

## **Humberside Fire & Rescue Service**

### **Internal Audit**

### **Annual Report 2013/14**

## **EXECUTIVE SUMMARY AND RECOMMENDATIONS**

### **1. Purpose of Report.**

This is the 2013/14 annual report of Humberside Fire Authority's Internal Audit function.

### **2. Summary**

2.1 Internal Audit has completed the programme of audits for the year ended 31<sup>st</sup> March 2014 in accordance with the CIPFA Code of Practice for Internal Audit. In carrying out its work the cooperation of management and staff was gratefully received throughout the year.

2.2 Audits undertaken during the year have not resulted in any recommendations being classified as "high" priority. All recommendations have been implemented or are in the process of being implemented.

2.3 There were no special investigations performed during the year.

2.4 It is the opinion of Internal Audit that on the whole the Fire Service has an adequate, effective and reliable framework of internal control.

2.5 We welcome the Fire Authority and Governance, Audit and Scrutiny Committee's role in monitoring the implementation of these recommendations.

### **3. Introduction and Background**

3.1 Internal Audit is a key part of the Fire Service's internal control environment. Central to its role is assessing the adequacy and effectiveness of the processes, systems and controls that have been put in place by management. To this end the work undertaken is designed to:

- Inform the Members and senior management to what extent they can rely on the internal controls;
- to make recommendations to enhance controls where weaknesses are identified; and
- make recommendations to individual managers on ways of improving system and controls to further reduce exposure to risks.

3.2 The internal control environment comprises the whole network of systems and controls established to ensure that the Fire Service's objectives are met. It includes financial and other controls and also arrangements for ensuring that the Fire Service is achieving value for money from its activities.

3.3 There have been no restrictions imposed on the scope of the internal audit function.

#### **4. Specific requirements for Internal Audit**

4.1 The 2006 Amendments to the Accounts and Audit Regulations 2003 require the Fire Service to comply with proper practices regarding its arrangements for internal audit and internal control. The regulations cite the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) as proper practice in relation to internal audit. This report is therefore prepared in compliance with the CIPFA Code of Practice (CoP).

4.2 The Code defines the way in which the internal audit service should be established and undertakes its functions and applies equally to internal audit services provided by in-house audit teams and by external contractors, who provide either partial services in support of an in-house team or the whole internal audit service.

4.3 The Code consists of standards in two groupings. The first encompasses the organisational and structural aspects of internal audit; the second encompasses the activity and operation of internal audit.

##### Organisational standards

- 1 Scope of internal audit;
- 2 Independence;
- 3 Audit committees or equivalent;
- 4 Relationships with management, other auditors and other review bodies; and
- 5 Staffing, training and development.

##### Operational standards

- 6 Audit strategy;
- 7 Management of audit assignments;
- 8 Due professional care;
- 9 Reporting; and
- 10 Quality assurance.

## **Annual Governance Statement**

4.4 Regulation 4 of the Accounts and Audit Regulations (Amendments 2006) requires the Fire Service to carry out an annual review of its systems of internal control, and for a committee of the Fire Service to consider the outcome of the review. This requirement has now been replaced by the Annual Governance Statement (AGS). The Annual Governance Statement will be published alongside the Statement of Accounts for the Year ended 31st March 2014.

### **5. This report**

5.1 This annual report has been produced in accordance with the requirements of the Code of Practice. It covers the effectiveness of internal control for the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014.

5.2 Whilst the report contributed to the process outlined above, it should be noted that the Annual Governance Statement can provide only reasonable assurance that, for example: assets are safeguarded; transactions authorised and properly recorded; and that material errors or irregularities are either prevented or would be detected within a timely period.

5.3 It should be noted that it is not Internal Audit's responsibility to operate the system of internal control; that is the responsibility of management. Furthermore, it is management's responsibility to determine whether to accept and implement recommendations made by internal audit or, alternatively, to recognise and accept any risks arising from not taking action.

### **6. Internal Audit activity during 2013/14**

#### **Factors affecting the extent of our internal audit work**

6.1 There were no factors which have affected the extent of our internal audit work during the year. The continued working arrangements with the external auditors (KPMG) have reduced the duplication of some aspects of the audit coverage. Our work included specific testing in respect of the core financial system audits to ensure the External Auditors were able to place the relevant assurances on the areas covered.

### **The Audit Plan**

- 6.3 The 2013-2014 audit plan was completed in full and included audits of the Fire Service's key fundamental systems, support and strategy audits; and computer audits.

### **Main issues arising**

- 6.4 There were no high-level recommendations arising from the reviews conducted during 2013-14.

## **7. Assurance**

- 7.1 As the provider of an internal audit service to the Fire Service we are required by the CIPFA Code of Practice to provide the Fire Service with assurance on the whole system of internal control. In giving our opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control. In assessing the level of assurance to be given we have taken into account:

- (a) the findings arising from audits undertaken during 2012/13 and in previous years;
- (b) the results of management action taken in respect of recommendations made in audits from the current and previous years;
- (c) whether or not any high or medium recommendations have not been accepted by management, and the consequent risks;
- (d) the effects of any material changes in the Fire Service's objectives or systems;
- (e) matters arising from previous reports of the external auditor;
- (f) whether or not any limitations have been placed on the scope of internal audit;
- (g) whether or not there have been any resource constraints that may impinge on the Treasurer's ability to meet the full audit needs of the Fire Service; and
- (h) what proportion of the audit needs has been covered to date.

- 7.2 The matters raised in this report are only those that came to our attention from the internal audit work undertaken during the course of the year, and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all improvements that may be required.

- 7.3 This report is prepared by HW Controls & Assurance LLP solely for the use of Members and Officers of the Fire Service. Details may be made available to the specified ex-

ternal agencies, including External Auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

**8. Overall assurance**

- 8.1 In our opinion, for the 12-month period to 31<sup>st</sup> March 2014, the Fire Service had an **ADEQUATE**, effective and reliable framework of internal control that provides reasonable assurance regarding the effective and efficient achievement of the Fire Service's objectives.
- 8.2 Internal Audit made a number of recommendations of which there were none classed as high priority during 2013/14.

**Operational assurance**

- 8.3 The internal audit service examined systems operating to achieve the Fire Service's objectives in several areas.
- 8.4 During the conduct of our audit work we have had regard to the following objectives of internal audit:
- (a) to review and appraise the soundness, adequacy and application of the whole system of internal control;
  - (b) to ascertain the extent to which the whole system of internal control ensures compliance with established policies and procedures;
  - (c) to ascertain the extent to which the assets and interests entrusted to or funded by the Fire Service are properly controlled and safeguarded from losses of all kinds;
  - (d) to ascertain that management information is reliable as a basis for the production of financial, statistical and other returns;
  - (e) to ascertain the integrity and reliability of information provided to management including that used in decision making; and
  - (f) to ascertain that systems of control are laid down and operate to achieve the most economic, efficient and effective use of resources.
- 8.5 The level of assurance given on an individual audit is directly related to the significance of the findings and categories given to the resultant recommendations. Any

findings and recommendations ranked as high would be reported in detail to the Governance, Audit and Scrutiny Committee.

**9. Financial Implications**

- 9.1 This is a report on the activity of Internal Audit in the previous year and as such does not have any financial implications.

**10. Background Papers**

Internal Audit reports in 2013/14.

Agendas, papers and minutes for the Governance, Audit and Scrutiny Committee, during 2013/14.







# Appendix A

## Humberside Fire & Rescue Service Internal Audit Plan 2013/14

No.	Audit Title	Date Final Report Issued	Audit Opinion	No of Audit Findings			Total Findings
				High	Medium	Low	
<b>Key Financial Systems</b>							
1	Budgetary Control	2013	Substantial	-	-	-	-
2	General Ledger			-	-	-	-
3	Treasury Management			-	-	-	-
4	Payroll	March 2013	Adequate	-	2	-	2
5	Creditors			-	3	1	4
<b>Support/ Operational Systems</b>							
7	Pensions	July 2013	Memo produced				
8	CPU Review – Hull	November 2013	Adequate	-	3	1	4

	- North Linc	November 2013	Adequate	-	3	2	5
<b>Strategic</b>							
<b>10</b>	Operational Efficiency	Reports in draft will Be finalised in April 2014	Adequate	Reports in Draft.			
<b>11</b>	Commissioning		Adequate				
<b>12</b>	Governance Structures		Adequate				
		<b>Total for the year – 2013/14</b>	-	<b>11</b>	<b>4</b>	<b>15</b>	

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## Appendix B

### Summary of Audit Recommendations Followed Up

Audit Title	Audit Recommendations Outstanding as at 31 <sup>st</sup> March 2014	No. of Audit Findings		
		Implemented	Partly Implemented	Not Implemented
Key Financial Systems (2012/13)	9	8	-	1
CPU Reviews (2012/13) – East Riding Yorkshire - North East Lincolnshire	3 4	3 4	- -	- -
Procurement (2012/13)	6	5	1	-
Strategic Planning (2012/13)	9	9		
Strategic Transformation (2012/13)	7	7	-	-
Partnership Working (2012/13)	2	2	-	-
<b>Total</b>	<b>40</b>	<b>38</b>	<b>1</b>	<b>1</b>

