Staffordshire Commissioner Fire and Rescue Authority
INTERNAL AUDIT ANNUAL OUTTURN REPORT 2019/20

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.

Table of Contents

Contacts

Deborah Harris

Chief Internal Auditor (interim)

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, 1 Staffordshire Place

Tipping Street

Stafford

ST16 2DH

Introduction

This report presents the Internal Audit Annual Report for 2019/20 in addition to providing an update for members of the ETAP on internal audit activity since the last ETAP meeting held on 5th February 2020.

The Staffordshire Commissioner Fire and Rescue Authority is required to produce a statement of assurance on its overall control environment within its Annual Governance Statement (AGS) which forms part of the 2019/20 Statement of Accounts. This report is a key contributory document.

The Accounts and Audit Regulations 2015 require the Staffordshire Commissioner Fire and Rescue Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account Public Sector Internal Auditing Standards (PSIAS) and guidance which came into force on 1st April 2013.

The UK PSIAS requires that the Head of Internal Audit (HIA) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its AGS. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the system of internal control). The results of individual audits when combined form the basis for the overall opinion on the adequacy and effectiveness of the and Staffordshire Commissioner Fire and Rescue Authority's system of internal control.

2019/20 Audit Plan Outcomes

Each control tested as part of an individual audit is evaluated for its adequacy. The table to below demonstrates the number of controls that have been evaluated as part of the 2019/20 Audit Plan.

Controls Evaluated	109
Adequate Controls	75
Partial Controls	24
Weak Controls	10

Audit opinions are awarded for individual systems and compliance audits within one of the following categories:

- **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 satisfactorily 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.

Seven audit reviews were undertaken during the year, this includes the Police – Fire Collaboration review where a position statement was issued and as a result, no assurance opinion was awarded. The table opposite summarises the systems coverage against the audit plan and associated opinions. The Team also provided oversight to the Authority's continued participation in the National Fraud Initiative 2018 exercise.

The opinions for the reviews completed have all been positive in that substantial assurance has been given to 3 audits and satisfactory assurance for a further 4 audits. No limited assurance opinions were awarded during the year.

Two audits were cancelled from the Internal Audit Plan during 2019/20;

- Budgetary Control; and
- Data Analytics

Budgetary Control was replaced at the request of SFRS Management with a Health & Safety review. The Data Analytical development work was cancelled owing to the cessation of Internal Audit services provided by Staffordshire County Council effective from 1st April 2020. The remaining days from this work was reallocated to the Police- Fire Collaboration review where there was an overspend on days. As a result, the 98 days of planned audit time in 2019/20 were delivered.

Audit	Opinion			
	Substantial	Satisfactory	Limited	Consultancy
Police – Fire Collaboration				✓
Fire Fighters Pensions administration & Pensions Payroll (Appendix 1 – page 24 to 28)		✓		
Health and Safety (Appendix 1 – page 29 to 34)		✓		
Financial Ledger & Bank (Appendix 1 – page 14 to 17)	✓			
Payroll Processing Procedures (Appendix 1 – page 18 to 23)	✓			
Insurance Arrangements		✓		
Firewatch – Application Audit		✓		
Cybersecurity – Patch Management	✓			
National Fraud Initiative 2018				✓
Total Audits Delivered (8 exc. NFI)	**3**	**4**	**0**	**2**

In addition to the above, issue eight of the Fraudwatch newsletter was produced and communicated across the Service.

In relation to internal audit work in 2019/20, no high priority recommendations were made. Details relating to all recommendations made during 2019/20 and their current status, can be found on page 8.

For those audits which have been finalised since the previous ETAP meeting in February 2020, the executive summaries can be found at **Appendix 1** to this report.

A summary of Internal Audit's work undertaken in relation to counter fraud and corruption is attached at **Appendix 2**.

A comparison of the internal audit opinions issued year on year is shown in the chart below and demonstrates that on a consistent basis there is a high number of audit reviews that are resulting in a substantial assurance opinion in relation to the system and application of internal controls.

Year on Year Opinions

Legend: Substantial, Satisfactory, Limited, Consultancy
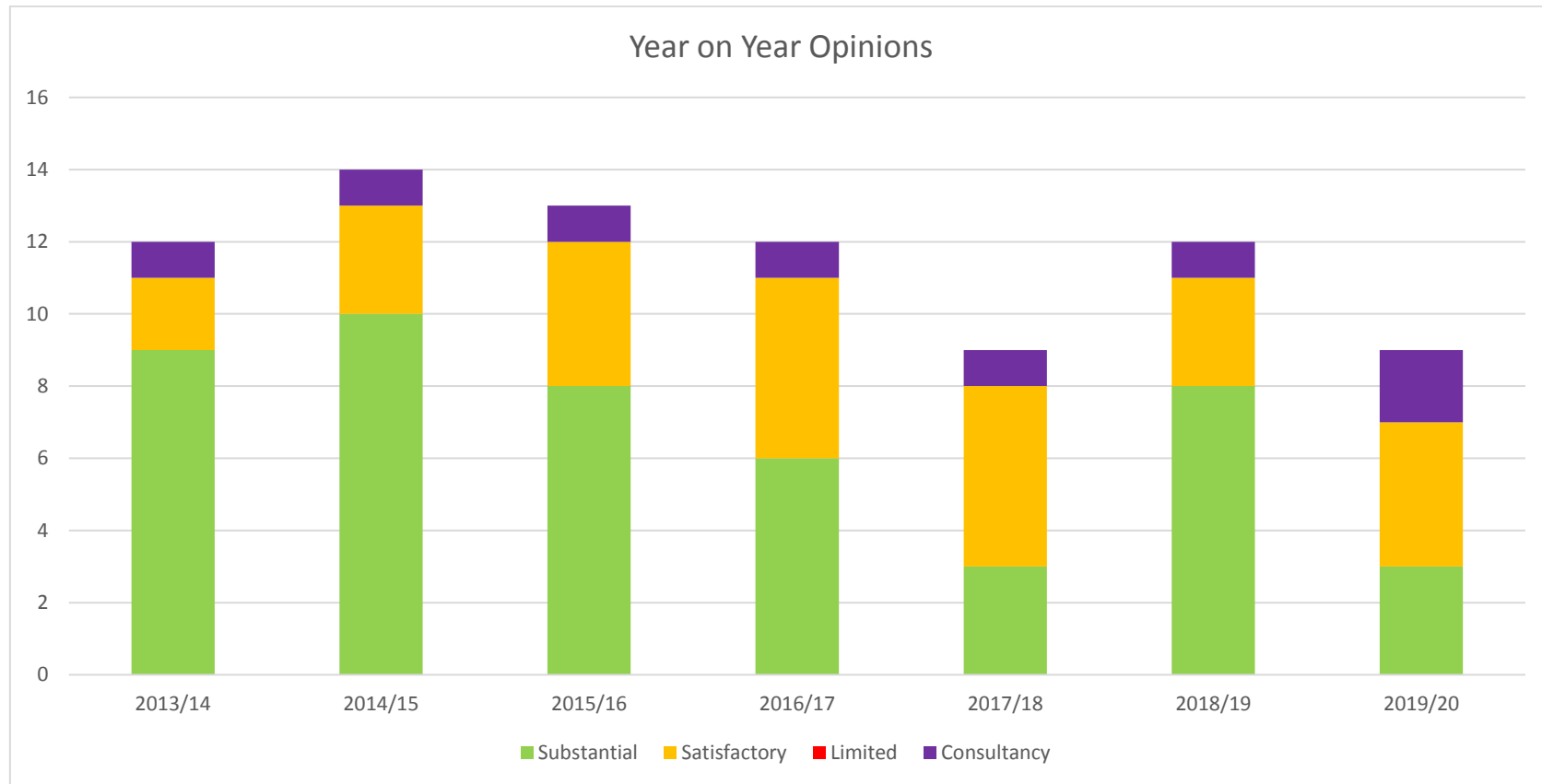
Overall Opinion on the Control Environment

Current Methodology

The UK PSIAS requires that the Head of Internal Audit (HIA) must deliver an annual internal audit opinion on the overall internal control environment of the Authority. The methodology for formulating this opinion is set out within the Internal Audit Strategy and Plan each year, the latest of which was approved by the ETAP in March 2019.

Each separate category of audit work is assessed against a benchmark of achieving a score of at least 90% of the total number of audits performed being awarded an opinion of "satisfactory or above" within each category. For reasons of simplicity, each category attracts equal weighting and a simple pass/fail assessment is used to differentiate the overall opinion between "Substantial, Satisfactory and Limited" as illustrated below:

Overall Opinion Level	No. of categories achieving the 90% benchmark
Substantial Assurance	5 out of the 5 categories
Satisfactory Assurance	3 or 4 out of the 5 categories
Limited Assurance	3 and below out of the 5 categories

Calculation of the 2019/20 Overall Assessment

Audit category	% awarded an opinion of at least Satisfactory	Pass/Fail
(1) Systems Audits	100%	Pass
(2) Counter Fraud & Corruption	100%	Pass
(3) Compliance Audits	N/A – None carried out in 2019/20	N/A
(4) Special Investigations	100% (no losses/no control environment issues)	Pass
(5) Consultancy Reviews (excluding NFI exercise)	N/A – One consultancy review was undertaken; however, a position statement was issued where no opinion was awarded.	N/A
Overall Total		**3 out of 3 categories**

Based on the above, a "**substantial**" assurance opinion on the overall adequacy and effectiveness of Staffordshire Commissioner Fire and Rescue Authority's governance, risk and control framework (i.e. the control environment) can be given for the 2019/20 financial year.

Audit Recommendations

Risk Rating

In May 2016, Internal Audit introduced a new Audit Management System and Automated Working Papers solution which enables us to automatically import all the recommendations that we make into a central monitoring database.

This allows us to systematically follow-up all the recommendations we make to provide assurance to management that recommendations are being implemented as agreed. Previously, we would only follow-up recommendations during a specific follow-up audit, at the request of management, or if it was a high priority recommendation.

This new system adds value to our service by demonstrating how the organisation's system of control is being strengthened through the implementation of audit recommendations and by allowing us to efficiently follow-up the progress of all recommendations without the need for an audit.

It was agreed with the Director of Finance (Staffordshire Commissioner's Office)/S151 Officer that as part of the 2019/20 audit plan, a small number of days would be allocated to allow us to undertake this work. The progress made against recommendations has been presented to all subsequent ETAP meetings as part of the progress report.

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

- High Priority
- Medium Priority
- Low Priority

During 2019/20, Internal Audit made a total of 40 recommendations. No recommendations were deemed to be a high priority, whilst 9 medium and 31 low priority recommendations were made.
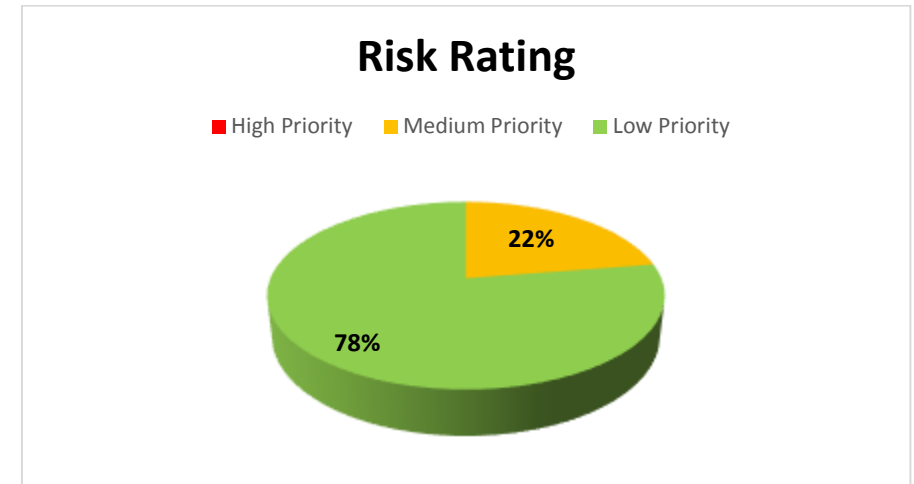
In comparison to 2018/19, whilst the number of audit reviews has decreased, a similar number of recommendations have been made, increasing by 2. The number of medium priority recommendations made has decreased by 5 and low priority recommendations have increased by 7.

Three recommendations were Risk Accepted by SFRS management. These recommendations were Low Priority and made as part of the Pensions Administration & Payroll Audit. The three risks highlighted were:

- New starters are not being given sufficient time to transfer previous pension funds into the Firefighter Pension Fund due to delays in issuing welcome packs.

  Management Response: WYPF believe there is enough information in the information leaflet to allow the employee to

opt out of the pension fund if they wish to. However, in order for pension transfer time scales not to be overlooked by the member, an additional leaflet with information on pension transfers will be included with the Pension information leaflet.

- There is a risk that resignations are not being processed promptly to ensure pension accounts are recorded as Deferred pensions.

  Management Response: WYPF state that they do not want to receive interim notices on leavers, instead they obtain this information from the Stoke payroll data provided on a monthly basis.

- There is a risk that lump sum payments are not approved appropriately.

  Management Response: Authority has been delegated to WYPF so that a second signature is not required by the Authority. Director of Finance is happy to accept any perceived risk here.

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 audits 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

Recommendations in the Audit Management System are kept up to date through this process based on the responses we receive from the responsible officer.

As of the 31st March 2020, 12 of the 40 recommendations had already been implemented with a further 3 risk accepted. Of the 25 that have yet to be implemented, 19 of these have not yet passed their agreed action date, leaving 6 that are now overdue.

Compliance with Key Performance Targets

Key Performance results for the Internal Audit Section (as defined within the Audit Strategy and Plan) show that set targets have been exceeded.

Description	Target %	2015/16 %	2016/17 %	2017/18 %	2018/19 %	2019/20 %
Reports issued to draft report stage:						
Systems Audits	90	100	100	100	100	100
Compliance audits	90	N/A	N/A	N/A	N/A	N/A
Average score for Quality Questionnaires from clients is equal to or exceeds the 'good' standard:						
Systems Audits	90	100	100	100	100	100
Compliance audits	90	N/A	N/A	N/A	N/A	N/A

Customer Satisfaction Surveys

Internal Audit issues Customer Satisfaction Surveys (CSS) with each draft report which is based on 13 questions. Each question being scored between 1 (very poor) and 5 (excellent). We aim to provide a high-quality audit service to our customers and the results of these surveys helps us to identify any areas for future improvement and development. Each completed CSS is graded as one of the following:

- Excellent (scores 54 to 65)
- Good (scores 43 to 53)
- Fair (scores 33 to 42)
- Poor (scores 23 to 32)
- Very Poor (scores 13 to 22)

The results from the CSSs returned from 2019/20 audits are summarised below.

A total of 3 CSS's were returned from the auditees in year, a decrease from 2018/19. The completed CSSs are pleasing in their result, with all 3 rating the service provided by Internal Audit to the Authority as Excellent. Looking at the individual results for each question, it is pleasing to see that auditees rated 100% of the questions as either Good or Excellent.

2019/20 Average CSS Results

Question	Score
Consultation on audit coverage and timing	4.7
Relevance of audit objectives and scope	5.0
Reflection of risks in Audit Brief identified at...	4.7
Feedback during the audit	4.7
Face to Face draft report discussion held	4.3
Helpfulness of the auditor(s)	5.0
Professionalism of the audit team	5.0
Completed in an acceptable timeframe	4.7
Clarity and presentation of the report	5.0
Accuracy of findings	4.7
Value of agreed actions to improve control...	5.0
Fulfilment of scope and objectives	5.0
Overall satisfaction with the audit service	5.0

Performance Against the UK Public Sector Internal Audit Standards

The UK PSIAS came into force on 1 April 2013 with the aim of promoting further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. These have been updated periodically since (last updated April 2017). A Local Government Application Note (LGAN) has also been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide further explanation and practical guidance on how to apply the standards. The LGAN is also updated periodically (last updated March 2019).

The Internal Audit Service works to an Audit Charter which is annually approved by the ETAP. This Charter governs the work undertaken by the service, the standards it adopts and the way in which it interfaces with the Fire Service and Authority. A detailed paper outlining how Internal Audit meets the specific requirements of PSIAS & LGAN was presented to the now disbanded Audit Committee in June 2014 and since this date, internal self-assessments have been undertaken. In January 2018, the Service procured its inaugural external quality assessment (which is required to be conducted once every five years) by CIPFA and the highest category level was awarded regarding compliance with the PSIAS and LGAN. One recommendation was made together with three suggestions for improvement all of which were implemented and reported to ETAP as part of last year's annual outturn report.

As part of our Internal Audit Quality Assurance and Improvement Framework, as well as the external quality assessment (conducted every five years); internal self-assessments are also carried out, as previously mentioned above.

The results of this year's updated self-assessment exercise against the current standards and LGAN are summarised below. It can be seen that 94% of the standards are deemed to be fully in place.

Process/Control			
In Place	**Partially in Place**	**Not In Place**	**Not Applicable**
127 (94%)	3 (2%)	4 (3%)	1 (1%)

For those areas of partial/non-compliance a detailed action plan has been produced, although none of these are considered to affect significantly the effectiveness of Internal Audit.

Four areas of non-conformance (not in place) were highlighted as part of the self-assessment which will not involve any further action being taken, namely:

- The Chief Internal Auditor (CIA) reports to the Director of Finance (Staffordshire Commissioner's Office)/S151 Officer who in turn reports to the Chief Fire Officer. Alternative reporting arrangements are detailed within the Internal Audit Charter, should the need arise.
- ETAP does not approve the Internal Audit budget. This is the responsibility of the Staffordshire Commissioner following recommendation by the Strategic Governance Board.

- ETAP does not approve decisions relating to the appointment and removal of the CIA, this responsibility lies with the Director of Finance (Staffordshire Commissioner's Office)/S151 Officer.
- ETAP does not approve the remuneration of the CIA. The Pay of the CIA is in accordance with the County Council's Pay structure, Grading and JE processes which are corporately owned.

The three areas of partial conformance related to the upskilling of data analytics for the whole internal audit team, continuing to keep under review our approach to assurance mapping and risk management continue to be fit for purpose. These areas were kept under review by Internal Audit management in-year.

As part of our Quality Assurance and Improvement Programme in 2019/20, Internal Audit also identified a number of challenges that are specific to Staffordshire Commissioner Fire and Rescue Authority and Service. These were originally highlighted during the presentation of the Internal Audit Strategy and Plan at 27th March 2019 ETAP meeting. These challenges and the progress made against them are detailed in the table below.

Challenge	Progress and Current Status
To exploit the use of IT, data and Computer Assisted Audit Techniques (CAATS) to expand the level of assurance provided to senior management across its operations in the most cost efficient and effective way.	**Partially Completed** – Data Analytical development work was included in the Internal Audit Strategy and Plan for 2019/20 for the Authority and was being explored with the ICT team prior to the cessation of the Internal Audit contract with Staffordshire County Council (See below for further details).
To explore alternative computerised audit management and working papers systems on the market with a view to procuring a new system during 2019/20 and embedding it within our audit processes.	**In Progress** – The procurement of a new computerised audit management and working papers systems progressed well during 2019/20. However, the procurement was put on hold in order for resources to be diverted for the Council's Coronavirus response.
To continue to provide senior management with on-going comfort over the implementation of past audit recommendations to provide on-going assurance that internal controls are being continually improved.	**Complete –** Recommendation tracking is fully embedded by Internal Audit. A summary of all recommendations made to the Fire Service is presented to each ETAP meeting, along with the details of any overdue recommendations. Internal Audit believe this has had a positive impact on the Fire Service as the number of overdue recommendations has remained low in year.
To raise the profile of the counter fraud work plan across the Fire Service, publicising the results from our data analytical work completed in 2019/20.	**Partially Completed** – A number of days were included in the 2019/20 audit plan to develop a data analytics programme. However, this work was cancelled with the approval of SFRS Management and ETAP, as the Internal Audit service will no longer be provided by SCC from 1 April 2020. Therefore, there was no value in developing this programme for either party.

	The 8th Edition of the FraudWatch publication was created by the ICT Audit Manager and passed to SFRS for distribution.
To ensure that Internal Audit continues to enhance and develop its operations to maintain its status within the Service as a competent, professional and respected Internal Audit function which conforms to the PSIAS and LGAN.	**Ongoing -** On an annual basis, the Chief Internal Auditor will update the Public Sector Internal Audit Standards (PSIAS)/LGAN self-assessment checklist and review evidence to demonstrate conformance with the standards. This self-assessment also incorporates conformance with the Mission of Internal Audit, Definition of Internal Auditing, Core Principles and the Code of Ethics. The 2019/20 exercise has recently been completed and no concerns are noted.
To implement an integrated data driven approach to our audit process including not only the use of data analytics within our audit work but also revisions made to our audit planning document to capture the data that service areas are using, where it comes from and how it is used and the development and use of a GDPR checklist to be completed as part of each applicable audit review in 2019/20.	**Complete** – As part of the completion of the audit brief, information is now captured on the use of data within the auditable area. This helps to identify any data that we could use during the audit to provide a greater level of assurance. The GDPR checklist was also developed and included in each applicable review for 2019/20. Any weaknesses identified as part of the completion of the GDPR checklist are reported within individual audit reports throughout the year.

The work undertaken by the Internal Audit Service during 2019/20 and reported within the Annual Outturn Report has been performed in accordance with PSIAS. In relation to this, there are no impairments or restrictions in scope or impairments in independence or objectivity during the year which prohibit the CIA or the Service from delivering the annual Head of Internal Audit Opinion for 2019/20.

Appendix 1
FINAL Report
General 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.

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 Deputy Chief Finance Officer, the Finance Business Partner - fire and the Transactional Finance Manager, 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	3	0	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

14

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
Associated Risks	3	3	0	0
TOTALS	**25**	**25**	**0**	**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

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   Policy and Procedure

- The job descriptions appropriately define the responsibilities of each role and have been reviewed and updated where necessary following the Finance Teams move to Staffordshire Police.
- Policies and procedures are appropriate and current. Several policies were reviewed including the Financial Regulations and Contract Standing Orders which are reviewed every two years and were last reviewed in August 2018.
- An organisational chart is in place that details the reporting lines of the Finance Team.
- The annual accounts, as prepared by Grant Thornton, include a statement confirming that they have been prepared in line with the requirements of the CIPFA Code of Practice.

2.2   Financial Ledger Coding

- A current chart of accounts is in place and is considered sufficiently detailed to produce a detailed set of accounts. A process is in place to add or amend new codes and the review confirmed that the chart of accounts was updated as required.
- A review of a sample of users with access rights to the finance system was carried out and confirmed that access rights appeared to be appropriately assigned.
- The chart of accounts is reviewed on a regular basis and at least annually. It is updated as and when inactive codes are identified.

2.3   Suspense Accounts

- The suspense accounts are reviewed on a regular basis with items being cleared in a timely manner. A review of the suspense account at the time of the audit fieldwork confirmed that there were no long-standing items within the suspense account
- The suspense account is reviewed and cleared on a regular basis.

2.4   Data Accuracy

- The integra system used by the Service is made up of appropriate ledgers which are all linked to the nominal ledger. The appropriate ledgers are all in place and adequately documented.
- The feeder systems are adequately reconciled and reviewed monthly, prior to the creation of the financial statements.
- Segregation of duties are in place which allows the ledgers to be independently reviewed within the team.
- The annual accounts have been appropriately approved and signed by the Director of Finance (Staffordshire Commissioner's Office) / S151 Officer.

2.5   Journal Entries

- Sample testing carried out confirmed that journals were relevantly processed, and authorisation was in place.

2.6 Control Account Reconciliations

- Key control accounts are included within the monthly checklist and completed in a timely manner.

- Monthly reconciliations are completed by members of the Finance Team. Sufficient segregation of duties are considered to be in place to support this process with the reconciliations also being signed off by a senior member of the Finance Team.

2.7 Year-end Procedures

- There is a period end timetable in place which has been completed in an accurate and timely manner and feeds into the completion of the year end accounts.

- A year-end timetable and close down procedures are in place.

- A procedure is in place to carry forward brought forward balances into the new accounting period. This process has been followed and the supporting evidence was in place.

- Accounting policies are clearly detailed within the published financial statements.

- The published accounts state that they are prepared in line with the CIPFA Code of Conduct.

2.8 Bank Accounts

- Testing carried out on the bank reconciliations confirmed that they had been accurately completed and evidence was in place supporting an independent review.

- Access to the bank account is restricted to members of the Finance Team. Individual log ins are issued to these staff and are restricted appropriately in line with the roles undertaken.

- A selection of income receipts were reviewed and confirmed to be appropriately supported and banked in a timely manner.

- Testing has confirmed that BACS and cheque payments have been processed correctly and in a timely manner.

- An authorised signatory list is in place and was found to be fit for purpose. It was last updated in May 2019.

FINAL Report

Payroll

1   Executive Summary

1.1   Scope and Background of Audit

1.1.1   Internal Audit has completed a review of the systems, controls and risks relating to the administration of the Staffordshire Fire & Rescue Service (SFRS) Payroll. The review was carried out as part of the 2019/20 Strategic Internal Audit Plan. This report summarises the results of the audit work undertaken.

1.1.2   For the financial year 2019/20 (April to December) the total gross pay expenditure and allowances was in the region of £21.5m.

1.1.3   Since April 2017, information has been entered into and the payroll processed via Stoke-on-Trent City Council's (the payroll provider) Payroll system under a Service Level Agreement (SLA). In accordance with the SLA, the payroll provider is responsible for payroll control reconciliations and the payment of deductions to third parties including national insurance and tax. The provider is also responsible for certain payroll masterfile changes including pay awards and tax code changes.

1.1.4   The Payroll Section at SFRS comprises of a Payroll Manager and three payroll employees, who are responsible for all data input and amendments relating to pay including expenses, and month end payroll reconciliation procedures. The exception to this relates to new starter details and the amendment of personal information e.g. changes to names and addresses. This information is input by Human Resources staff (HR) using the MyView portal of the Payroll system. From 1st July 2019, SFRS HR staff were transferred to and became employees of Staffordshire Police. Despite this change it has been confirmed that there have been no changes to the processes in operation for the period covered by this review (April to December 2019) and that those staff dealing with SFRS employees remained on site at SFRS's Headquarters until 6 January 2020, at which point they moved to Staffordshire Police Headquarters.

1.1.5   As part of the above transfer, the employee files relating to SFRS staff have also been transferred to Staffordshire Police Headquarters. However, at the time of writing only a proportion of the files had been unpacked and the member of staff allocated to complete this task is currently off sick. HR staff were unable to assist for Health and Safety reasons, therefore only two out of the five new starter files and 12 of the twenty sickness records requested have been provided. As a result, testing has only been partially completed in these areas.

1.1.6   During discussions with the Payroll Manager, it was identified that the date and details of the employee that has made changes to the payroll are not shown on the screen in either the Payroll system or MyView. It is understood that audit trail information (which includes this data) is held within the system which can be accessed if required. In addition, some of the reports that are now available does identify the date and who input the change. Although this is not ideal, the risks associated with not having this information readily available have been accepted.

1.1.7   Although an SLA with the payroll provider is in place there are several issues with the document relating to the acceptance of the payroll providers terms and conditions, providers liability, charges, defining and monitoring of service delivery expectations/

performance, notice period and the system amendment protocol. In 2019/20 it has been confirmed that the risks identified have either been accepted, added to the risk register or a separate process agreed.

1.1.8 The objective of the Internal Audit review was to evaluate the key controls operating at SFRS to ensure that payroll transactions are complete, accurate and valid.

1.1.9 The scope of the audit was to provide assurance against the following control objectives: -

- Access to the payroll computer system (Payroll system) is appropriate, controlled and reports that enable the effective management of the payroll are available.
- Appropriate contract monitoring arrangements are in place.
- An approved organisation structure is in place.
- Legal requirements are met:
- Amendments to the HR master file are complete, accurate and valid:
- Payments are complete, accurate and valid
- Policies are in place for payroll processing.

1.1.10 Of the three recommendations made as part of the 2018/19 review it was confirmed that two had been implemented.

The recommendation relating to the recording and reporting of sickness absence (Recommendation 3) has not yet been addressed and recommendation 12 of the 2017/18 audit also remains outstanding. Both recommendations are reliant on the implementation of a new version of Firewatch. Although this was completed in November 2019 work to refine the reports produced from the system is still on-going.

Progress in relation to the above issues is being tracked as part of a separate exercise and therefore the above recommendations are not being re-presented. However, these outstanding issues have been considered when forming the overall audit opinion.

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
Access to the payroll computer system (Payroll system) is appropriate, controlled and reports that enable the effective management of the payroll are available.	3	1	2	0
Appropriate contract monitoring arrangements are in place.	3	1	2	0
An approved organisation structure is in place.	3	2	1	0
Legal requirements are met:	2	2	0	0
Amendments to the HR master file are complete, accurate and valid:	5	5	0	0
Payments are complete, accurate and valid	7	6	1	0

Policies are in place for payroll processing	2	1	1	0
TOTALS	**25**	**18**	**7**	**0**

1.2.1   The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Priority	A letter of assurance over the control environment operated by the payroll provider during 2019/20 has not been requested.	20 May 2020
2	Low Priority	An SLA with the provider was not obtained/provided at the start of the financial year or has been mislaid and the document has not been signed by a representative of SFRS. In addition, a copy of the SLA is not held by the Payroll Manager.	30 April 2020
3	Medium Priority	The review identified two instances where the sickness absence recorded in the payroll system is incorrect.	6 to 12 months

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	1	2	3

Another five 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**

Internal Audit 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 Payroll Computer System (Access & Reporting)

- Emails sent between SFRS and the payroll provider are encrypted, this includes HR and payroll related emails which may contain private and confidential information.
- Based on discussions with Payroll and HR staff along with observations made at the time of the audit, access to the MyView portal appears appropriate.
- Various reports have been made available by the payroll provider. Although work is still on-going to identify, test and refine suitable reports, those that are available assist with the management of the SFRS payroll.

2.2 Contract Monitoring Arrangements

- The review confirmed that service delivery expectations of the provider and SFRS are documented in a SLA.
- A risk register is in place. This was reviewed in March 2019 and was subject to further review/revision during the completion of the audit. The register includes the key risks to payroll provision including BACS failure, the short notice period for contract termination, non-compliance with statutory return deadlines and the collaboration with Staffordshire Police.

2.3 Organisation Structure

- Through a combination of recommendation tracking and the review of supporting documentation, it has been confirmed that reconciliations between the Firewatch and the Payroll system were completed in January and October 2019.
- Discussions and a review of the documentation provided by the Finance Business Partner Fire confirmed that the pay budget monitoring (including forecasting) is undertaken monthly with outcomes reported to budget holders on a timely basis. The information used for these reports comes from the Firewatch system and costing reports received from the payroll provider.

2.4 Legal Requirements

- All tax and national insurance calculations are handled from within the payroll system. Testing completed as part of the audit (in relation to five new starters) confirmed the accuracy of the deductions made in relation to tax and national insurance.
- All tax and national insurance returns are processed by the provider in accordance with the SLA. The Payroll Manager has not been made aware of any issues with the submission of returns by either the payroll provider or HMRC.

2.5 Masterfile Amendments

- For the five new starters sampled, the review confirmed that all had been processed accurately in accordance with the action slip and the information held on the employees HR file where provided (two). Testing also confirmed that an authorised vacancy control form had been completed and authorised in the one instance where this was required.

- The review of fifteen leavers confirmed that action slips had been received and accurately processed within reasonable timescales. In addition, it was also confirmed that the termination letters issued by HR advise staff that their last payslip and P45 are only available for 30 days after their leave date.

- The review of amendments relating to 10 employees (18 changes to pay) confirmed that action slips had been received with amendments being processed accurately and timely by the Payroll team. There was just one instance were the instructions on the action slip had been misinterpreted upon input. However, as this was identified and rectified the following month no further action is considered necessary.

- For the sample of employees selected (20 support staff and 20 operational staff) it was confirmed that annual pay awards had been correctly processed.

- The review confirmed that for a sample of twenty employee's increments had been processed accurately and timely (where applicable).

2.6 Payments

- The review of 20 overtime claims/other temporary payments processed since April 2019 confirmed that all payments had been authorised and that where claims had been submitted these had been signed by or emailed from the employee. All claims had been processed accurately and on a timely basis in accordance with the processing timetable. In addition, all payments had been evidenced as input by a member of staff within the payroll team.

- The review of 20 payments relating to retained firefighters confirmed that most of payments were valid, accurate and had been authorised (where required). There was just one instance where a claim for drills had been input incorrectly and this was not identified as part of the authorisation or payroll checking process. This issue has been reported in the minor priority section of this report.

- A review of twenty expense payments processed since April 2019 confirmed that all were supported by a claim form signed by the employee and authorising employee. All claims had been processed accurately and on a timely basis in accordance with the processing timetable. In addition, all claims had been evidenced as input by a member of staff within the payroll team.

- The review confirmed that pre-payroll checks (including exception reports) are completed before the payroll is released for payment. Reports along with any error reports are reviewed by the Payroll Manager and evidenced as such in the majority of instances (31/34).

- The review confirmed that payment of the payroll had been authorised by the Deputy Chief Finance Employee/Deputy S151 Employee Fire or Finance Business Partner Fire thereby ensuring an appropriate segregation of duties.

- The review confirmed that there are procedural documents in place to provide guidance should overpayments to employees occur when their employment has ceased. Testing identified one instance were an overpayment had occurred due to late notification regarding the termination of employment which confirmed that the required process had been followed. In reviewing the budget monitoring process for a sample of three months, a further three overpayments relating to current employees were also identified relating the overpayment of annual leave and the late notification of a change in position. The review confirmed that repayment plans were agreed with the employee and the required amounts deduction from their salary.

2.7   Policies

- Pay related polices are available on the Intranet and for the sample reviewed it was confirmed that the majority were up to date. There was just one policy which had not been reviewed and this has been reported in the minor priority section of the report.

- The review confirmed that the Payroll team is made up of experienced staff who receive adequate training and support.

FINAL Report

Pensions Administration & Payroll

1 Executive Summary

1.1 Scope and Background of Audit

1.1.1 This report summarises the results of an Internal Audit review of the Firefighters' Pension Scheme to provide assurance that the Pension Fund is administered effectively and efficiently in order to ensure that all payments due to and from the Fund are made and accounted for fully, accurately and in a timely fashion. This Internal Audit is part of the annual plan for 2019/20.

1.1.2 The audit focused on the following key control areas:

- The legislative requirements of the Public Services Pensions Act 2013 have been met.

- Inclusion of valid employees/pensioners only in the Firefighters' Pension Scheme.

- All income due to the Pension Fund is completely and accurately received.

- All payments made from the Pension Fund are complete, valid and accurate.

- Accurate maintenance of membership/pensioner data by West Yorkshire Pension Fund including access and back up routines.

- Adequate supervision, management and monitoring arrangements are in place at West Yorkshire Pension Fund (WYPF) and between the "client" Staffordshire Fire & Rescue Service (SF&RS) and the "contractor" West Yorkshire Pension Fund.

1.1.3 WYPF has worked in partnership with SF&RS to administer the scheme since 1 July 2018. The pension's administration system used by WYPF is supplied by Civica and is called Universal Pensions Management (UPM). MyPension is the member section of the UPM system where SF&RS can view member pension records.

1.1.4 This audit has examined transactions processed during the period 1 April 2019 to 30 October 2019.

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
The legislative requirements of the Public Services Pensions Act 2013 have been met.	2	0	2	0
Inclusion of valid employees/pensioners only in the Firefighter Pension Scheme.	2	1	0	1
All income due to the Pension Fund is completely and accurately received.	5	3	2	0
All payments made from the Pension Fund are complete, valid and accurate.	6	5	0	1

Accurate maintenance of membership/pensioner data by West Yorkshire Pension Fund including access and back up routines.	7	5	2	0
Adequate supervision, management and monitoring arrangements are in place at West Yorkshire Pension Fund and between the "client" SF&RS and the "contractor" West Yorkshire Pension Fund.	3	2	0	1
Key data protection principles are being complied with in the service area	1	0	0	1
TOTALS	**26**	**16**	**6**	**4**

1.2.1   The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Priority	Several issues with documents governing the pension scheme were found: a) information regarding the Pension Board, including membership and responsibilities, has not being published; b) the published Pension Board Terms of Reference is out of date as it does not reflect current governance arrangements; and c) the Internal Dispute Resolution Policy has not been updated following the changes to the Authority on 1 August 2018.	30 April 2020
2	Low Priority	Examination of five new starter cases identified that welcome packs had not been issued promptly following an employee starting work.	Risk Accepted
3	Low Priority	One Transfer In case was identified where there was no evidence of calculations being checked and signed by a second officer.	Implemented
4	Low Priority	Audit testing of six leavers identified that: • five Leavers had active pension accounts in the WFPF system, and • notifications are not sent to WYPF promptly. Employees who have been promoted are also receiving automated letters from the WYPF system stating that they have left the pension fund.	1. Risk accepted. 2. Already implementing on monthly basis.
5	Low Priority	Audit testing identified two retirement cases where the incorrect date of leaving was recorded within the Action Slip, one of which was not identified and corrected, therefore pensions contributions would be calculated incorrectly.	Implemented
6	Low Priority	A retirement lump payment exceeded £200,000 was not approved by the Director of Finance.	Risk Accepted
7	Low Priority	There is a 3-year gap between disaster recovery testing being performed. This does not provide up to date assurance that the pensions administration system can be reconstructed if required. This action was raised within the previous audit report, dated April 2019.	Implemented
8	Medium Priority	The level of the contractors delegated authority has not been documented. This action was raised within the previous audit report.	1 June 2020
9	Low Priority	The GDPR Checklist was not completed during the audit to confirmed whether key data protection principles are being complied with in the service area.	1 June 2020

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 following number of recommendations:

High	Medium	Low	Total
0	1	8	9

Another 1 minor priority issues have been highlighted for management's consideration.

1.3   Summary of Control Assurance Provided

1.3.1   **Satisfactory -** Internal Audit 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.

2 **Positive Assurance**

Internal Audit 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 the audit confirmed that the following adequate controls were in operation:

2.1 New Starters

- Audit testing confirmed that eligible members are automatically enrolled into the Firefighter Pension Scheme.

2.2 Income

- Audit testing confirmed that employee contributions are made at the appropriate rate that is consistent with their employment and are promptly credited to the Pension Fund.
- Audit testing confirmed that employer contributions are made at the appropriate rate that is consistent with the actuarial certificate and are promptly credited to the Pension Fund.
- The audit confirmed that income and expenditure is reported to SF&RS Finance and coded into the SF&RS Finance System accurately.

2.3 Payments

- Audit testing confirmed that early retirement benefits due to ill health are accurately calculated and checked, i.e. signed off by WYPF.
- Audit testing confirmed that death benefits cases are accurately calculated and checked, i.e. signed off by WYPF.
- The audit confirmed that increases in pension benefits are processed from Circulars and relevant GMP is notified by the Contributions Agency.
- Audit testing confirmed that payroll and pension payments are made via BACS-IP and entitlement is calculated by the Pension Team at WYPF. Audit testing also confirmed that there is appropriate segregation of duties between payroll and pensions transmission.
- Audit testing confirmed that payments are reported and entered into the ledger by appropriate journal entries.

2.4 Pension Records

- Audit testing of a sample of new starters, leavers, retirements and ill health cases confirmed that amendments to members input by SF&RS are identified from the monthly interface report submitted to WYPF by Stoke on Trent City Council as payroll provider.
- The audit confirmed that membership/pensioner data is accurately maintained and held securely.
- The audit confirmed that parameters of the UPM pensions administration system are detailed within the data tables and access to update the parameters is limited, and process History for processes system reports detail an Audit Log of actions within the system for general transactional amendments.
- Workflows are in place within the system to ensure separation of duties and authorisation occurs.

- The review confirmed that the Pension Administration Team is not responsible for payroll configuration. WYPF administer the Firefighter Pension Scheme and Stoke on Trent City Council deal with the payroll process for SF&RS including deduction of pension contributions from Firefighters payroll.

- The review confirmed that payroll and pensions data is securely stored, and access is appropriately restricted both manually and electronically. Examination of the pension accounts on the UPM system during sample testing identified that SF&RS officers still have limited access to supporting documentation within pension accounts as they are not data processors; WYPF officers process data within the UPM system.

- The audit confirmed that payroll and pensions data is securely backed up on every weekday night and all backup media, and WYPFs data is stored in two geographically separate locations.

2.5   Monitoring Arrangements

- UPM system processes are heavily automated so that users are guided through a workflow process rather than having detailed written working instructions. Examples of workflow processes and process maps were provided by WYPF during the audit.

- Examination of Pension Board minutes of meetings held during 2019/20 identified that performance reports are presented regularly, confirming that the performance of the contract is regularly monitored or reported upon.

FINAL Report

Health & Safety

1 Executive Summary

1.1 Scope and Background of Audit

1.1.1 The Health and Safety Policy Statement of Intent, which is signed by the Chief Fire Officer (CFO), states that the aim of Staffordshire Fire & Rescue Services (SF&RS) is to secure the highest levels of Health, Safety and Welfare of its employees and anyone affected by its work. *This audit focused* on providing assurance of the arrangements within the Staffordshire Fire & Rescue Service to ensure that Health and Safety matters are appropriately dealt with and the key risks are identified and dealt with in a timely and effective manner.

Following a serious Health and Safety incident in September 2019, the review also considered implementation of actions identified and a review of evidence supporting the independent review by Derbyshire Fire & Rescue Services and the Fire Brigades Union, commissioned by SF&RS.

The audit did not include detailed testing of the operational controls or applications of the Health and Safety policies and procedures within the wider organisation.

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
To ensure that comprehensive Health & Safety policies and procedures are in place, including those for specific specialist areas, and that these have been communicated to all employees and support members.	4	1	2	1
To ensure that arrangements are in place to ensure that Health and Safety matters are dealt with appropriately, risks are managed, and identification of lessons learned.	5	0	5	0
To ensure that Health and Safety matters from the Health and Safety Executive and within the organisation are disseminated and related matters are regularly reported to senior management/ members and committee structures.	2	2	0	0
To ensure that actions arising from an independent review by Derbyshire Fire & Rescue Services have been implemented	2	2	0	0
TOTALS	13	5	7	1

1.2.1 The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Medium Priority	A Statutory Mandatory Training Policy is not in place to define the Services training requirements and expectations for operational and corporate staff.	August 2020
2	Low Priority	19% of Learn pro delivered Health and Safety risk management training was flagged as Not Valid.	August 2020
3	Medium Priority	Externally provided health and safety training was not being consistently recorded and managed through Learn-Pro.	August 2020
4	Medium Priority	Systems were not in place to evidence that actions identified from risk assessment have been completed or in full.	August 2020
5	Low Priority	Health and Safety actions at Stations were not consistently managed to ensure completions dates were recorded in all instances, overdue actions were followed-up and action status was consistently recorded.	August 2020
6	Low Priority	Health and Safety performance data, reported to the Performance and Assurance Board, does not include assurance that actions to address the issues reported have been taken and completed.	August 2020
7	Medium Priority	Systems were not in place to evidence that actions identified from operational assurance reviews have been completed in full.	August 2020

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	4	3	7

Another 3 minor priority issues have been highlighted for management's consideration.

1.3 Summary of Control Assurance Provided

1.3.1 **Satisfactory -** Internal Audit 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.

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 Policies and Procedures

- The Chief Fire Officer Statement of Intent for Health and Safety 2019/20 was renewed in April 2019. The document pledges commitment to providing the highest level of Health, Safety and Welfare for its employees and anyone affected by their work activities.

- The Fire Service Response Strategy 2018-2021 has been produced to clearly set out the expectations of the Response Directorate and outlines the intentions for continuous improvement of the Fire and Rescue Service locally, regionally, and nationally, underpinning the vision of the Staffordshire Commissioner. Review of the Strategy highlighted that Health and Safety of staff and communities was a key aim and associated measures of success had been defined.

- A Health and Safety Policy is in place which is dated May 2019 and is next due for review 7th May 2022. Observation confirmed that the Policy was available to staff via the Fire Service intranet. The Health and Safety policy is supported by associated policies. In total there are 23 associated policies on the intranet and a control list is maintained by the Policy and Planning Co-ordinator. A process is in place to escalate policies within three months of their review date to Managers. Review of the policy control list confirmed that policies were either in date or out for consultation. A sample test on five Health and Safety policies from the control list confirmed that up to date policies were available on the intranet.

- The Health and Safety Risk Assessment Policy defines the process for the completion of risk assessments to identify hazards and the associated degree of risk they pose. The policy was issued on 4th March 2020.

- A Learning & Development Department Annual Plan 2019/20 was provided which links with the Response Plan 2018-21 and the Workforce Strategy 2018-21. Review of the Learning and Development Annual Plan 2019/20 highlighted that L&D3: Delivery of mandatory risk critical training is currently RAG rated Amber (progressing as planned).

- Supporting Standard Operational Procedures (SOP's) are also available to staff via the intranet and systems were in place to update SOP's following changes in processes.

- Staff are signposted to policies through an induction checklist and processes require that staff sign to confirm that they have read and understood Health and Safety policies and any new alerts issued, which is done through their access to Learn-Pro, the Fire Service e-learning platform.

- A variety of Health and Safety training is provided to staff which includes:
  - E-learning modules – for induction and mandatory training (Health & Safety induction module; Manual handling, Health and Safety risk management module; Display Screen Equipment and Incident Reporting) to be completed by all staff.
  - Face to face training for new starters. Operational staff complete a half-day induction with the Health and Safety Team focussed on "An Introduction to Risk Assessment Training".

- Face to face risk assessment training for Supervisory Managers, Station Managers and Group Managers tailored to their responsibilities defined in the Health and Safety Policy.
- A programme of planned Health & Safety training events which staff can book through the CMS training system.

- Review identified that operational staff receive Five Steps to Risk Assessment as part of the Health and Safety induction in their core skills training which is mandatory for progression to attending incidents as a trainee Firefighter. A competency booklet is in place for operational staff which is required to be formally signed off prior to attendance on active operational duties.

- Systems were in place for achievement of e-learning modules to be tracked through a traffic light system managed by the Learning and Development Department, with warning flags emailed to Managers when learning is due and staff performance monitored through the staff appraisal process. Review of the Appraisals – Guidance Checklist confirmed that prompts were included to review training compliance. Additionally, training compliance is monitored through the Station & Department Audit programme, with results fed back to the Station Manager, Group Manager, Director of Response, Fire Brigade Union Health and Safety representative and Service Delivery Board.

- Managers have access to a training dashboard which displays training compliance for their staff. Walkthrough testing with one Station Manager (East Delivery Group) demonstrated the accuracy of the data shown in the dashboard to supporting records.

- Review identified that an electronic Safety Event reporting system is in place. All staff have access to report safety events, including; Injuries, Verbal /physical abuse, Vehicle collisions / damage, Equipment damage / failure, Near Miss and Cause for Concern.

- There is an inherent review and escalation process within the safety event reporting system which facilitates review of reported safety events by Line Managers to include the required remedial actions to address the safety event. The Health and Safety Team review recorded safety events to assess the adequacy of remedial actions recorded by Line Managers and provide challenge where necessary. Station Managers are required to sign off safety events as actions are completed. The Health and Safety Team undertake weekly checks to review the progress and sign off of remedial actions via a progress report.

- A sample test on five safety event reports for the period October 2019 to February 2020 confirmed that details had been recorded in full, remedial actions had been identified and reviewed by the Health and Safety Team. In four instances the Station Manager had signed off the safety event as completed. One safety event was ongoing at the time of the audit with actions due to be completed by 31st March 2020.

- Safety events are reported via the Quarterly Health and Safety Performance Report which are shared and discussed at Health & Safety meetings. Additionally, benchmarking is undertaken to review safety event data against other regional Fire Services to assess whether the volume of safety events is broadly comparable, and the service is not flagged as an outlier.

2.2   Risk Management

- The Service has a Risk Management and Business Continuity Management (BCM) Strategy dated 2017 – 2020 which sets out the risk management and business continuity management framework modelled on BS 31100/ISO 31000 Risk Management – Guidelines on Principles and Implementation of Risk Management. The Strategy is supported by a Risk Manual, although a review of the manual has not been undertaken in this review.

- It was noted that the Health and Safety Department maintain a risk register which is reviewed on an annual basis, evidence was provided to support the last review carried out in October 2019.

- The Health and Safety Risk Assessment Policy defines the rationale and process for assessing risks to identify all significant risks to health and safety and to identify the control measures necessary that reduce the risk level to "as low as reasonably practicable" – ALARP. A suite of operational risk assessments are in place which is a register of possible events and the standard risk assessments which have been linked to standard operating procedures.

- It was highlighted that risk assessments are performed for planned training events carried out at Fire Stations, which are uploaded to PDR-Pro. A walkthrough test confirmed this process to be in operation.

- Systems are in place for results of Health and Safety Audit visits to be discussed with the Station Manager and results are summarised and shared through the Service Delivery Board.

- The Service uses a variety of methods to record health and safety information which includes PDR-Pro for recording and monitoring training exercises, health safety spreadsheets of visits, and Station operational action plans and the Master list of operational action plans.

- There is an established Operational Assurance process in place which exists to review operational practice for compliance with policies and procedures and risk assessment. There is an overarching committee, Operational Assurance Standardisation Group, whose purpose is to ensure that internal and external learning is identified, planned for, shared, embedded, monitored and reviewed. Processes are in place to share learning identified through operational assurance activities which include bulletins STOP / START / CONTINUE, Hot debrief reports, and quarterly reporting into the Performance and Assurance Committee. Evidence of the process was provided during the audit.

2.3   Governance Arrangements

- It was found that there are systems in place to monitor Health and Safety activity and outcomes via the governance structure. The structure includes Local Safety Groups, as defined in the Safety Group policy, with defined terms of reference and formal minutes and action logs. Quarterly Health and Safety meetings at Station level and Corporate departments which feed into Policy and Planning meetings. From observation it was confirmed that quarterly Health and Safety meetings were diarised ahead to maximise attendance.

- There is engagement at regional level through quarterly West Midlands Regional Fire Service meetings.

2.4   Peer Review

- Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services provide an independent assessment of Fire and Rescue Services. A review carried out in 2019 provided an Outstanding rating for Health & Safety.

- Internal scrutiny of services is managed through the Performance reporting through the governance structure.

- An action plan had been developed to incorporate the findings of the peer review undertaking by Derbyshire Fire & Rescue Service. The action plan showed that 9 of the 24 actions had been completed and all actions had a responsible owner.

Appendix 2

Counter Fraud & Corruption Work

Introduction and Context

During the 2019/20 financial year, Internal Audit has continued to develop its counter fraud and corruption test programme.

Internal Audit assesses annually the levels of risk within the Staffordshire Commissioner Fire and Rescue Authority and Service with a view to preventing fraud and corruption.

Test programmes based upon the former Audit Commission's fraud and corruption checklists have been used in 2019/20 for all 'key' financial areas identified as part of the annual risk assessment process. The Staffordshire Commissioner Fire and Rescue Authority's and Service's arrangements in place to address the risks relating to fraud and corruption were evaluated against these test programmes.

All issues identified have been reported to management and where appropriate recommendations have been made. These recommendations have been classified as either:

- High (H) - Matter that is considered fundamental to senior management that requires immediate attention and priority action.
- Medium (M) - Matter that is considered significant that should be addressed within six months.
- Low (L) - Matter that merits attention and would improve overall control levels.
- Good Practice/Added Value (GP) – For consideration only.

The satisfactory implementation of these will improve the organisation's control framework.

Overall, the fraud and corruption work carried out in 2019/20 indicates that satisfactory counter fraud and corruption arrangements are in place for those "key" financial areas reviewed.

Payroll & Pensions

Payroll and pensions are considered to be a high-risk area due to the value of expenditure and volume of transactions that are processed on an annual basis. Fraud and corruption work focused upon supervisory checks performed, the authorisation of transactions, controls surrounding amendments to payroll and pensions master data and access permissions to systems as well as an evaluation of the level of separation of duties and monitoring processes in place.

Testing found that the following improvements were needed to enhance the Authority's counter fraud and corruption arrangements:

Payroll

- The need to ensure a letter of assurance over the control environment operated by the payroll provider during 2019/20 is obtained **(L)**;
- The need to ensure that sickness absence is recorded in the payroll system correctly **(M)**;
- The need to ensure that Payroll staff cannot access their own records **(GP)**; and
- The need to ensure payments submitted for drills are claimable **(GP)**.

Pensions

- The need to ensure that calculations in relation to Transfers In to the Staffordshire Pension Fund are checked and signed by a second officer **(L)**;
- The need to ensure that leavers are reported promptly to the Pensions Service provider and marked as Deferred **(L)**;
- The need to ensure that the date of leaving the Staffordshire Pension Fund is accurately recorded **(L);**
- The need to ensure that lump sum payments exceeding £200,000 are approved by the Director of Finance (Staffordshire Commissioner's Officer)/S151 Officer **(L)**;
- The need to ensure that the level of the contractors delegated authority is documented **(M)**;
- The need to ensure that grant claims are signed to evidence that the appropriate secondary check has been performed **(GP)**; and
- The need to ensure that the Director of Finance (Staffordshire Commissioner's Officer)/S151 Officer signs the forecast as evidence of their check **(GP)**.

Financial Ledger

Cash/other income payment types remain highly susceptible to misappropriation. Consequently, sound central systems and an adequate separation of duties are essential to reduce the potential for fraud and corruption.

The financial ledger could be subject to fraudulent manipulation of positions, or falsified transaction entries.

During 2019/20, no areas for improvement were highlighted for the financial ledger.

Insurance

The objective of the audit was to review the current insurance arrangements and provision after a number of changes, including provider, in this area to assist the Fire Service with future options and decisions for cover in the coming years.

Fraud and corruption work focused upon ensuring claims are appropriately and accurately submitted.

Testing found that the following improvements were needed to enhance the Authority's counter fraud and corruption arrangements:

- The need to ensure that SFRS has signed contracts in place with its broker (M)
- The need to ensure that best value has been investigated and can be evidenced in relation to remaining with the same broker since 2006 **(M)**;
- The need to ensure that overpayments are detected and refunded **(GP)**; and
- The need to ensure that the special payment request form is not kept on file when not needed and the document is crossed through or annotated in a way to make clear the payment is not applicable or required **(GP)**.

Firewatch System

Elements of Firewatch were implemented in 2014, since which time use of the system has developed further. The system provides the main interface into the payroll system and determines staff working patterns, crewing, absence and recording of leave details.

This audit focused on the security, integrity and availability of the Firewatch system with regard to one of the important roles it plays providing crewing availability to the Fire Service.

Testing found that the following improvements were needed to enhance the Authority's counter fraud and corruption arrangements:

- The need to ensure that access to the Action slip is not made available to staff via the intranet **(L)**;
- The need to ensure that checks on large scale inputs to the system are being undertaken and evidenced **(L)**; and
- The need to ensure that absence data cannot be manipulated when being transferred to the system from HR **(L)**.

Cyber Security

Cyber security is the encompassment of an organisation's technologies, processes and practices to protect its network and data from attack, damage and unauthorised access. It is now widely considered to be a necessity for most organisations to employ some form of cyber security

defences in order to protect its data. It is also important to consider how cyber security tactics can be deployed to prevent the possibility of internal and external corruption.

During 2019/20, a Patch Management audit review was undertaken. External threats such as hackers, use vulnerabilities to gain access to organisations' systems and data. Patch management is one of the key hygiene processes to protect an organisation from vulnerabilities in their systems, which can then be exploited by hackers. Therefore, it is essential that organisations have a robust patch management regime to adequately protect themselves.

Our testing identified the following areas for improvement in relation to the organisation's counter fraud and corruption arrangements:

- The need to ensure the Patch Management policy documents detailed procedures for each specialist area of patching **(L)**;
- The need to ensure that SFRS receives management information from network providers to provide assurances that patches are being applied to networking and communications components **(L)**;
- The need to ensure the inventory/list of patch requirements are complete **(M)**; and
- The need to define KPIs and KRIs to ensure that minimum defined targets are being met **(L)**.

National Fraud Initiative (NFI) 2018

Internal Audit facilitates the biennial national data matching exercise with a view to identifying and reducing Staffordshire Commissioner Fire and Rescue Authority's and Service's exposure to fraud. In 2018, data covering payroll, pensions and trade creditor transactions was extracted and submitted to the Cabinet Office for matching against other data sets including the Department for Works and Pensions (DWP) records. 140 potential data matches were received back for investigation during the fourth quarter of 2018/19 by the Cabinet Office.

113 of these potential matches have been reviewed and closed by the Fire Service, with no further action being required. Matches relating to pensions are actioned by the West Yorkshire Pension Fund. The remaining 27 matches are still being progressed by SFRS and relate to 'Payroll to Payroll' matches (match highlights when an individual is employed in more than one role). As these matches often involve communications with other external organisations, these matches may take longer to clear.

As approved in the 2019/20 Internal Audit Plan, one day was allocated to provide assistance where required in the investigation of any potential matches. Progress made against matches were reported to ETAP during the year.