

**Internal Audit Update
Governance and Scrutiny
Committee**

**9th April 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: -

- Financial Systems: Payroll, Accounts Payable and Accounts Receivable – **Significant Assurance**
- Local Government Transparency Code – **Significant Assurance**

(The table below identifies the key areas from our work and the actions to be delivered by management).

Title	Assurance Level	Recommendations	
Financial Systems: <ul style="list-style-type: none">• Payroll• Accounts Payable• Accounts Receivable	Significant	0 x Critical 0 x High	2 x Medium 4 x Low

Objective: To evaluate the design, and test the application of controls, for payroll, accounts payable and accounts receivable.

Summary: Overall there is a robust control environment in place, with expected controls generally found to be in operation. There were some areas for improvement identified and these are detailed below.

A payroll service for the Humberside Fire and Rescue Service is provided by East Riding of Yorkshire Council (ERYC). Specific forms are completed by the Support Service Centre and sent to ERYC payroll for new starters, leavers and amendments. However, no official authorised form is sent through to the Service Support Centre (SSC), to approve a new starter / leaver or amendment. A checklist of processes to perform is completed for all

starters and leavers, however no procedure notes are in place for the processes performed by the Service Support Centre.

There is a Scheme of Delegation (SoD) in place, which was found to have been approved by the Executive Director of Service Support / S151 Officer in February 2017. There are six approval levels of expenditure at various levels within the service, with the highest level in excess of £100k requiring approval by a member of the Corporate Management Team or the Finance Manager. An authorised Signatory List (ASL) is also in place and was last reviewed in June 2017 and is updated on an annual basis.

There are a number of financial procedure notes in place covering Accounts Payable and Account Receivable, however the overarching 'Finance Procedures Notes' document was last reviewed and updated on 31st July 2012. The authorisation / approval levels in relation to invoices on the Scheme of Delegation lacked clarity as they were not linked to job titles / roles.

Recommendations: to be implemented by 30th September 2018

Payroll

Two medium risk recommendations to be actioned focussed on: -

- An official form should be completed and authorised and sent through to the SSC for all new starters and leavers. HR are currently in the process of reviewing and changing the new starter / leaver / amendments forms that are sent through to SSC.
- A standard set of procedure notes should be devised for the tasks performed by the Service Support Centre, with particular focus being on the payroll aspects of the department.

One low risk recommendation to be actioned focussed on issuing a reminder to staff to ensure all changes to contracts are recorded on the FireWatch system.

Accounts Payable / Receivable

Three low risk recommendations to be actioned focussed on: -

- The financial procedures should be reviewed for completeness and accuracy and updated to include write offs and supplier amendments as a minimum. A copy of the relevant sections should be provided to the Service Support Administrators working within the Support Service Centre, who perform Accounts Payable and Accounts Receivable tasks.

- To include a paragraph on the authorisation rules for agency invoices (similar to the section on utility payments). Review and update the Scheme of Delegation to ensure the clarity of the authorisation levels.
- A reminder should be sent to staff to ensure that all 'request to raise an account' forms are all appropriately signed off.

Executive / Management Sponsor: Executive Director Service Support & Section 151 Officer / Head of Finance

Title		Assurance Level	Recommendations	
Local Government Transparency Code		Significant	0 x Critical 0 x High	1 x Medium 3 x Low

Objective: To provide assurance that the organisation is publishing data in line with the requirements of the Local Government Transparency Code.

Summary: Overall the Service is compliant with the mandatory publication requirements of the Code. There are some areas which were identified where further information could be provided and these have been discussed and agreed with relevant managers. These relate to the need to publish the following information going forward: -

- The listing of individual items of expenditure exceeding £500 should include amounts of VAT that cannot be recovered.
- There is currently no link on the website to the Delta e-sourcing website where invitations to tender (not administered through a framework agreement) would be managed. Whilst invitations to tender are only invited very occasionally, the link to Delta should be shown to enable current invitations to be seen.
- The required information concerning Union facility time (various items).
- A list of responsibilities of senior staff (for example, the services and functions they are responsible for, budget held and number of staff).

Recommendations: to be implemented by 30th April 2018

Executive / Management Sponsor: Corporate Planning Manager / Head of Finance

Management have requested that the work on Data Quality which would focus on GDPR requirements be undertaken in May, in order to allow the Service opportunity to develop the framework for GDPR. Our review would then assess the baseline position at that time. It should be noted that all remaining reviews are now in progress or close to completion. **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

- **Operational Training** – Fieldwork in Progress
- **Cyber Security** – Work Ongoing
- **Data Quality & Sharing** – Fieldwork to commence May 2018

4. Recommendations

- GAS Committee notes Internal Audit progress against the 2017/18 plan (**Appendix 1 refers**).
- GAS Committee to note the completed reviews of Financial Systems and Local Government Transparency Code (**Appendix 4 & 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				●	22/03/18	Significant	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				●		Defer to 18/19	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				●		Ongoing	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				●	22/03/18	Significant	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	Green	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	Green	
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.

