

Staffordshire Commissioner Fire and Rescue Authority

INTERNAL AUDIT PROGRESS REPORT

7th February 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.

INTERNAL AUDIT PROGRESS REPORT

Table of Contents

Introduction.....	3
2018/19 Audit Plan Progress	4
Audit Recommendations	5
Appendix 1	7
Appendix 2	10

Contacts

Deborah Harris

Interim Chief Internal Auditor

01785 276406

deborah.harris@staffordshire.gov.uk

Alexander Cannon

ICT Audit Manager

01785 895334

alex.cannon@staffordshire.gov.uk

Internal Audit Service
Staffordshire County Council
2nd Floor, 2 Staffordshire Place
Tipping Street
Stafford
ST16 2DH

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 10th December 2018. 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	Planning – Starting 20 th February 2019	
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)	In Progress	
Fire Fighters Pensions Administration and Payroll	Planning – Starting 18 th February 2019	
Payroll Processing Procedures – New Payroll System Resource Link	Final Report Issued	Substantial
Stock Management System	Final Report Issued	Substantial
Efficiency Plan	Planning – Starting 20 th February 2019	
Cybersecurity Preparedness and Response Effectiveness	Planning – Starting 14 th February 2019	
Integra – System Security	In Progress	
Anti-Fraud Culture		
Fraudwatch Publication	In Progress	N/A
Detection		
National Fraud Initiative 2018	Complete	
Prevention		
Fraud Risk Assessment	In Progress	N/A
Fraud and Corruption Checklists	*Completed as part of the above systems audits	
Procurement of Desirable Goods	Final Report Issued	Substantial

The Stock Management System audit review has been finalised since the last ETAP in December 2018. It is pleasing to note that no recommendations were made, with only two minor priority issues found. The management summary for this report is attached as **Appendix 1**. Both the Financial Ledger & Bank and Integra System Security audit reviews commenced on the 23rd January 2019.

Planning for the 2019/20 Internal Audit Plan is due to commence on 8th February 2019 with the Director of Finance, Assets & Resources and the Financial Services Manager.

Adjustments to the Internal Audit Plan

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

Audit Recommendations

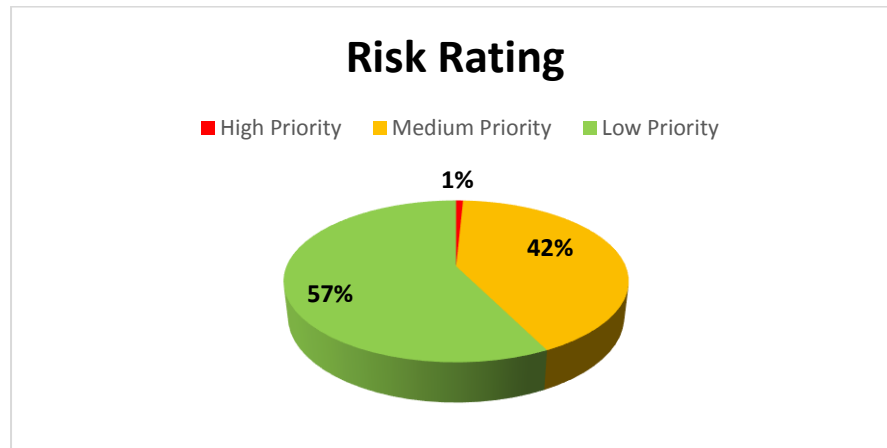
As part of Internal Audit's service to the Staffordshire Fire and Rescue Service, we record, monitor and report on all recommendations that have been made in our audit reports.

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

INTERNAL AUDIT PROGRESS REPORT

Recommendations Summary

The table below summaries the status for each recommendation made to the Staffordshire Fire & Rescue Service.

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	47	0	1	2	2	2	4	2
Low	74	65	2	1	2	1	3	6	0
TOTALS	129	113	2	2	4	3	5	10	2

Overdue Recommendations

Of the 129 recommendations that Internal Audit are tracking, 12 have yet to be implemented with 2 of these having passed their agreed or revised action date. A summary of these recommendations is shown below with further details being shown in **Appendix 2**.

Audit	Priority	Control Issue	Agreed Action Date	Revised Action Date
Payroll Processing procedures	Medium	Assurance over third party access to the payroll system or the general control environment operated by the provider has not been obtained formally.	30/06/2018	31/01/2019
Fire Payroll Processing Procedures - New Payroll System Resource Link	Medium	The review identified three instances where sickness absence details on attendance records (and subsequently input into the payroll system) were incorrect when compared with the details recorded on Firewatch, the HR Absence Certificate spreadsheet, Self-Certification and Return to Work forms. In addition, attendance reports had not been submitted for three of the absences examined	31/01/2019	-

Appendix 1

FINAL Report

Stock Management System

1 Executive Summary

1.1 Scope and Background of Audit

- 1.1.1 On 01st May 2018, Staffordshire Fire and Rescue Service (SFRS) transferred all stock records to the Integra Stock Module. The Integra Stock Module is integrated to the Integra Finance System, allowing for real time stock information to be generated from the system. Previously Staffordshire Fire had used the OPEX system to maintain stock management records.
- 1.1.2 SFRS have requested an audit as part of the 2018/19 audit plan to provide assurance over the migration of stock data to the new financial system, Integra. SFRS also requested that Internal Audit provide an opinion that the project was managed effectively, and best practice was adhered to.
- 1.1.3 The purpose of the audit was to;
- *Assess the project management arrangements in place over the transfer of data;*
 - *Provide assurance that the data was migrated completely and accurately to Integra; and*
 - *Confirm that physical stock levels have been verified and cross referenced to the information in Integra.*

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
Stock levels have been physically audited and verified to opening balances in the Integra system.	3	2	1	0
Data migration to Integra has been completed accurately and intact.	2	1	1	0
Appropriate project management arrangements were in place for the transfer of data.	6	6	0	0
TOTALS	11	9	2	0

INTERNAL AUDIT PROGRESS REPORT

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

Two minor priority issues have 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.

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.

Appendix 2

1548	Payroll Processing procedures					Report Issued	16/02/2018
Rec Number	Rating	Action Date	Revised Action Date	Status	Reminders Sent	Responsible Officer	
1	Medium Priority	30/06/2018	31/01/2019	Outstanding	3	Financial Services Manager	

Control Issue

Assurance over third party access to the payroll system or the general control environment operated by the provider has not been obtained formally.

Recommendation

SFRS should consider requesting a letter of assurance (from the providers Internal Auditors) with regard to the controls surrounding the general operation of the payroll system. Such a letter should be requested on an annual basis. Consideration should also be given to undertaking periodic due diligence visits to the provider to gain assurance on controls operating in relation to the key areas identified in the report. Given that the majority of issues raised are IT specific the involvement of the SFRSs IT department or an IT Auditor would be beneficial.

With regard to third party access this should include gaining assurance that a process is in place to ensure that SFRS have to give permission for third parties to access the system

Action Details

Recommendation Accepted. This will be discussed at the next Quarterly Contract Management Meeting 23/4/18.

Status Updates

Update 29/01/2019 – An example Letter of Assurance has been provided to SFRS. SFRS has chased Stoke for a letter of Assurance again on 29/01/2019.

Update 19.11.18 - The 2018/19 audit has confirmed that the April 2018 meeting was postponed. The need for a letter of assurance was raised with the payroll provider and this will be followed up at the next contract monitoring meeting.

1873	Fire Payroll Processing Procedures - New Payroll System Resource					Report Issued	29/11/2018
Rec Number	Rating	Action Date	Revised Action Date	Status	Reminders Sent	Responsible Officer	
3	Medium Priority	31/01/2019	-	Outstanding	0	Payroll Manager	

Control Issue

The review identified three instances where sickness absence details on attendance records (and subsequently input into the payroll system) were incorrect when compared with the details recorded on Firewatch, the HR Absence Certificate spreadsheet, Self-Certification and Return to Work forms.

In addition, attendance reports had not been submitted for three of the absences examined

Recommendation

The three instances identified should be reviewed and records amended as required. Ways in which controls could be improved to minimise/identify discrepancies between attendance records, Firewatch and HR documentation should also be considered. In addition, managers should be reminded to submit attendance forms (until the Firewatch system can be used) and to notify the Payroll team of any changes after the forms have been submitted.

Action Details

We will investigate if we can improve the recording of the absence. Looking at whether we need to ask Firewatch to re-iterate their training in absence inputting and how we can improve the submission of attendance records.

Status Updates

None

