



**Internal Audit Update
Governance, Audit and
Scrutiny Committee**

**5th March 2018
For information and
discussion**



1. Introduction

This report provides a progress update on the delivery of the Internal Audit Plan for 2017/18 as approved by the Fire Authority on 17th March 2017. A report on the progress, key findings from our work is reported to each meeting of the GAS Committee. Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition a consolidated follow up position will be reported periodically to the GAS Committee.

2. Key Messages for the Fire Authority Attention Audit Plan Progress

The 2017/18 Internal Audit activity is attached at **Appendix 1** which provides a strategic overview and profiled timeline for agreed reviews. Since the last meeting of the GAS Committee the following work has been finalised: -

- Organisational Learning – **High Assurance (Appendix 4)**(The table below identifies the key areas from our work and the actions to be delivered by management).

Title	Assurance Level	Recommendations	
Organisational Learning	High	0 x Critical 0 x High	0 x Medium 1 x Low

Objective: To evaluate the design, and test the application of controls, around the procedures and arrangements in place for organisational learning from serious incidents or near misses. It was agreed that our testing would focus on Incident number 4986 – gas explosion 421 Beverley Road.

Summary: As a result of this audit we are providing a high level of assurance that there are appropriate controls in place for organisational learning. This is based on our review of this particular incident and is in the context that some of the remedial actions have not yet been actioned but are being pro-actively monitored via an action plan.

Our audit concluded that the incident had been subject to a comprehensive investigative process by trained personnel that resulted in a number of reports being produced good practice and lessons learned identified. These in turn translated into action plans for improvement that are now being managed and monitored. There is an overarching Operational Assurance Plan in place (which was followed for this incident) and Standard Operating Procedures. We also reviewed evidence which highlighted good engagement with personnel via the usage of bulletins, de-briefs and operational flashes. Additionally,



there was evidence of good reporting and oversight of the actions taken as a result of the incident.

One recommendation has been made concerning the provision of protected time for those involved in a significant investigation which should help ensure that reports are produced in line with any required timescales and lessons learned in a timely basis.

Executive / Management Sponsor: Director of Service Support / Group Manager, Internal Services

It should be noted that all reviews are now in progress or terms of reference and fieldwork commencement dates agreed. **Appendix 2** provides the categorisation of assurance levels and risk ratings and **Appendix 3** confirms performance against plan.

3. Work in Progress

The following pieces of work are in progress and will be reported to the GAS Committee following completion:

Work In progress

- **Local Government Transparency Code** – Draft Report
 - **Operational Training** – Fieldwork in Progress
 - **Combined Financial Systems** – Fieldwork in Progress
 - **Data Quality & Sharing** – Fieldwork to commence March 2018
 - **Cyber Security** – Fieldwork to commence Quarter 4
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4. Internal Audit Planning 2018/19

Appendix 5 sets out the audit reviews completed from 2014/15 and also includes the areas identified for 2018/19 (based on our risk assessment last year) when the audit plan was approved by the Authority in April 2017. We have now conducted a further initial risk assessment which provides the areas for consideration within the Internal Audit Plan. As part of our initial risk assessment we have reviewed the Integrated Risk Management Plan and other key documents, previous internal audit coverage and assurance, outcomes of discussions with colleagues and also considered key developments for the Service. The initial plan also incorporates those mandatory / core system assurances that are undertaken on an annual basis (for example, Financial Systems, Cyber Security) that will need to be provided. Based on the days available, there will not be sufficient time to complete all assignments included, therefore priority areas will need to be agreed.



It is important that the risk assessment is a continuous process throughout the year and the plan will remain flexible to allow for response to emerging challenges, not least those reflective of the operating environment, transformation and partnership working.

5. Recommendations

- GAS Committee notes Internal Audit progress against the 2017/18 plan (**Appendix 1 refers**).
- CMT & GAS Comment on Proposed Internal Audit Coverage in 2018/19 (**Appendix 5 refers**)



Internal Audit Control Schedule 2017/18

Appendix 1

Review Title/Ref	Delivery Timescale				Date Issued	Opinion	Outcomes/Comments
	Q1	Q2	Q3	Q4			
Finance & Resources							
Combined Financial Systems				●			Review to cover a range of identified key controls across the main financial systems. This will build upon the cumulative assurance gained from the previous cyclical audit programme. Discussions will be held with External Audit to confirm coverage and ensure complementary working. Accounts Payable / Receivable & Payroll
Performance							
Data Quality & Sharing				●			To review the processes for data quality and information sharing across the organisation and with external partners to ensure appropriate accuracy, regulatory compliance and security.
Operational Compliance							
Cyber Security				●			To review the robustness of the organisation's IT infrastructure to provide assurance on the design, adequacy and operation of key operational and management arrangements, to maintain the confidentiality, integrity and availability of information assets and ensure resilience against cyber risks.
Operational Training				●			To review the arrangements in place to deliver, record and monitor compliance to the Fire Service's Operational Training Strategy.
Governance, Risk & legality							
GAS Committee – Workshop Outcomes Review		●			19/10/17	Advisory	To facilitate a workshop with GAS Committee Members and Officers providing a stock take of the committees' role and its operations. This will be used to determine whether any enhancements

Review Title/Ref	Delivery Timescale				Date Issued	Opinion	Outcomes/Comments
	Q1	Q2	Q3	Q4			
							can be made to ensure it continues to add value to the Fire Authority.
Local Government Transparency Code				●			To provide assurance that the Service is complying with the requirements of the Local Government Transparency Code. The review will also include assessing the availability of key public documents which should be accessible on the Service/Authority website.
Organisational Learning & Engagement			●		22/02/18	High	A review of the organisation's arrangements to engage with stakeholders and partners to gather and share good practice and to ensure an appropriate cultural environment to facilitate service delivery and change.
Strategic							
Follow up	●	●	●	●			To provide assurance regarding management's implementation of agreed actions and to align with internal management follow-up processes



Appendix 2: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
Significant	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be minimal or they would be unlikely to occur.
Limited	There are weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of the key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisational objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.



Appendix 3: Contract Performance

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. The plan has also been discussed with lead officers to determine the appropriate timing of individual work-streams to accommodate Trust priorities, availability, mandatory requirements and external audit views.

General Performance Indicators

The following provides some general performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Status	Summary
Progress against plan	Amber	There have been some delays in the commencement of planned reviews. All reviews are either in progress or start dates have been agreed. We will continue to work closely with management to ensure the remaining reviews are delivered in line to provide a robust Head of Internal Audit Opinion.
Timeliness	Amber	There have been some delays in the commencement of planned reviews. All reviews are either in progress or start dates have been agreed. We will continue to work closely with management to ensure the remaining reviews are delivered in line to provide a robust Head of Internal Audit Opinion.
Qualified Staff	Green	MIAA Audit Staff consist of: <ul style="list-style-type: none"> • 65% Qualified (CCAB, IIA etc.) • 35% Part Qualified
Quality	Green	MIAA operate systems to ISO Quality Standards. Triennial review by External Audit was positive.

