



Item 2 (i)

Staffordshire Commissioner Fire and Rescue Authority

INTERNAL AUDIT PROGRESS REPORT

27th March 2019
Report to the Ethics, Transparency and Audit Panel

Our Mission

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

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INTERNAL AUDIT PROGRESS REPORT

Introduction

This report presents the progress made against the Internal Audit Annual Plan for 2018/19 in addition to providing an update for the Ethics, Transparency and Audit Panel (ETAP) on Internal Audit activity since the last meeting held on 7th February 2019. It also provides information on the progress against recommendations made to the Fire & Rescue Service by Internal Audit.

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- **Substantial Assurance (positive opinion)** - We are able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.
- **Satisfactory Assurance (positive opinion)** - We are able to offer satisfactory assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Limited Assurance (negative opinion)** - We are able to offer limited assurance in relation to the areas reviewed and the effectiveness of the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

2018/19 Audit Plan Progress

Audit Name	Status	Assurance
Priority 1 – Education & Engagement		
Project Management – Fire Transformation Fund	Draft Report Issued	Substantial
Priority 2 – Community Safety & Wellbeing		
Community Interest Company	Final Report Issued	Satisfactory
Priority 3 – Planning, Resilience & Response		
GDPR - Preparedness	Final Report Issued	Substantial
Financial Ledger & Bank (Integra – NML)	Final Report Issued	Substantial
Fire Fighters Pensions Administration and Payroll	In Progress	
Payroll Processing Procedures – New Payroll System Resource Link	Final Report Issued	Substantial
Stock Management System	Final Report Issued	Substantial
Efficiency Plan	Being Reviewed	
Cybersecurity Preparedness and Response Effectiveness	In Progress	
Integra – System Security	Draft Report Issued	Satisfactory
Anti-Fraud Culture		
Fraudwatch Publication	Awaiting Publication	N/A
Detection		
National Fraud Initiative 2018	Complete	
Prevention		
Fraud Risk Assessment	Complete	N/A
Fraud and Corruption Checklists	*Completed as part of the above systems audits	
Procurement of Desirable Goods	Final Report Issued	Substantial

Since the last ETAP in February, the fieldwork for the Efficiency Plan audit has been completed and is undergoing an internal review before being issued in draft for management comment. Additionally, the fraud risk assessment was completed during the annual audit planning process and the top 5 risk areas are presented in the 2019/20 Internal Audit Plan. The Firewatch Fraud newsletter has also been compiled and is awaiting publication by the Fire Service.

The Financial Ledger & Bank audit review has been finalised. It is pleasing to note that no recommendations were made, with only one minor priority issue found. The management summary for this report is attached as **Appendix 1**.

Adjustments to the Internal Audit Plan

No changes have been made to the 2018/19 Internal Audit Plan.

Audit Recommendations

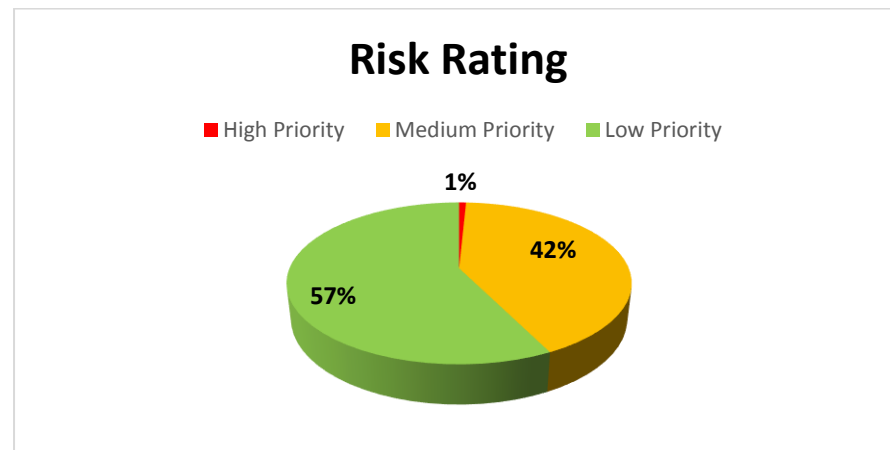
As part of Internal Audit's service to the Staffordshire Fire and Rescue Service, we record, monitor and report on all recommendations that have been made in our audit reports.

Risk Rating

Each recommendation that we make is risk assessed, and based on an assessment of likelihood and impact, 1 of the 3 following priority levels will be awarded:

- **High Priority**
- **Medium Priority**
- **Low Priority**

Since the implementation of an Audit Management System in 2016 which is used to monitor all recommendations, a total of 129 recommendations have been imported for monitoring and reporting. Of these recommendations, 1 is a high priority, 54 are a medium priority and 74 are a low priority.



Action Status

Each recommendation that is imported into the Audit Management System is allocated a responsible officer and an agreed action date, which are detailed in the internal audit's final report. Once this agreed action date has passed, an email is sent to the responsible officer asking them to provide an update on the progress made against the recommendation.

Following this response, the recommendation is given a status to enable us to monitor and categorise the progress of recommendations. The following status' can be assigned to a recommendation:

- **Implemented** – Audit have been informed that the control weakness has been addressed
- **Partially Implemented** – Audit have been informed that the agreed action is a work in progress, some elements may have been implemented.
- **Outstanding** - Action has been agreed upon with management but is yet to be implemented.
- **Deferred** - The agreed actions have been deferred until a later date (e.g. it may be dependent on another activity, action or upgrade).
- **Superseded** – Audit have been informed that the control weakness no longer exists due to changes in the system or business process.
- **Risk Accepted** – Management accept the risk and no mitigating action will be taken to address the control weakness identified

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Recommendations Summary

The table below summaries the status for each recommendation made to the Staffordshire Fire & Rescue Service. A further 4 recommendations have been implemented since the last ETAP meeting.

Priority	Recs Made	Implemented	No Action to be Taken		Not Yet Implemented			Agreed/Revised Action Date	
		Implemented	Superseded	Risk Accepted	Deferred	Partially Implemented	Outstanding	Not Overdue	Overdue
High	1	1	0	0	0	0	0	0	0
Medium	54	49	0	1	2	1	1	4	0
Low	74	67	2	1	2	1	1	4	0
TOTALS	129	117	2	2	4	2	2	8	0

Overdue Recommendations

Of the 129 recommendations that Internal Audit are tracking, 8 have yet to be implemented with **none** of these having passed their agreed or revised action date.

Appendix 1

FINAL Report

Financial Ledger & Bank

1 Executive Summary

1.1 Scope and Background of Audit

- 1.1.1 This audit focused on the key controls in place for the nominal ledger and bank modules of Integra; implemented by the Fire Service in July 2017. The system is supported by appropriate policies and procedures, including current financial regulations, which were last reviewed in August 2018.
- 1.1.2 The audit review was completed to ensure that financial ledger transactions and amendments are correctly completed and recorded and; bank accounts and banking transactions are adequately controlled.
- 1.1.3 The findings of the audit have been derived from discussions with key staff involved in the system at Staffordshire Fire & Rescue Service (SF&RS), including the Finance Manager, Management Accountant and Accountancy Assistants, as well as an examination and testing of key documentation relating to journals, budget reports, suspense/control accounts, bank accounts, cheque security and income.

1.2 Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
Clearly defined policies and procedures have been developed and are operational in order to support the processing of transactions within the Financial ledger system. Furthermore, roles and responsibilities have been clearly defined and communicated.	4	4	0	0
Effective controls have been established to confirm the completeness and accuracy of the coding structure and detailed analysis of the Finance Ledger.	3	2	1	0
Effective controls exist for the review and clearance of suspense account items.	2	2	0	0
Data entry to the Financial ledger system is checked for completeness and accuracy, has been authorised in accordance with the approved procedure prior to input, and interfaces with feeder systems are subject to sufficient controls.	4	4	0	0
Journal entries and manual adjustments are complete, valid, supported by adequate supporting documentary evidence and appropriately authorised in accordance with the approved procedures.	1	1	0	0

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Effective controls have been established to confirm the completeness and accuracy of key reconciliations in a timely manner.	2	2	0	0
Effective controls have been established to confirm that year end closure of the general ledger account is complete, accurate and timely.	6	6	0	0
To provide assurance that the Authority's bank accounts are being operated correctly.	6	6	0	0
TOTALS	28	27	1	0

- 1.2.1 This report focuses on the weaknesses in the Organisation's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains the follow amount of recommendations

High	Medium	Low	Total
0	0	0	0

However, 1 minor priority issue has been highlighted for management's consideration.

1.3 Summary of Control Assurance Provided

- 1.3.1 **Substantial** - Internal Audit are able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.
- 1.3.2 Supporting documents were available providing account reconciliations and balanced control account reconciliations which were prepared accurately, timely and independently reviewed. Review of the suspense accounts and journal entries did not highlight any control issues.
- 1.3.3 A series of control checklists and period end/ year end checklists were distributed to the appropriate team members within the Finance department. These checklists were all found to be up to date confirming that required tasks had been completed in a timely manner. It was highlighted that the process of confirming account codes are removed if dormant was not included on a checklist and it was suggested that this task was added. The checklists ensured that monthly management accounts are only produced after all required tasks are complete.
- 1.3.4 The final Financial Statements were prepared and approved by the external auditors Grant Thornton. A review of the published accounts confirmed that the accounts were suitably signed off.
- 1.3.5 No issues were noted regarding the operation of the bank accounts.

2 Positive Assurance

We attempted to establish whether the Organisation's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.1 Stock levels

- Controls are in place to ensure separation of duty when ordering or issuing stock and audits of stock have been verified by a second officer.
- Stock levels are checked and information in Integra is reconciled regularly by the Finance Manager. Re-performance of reconciliations completed as part of the audit identified no discrepancies.
- A physical audit of all stock has been completed (31st March 2018) and verified to information in the Integra system. Currently verification checks are being completed by Finance and the Assistant Stores Manager confirmed that spot checks will be completed on a fortnightly basis.

2.2 Data Migration

- A methodology for data migration was in place and was appropriate.
- Closing balances from the previous system, OPEX, have been transferred correctly and have been reconciled to opening balances in the new system.

2.3 Project Management

- A project budget was approved and had not been exceeded.
- A detailed project plan was produced, and progress was reviewed regularly as part of the supervision between the Finance Manager and the Director of Finance, Assets and Resources.
- Timescales were set for the completion of key actions and project was delivered on time.
- Risk associated with Integra are incorporated into the SFRS Risk Register.
- Contingency plans were in place in the event of project failure.
- A maintenance log was set up to address issues arising during the project and lessons learnt from implementation have been recorded.

