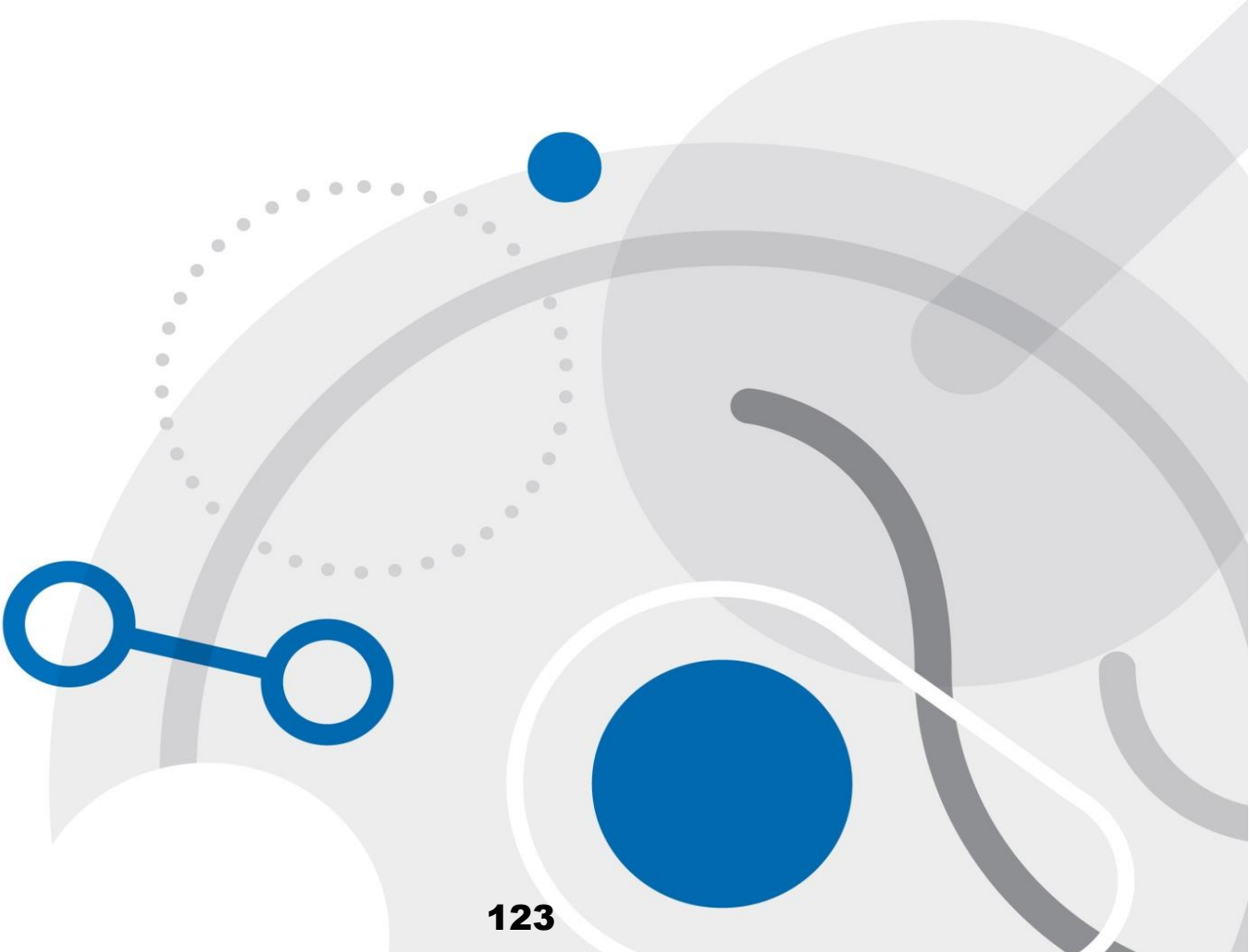


Director of Audit Opinion (Draft) and
Annual Report 2017/18

Humberside Fire Authority

Agenda Item No. **13.2**



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1. Introduction

1.1 Purpose of this Report

The purpose of this Director of Internal Audit Opinion is to contribute to the assurances available to the Accountable Officer and the Authority which underpin their own assessment of the effectiveness of the organisation's system of internal control. This Opinion will assist the Authority in the completion of its Annual Governance Statement (AGS).

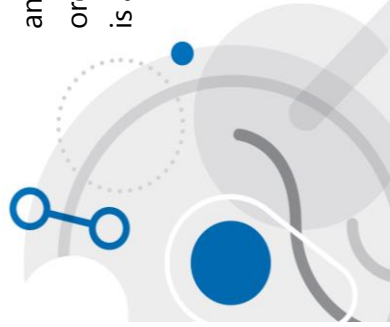
1.2 Roles and Responsibilities

The whole Authority is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Accountable Officer, on behalf of the Authority, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievements of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

In accordance with Public Sector Internal Audit Standards, the Director of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which can



provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 3.

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Strategic Risk Framework. As such, it is one component that the Board takes into account in making its AGS.



2. Director of Internal Audit Opinion – Executive Summary

My opinion is set out as follows:

- Basis for the opinion;
- Overall opinion; and
- Commentary

2.1 Basis for the Opinion

1. A range of assurance processes are in place to underpin the AGS and provide reasonable assurance that there is an effective system of internal control to manage the principle risks identified by the organisation.
2. An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of systems reviewed and management's progress in respect of addressing control weaknesses identified.
3. **An assessment of the organisation's response to Internal Audit recommendations, and the extent to which they have been implemented. – This is currently work in progress – This will be updated. The overall opinion does allow for the completion of the follow up review and key recommendations being addressed**

My opinion is one source of assurance that the organisation has in providing its AGS other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant.



2.2 Overall Opinion

My overall opinion for the period 1 April 2017 to 31 March 2018 is:

High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation's objectives, and that controls are consistently applied in all areas reviewed.	
Substantial Assurance , can be given that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.	✓
Moderate Assurance, can be given that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation's objectives at risk.	
Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation's objectives at risk.	
No Assurance, can be given that there is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the organisation's objectives.	

In providing this opinion I can confirm continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. I also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.

Tim Crowley
Director of Audit, MIAA
March 2018

3. Director of Internal Audit Opinion – Detailed Commentary

Performance against Plan

The Internal Audit Plan has largely been delivered in accordance with the schedule agreed with the Authority at the start of the financial year. This position has been reported within the progress reports across the financial year with regular updates through CMT, GAS Committee and the Fire Authority. The Annual report concludes completion of the internal audit plan with the exception of the review of Operational Training which is currently in progress and the review of GDPR which management have asked to be undertaken early in 2018/19. Our support on Cyber Security is ongoing and part of a rolling programme.

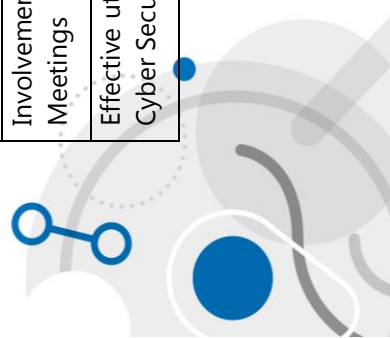
Risk Based Reviews

The audit assignment element of the Opinion is limited to the scope and objective of each of the individual reviews. Detailed information on the limitations to the reviews has been provided within the individual audit reports and through the Audit Committee Progress reports throughout the year. The table below provides a summary of the reviews and overall objectives contributing to this element of the Opinion.

Title	Overall Objective	Recommendations			
		C	H	M	L
HIGH ASSURANCE: <i>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 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.</i>					
Organisational Learning	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 (Incident– gas explosion 421 Beverley Road Hull)	-	-	-	1
SIGNIFICANT ASSURANCE: <i>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.</i>					

Title	Overall Objective	Recommendations			
		C	H	M	L
Payroll	To evaluate the design, and test the application of controls relating to the Payroll system	-	-	2	1
Accounts Payable	To evaluate the design, and test the application of controls relating to the Accounts Payable system	-	-	-	2
Accounts Receivable	To evaluate the design, and test the application of controls relating to the Accounts Receivable system	-	-	-	2
Local Government Transparency Code	To provide assurance that the organisation is publishing data in line with the requirements of the Local Government Transparency Code.	-	-	1	3

ADVISORY SUPPORT AND GUIDANCE / CONTRIBUTION TO GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENHANCEMENTS: <i>Additional areas where MIAA have provided added value contributions.</i>
Cyber Security: Supporting the robustness of organisational development.
Workforce Review: Development of a maturity matrix alongside the Director of HR which is being populated through access to key information and CMT input to enable the development of a baseline position reflecting evidence, direction of travel and key actions.
Service Improvement: Focus on Transactional Administration Review and the Service's own Post Implementation Review
GAS Committee Workshop: To facilitate a workshop with GAS Committee Members and Officers providing a stock take of the committees' role and its operations.
Detailed insight into the overall Governance and Assurance processes gained from liaison throughout the year with the Officer/ Senior Management Team, regular review of Authority/Committee papers.
Involvement with the organisation in respect of advice and guidance including regular attendance at the GAS Committee and Fire Authority Meetings
Effective utilisation of internal audit including in year communication, requests for support in xxx and changes to the audit plan in respect of Cyber Security.



Follow up

An important aspect of the internal audit process is the follow up to ensure that opportunities for enhancement are delivered. During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made **XXXXX progress** with regards to the implementation of recommendations. We will continue to track and follow up outstanding actions.

Other key areas for consideration in the completion of your Annual Governance Statement

In addition to the Director of Audit Opinion, we have identified a number of other strategic challenges that should be considered by the Board when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the Trust reflects more widely on how these should be factored into the AGS. Areas for consideration include:

- Regulatory Compliance including National Framework, Fire Safety Order.
- Preparation for HMICFRS Inspection Programme.
- Organisational Performance including achieving financial duties, and operational delivery.
- Relationship and management of 3rd party providers upon which the Service places reliance, and the provision of assurances from these (including East Riding of Yorkshire Council (Payroll)).
- Cyber security, progress with developing framework for GDPR, information governance risks and any associated reportable incidents to the Information Commissioner.



4. MIAA Quality Service Indicators

MIAA regularly report on input and process KPIs as part of our Audit Committee Progress reports, and the impact and effectiveness measures can be assessed through the HOIA Opinion.

Client feedback is a key part of assessing effectiveness and ensuring continuous improvement. We seek and receive this in a number of ways across our client base, including regular contact and relationships with you, formal questionnaires after each assignment, periodic client surveys and regular post event feedback. A snapshot of this feedback is provided below.



MIAA Compliance with Internal Audit Standards

MIAA comply fully with professional best practice, internal audit standards and legal requirements. This includes guidelines issued by the Auditing Practice Board, professional bodies, MONITOR's Audit Code and the Institute of Internal Auditors. The Public Sector Internal Audit Standards group (wef. 2013) and our operational Internal Audit Manual are central to our continued external quality accreditation (BS EN ISO 9001:2000).



The outcome of MIAA's External Quality Assessment (EQA), undertaken by CIPFA, which evaluated the organisation's compliance with Public Sector Internal Audit Standards, confirmed that MIAA conforms to the standards. An EQA is required every 5 years and is of huge significance, as it provides assurance both internally and externally of MIAA's compliance with these Standards across all of the functions that are provided as part of the internal audit plan and via advisory services.



MIAA Quality Assurance

MIAA continue to ensure that quality remains central to our core objective of providing our clients with the best service. To achieve this we have in place a number of internal and external quality processes. These include:

- Investors in People
- BS EN ISO 9001/2000 underpinned by comprehensive internal quality assurance processes
- Professional Body Accreditations (including ACCA Gold and CIPFA Platinum Accreditations)
- Continued adoption of the EFQM Business Excellence Model



