | 95%<br>(Quarterly)                             | 100%<br>(8 TOR's issued)                                   |
| <b>Quality</b>                                   | <b>Objective: To ensure that the service is effective and adding value</b>   |  |  |
| <b>KPI</b>                                       | <b>Measure of Assessment</b>   | <b>Target &amp; (Frequency of Measurement)</b> |  |
| Recommendations agreed                           | % of Recommendations made compared with recommendations accepted   | 95%<br>(Quarterly)                             | 100%<br>(20 accepted out of 20 made)                       |
| Post Audit Customer Satisfaction Survey Feedback | % of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good<br>Average score is also reported for information | 100%<br>(Quarterly)                            | 100%<br>(4 out of 4 returned)<br>Overall average score 4.5 |
| Customers providing feedback Response            | % of Customer returning satisfaction returns   | 70%<br>(Quarterly)                             | 80%<br>(4 returned from 5 surveys issued in 2020/21)       |