



Safest People, Safest Places

Audit and Finance Committee

30 September 2021

Annual Internal Progress Report 2020/21

Report of the Head of Internal Audit

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 Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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 March 2021 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 to records been obtained electronically by email, and meetings were held remotely via either Teams or telephone.
5. This new way of working resulted in additional time been incurred for the completion of audit activities and this is reflected within Appendix 2.
6. Agreement was reached with the Service that four reviews that were already well progressed at the year-end would be completed in a timescale that would enable them to still be completed in time for them to be included within the overall Internal Audit opinion.
7. The Appendix shows that 15 reviews including five that were carried forward from 2019/20 are scheduled to be completed in 2020/21, of these:
 - 12 assurance reviews are complete (draft or final report);
 - One assurance review is in progress;
 - NFI and Counter Fraud reviews are complete;
8. The assurance level, if applicable, for each piece of work where a final report has been issued is shown in Appendix 1.
9. Five reviews were completed in the period April to December 2020 have been previously reported to Committee meetings and further to this, a summary of all final assurance based, and other audit reports issued during the period through to the end March 2021 is shown in the table below:

Audit Area	Brief Scope	Assurance Opinion
Strategic Risk Management	Internal Audit is required to place an annual assurance over the Risk Management arrangements. Consideration is given to the content of the Strategic Risk Registers when presented to SLT and Audit and Finance Committee and to specific operational risks included within individual Assurance reviews undertaken.	N/A
Vital Fire Solutions	An assurance review which considered the risks associated with the financial systems and processes in place for the management of income, expenditure, and VAT arrangements, which are administered using the Xero accounting package, as well as carrying out an overview of governance arrangements in place.	Substantial

Audit Area	Brief Scope	Assurance Opinion
NFI	The Fire Authority takes a proactive approach in relation to the prevention and identification of potential irregularity through participation within the National Fraud Initiative. Internal Audit acting in the capacity of key contact extracts payments data in relation to pensions, payroll and creditors for submission to the Cabinet Office ensuring that this is done in line with data protection requirements. Internal Audit reviews feedback received from the exercise to identify any potential irregularities for the Service to investigate before ensuring that outcomes from the investigation of matches are recorded on the NFI web application promptly and accurately.	N/A
Counter Fraud Awareness	Review to identify whether there had been any instances of Fraud investigated in relation to the Fire Service's own Officers and Staff	N/A

10. A summary of assurance based reviews that were already well progressed at the year-end which have subsequently been completed in time for them to be included within the overall Internal Audit opinion is shown in the table below:

Audit Area	Brief Scope	Assurance Opinion
Key Financial Systems	An assurance review that considered risks associated with key financial systems that include Income, Banking and Debtors, Ordering and Payments, Petty Cash, Company Credit Cards, Payroll and Treasury Management activities.	Substantial
Procurement and Contracts	An assurance review to evaluate the control environment to ensure procurement activity complies with legislation, is fair, transparent, and secures value for money and to review compliance with the Fire Authority's Procurement Rules and Procedures.	Substantial
ICT Procurement	An assurance review to evaluate the control environment to ensure that; - Appropriate and compatible hardware and software is purchased and value for money is achieved - Stock is maintained in an appropriate manner.	Moderate
Identify and Access Management	An assurance review to provide assurance on the management of the following risks; - Access to system/data is not secure and is not managed appropriately. - Unauthorised system changes having a direct security or operational impact.	Moderate

Amendments to Annual Audit Plan

11. No amendments were made to the plan during the last quarter

Outstanding management response to draft reports

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

Response to Audit Recommendations

13. 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.
14. 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.
15. 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 31 March 2021 is given in the table below:

Risk	Actions	Total	Actions	Overdue	Target	Overdue
2019/20						
High	7	7	7	0	0	0
Medium	7	7	5	2	2	0
Total	14	14	12	2	2	0
2020/21						
High	8	0	0	0	0	0
Medium	10	10	8	2	2	0
Total	18	10	8	2	2	0

16. Four 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 four recommendations are shown in Appendix 3 as a Part B Agenda Item.

Unplanned work carried out this quarter

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

Reports issued with a Limited Assurance Opinion

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

Corporate Governance

19. 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 and a progress update has been prepared for the Audit and Finance Committee to consider as part of the Agenda for this meeting.

Counter Fraud

20. The Audit Manager has liaised with the Deputy Chief Executive to review whether there have been any instances of Fraud investigated in relation to the Authority's workforce. The outcome of this review, when taken together with work that was undertaken earlier in the year in relation to the NFI 2020/21 Exercise, has been captured as part of the Annual Fraud and Corruption Report that is also scheduled to be considered at this meeting of the Committee.
21. Internal Audit has reviewed the results from the NFI pensions, payroll and creditors data released at the end of January 2021. A spreadsheet detailing Payroll and Pensions data records that required further investigation was compiled and provided to the Authority to action with the results of all queries now confirmed. The outcome of this review has been captured as part of the Annual Fraud and Corruption Report that is to be considered at this meeting of the Committee.

Performance Indicators

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

Recommendation

23. 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											
Reviews – 2020-21	Work Schedule	Planned Days	Revised Days	Actual Days	High	Medium	Best Practice				
					Status	Assurance Opinion	M	I	M	I	M
Planned Work											
Key Financial Systems	Q4	20	20	22	Final Report	Substantial	0	0	3	0	9
Data Quality	Q3	6	2	2	Cancelled	N/A					
Assurance Management – AGS	Q1-4	1	1	1.3	Complete	N/A	8	0	0	0	0
Strategic Risk Management	Q4	1	1	1	Complete	N/A	0	0	0	0	0
Ethics	Q2	6	6	6.6	Final Report	Substantial	0	0	1	1	0
Procurement and Contracts	Q4	6	6	0.8	Final Report	Substantial	0	0	1	0	0
ICT Procurement	Q4	5	5	2.4	Final Report	Moderate	0	0	3	0	2
ICT Strategy	Q3-4	5	0	0.5	Cancelled						
Telephony Management	Q3-4	5	0	0.5	Cancelled						
Unplanned Work											
Identity and Access Management	Q4	0	5	1.1	Final Report	Moderate	0	0	1	0	0
User Education and Awareness	Q4	0	5	1.6	In Progress						
Counter Fraud											
NFI 2020/21	Q4	4	4	4	Complete	N/A	0	0	0	0	0
Counter Fraud Awareness	Q4	0	0	0.5	Complete	N/A	0	0	0	0	0
Audit Planning and Reporting											
Audit Planning	Q1-4	2	2	2	Complete	N/A	0	0	0	0	0
Advice and Reporting	Q1-4	8	8	8	Complete	N/A	0	0	0	0	0
Follow Up	Q1-4	2	2	1.6	Complete	N/A	0	0	0	0	0
Contingency (20/21 – 21/22)											
		0	4	0							
Brought Forward Reviews – 2019-20											
Vital Fire Solutions	Qtr3	5	5	9	Final Report	Substantial	0	0	1	0	0
Key Financial Systems	Q3	5	5	7.8	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	1	Final Report	Substantial	0	0	1	1	0
Information Governance	Q4	1	1	2.6	Final Report	Moderate	0	0	5	3	0
TOTAL		85	85	79.3			8	0	10	8	2

Note: The Reports for the Assurance Reviews from 20/21 c/f were finalised during the 2021/22 reporting period and actions are being tracked accordingly.

Appendix 2 Performance Indicators for 2020/21

Efficiency	Objective: To provide maximum assurance to inform the annual audit opinion		
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 March 2021	90% (Quarterly)	93% (14 out of 15 reviews completed)
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90% (Quarterly)	100% (11 reports issued) 6 days
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also to be reported for information	95% (Quarterly)	100% (11 reports issued) 3 days
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100% (13 TOR's issued)
Quality	Objective: To ensure that the service is effective and adding value		
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	100% (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 Average score is also reported for information	100% (Quarterly)	100% (9 out of 10 returned) Overall average score 4.5
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	90% (9 returned from 10 surveys issued in 2020/21)